The Income & Growth VCT plc

A VENTURE CAPITAL TRUST

Annual Report & Financial Statements
for the year ended 30 September 2016

mobeus
EQUITY PARTNERS

The Income & Growth VCT plc ("the Company", "the VCT" or "I&G") is a Venture Capital Trust ("VCT") listed on the London Stock Exchange. Its investment portfolio is advised by Mobeus Equity Partners LLP ("Mobeus").

Contents

WARNING TO SHAREHOLDERS –

- **Boiler Room fraud and unsolicited communications to shareholders**

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

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

Financial Highlights

- Net asset value total return per share was 3.9% for the year.
- Share price total return per share was 7.8% for the year.
- Dividends paid and proposed in respect of the year total 10.00 pence per share. The proposed final dividend of 4.00 pence per share, if approved, will bring cumulative dividends paid to shareholders in respect of the past five years to 76.00 pence per share.
- This was another exceptional year of realisations, raising £10.74 million of cash proceeds and generating realised gains over cost of £7.31 million.
- £5.12 million[1] was invested into new companies during the year.

[1] This figure includes £4.18 million previously held in companies preparing to trade.

Performance Summary

The net asset value ("NAV") per share at 30 September 2016 was 98.51 pence.

The table below shows the recent past performance of the Company's existing class of shares for each of the last five years.

Reporting date As at 30 September	Net assets (£m)	NAV per share (p)	Share price[1] (p)	Cumulative dividends paid per share (p)	Cumulative total return per share to shareholders[2] (NAV basis) (p)	Cumulative total return per share to shareholders[2] (Share price basis) (p)	Dividends paid and proposed per share in respect of each year (p)
2016	70.84	98.51	88.80	80.50	179.01	169.30	10.00[4]
2015	75.20	106.38	93.50	68.50	174.88	162.00	12.00
2014	69.31	114.60	103.50[3]	50.50	165.10	154.00	18.00
2013	60.47	113.90	99.50	40.50	154.40	140.00	10.00
2012	50.55	109.62	97.00	28.50	138.12	125.50	26.00

[1] Source: London Stock Exchange.

[2] Cumulative total return per share comprises the NAV per share (NAV basis) or the mid-market price per share (share price basis) plus cumulative dividends paid since the launch of the current share class (former 'S' shares) 2006/7.

[3] The share price at 30 September 2014 has been adjusted to add back the dividend of 8.00 pence per share paid on 30 October 2014, as the listed share price was quoted ex this dividend at the year-end.

[4] Dividends paid and proposed per share in respect of 2016 include the final dividend of 4.00 pence referred to above, which is subject to shareholder approval at the Annual General Meeting ("AGM").

Detailed performance data for each of the VCT's fundraisings is provided in the Performance Data appendix on pages 72 - 74. The tables, which give information by allotment date on NAVs and dividends paid per share, are also available on the Company's website at www.incomeandgrowthvct.co.uk where they can be downloaded by clicking on "table" in "Reviewing the performance of your investment".

Chairman's Statement

I am pleased to present to shareholders the Annual Report of the Company for the year ended 30 September 2016.

Overview

This has been another year of solid performance by the Company. Returns to shareholders have again been positive, due both to profitable realisations in the first quarter and steady progress overall from the portfolio.

The results of the EU Referendum and the US election have added further uncertainty to the outlook for the UK and global economies, alongside volatility in financial markets. In this environment, we are continuing to adopt a measured approach to prospective investment opportunities and to valuations within the existing portfolio.

The year also reflects a period of adjustment in response to the new VCT measures introduced by the Finance (No2) Act 2015 ("New VCT Rules"). You will no doubt recall that shareholders approved a new Investment Policy at the Company's annual general meeting in February 2016. As explained to shareholders in my Statement last year, the purpose of this new Investment Policy was to comply with the New VCT Rules, necessary to retain VCT status. Further information on the impact of the New VCT Rules was given in my Statement in last year's Annual Report and in the more recent Half-Year Report. In summary, the New VCT Rules require VCT capital to be invested in younger and smaller companies for growth and development purposes. As a consequence of these more restrictive criteria, a slowdown in new investment has occurred across the whole of the VCT generalist sector. Nonetheless, the Company has now made four new investments, under the Company's new Investment Policy, two of which completed after the year end. Descriptions of these investments are set out under Investment portfolio and in the Investment Adviser's Review on page 11. The Board is pleased to note that the Investment Adviser is reporting a growing pipeline of opportunities, from which we expect the rate of new investment to increase.

Performance

The Company's NAV total return per share was 3.9% for the year ended 30 September 2016 (2015: 8.5%), after adjusting for 12.00 pence per share of dividends paid in the year. This positive NAV return for the year was primarily attributable to first, realised gains from the sale of two investments, namely Tessella and Westway in the first half of the year; secondly, another year of good revenue returns, arising principally from income from loan stock investments; and finally, net unrealised gains due to the strong performances of some of the portfolio companies, reflected notably in rises in the valuations of IDOX plc and Jablite Holdings. There were some falls in valuations too, notably Entanet, although this investment remains valued above cost. A number of other portfolio companies have continued to make steady progress and have increased their profits and cash flow, which have in some cases enabled them to make early repayments of their loan stock.

As a result of this year's performance, the cumulative NAV total return per share (being the closing net asset value plus total dividends paid to date since launch) rose during the year by 2.4% (2015: 5.9%) from 174.88 pence to 179.01 pence.

Using the benchmark of NAV cumulative total return, it is pleasing to report strong relative performance over the long-term as well as in recent years, as compared with the Company's peers. The VCT was ranked in the top quartile over five and ten years amongst generalist (including planned exit) VCTs used by the Association of Investment Companies ("AIC") to measure performance at 31 October 2016. For further details please see page 8 of the Strategic Report.

Final dividend

Your Directors are recommending a final dividend in respect of the year ended 30 September 2016 of 4.00 (2015: 6.00) pence per share. The dividend, comprising 3.00 pence from capital and 1.00 penny from income, will be proposed to shareholders at the AGM of the Company to be held on 8 February 2017, for payment to shareholders on the register on 13 January 2017, on 15 February 2017.

This final dividend is in addition to the interim dividend of 6.00 pence (2015: 6.00 pence) per share, comprising 5.00 pence from capital and 1.00 penny from income, paid on 7 July 2016.

If approved by shareholders, this forthcoming final dividend will bring dividends paid per share in respect of the year ended 30 September 2016 to 10.00 pence (2015: 12.00 pence) and the Company will have paid dividends totalling 76.00 pence per share in respect of the last five years. Shareholders should note, however, as a result of the recent changes to the VCT Rules and the Company's Investment Policy, the Directors believe that the Company will find it a challenge to generate a similar level of dividends over the next five years. We are also reviewing whether the current minimum annual dividend of 6.00 pence per share, set by the Board, remains sustainable in this new investment environment. We will update shareholders in due course.

The Company's Dividend Investment Scheme ("the Scheme") will apply to this dividend and new elections under the Scheme should be received by the Scheme administrator, Capita Asset Services, by no later than Tuesday, 31 January 2017. For further details on the Scheme, please see the Shareholder Information section of this Annual Report on page 67.

Investment portfolio

For the year, the portfolio as a whole achieved a net increase of £2.51 million on investments realised and an increase of £0.55 million on investments still held. Investment proceeds over the original cost of the investment were £7.31 million. The portfolio under management was valued at £54.36 million at the year-end representing 101% of cost and an increase of 5.0% in valuation on a like-for-like basis over the year.

During the year £5.12 million (including £4.18 million previously held in companies preparing to trade) was invested in three new companies and one existing portfolio company. The last MBO investment which the Company made, before the change in VCT legislation took effect, was in Access IS, a leading provider of data capture and scanning hardware.

Four new investments that comply with the New VCT Rules have since been made, two of which were made in the financial year under review. These were Redline, a market leader in the provision of security consultancy and training services to airlines, airports, governments and global distribution companies and MPB Group, Europe's leading online marketplace (www.mpb.com) for used photo and video equipment. Two further new investments were made following the year-end. £0.69 million was invested into BookingTek Limited, a provider of enterprise software to major hotel groups and £0.86 million was invested into Pattern Analytics Ltd (trading as Biosite) a provider of workforce management and security services for the construction sector.

Cash proceeds totalling £10.74 million were received from fourteen companies, that were either sold or which repaid loans. Of this total, £7.39 million was received in the first half of the Company's financial year as cash proceeds from three substantial disposals of Tessella, Westway and Original Additions. Each of these companies achieved significant returns during the time of the Company's investment and jointly realised total gains over cost of £5.95 million.

Full details of the investment activity during the year and a summary of the performance highlights can be found in the Investment Adviser's Review on pages 10 - 13 of this Annual Report.

Industry and regulatory developments

HMRC published its guidance on the New VCT Rules in May 2016 which has provided further information on the new requirements at a detailed and practical level. There remain several areas where further clarity is required and the VCT, the Investment Adviser and the VCT industry as a whole, are continuing to work with Government departments, through its industry bodies, to develop a definitive approach. We hope that further clarity will emerge over time.

Despite the EU Referendum result, the Board is working on the assumption that there will be no further changes to the existing VCT legislation in the near future. Industry bodies are still continuing discussions with HMRC and HM Treasury regarding an amendment to the VCT Rules to permit VCTs to provide some replacement capital as part of an investment. If obtained, this would enlarge the pool of possible investment opportunities for VCTs compared to the more restricted regime that now applies under the New VCT Rules.

The Board's view thus remains that the changes in VCT legislation restrict the universe of companies that the Company can invest in. These changes may cause new investments to carry a higher risk, but could also hold the prospect of higher but more variable returns. The VCT's recent investments into Redline, MPB Group, BookingTek and Biosite are examples of the type of investment the Company is likely to make in the future.

A summary of the current VCT regulations is included on page 4 of this Annual Report.

Fundraising and liquidity

The Company held cash or near cash resources of £29.31 million, including the liquidity held in companies preparing to trade ("CPTs"), at 30 September 2016 representing 41.3% of net assets. The Board is mindful that this level of liquidity is high. This results partly from the impact of the unexpected changes to the VCT Rules which have led to a lower than anticipated amount of new investment in the short to medium term. However, the Investment Adviser has developed a larger pipeline of prospective deals, which should reduce this liquidity over time. The final dividend of 4.00 pence per share being proposed to shareholders at the AGM will have a similar effect.

The Company is not anticipating that there will be any additional fundraising in this tax year to enable the Board to assess further the impact of the New VCT Rules upon future levels of investment.

Audit tender

New legislation has been introduced in the UK on audit firm rotation, resulting from the new European Audit Regulation Directive, making it mandatory for listed companies to undergo a tender process for the audit of their company at least every ten years. An audit firm can, however be appointed for up to twenty years provided a public tender process has been carried out after ten years. The Company, therefore, held an audit tender process in August-September 2016. The Board, on the recommendation of the Audit Committee, has decided to recommend the reappointment of BDO LLP as the Company's external auditor. For further information on the audit tender process and the performance of the auditor, please see the Report of the Audit Committee on pages 33 - 34 of this Annual Report.

Shareholder Event

The Investment Adviser holds an annual VCT event for shareholders in Central London. The event will include presentations on the Mobeus advised VCTs' investment activity and performance. We have been pleased to receive positive comments from those attending in previous years. The next event will again be held at the Royal Institute of British Architects in Central London on Tuesday, 24 January 2017. There will be day-time and separate evening sessions. Shareholders have already been sent an invitation to this event with further details. If you have not replied to the invitation, but would like to attend, please visit the Mobeus website to register. The Board looks forward to meeting all shareholders able to join them at the event.

Outlook

The outcomes of the UK's EU Referendum vote on 23 June 2016 and the more recent US election have had significant and unexpected political repercussions and created a higher degree of global economic uncertainty. The prospect of greater political certainty in the UK followed the appointment of a new Prime Minister and Cabinet. With the possible exception of currency markets, global markets have partially rebalanced from the initial negative reactions. Uncertainty is likely to prevail until the direction of, and potential outcome from, the Brexit negotiations with the EU, trade discussions with other countries and the direction of the new US government become clearer.

In this context, it is too early to comment definitively on the outlook for your Company, but both the Board and Investment Adviser remain positive around future prospects.

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

Colin Hook
Chairman

14 December 2016

Strategic Report

Company Objective and Business Model

Objective

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

Summary of Investment Policy

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

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

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

The full text of the Company's Investment Policy is set out on page 24 of this Strategic Report.

Summary of VCT Regulation

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

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

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

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

* VCT tax value means as valued in accordance with prevailing VCT legislation, which may not be the actual cost of the investment shown in the Investment Portfolio Summary on pages 18 - 23.

The above takes into account legislation up to the Finance Act 2016 which was enacted with effect from 6 April 2016.

The Company and its business model

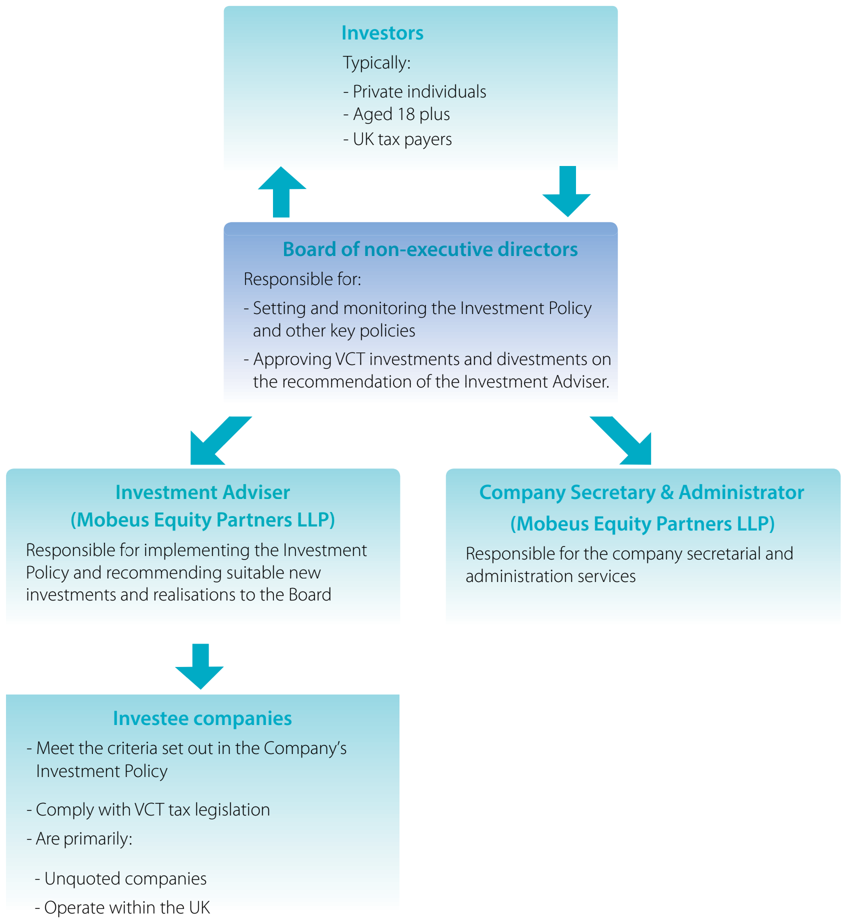
The Company is a Venture Capital Trust and its Objective and Investment Policy are therefore designed to ensure that it continues to qualify and is approved as a VCT by HM Revenue & Customs ("HMRC") whilst maximising returns to shareholders from both income and capital. A summary of the most important rules that determine VCT approval is set out on the previous page.

It is a fully listed company on the London Stock Exchange and is therefore also required to comply with the Listing Rules governing such companies.

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

Private individuals invest in the Company to benefit from both income and capital returns generated by investment performance. By investing in a VCT they are eligible for up-front 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. Investors are also not liable for any capital gains tax upon the eventual sale of the shares. Shares have to be held for a minimum of five years to retain the up-front income tax relief received.

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



Performance

The Board has identified six key performance indicators that it uses in its own assessment of the Company's progress. These are:

- **Annual and cumulative returns per share for the year;**
- **The VCT's performance compared with its peer group;**
- **Dividend policy;**
- **Compliance with VCT legislation;**
- **Share buyback and discount policy; and**
- **Costs.**

It is intended that these will provide shareholders with sufficient information to assess how the Company has performed against its Objective in the year to 30 September 2016, and over the longer term, through the application of its investment and other principal policies:

1. Annual and cumulative returns per share for the year

The Company does not consider it appropriate to set a specific annual and cumulative return per share target for the year. However, shareholders should note that the Board assesses these returns against the Company's ability to meet its current annual dividend target of 6.00 pence per share. Furthermore, before any performance fee is payable, shareholders must benefit from a cumulative NAV total return since 30 September 2013 of at least a compound 6% per annum (5% for the year ended 30 September 2014) before deducting any performance fee for the year of calculation only. For details, see Note 4 to the Financial Statements.

Total shareholder returns per share for the year

The NAV and share price total returns per share for the year ended 30 September 2016 were 3.9% and 7.8% respectively, as shown below:

	NAV basis (p)
Closing NAV per share	98.51
Plus: dividends paid in year	12.00[1]
Total for year	**110.51**
Less: opening NAV per share	106.38
Total return for year per share	**+4.13**
% return for year on opening NAV	**3.9**

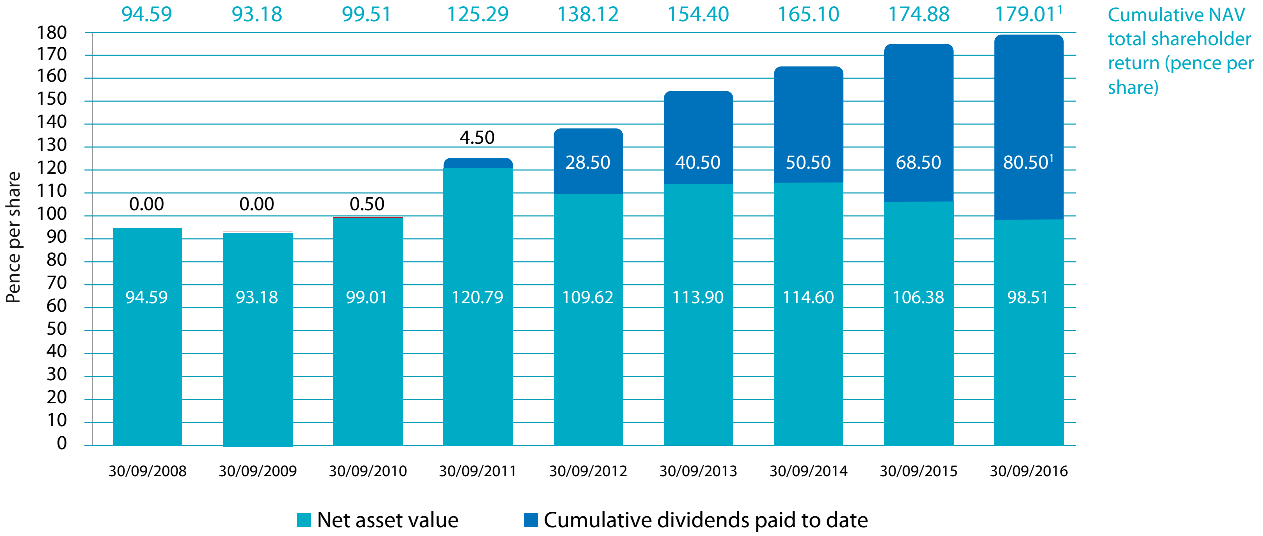
	Share price basis (p)
Closing share price	88.80
Plus: dividends paid in year	12.00[1]
Total for year	**100.80**
Less: opening share price	93.50
Total return for year per share	**+7.30**
% return for year on opening share price	**7.8**

[1] Dividends paid in the year were the final dividend of 6.00 pence per share for the year ended 30 September 2015, paid in February 2016 and the interim dividend of 6.00 pence per share for the year under review, paid in July 2016.

For similar performance data to that shown above for each allotment in each fundraising since the inception of the Company (including the former 'O' Share Fund raised in 2000/01), please see the Performance Data Appendix on pages 72 - 74 of this Annual Report.

Cumulative total shareholder returns per share (NAV basis)

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



[1] A final dividend of 4.00 pence per share will be recommended to shareholders at the AGM. If approved, the NAV per share then prevailing will reduce by a corresponding 4.00 pence when the final dividend is paid.

Internal rate of return ("IRR")

As at 30 September	2016	2015
Internal rate of return (NAV basis)	14.0%	14.7%

These figures include initial income tax relief since the launch of the current share class in February 2008. The IRR is the annual discount rate that equates the net investment cost of 70.00 pence per share, at the date of the original investment, with the value of subsequent dividends received and the latest NAV per share.

Review of financial results for the year

For the year ended	30 September 2016 £(m)	30 September 2015 £(m)
Capital return	1.14	5.13
Revenue return	1.91	1.73
Total return	**3.05**	**6.86**

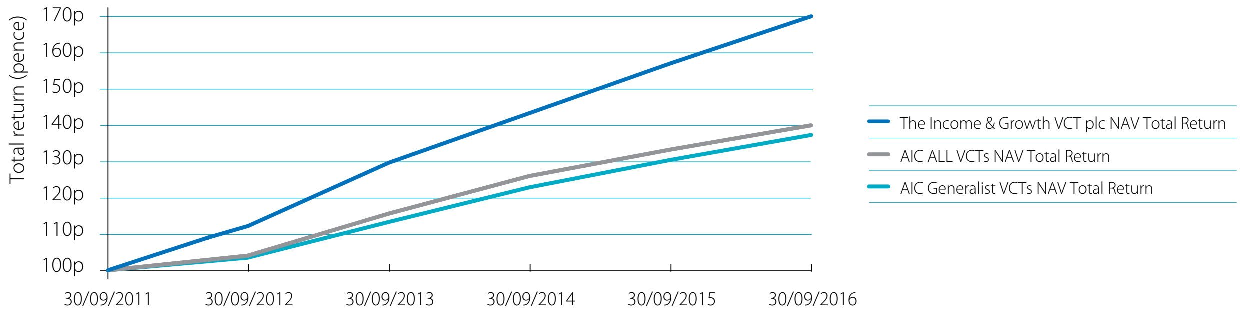
The capital profit for the year of £1.14 million is due to a number of profitable realisations in the first quarter of the year and to an increase in unrealised valuations of the portfolio companies, partially offset by Investment Adviser and performance incentive fees charged to capital.

The revenue profit for the year of £1.91 million is a rise from the previous year, mainly due to an increase in loan stock interest income from £2.67 million to £2.95 million.

Strategic Report

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

The Board places emphasis on benchmarking the Company's performance against its peer group of generalist VCTs and aims to maintain the Company's performance within the top quartile of this peer group. This graph compares the NAV total return of the Company to an index of all VCTs and an index of generalist VCTs, which are members of the AIC over the last five years based on figures published by Morningstar.



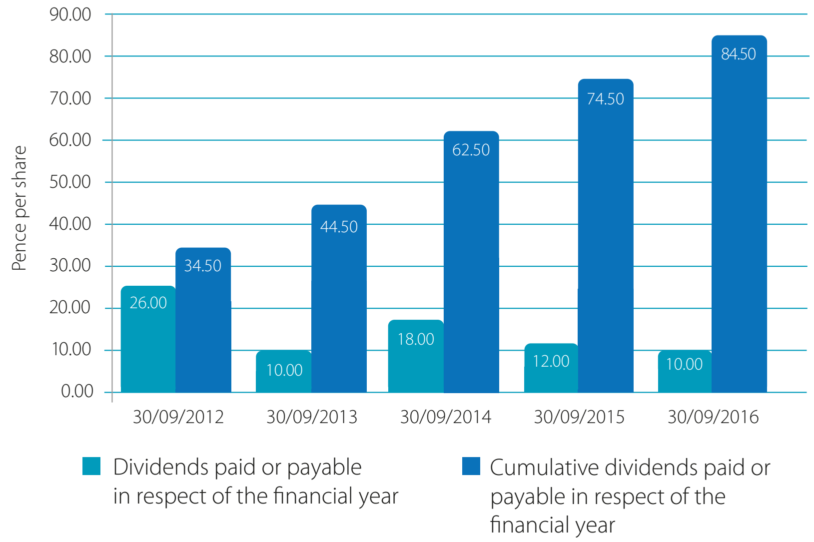
Source: AIC

The NAV total return comprises the NAV per share plus cumulative dividends paid per share, assuming the dividends paid were re-invested on the date on which the shares were quoted ex-dividend in respect of each dividend.

Statistics produced by the AIC (based on information prepared by Morningstar) demonstrate that the Company's total cumulative shareholder return per share (NAV basis) was ranked fourteenth over three years (out of 50 VCTs), eleventh over five years (out of 44 VCTs) and fourth over ten years (out of 32 VCTs) among generalist (including planned exit) VCTs at 31 October 2016.

3. Dividend policy

The Board had previously set an annual dividend target of 6.00 pence per share but, as highlighted in the Chairman's statement, is currently reviewing the sustainability of this for the future following the recent changes to the VCT Rules and the Company's Investment Policy. The Company has paid dividends in excess of its annual targets in respect of each of the last five financial years. However, the ability of the Company to pay dividends in the future cannot be guaranteed and will be subject to performance and available cash and reserves.



Dividends paid or payable per share in respect of the financial year ended 30 September 2016 are 10.00 pence, comprising the interim dividend paid in July 2016 of 6.00 pence and the proposed final dividend of 4.00 pence, which is subject to shareholder approval at the AGM.

Cumulative dividends paid to date are now 80.50 pence per share. The proposed final dividend of 4.00 pence per share, if approved, will increase cumulative dividends paid per share to 84.50 pence since the inception of the current share fund.[1]

[1] The first allotment of the former 'S' Share class, now the current share class, took place on 6 February 2008.

4. Compliance with VCT legislation

In order to comply with VCT tax legislation, the Company must meet a number of tests set by HMRC, the most important of which are set out in the table headed 'Summary of VCT Regulation' on page 4. For the year ended 30 September 2016, the Company continued to meet these tests.

5. Share buyback and discount policy

Subject to the Company having sufficient available funds and distributable reserves, it is the Board's continuing intention to pursue a buyback policy with the objective of maintaining the discount to the latest published NAV per share at which the shares trade at approximately 10%. The discount for the Company's shares at 30 September 2016 was 9.4% (2015: 9.7%) based on the share price shown in the Performance Summary on page 1 and the NAV at 30 June 2016 of 98.06 pence (after deducting the interim dividend of 6.00 pence per share paid on 7 July 2016).

This buyback policy provides a mechanism for the Company to 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, as market liquidity in VCTs is normally very restricted.

Shareholders granted the Directors authority to buyback up to 10.6 million of the Company's own shares, representing 14.99% of the shares in issue at the date of the notice of the meeting, at the AGM held on 10 February 2016. Shares bought back under this authority are cancelled and the Directors do not intend to exercise this authority unless they believe to do so would result in an increase in net assets per share which would be in the interests of shareholders generally. Continuing shareholders benefit from the difference between the NAV per share and the price at which the shares are bought back and cancelled. A resolution to renew this authority will be proposed at the forthcoming AGM. The resolution will grant authority for the Company to buyback up to 10.8 million of the Company's own shares representing 14.99% of the shares in issue and will normally expire at the AGM to be held in 2018.

During the year ended 30 September 2016, shareholders holding 269,713 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 approximately 10% to the previously announced NAV per share. The Company subsequently purchased these shares at prices of between 88.25 - 92.75 pence per share and cancelled them. The Company bought back 0.4% of the issued share capital of the Company at 1 October 2015 during the year.

6. Costs

Although, shareholders do not bear costs in excess of the expense cap of 3.25% of closing net assets, 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 as set out in the table below:

	2016	2015
Ongoing charges	2.8%	2.7%
Performance fee	1.6%	0.9%
Ongoing charges plus accrued performance fee	4.4%	3.6%

The Ongoing Charges Ratio has been calculated using the AIC recommended methodology. This figure shows shareholders the annual percentage reduction in shareholder returns as a result of recurring operational expenses, assuming markets remain static and the portfolio is not traded. Although the ongoing charges figure is based upon historical information, it provides shareholders with an indication of the likely level of costs that will be incurred in managing the fund in the future.

The Ongoing Charges Ratio replaces the Total Expense Ratio previously reported, although the latter will still form the basis of any expenses in excess of the expense cap, that would be borne by the Investment Adviser. There was a slight increase in the ratio (before performance fees) over the year.

There was no breach of the expense cap for the year ended 30 September 2016 (2015: £nil).

Investment Adviser fees and other expenses

Investment Adviser fees charged to both revenue and capital have risen slightly from £1.62 million to £1.68 million with performance incentive fees also increasing from £0.67 million to £1.14 million. This increase in the incentive fee reflects principally the profitable realisations of Tessella Holdings and Westway Services in the year.

Running costs have fallen from £0.44 million to £0.39 million primarily due to a fall in trail commission fees.

Further details of these fees and expenses are contained in Notes 4 and 5 to the Financial Statements on pages 48 - 49.

Investment Adviser’s Review

Portfolio Review

This has been a year of continued progress within the portfolio. The exceptional level of disposals in 2014 and 2015 has reduced the age of the remaining portfolio such that 44% by value (35% by number) of the current portfolio (excluding companies preparing to trade) comprises investments made since the start of 2014. Many of the portfolio companies are generating cash and have made repayments of their loan stock and are trading well.

Having experienced an unprecedented number of profitable realisations over the last two years, the Investment Adviser does not anticipate this level to be repeated in the near to medium term. The focus will generally be on the expansion opportunities our management teams are pursuing, although our recent experience shows that our portfolio companies are often attractive targets for both mid-market private equity houses and acquisitive corporates. In the meantime, the companies held in the existing portfolio continue to generate a solid income streams for the VCT, principally from attractive yields from the loan stock investments held.

Impact of Changes in VCT Rules

The amendments to VCT legislation were a significant change for the VCT industry and required all VCTs to reconsider the type of investments that VCTs can make in future. We have responded to this by adding experienced growth capital investment resource to our existing team. Along with other investment advisers in the industry, we have been focused on familiarising ourselves with the practical implications of the rules on the types of investment opportunities we can now consider for VCT investment. That process is continuing. Although further clarification is still awaited on HMRC’s draft Guidance to the legislation, we are gaining additional practical experience from assessing prospective opportunities at a detailed level and from continuing to seek HMRC Advance Assurance in respect of all new investment proposals. There has been an inevitable slowdown in new deal activity resulting from both the more restrictive criteria for VCT investment under the new VCT rules and delays at HMRC in processing applications for Advance Assurance. Independent research shows that as at 30 September 2016 the amount of completed new investment across the generalist VCT Industry for the first nine months of 2016 had fallen by 35.7% and 53.1% compared to the same periods in 2015 and 2014 respectively.

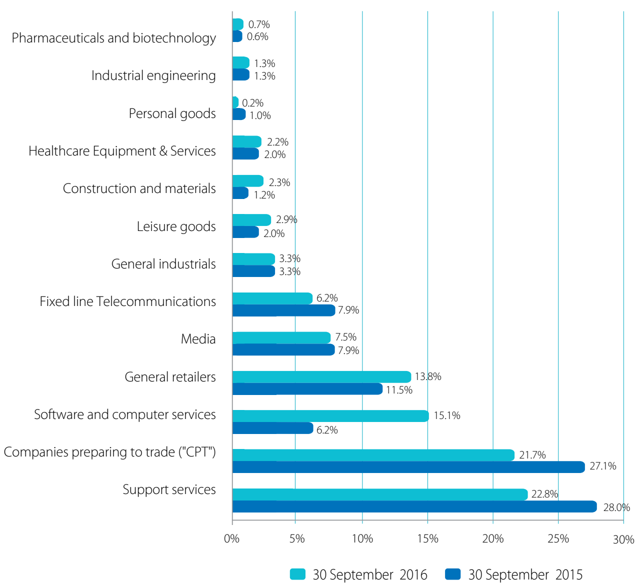
Against this background we are therefore pleased to have made four new investments under the New VCT Rules, being Redline and MPB Group during the year and BookingTek and Pattern Analytics (trading as Biosite) after the year-end, detailed on page 11. We intend that the pace and the quantum of new investment will increase over the coming months.

Impact of Brexit

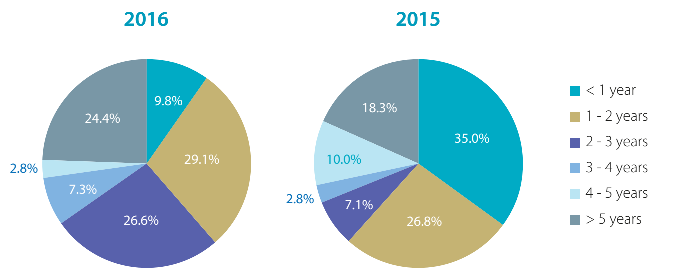
It is too early to comment on the eventual impact of the UK leaving the EU upon the portfolio, in whatever form that departure takes. Whilst the SME sector will not be immune to any general downturn in the UK economy, the portfolio has historically proved to be resilient and we believe will continue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

Investments by market sector at valuation

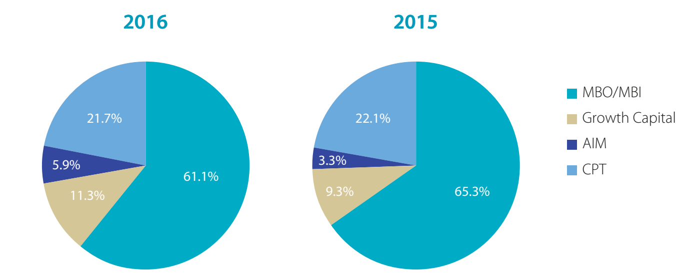
Investments remain spread across a number of sectors, primarily in support services, software and computer services and general retailers.



Age of the portfolio at valuation (including CPTs)



Type of investment transaction at valuation



New investment in the year

A total of £5.12 million (including £4.18 million previously held in companies preparing to trade) was invested into new and existing companies during the year under review. This comprised new investments into Access IS, Redline and MPB Group.

	Company	Business	Date of investment	Amount of new investment (£m)
Access IS	Access IS	Data capture and scanning hardware	October 2015	3.31*

Access IS is a leading provider of data capture and scanning hardware. The company has a significant share of the worldwide market for this technology in airports and strong positions in the fast growing markets of both ID & Security and Transport & Ticketing. This was an opportunity to invest in a longstanding and profitable business that is well positioned in its niche market. The company's latest audited accounts for the year ended 31 December 2015 show annual sales of £11.49 million and profit before interest, tax and amortisation of goodwill of £1.53 million.

* Amounts held in existing companies preparing to trade, Knighton Management (£1.55 million) and Tovey Management (£1.50 million), along with a further £0.26 million from the Company, were used for this investment.

	Company	Business	Date of investment	Amount of new investment (£m)
REDLINE ASSURED SECURITY	Redline	Provision of security products and services	February 2016	1.13*

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

* £1.50 million previously held in Pound FM Consultants Limited, a company preparing to trade, was used for this investment. This resulted in a net repayment of £0.37 million. Pound FM Consultants Limited has subsequently changed its name to Redline Worldwide Limited.

	Company	Business	Date of investment	Amount of new investment (£m)
mpb.com	MPB Group	Online marketplace for used photo and video equipment	June 2016	0.65

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

Further investment into an existing portfolio company

In October 2015, the VCT made a further investment of £0.03 million into Racoon, a premier supplier of ethically sourced hair for hair extensions, to provide additional working capital to enable the business to strengthen its sales team and to allow the company to broaden its product range.

New investment post year-end

	Company	Business	Date of investment	Amount of new investment (£m)
BookingTek	BookingTek	Direct booking software for hotels	October 2016	0.69

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

	Company	Business	Date of investment	Amount of new investment (£m)
BIOSITE®	Biosite	Workforce management	November 2016	0.86

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

Realisations in the year

The VCT realised three investments during the year under review for cash proceeds totalling £7.39 million. This comprised the very successful realisations of Tessella and Westway as well as the final loan stock payment and related interest from Original Additions. Other realisations were £1.53 million, including post-sale receipts from the companies referred to below. With the loan repayments of £1.82 million listed opposite, total net cash proceeds for the year amounted to £10.74 million.

	Company	Business	Period of investment	Total cash proceeds over the life of the investment/ Multiple over cost
Tessella	Tessella	Science powered technology and consulting services	July 2012 – December 2015	£4.91 million 2.8 times cost

The VCT sold its investment in Tessella to the French engineering consultancy, Altran Group plc for £4.04 million. Founded in 1980, Tessella is now a global business. In 2011 the company received the prestigious Queen's Award for Enterprise in Innovation for its work on preserving the integrity of digital information over long periods of time, irrespective of numerous changes in technology. As part of the sale transaction, the Company has retained a small investment in this data archiving business, Preservica, which was previously held within Tessella. The sale returned an IRR of 42% and during the three and a half years of this investment, revenue increased by 43% from £18.5 million in 2012 to £26.5 million forecast for the current financial year. The Company has realised a gain, over current cost, of £2.68 million, being 3.80 pence per share.

	Company	Business	Period of investment	Total cash proceeds over the life of the investment/ Multiple over cost
WESTWAY	Westway	Air conditioning systems	June 2009 – December 2015	£3.76 million 6.7 times cost

The VCT sold its investment in Westway to ABM Industries Inc, one of the largest facility management services providers in the US, for £2.81 million. During the period of the investment Westway, which is headquartered in Middlesex and was founded in 2001, expanded its range of services from heating, ventilation and air conditioning and now offers other technical services including mechanical and electrical maintenance, energy services, communications, security systems and the servicing of electronic garment picking systems. The sale returned an IRR of 48%. The Company has realised a gain over current cost of £2.76 million, being 3.90 pence per share.

	Company	Business	Period of investment	Total cash proceeds over the life of the investment/ Multiple over cost
original additions	Original Additions	Beauty products	September 2004 – March 2016	£4.41 million 4.4 times cost

Original Additions repaid the final tranche of its loan stock on the sale of the company to PDC Brands, a US private equity backed personal products business. Original Additions serves the retail and professional beauty markets with three leading brands. Over the lifetime of the investment, the company returned an IRR of 41%.

In addition to the above, the Company received a further £1.53 million from investments realised in a previous period. This mainly comprised £1.29 million as deferred consideration primarily from App-DNA (£0.78 million), Focus (£0.29 million) and Alaric (£0.12 million). In addition, £0.24 million was received in consideration for the shares of Pound FM (a company preparing to trade).

Loan stock repayments

Loan stock repayments totalled £4.35 million for the year, including £2.53 million as part of the proceeds from the companies realised above. Positive cash flow at three other companies (in addition to Pound FM, a company preparing to trade) contributed to the balance of £1.82 million, summarised below:-

Company	Business	Month	Amount (£000's)
Ward Thomas	Logistics, storage and removals business	December-January	1,225
Jablite	Expanded polystyrene products	October-April	316
Motorclean	Vehicle cleaning and valeting services	October-February	143
Pound FM	Company preparing to trade	February	136
Total			**1,820**

Mobeus Equity Partners LLP
Investment Adviser
14 December 2016

Principal Investments in the Portfolio at 30 September 2016

Strategic Report

Virgin Wines Holding Company Limited

www.virginwines.co.uk

Cost	£2,746,000
Valuation	£3,707,000

Basis of valuation
Earnings multiple

Equity % held
13.7%

Income receivable in year
£262,588

Business
Online wine retailer

Location
Norwich

Original transaction
Management buyout

Audited financial information

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

Additions/disposals during the year

None.

Tovey Management Limited

www.access-is.com

Cost	£3,314,000
Valuation	£3,533,000

Basis of valuation
Earnings multiple

Equity % held
13.6%

Income receivable in year
£252,856

Business
Provider of data capture and scanning hardware

Location
Reading

Original transaction
Management buyout

Audited financial information

Year ended	31 December 2015[1]
Turnover	£11,488,000
Operating profit	£1,526,000
Net assets	£5,236,000
Year ended	31 December 2014[1]
Turnover	£9,952,000
Operating profit	£1,220,000
Net assets	£3,765,000

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

Additions/disposals during the year

New investment made in October 2015.

Entanet Holdings Limited

www.enta.net

Cost	£3,175,000
Valuation	£3,352,000

Basis of valuation
Earnings multiple

Equity % held
14.0%

Income receivable in year
£292,584

Business
Wholesale voice and data communications provider

Location
Telford, Shropshire

Original transaction
Management buyout

Audited financial information

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

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

Additions/disposals during the year

None.

Media Business Insight Holdings Limited

www.mb-insight.com

Cost £3,667,000

Valuation £2,981,000

Basis of valuation
Earnings multiple

Equity % held
21.2%

Income receivable in year
£131,966

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

Location
London

Original transaction
Management buyout

Audited financial information

Year ended	31 December 2015[1]
Turnover	£8,768,000
Operating profit	£595,000
Net assets	£1,867,000

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

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

Additions/disposals during the year

None.

ASL Technology Holdings Limited

www.aslh.co.uk

Cost £2,722,000

Valuation £2,871,000

Basis of valuation
Earnings multiple

Equity % held
13.3%

Income receivable in year
£225,198

Business
Printer and photocopier services

Location
Cambridge

Original transaction
Management buyout

Audited financial information

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

Year ended	30 September 2014
Turnover	£13,266,000
Operating profit	£1,176,000
Net liabilities	£(3,123,000)

Additions/disposals during the year

None.

IDOX plc

www.idoxgroup.com

Cost £454,000

Valuation £2,833,000

Basis of valuation
Bid price (AIM quoted)

Equity % held
1.2%

Income receivable in year
£36,086

Business
Knowledge management products

Location
London

Original transaction
Growth capital

Audited financial information

Year ended	31 October 2015
Turnover	£62,575,000
Operating profit	£16,024,000
Net assets	£53,639,000

Year ended	31 October 2014
Turnover	£60,677,000
Operating profit	£14,443,000
Net assets	£48,590,000

Additions/disposals during the year

None.

Principal Investments in the Portfolio at 30 September 2016

Veritek Global Holdings Limited

www.veritekglobal.com

Cost £2,290,000

Valuation £2,298,000

Basis of valuation
Earnings multiple

Equity % held
14.6%

Income receivable in year
£256,069

Business
Maintenance of imaging equipment

Location
Eastbourne, East Sussex

Original transaction
Management buyout

Audited financial information

Year ended	31 March 2016
Turnover	£18,953,000
Operating profit	£1,009,000
Net liabilities	£(322,000)

Year ended	31 March 2015
Turnover	£22,165,000
Operating profit	£2,379,000
Net liabilities	£(72,000)

Additions/disposals during the year

None.

Fullfield Limited

www.motorclean.net

Cost £1,518,000

Valuation £2,020,000

Basis of valuation
Earnings multiple

Equity % held
13.2%

Income receivable in year
£145,337

Business
Vehicle cleaning and valet services

Location
Laindon, Essex

Original transaction
Management buyout

Audited financial information

Year ended	31 March 2015
Turnover	£41,166,000
Operating profit	£1,358,000
Net assets	£1,586,000

Year ended	31 March 2014
Turnover	£38,155,000
Operating profit	£2,554,000
Net assets	£2,567,000

Additions/disposals during the year

Fullfield made loan re-payments totalling £0.14 million during the year.

Tharstern Group Limited

www.tharstern.com

Cost £1,454,000

Valuation £1,778,000

Basis of valuation
Earnings multiple

Equity % held
16.2%

Income receivable in year
£118,166

Business
Software-based management information systems to the print sector

Location
Colne, Lancashire

Original transaction
Management buyout

Audited financial information

Year ended	31 January 2016[1]
Turnover	£4,460,000
Operating profit	£756,000
Net assets	£1,718,000

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

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

Additions/disposals during the year

None.

CGI Creative Graphics International Limited

www.cgi-visual.com

Cost	£1,944,000
Valuation	£1,768,000

Basis of valuation
Earnings multiple

Equity % held
8.4%

Income receivable in year
£193,604

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

Location
Kempston, Bedfordshire

Original transaction
Management buyout

Audited financial information

Year ended	29 February 2016
Turnover	£12,528,000
Operating profit	£1,046,000
Net assets	£800,000
Year ended	28 February 2015[1]
Turnover	£12,124,000
Operating profit	£1,682,000
Net assets	£2,521,000

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

Additions/disposals during the year

None.

Gro-Group Holdings Limited

www.gro.co.uk

Cost	£2,399,000
Valuation	£1,652,000

Basis of valuation
Earnings multiple

Equity % held
16.3%

Income receivable in year
£168,621

Business
Manufacturer and distributor of baby sleep products

Location
Ashburton, Devon

Original transaction
Management buyout

Audited financial information

Period ended	31 December 2015
Turnover	£21,018,000
Operating profit	£1,789,000
Net assets	£1,110,000
Year ended	30 June 2014
Turnover	£12,854,000
Operating profit	£1,588,000
Net assets	£1,287,000

Additions/disposals during the year

None.

Vian Marketing Limited

www.tushingham.com

Cost	£1,207,000
Valuation	£1,593,000

Basis of valuation
Earnings multiple

Equity % held
9.5%

Income receivable in year
£76,039

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

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

Additions/disposals during the year

None.

Investment Portfolio Summary

for the year ended 30 September 2016

	Ordinary shares Cost at 30 September 2016 £	Ordinary shares Valuation at 30 September 2016 £	Other investments[1] Cost at 30 September 2016 £	Other investments[1] Valuation at 30 September 2016 £	Total Cost at 30 September 2016 £	Total Valuation at 30 September 2015 £
Virgin Wines Holding Company Limited Online wine retailer	65,288	1,026,311	2,680,215	2,680,215	2,745,503	3,462,350
Tovey Management Limited (trading as Access IS)[4] Provider of data capture and scanning hardware	1,222,899	254,819	2,091,033	3,278,098	3,313,932	1,504,000
Entanet Holdings Limited Wholesale communications provider	601,612	-	2,573,559	3,351,685	3,175,171	4,790,700
Media Business Insight Holdings Limited A publishing and events business focused on the creative production industries	1,466,622	-	2,199,934	2,980,641	3,666,556	3,666,556
ASL Technology Holdings Limited Printer and photocopier services	484,337	141,195	2,237,769	2,729,594	2,722,106	3,196,284
I-Dox plc[5] Developer and supplier of knowledge management products	453,881	2,833,470	-	-	453,881	1,687,581
Manufacturing Services Investment Limited Company seeking to carry on a business in the manufacturing sector	668,400	668,400	2,039,700	2,039,700	2,708,100	2,708,100
Veritek Global Holdings Limited Maintenance of imaging equipment	61,522	69,270	2,228,337	2,228,337	2,289,859	2,494,306
Fullfield Limited (trading as Motorclean) Vehicle cleaning and valet services	619,980	507,691	897,754	1,512,742	1,517,734	1,634,751
Tharstern Group Limited Software based management information systems for the printing industry	451,328	344,368	1,002,950	1,433,555	1,454,278	2,012,448
CGI Creative Graphics International Limited Vinyl graphics to global automotive, recreation vehicle and aerospace markets	639,084	-	1,304,864	1,768,414	1,943,948	1,990,351
Gro-Group Holdings Limited Baby sleep products	226,161	-	2,172,767	1,651,824	2,398,928	1,788,187
Vian Marketing Limited (trading as Tushingham Sails) Design, manufacture and sale of stand-up paddleboards and windsurfing sails	364,864	389,427	842,573	1,203,676	1,207,437	1,207,437
Hollydale Management Limited Company seeking to carry on a business in the food sector	621,600	621,600	932,400	932,400	1,554,000	1,554,000
Backhouse Management Limited Company seeking to carry on a business in the motor sector	601,600	601,600	902,400	902,400	1,504,000	1,504,000
Barham Consulting Limited Company seeking to carry on a business in the catering sector	601,600	601,600	902,400	902,400	1,504,000	1,504,000
Chatfield Services Limited Company seeking to carry on a business in the retail sector	601,600	601,600	902,400	902,400	1,504,000	1,504,000
Creasy Marketing Services Limited Company seeking to carry on a business in the textile sector	601,600	601,600	902,400	902,400	1,504,000	1,504,000
McGrigor Management Limited Company seeking to carry on a business in the pharmaceutical sector	601,600	601,600	902,400	902,400	1,504,000	1,504,000
EOTH Limited (trading as Equip Outdoor Technologies) Distributor of branded outdoor equipment and clothing including the Rab and Lowe Alpine brands	138,331	139,971	1,244,982	1,355,336	1,383,313	1,696,968
RDL Corporation Limited Recruitment consultants within the pharmaceutical, business intelligence and IT industries	250,752	-	1,190,915	1,409,809	1,441,667	892,906

Notes

1 'Other investments' comprise principally loan stock instruments, and/or relatively small amounts of preference shares.

2 The percentage of equity held, and the amounts co-invested, in these companies by funds managed by Mobeus Equity Partners LLP are disclosed in Note 10 to the Financial Statements.

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

4 £1,504,000 invested in Tovey Management, a company preparing to trade, was used to acquire Knighton Management, a second company preparing to trade held at 30 September 2015, and Azio Limited (the holding company for Access IS) on 2 October 2015. The Company also advanced a non-qualifying loan of £255,932 to Access IS Limited.

5 Investment formerly managed by Nova Capital Management Limited until 31 August 2007.

Additional investments £	Total Valuation at 30 September 2016 £	Interest receivable in year £	Dividends receivable in year £	Unrealised gains/(losses) in year £	Realised gains in year £	Net proceeds in year £	% of equity held[2,3]	% of portfolio by value
-	3,706,526	262,121	467	244,177	-	-	13.7%	6.8%
255,932	3,532,917	252,856	-	218,985	-	-	13.6%	6.5%
-	3,351,685	292,584	-	(1,439,015)	-	-	14.0%	6.2%
-	2,980,641	131,966	-	(685,915)	-	-	21.2%	5.5%
-	2,870,789	225,198	-	(325,495)	-	-	13.3%	5.3%
-	2,833,470	-	36,086	1,145,889	-	-	1.2%	5.2%
-	2,708,100	-	-	-	-	-	16.7%	5.0%
-	2,297,607	256,069	-	(196,699)	-	-	14.6%	4.2%
-	2,020,433	145,337	-	528,864	-	143,182	13.2%	3.7%
-	1,777,923	118,166	-	(234,525)	-	-	16.2%	3.3%
-	1,768,414	193,604	-	(221,937)	-	-	8.4%	3.3%
-	1,651,824	168,621	-	(136,363)	-	-	16.3%	3.0%
-	1,593,103	76,039	-	385,666	-	-	9.5%	2.9%
-	1,554,000	-	-	-	-	-	15.5%	2.8%
-	1,504,000	-	-	-	-	-	15.0%	2.8%
-	1,504,000	-	-	-	-	-	15.0%	2.8%
	1,504,000	-	-	-	-	-	15.0%	2.8%
	1,504,000	-	-	-	-	-	15.0%	2.8%
-	1,504,000	-	-	-	-	-	15.0%	2.8%
-	1,495,307	132,425	-	(201,661)	-	-	2.5%	2.7%
-	1,409,809	173,858	14,056	516,902	-	-	13.0%	2.6%

Investment Portfolio Summary

for the year ended 30 September 2016

	Ordinary shares Cost at 30 September 2016 £	Ordinary shares Valuation at 30 September 2016 £	Other investments[1] Cost at 30 September 2016 £	Other investments[1] Valuation at 30 September 2016 £	Total Cost at 30 September 2016 £	Total Valuation at 30 September 2015 £
Jablite Holdings Limited (formerly Duncary 16 Limited) Manufacturer of expanded polystyrene products	450,900	1,204,972	47,890	66,080	498,790	727,290
Bourn Bioscience Limited Management of In-vitro fertilisation clinics	460,108	56,276	1,150,271	1,150,271	1,610,379	1,220,035
Redline Worldwide Limited (formerly Pound FM Consultants Limited)[4] Provider of security services to the aviation industry and other sectors	362,534	362,534	766,587	766,587	1,129,121	1,504,000
Turner Topco Limited (trading as ATG Media)[5] Publisher and online auction platform operator	4,472	-	1,524,603	1,114,321	1,529,075	1,135,058
Leap New Co Limited (trading as Ward Thomas Removals, Bishopsgate and Aussie Man & Van) A specialist logistics, storage and removals business	681,870	878,989	313	-	682,183	1,907,095
The Plastic Surgeon Holdings Limited Supplier of snagging and finishing services to the property sector	40,697	397,689	365,472	438,526	406,169	618,566
Aquasium Technology Limited[6] Manufacturing and marketing of bespoke electron beam welding and vacuum furnace equipment	166,667	598,044	83,333	83,333	250,000	799,825
MPB Group Limited Online marketplace for used photographic equipment	495,295	495,295	154,780	154,780	650,075	-
Blaze Signs Holdings Limited Manufacturer and installer of signs	401,550	591,510	16,731	16,731	418,281	858,687
Omega Diagnostics Group plc In-vitro diagnostics for food intolerance, autoimmune diseases and infectious diseases	280,026	367,511	-	-	280,026	320,843
Vectair Holdings Limited Designer and distributor of washroom products	53,207	302,147	193	193	53,400	235,230
Racoon International Holdings Limited Supplier of hair extensions, hair care products and training	568,664	17,812	87,187	87,187	655,851	74,999
LightWorks Software Limited Provider of software for CAD and CAM vendors	20,471	61,212	-	-	20,471	51,266
BG Training Limited Technical training business	-	-	70,833	70,833	70,833	-
Corero Network Security plc[6] Provider of e-business technologies	600,000	9,577	-	-	600,000	12,033
Newquay Helicopters (2013) Limited (in liquidation) Helicopter service operator	24,684	-	-	-	24,684	42,500
CB Imports Group Limited (trading as Country Baskets) Importer and distributor of artificial flowers, floral sundries and home decor products	175,000	-	-	-	175,000	-
Oxonica Limited[6] International nanomaterials group	2,524,527	-	-	-	2,524,527	-
NexxtDrive Limited/Nexxt E-drive Limited[7] Developer and exploiter of mechanical transmission technologies	487,014	-	-	-	487,014	-
alwaysOn Group Limited[6] Design, supply and integration of data storage solutions	165,661	-	-	-	165,661	-
Biomer Technology Limited[7] Developer of biomaterials for medical devices	137,170	-	-	-	137,170	-

Notes

1 'Other investments' comprise principally loan stock instruments, and/or relatively small amounts of preference shares.

2 The percentage of equity held, and the amounts co-invested, in these companies by funds managed by Mobeus Equity Partners LLP are disclosed in Note 10 to the Financial Statements.

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

4 £1,129,121 invested in Pound FM Consultants Limited, a company preparing to trade, was used for the investment into Redline Worldwide. This resulted in a net repayment to the Company of £374,879.

5 Shares and loan stock in Turner Topco Limited arose as proceeds from the part realisation of ATG Media Holdings Limited.

6 Investment formerly managed by Foresight Group LLP up to various dates ending on or before 10 March 2009.

7 Investment formerly managed by Nova Capital Management Limited until 31 August 2007 and by Foresight Group until various dates ending on or before 10 March 2009.

Additional investments £	Total Valuation at 30 September 2016 £	Interest receivable in year £	Dividends receivable in year £	Unrealised gains/(losses) in year £	Realised gains in year £	Net proceeds in year £	% of equity held[2,3]	% of portfolio by value
-	1,271,052	13,359	-	772,262	87,339	315,840	12.1%	2.3%
-	1,206,547	92,022	-	(13,488)	-	-	10.9%	2.2%
-	1,129,121	67,302	-	-	-	374,879	9.1%	2.1%
-	1,114,321	-	-	(20,737)	11,111	11,111	3.8%	2.0%
-	878,989	31,789	6,129	196,806	-	1,224,912	5.8%	1.6%
-	836,215	28,491	21,929	217,649	-	-	7.6%	1.5%
-	681,377	15,487	-	(118,448)	-	-	16.7%	1.3%
650,075	650,075	-	-	-	-	-	7.3%	1.2%
-	608,241	-	-	(250,446)	-	-	12.5%	1.1%
-	367,511	-	-	46,668	-	-	2.1%	0.7%
-	302,340	-	36,081	67,111	-	-	4.6%	0.6%
30,000	104,999	-	-	-	-	-	14.2%	0.2%
-	61,212	-	167	9,946	-	-	9.2%	0.1%
-	70,833	-	-	70,833	-	-	0.0%	0.1%
-	9,577	-	-	(2,456)	-	-	0.1%	0.0%
-	-	-		(24,684)	-	17,816	5.0%	0.0%
-	-	-	-	-	-	-	6.0%	0.0%
-	-	-	-	-	-	-	10.6%	0.0%
-	-	-	-	-	-	-	3.9%	0.0%
-	-	-	-	-	-	-	10.3%	0.0%
-	-	-	-	-	-	-	3.5%	0.0%

Investment Portfolio Summary

for the year ended 30 September 2016

	Ordinary shares Cost at 30 September 2016 £	Ordinary shares Valuation at 30 September 2016 £	Other investments[1] Cost at 30 September 2016 £	Other investments[1] Valuation at 30 September 2016 £	Total Cost at 30 September 2016 £	Total Valuation at 30 September 2015 £
Watchgate Limited Holding company	1,000	-	-	-	1,000	-
Preservica Limited[4] Seller of proprietary digital archiving software	-	-	-	-	-	-
Disposed in year						
Tessella Holdings Limited[4] Provider of science powered technology and consulting services	-	-	-	-	-	3,448,417
Westway Services Holdings (2014) Limited Installation, service and maintenance of air conditioning systems	-	-	-	-	-	1,561,033
AppDNA Limited Provider of software repackaging services	-	-	-	-	-	-
Original Additions Topco Limited Sale of beauty products	-	-	-	-	-	537,948
Focus Pharma Holdings Limited Licensor and distributor of generic pharmaceuticals	-	-	-	-	-	-
Alaric Systems Limited Software developer and provider of support services for retail credit card payment systems	-	-	-	-	-	-
Monsal Holdings Limited Supplier of engineering services to the water and waste sectors	-	-	-	-	-	-
Youngman Group Limited Manufacturer of ladders and access towers	-	-	-	-	-	-
Knighton Management Limited[5] Former company preparing to trade, used to support the investment into Tovey Management Limited (trading as Access IS)	-	-	-	-	-	1,554,000
Total	**19,446,178**	**15,348,090**	**34,419,945**	**39,016,868**	**53,866,123**	**60,415,750**

Notes

1 'Other investments' comprise principally loan stock instruments, and/or relatively small amounts of preference shares.

2 The percentage of equity held, and the amounts co-invested, in these companies by funds managed by Mobeus Equity Partners LLP are disclosed in Note 10 to the Financial Statements.

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

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

5 £1,504,000 invested in Tovey Management, a company preparing to trade, was used to acquire Knighton Management, a second company preparing to trade held at 30 September 2015, and Azio Limited (the holding company for Access IS) on 2 October 2015. The Company also advanced a non-qualifying loan of £255,932 to Access IS Limited.

Additional investments £	Total Valuation at 30 September 2016 £	Interest receivable in year £	Dividends receivable in year £	Unrealised gains/(losses) in year £	Realised gains in year £	Net proceeds in year £	% of equity held[2,3]	% of portfolio by value
-	-	-	-	-	-	-	33.3%	0.0%
-	-	-	-	-	-	-	6.3%	0.0%
-	-	17,745	-	-	595,289	4,043,706	0.0%	0.0%
-	-	12,546	-	-	1,252,209	2,813,242	0.0%	0.0%
-	-	-			182,662	782,662	0.0%	0.0%
-	-	238,690	-	-	-	537,948	0.0%	0.0%
-	-	-	-	-	288,665	288,665	0.0%	0.0%
-	-	-	-	-	24,175	124,175	0.0%	0.0%
-	-	-	-	-	51,226	51,226	0.0%	0.0%
-	-	-	-	-	13,470	13,470	0.0%	0.0%
-	-	634	-	-	-	-	0.0%	0.0%
936,007	**54,364,958**	**2,946,909**	**114,915**	**549,889**	**2,506,146**	**10,742,834**		**100.0%**

Strategic Report

Investment Policy

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

Investments are made selectively across a number of sectors, principally in established companies.

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

VCT regulation

The Investment Policy is designed to ensure that the Company continues to qualify and is approved as a VCT by HMRC.

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

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

Asset Mix

The Company initially holds its funds in a portfolio of interest bearing investments and deposits. The investment portfolio of qualifying investments is built up over a three year period with the aim of investing and maintaining at least 70% of net funds raised in qualifying investments.

Risk diversification and maximum exposures

Risk is spread by investing in a number of businesses across different industry sectors. To reduce the risk of high exposure to equities, each qualifying investment is structured to achieve the optimum balance between loan stock and equity to provide protection against downside risk alongside the best potential overall returns.

Co-investment

The Company is entitled to invest alongside other VCTs advised by Mobeus that have a similar investment policy, normally on a pro rata to net assets basis.

Borrowing

The Company's Articles of Association permit borrowing of up to 10% of the adjusted capital and reserves (as defined therein). However, it has never borrowed and the Board has currently no plans to undertake any borrowing.

Other Key Policies

In addition to the Investment Policy, 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.

Cash available for investment and liquidity

The Company's cash and liquid resources are held in a range of instruments of varying maturities including liquid, low risk Money Market Funds and bank deposits, subject to the overriding criterion that the risk of loss of capital be minimised. The Company has participated in the Mobeus VCTs' annual fundraisings in 2010-15 to maintain sufficient funds to meet the day-to-day expenses of the Company, dividend distributions and purchases of the Company's own shares, whilst maintaining the ability to invest in attractive opportunities.

Board diversity

The Directors have considered diversity in relation to the composition of the Board and have concluded that its membership is diverse in relation to gender and breadth of experience. The Board currently 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.

Further policies

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

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

and these are set out in the Directors' Report on pages 28 - 29.

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. The principal risks identified by the Board, a description of the possible consequences of each risk and how the Board manages each risk are set out below. The Board regularly sets and reviews policies for financial risk management and full details of these can be found in Note 16 to the Financial Statements on pages 59 – 66.

Risk	Possible consequence	How the Board manages risk
Investment and strategic	Investment in unquoted small companies involves a higher degree of risk than investment in fully listed companies. Smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals.	● *The Board regularly reviews the Company's Strategy including its Investment Policy.* ● *Careful selection and review of the Investment portfolio on a regular basis.*
Loss of approval as a Venture Capital Trust	A breach of the VCT Rules may lead to the Company losing its approval as a VCT, which would result in qualifying shareholders who have not held their shares for the designated period having to repay the income tax relief they obtained and future dividends paid by the Company being subject to tax. The Company would also lose its exemption from corporation tax on capital gains.	● *The Company's VCT qualifying status is continually reviewed by the Board and the Investment Adviser.* ● *The Board receives regular reports from its VCT Status Adviser who has been retained by the Board to monitor the VCT's compliance with the VCT Rules.* ● *The Board is conscious that this is currently a heightened risk following the recent changes to the VCT Rules.*
Regulatory	The Company is required to meet its legal and regulatory obligations as a VCT, a listed company and as its own Alternative Investment Fund Manager (AIFM). Failure to comply might result in suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report or loss of the Company's status as a VCT.	● *Regulatory and legislative developments are kept under review by the Board.*
Counterparty	A counterparty may fail to discharge an obligation or commitment that it has entered into with the Company.	● *The Board regularly reviews and agrees policies for managing these risks. Further details can be found in the discussion on 'credit risk' in Note 16 to the Financial Statements on pages 61 - 62.*
Economic	Events such as the impact of the recent UK EU Referendum vote, an economic recession and movements in interest rates could affect trading conditions for smaller companies and consequently the value of the Company's qualifying investments.	● *The Board monitors (1) the portfolio as a whole to ensure that the Company invests in a diversified portfolio of companies and (2) developments in the macro-economic environment such as movements in interest rates.*
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, reviews the risks facing the Company at each quarterly Board meeting and receives reports by exception.* ● *It reviews the performance of the service providers annually.*
Market	Movements in the UK Stock Market indices will inevitably impact on the valuation of the VCT's investments.	● *The Board receives and reviews quarterly valuation reports from the Investment Adviser.* ● *The Investment Adviser alerts the Board about any adverse movements.*
Asset liquidity	The Company's investments may be difficult to realise.	● *The Board receives reports from the Investment Adviser and reviews the portfolio at each quarterly board meeting. It carefully monitors investments where a particular risk has been identified.*
Market liquidity	Shareholders may find it difficult to sell their shares at a price which is close to the net asset value.	● *The Board has a share buyback policy which seeks to mitigate market liquidity risk for shareholders. This policy is reviewed at each quarterly board meeting.*

Going Concern and 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 earlier in this Strategic Report. The Directors have satisfied themselves that the Company continues to maintain a significant cash position. It has not raised funds this year, other than the relatively small amounts from its Dividend Investment Scheme. The majority of companies in the portfolio continue to trade profitably and the portfolio taken as a whole remains resilient and well diversified. The major cash outflows of the Company (namely investments, share buybacks and dividends) are within the Company's control. The Board's assessment of liquidity risk and details of the Company's policies for managing its capital and financial risks are shown in Note 16 to the Financial Statements on pages 59 - 66. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the annual Financial Statements.

Viability Statement

The Financial Reporting Council updated the UK Corporate Governance Code in September 2014. The updated Code includes a requirement for companies to include a "Viability Statement" in the Annual Report addressed to shareholders with the intention of providing an improved and broader assessment of long term solvency and liquidity. The Directors are required to choose a period for which the statement relates that is appropriate to the Company's business and have chosen a period of three years, as explained further below.

The Directors have carried out a robust assessment of the principal risks facing the Company and these are listed on page 25. Subsequent to this review they have a reasonable expectation that the Company will continue to operate and meet its liabilities, as they fall due, for the next three years. This period has been chosen, as a period longer than three years currently creates a level of future uncertainty for which a Viability Statement cannot, in the Directors' view, be made meaningfully. The chosen three year period should accommodate any necessary transitioning of the Company's Investment Policy to focus upon growth capital transactions which continues to be an ongoing process. The Directors' assessment has been made with reference to the Company's current position and prospects, the Company's present strategy, the Board's risk appetite and the Company's principal risks and how these are managed, as described on page 25. 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 "maximising the stream of tax-free dividend distributions from the income and capital gains from a diverse and carefully selected portfolio of investments" remains valid. The Board has focused upon the range of future investments that the Company will be permitted to fund under the latest VCT legislation.

The Board expects the new legislation to cause the focus of new investment to move to financing growth capital opportunities, and anticipates that positive returns should continue to be achievable from future investments and from the existing portfolio. The Company has already made four new investments in compliance with the new rules and its revised Investment Policy and the Investment Adviser is building a healthy pipeline of such investments. The Board will however be monitoring this assumption on a regular basis as the change in focus will take time to manifest itself in executing such investments, and the prospective returns thereon are currently less clear until such investments are made over the next three years.

The Board considers that the Company's liquidity is currently at adequate levels and has no plans to raise further capital in the current tax year but intends to maintain liquidity at a satisfactory level at all times.

Shareholders should be aware that, under the Company's Articles, it is required to hold a continuation vote at the next AGM falling after the fifth anniversary of last allotting shares. As shares were last allotted in July 2016 (under the Company's Dividend Investment Scheme), 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, please see the Chairman's Statement on pages 2 - 3.

Colin Hook
Chairman

14 December 2016

Board of Directors

Colin Hook

Independent, Non-Executive Chairman

Age: 74

Date of appointment: 13 October 2000

Qualifications: MA

Experience: Colin has had extensive financial and commercial experience. He has an MA from the University of Cambridge. Colin has worked in the City for more than thirty years. During this time, he successfully founded two fund management companies and directed fund management operations for more than ten years. His City involvement also includes mergers and acquisitions. From 1994 to 1997 he was the Chief Executive of Ivory and Sime plc. Until February 2013, he was the Chief Executive of Pole Star Space Applications Limited, a company which he helped to found in 1998 and which is today the world's leading provider of real-time tracking information for the maritime industry. He remains a director on this board. Until September 2010, he was chairman and a director of Mobeus Income and Growth 4 VCT plc.

Jonathan Cartwright

Independent, Non-Executive Director

Age: 63

Date of appointment: 1 August 2010.

Qualifications: Fellow of the Institute of Chartered Accountants in England and Wales, BSc (Engineering Sciences).

Experience: Jonathan is a qualified Chartered Accountant. He has significant experience of the investment trust sector and of serving on the boards of both public and private companies in executive and non-executive roles. Jonathan joined Caledonia Investments plc in 1989, serving as finance director from 1991 to December 2009. Prior to this he was group financial controller at Hanson plc 1984 - 1989. He was a non-executive director of Bristow Group Inc. (from 1996 to 2009) and of Serica Energy plc (from 2008 to 2012). He is non-executive chairman of BlackRock Income & Growth Investment Trust plc and also of Aberforth Geared Income Trust plc. He is also a non-executive director of Tennants Consolidated Limited.

Helen Sinclair

Non-Executive Director

Age: 50

Date of appointment: 29 January 2003.

Qualifications: MA, MBA

Experience: Helen has extensive experience of investing in a wide range of small and medium sized businesses. She has an MA from the University of Cambridge and an MBA from INSEAD Business School. She worked for 3i (1991 to 1998) and subsequently co-founded Matrix Private Equity in 2000 (now Mobeus Equity Partners), raising two funds, Mobeus Income & Growth 2 VCT plc and Matrix Enterprise Fund. Helen is chairman of British Smaller Companies VCT plc and a non-executive director of Downing ONE VCT plc, Gresham House Strategic plc, FTGS Holdco Limited and Mobeus Income & Growth 4 VCT plc (the latter being advised by Mobeus).

Directors' Report

The Directors present the Annual Report and Financial Statements of the Company for the year ended 30 September 2016.

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

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

The Company is registered in England and Wales as a Public Limited Company (registration number 4069483).

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

To enable capital profits to be distributed by way of dividends, the Company revoked its status as an investment company as defined in section 833 of the Companies Act 2006 ("the Companies Act") on 30 November 2005. The Company does not intend to re-apply for such status.

Share capital

The Company's ordinary shares of 1 penny each, formerly 'S' Shares, are listed on the London Stock Exchange ("LSE"). The shares were first admitted to the Official List of the UK Listing Authority ("UKLA") and to trading on the LSE on 8 February 2008. Following the merger of the former classes of 'O' Shares (first admitted to the Official List of the UKLA and to trading on 15 November 2000) and 'S' Shares on 29 March 2010 ("the Merger"), the listing of the 'S' Shares was amended to ordinary shares of 1p in the capital of the Company on 30 March 2010 and the 'O' Share listing was cancelled.

During the year under review, the Company issued 1,490,729 shares under the Company's Dividend Investment Scheme ("DIS") (2015: 10,769,867 shares: 9,043,518 shares issued under an offer for subscription and 1,726,349 shares issued under the DIS) and bought back 269,713 (2015: 553,800) of its own shares.

The issued share capital of the Company as at 30 September 2016 was £719,140 (2015: £706,930) and the number of shares in issue at this date was 71,914,023 (2015: 70,693,007).

Substantial interests

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

Dividend

The Directors are recommending to shareholders a final dividend in respect of the year ended 30 September 2016 of 4.00 pence per share.

Directors

The names of, and brief biographical details on, each of the Directors are given on page 27 of this Annual Report.

Disclosure of information to the Auditor

So far as the Directors in office at 30 September 2016 are aware, there is no relevant audit information of which the Auditor is unaware. They have individually taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Directors' indemnity

The Directors have individually entered into Deeds of Indemnity with the Company which indemnifies each Director, subject to the provisions of the Companies Act 2006 and the limitations set out in each deed, against any liability arising out of any claim made against him or her in relation to the performance of their duties as Directors of the Company. Copies of each Deed of Indemnity entered into by the Company for the Directors are available at the registered office of the Company.

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

Articles of association

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

Post balance sheet events

For a full list of post balance sheet events that have occurred since 30 September 2016, please see Note 19 to the Financial Statements on page 66.

Social and environmental policies

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

Environmental and social responsibility

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

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

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).

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 the Company's 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 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.

Whistleblowing

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

Annual General Meeting

The Notice of the Annual General Meeting of the Company to be held **at 11.00 am on 8 February 2017 at The Clubhouse, 8 St James's Square, London SW1Y 4JU** is set out on pages 69 - 71 of this Annual Report. Please note that The Clubhouse is a new venue. 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 Capita Shareholder Portal.

Resolutions 1 – 10 are being proposed as ordinary resolutions requiring more than 50% of the votes cast at the meeting to be in favour and Resolutions 11 and 12 will be proposed as special resolutions requiring the approval of at least 75% of the votes cast at the meeting. The following is an explanation of the main business to be proposed.

Remuneration policy and Directors' annual remuneration report (Resolutions 2 and 3)

The Directors are proposing that shareholders approve the Company's Remuneration Policy as set out on pages 35 - 36 of the Annual Report as they are required to do once every three years (resolution 2). The result of this resolution will be binding upon the Directors. Resolution 3 will propose the approval of the Annual Remuneration Report which describes how the policy will be implemented during the coming year.

Re-appointment of the external auditor (Resolution 4)

Following an audit tender process, the Directors are proposing the re-appointment of BDO LLP as the Company's external auditor. For further information, please see the Report of the Audit Committee on pages 33 - 34 of the Annual Report.

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

Colin Hook and Helen Sinclair have both served on the Board for more than nine years and in accordance with the recommendation of the AIC Code of Corporate Governance and the Company's Policy on tenure, have agreed to stand for re-election annually. Jonathan Cartwright has agreed to stand for re-election every three years in accordance with the Articles and will also be standing for re-election at this meeting.

Directors' Report

Authorities for the Directors to allot shares in the Company (Resolution 10) and disapply the pre-emption rights of members (Resolution 11).

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 10 will enable the Directors to allot new shares up to an aggregate nominal value of £237,314 representing approximately one-third of the existing issued share capital of the Company as at the date of the notice convening the AGM.

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 11 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 £165,400 in connection with offer(s) for subscription;

(ii) with an aggregate nominal value of up to, but not exceeding, five per cent of the issued share capital from time to time pursuant to any dividend investment scheme operated by the Company at a subscription price which is less than the net asset value per share; and

(iii) otherwise than pursuant to (i) or (ii) above, with an aggregate nominal value of up to five per cent of the issued share capital 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 allotment (less costs). The Directors thus seek to manage any potential dilution of existing shareholdings as a result of the disapplication of shareholders' pre-emption rights proposed in resolution 11.

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

Both of these authorities, unless previously renewed, varied or revoked, will expire on the date falling fifteen months after the passing of the resolution or, if earlier, on the conclusion of the annual general meeting of the Company to be held in 2018. However, the Directors may allot securities after the expiry dates specified above in pursuance of offers or agreements made prior to the expiration of these authorities. Both resolutions generally renew previous authorities approved at the annual general meeting of the Company held on 10 February 2016.

The Board intends to allot shares under the Company's Dividend Investment Scheme in respect of the proposed final dividend to be paid to shareholders on 15 February 2017. The Board has no plans at the current time to fundraise for the Company or any other further immediate intention of exercising the above powers.

Authority to purchase the Company's own shares (Resolution 12)

This resolution authorises the Company to purchase its own shares pursuant to section 701 of the Companies Act. The authority is limited to the purchase of an aggregate of 10,779,912 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 to do so would result in an increase in net assets per share which would be in the interests of shareholders generally. This resolution will expire on the date falling fifteen months after the passing of this resolution or, if earlier, on the conclusion of the Company's annual general meeting to be held in 2018 except that the Company may purchase its own shares after this date in pursuance of a contract or contracts made prior to the expiration of this authority.

Voting rights of shareholders

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

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

By order of the Board

Mobeus Equity Partners LLP
Company Secretary

14 December 2016

Corporate Governance Statement

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

The Directors have adopted the Association of Investment Companies (AIC) Code of Corporate Governance 2015 ("the AIC Code") for the financial year ended 30 September 2016.

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

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

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

Statement of compliance

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

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

Internal control

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

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

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 contracts from a risk perspective and receives reports from the Registrar and Investment Adviser and Administrator when appropriate.

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

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

The system of internal control and the procedure for the review of control systems has been in place and operational throughout the year under review and up to the date of this Report. The Audit Committee and the Board carried out an assessment of the effectiveness of internal controls in managing risk on 30 November 2016. The Board has identified no significant problems with the Company's internal control mechanisms.

Financial risk management

The main risks arising from the Company's financial instruments are due to investment risk, fluctuations in the market price and interest rates, credit risk and liquidity risk. The Board regularly reviews and agrees policies for managing these risks and full details can be found in Note 16 to the Financial Statements on pages 59 - 66 of this Annual Report.

Investment management and service providers

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

The Directors carry out an Annual Review of the performance of and contractual arrangements with the Investment Adviser. The annual review of the Investment Adviser forms part of the Board's overall internal control procedures as discussed elsewhere. As part of this review, the Board considers the quality and continuity of the investment management team, investment

Corporate Governance Statement

performance, quality of information provided to the Board, remuneration of the Investment Adviser, the investment process and the results achieved to date. A review of the performance of the Company is included in the Strategic Report on pages 6 - 9. The Board concluded that the Investment Adviser has performed consistently well over the medium term and has returned a good performance in respect of the year under review. The Company's investment portfolio has performed well and the Investment Adviser has been proactive in responding to the changes to VCT tax legislation introduced towards the end of last year. Whilst there has been a reduction in the number of new investments made during the year, which has been reflected throughout the VCT industry, the Investment Adviser is focussing on building its growth capital team and the pipeline for such investments. The strength of the Investment Adviser in its sector was further evidenced by the fact that Mobeus has received significant industry awards over a number of years.

The Board places significant emphasis on the Company's performance against its peers and further information on this has been included in the Strategic Report on page 8. The Board further considered the Investment Adviser's commitment to the promotion of the Company and was satisfied that this was highly prioritised by the Investment Adviser as evidenced by, inter alia, the Mobeus VCT fundraisings which had taken place annually between 2010 and 2015 and annual shareholder events.

The Board considers that the Investment Adviser continues to exercise independent judgement while producing valuations which reflect fair value. Overall, the Board continues to believe that the Investment Adviser possesses the experience, knowledge and resources that are required to support the Board in achieving the Company's long term investment objectives. The Directors therefore believe that the continued appointment of Mobeus as Investment Adviser to the Company on the terms currently agreed is in the interests of shareholders and this was formally approved by the Board on 14 September 2016.

The principal terms of the Company's Investment Management Agreement dated 29 March 2010 as amended on 30 November 2016 and its Performance Incentive Fee Agreement dated 30 September 2014 are set out in Note 4 to the Financial Statements on pages 48 - 49 of this Annual Report. The Board seeks to ensure that the terms of these Agreements represent an appropriate balance between cost and incentivisation of the Investment Adviser.

Investment Adviser fees

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

In addition, the Investment Adviser received fees totaling £340,145 (2015: £456,297) during the year ended 30 September 2016, being £127,267 (2015: £251,159) for arrangement fees, and £212,878 (2015: £205,138) for acting as non-executive directors on a number of investee company boards. These amounts are the share of such fees attributable to investments made by the Company.

Alternative Investment Fund Manager ("AIFM")

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

The Board and its Committees

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. Resolutions are proposed annually at each annual general meeting of the Company to authorise the Directors to allot shares, disapply the pre-emption rights of members and buyback the Company's own shares on behalf of the Company. These authorities are currently in place and resolutions to renew them will be proposed at the Annual General Meeting of the Company to be held on 8 February 2017.

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 & Remuneration Committee and terms of reference of committees; material contracts of the Company and contracts of the Company not in the ordinary course of business.

The Board has established three Committees, the Investment Committee, the Audit Committee and the Nomination & Remuneration Committee, each with responsibilities for specific areas of its activity. The Board has satisfied itself that each of its Committees has sufficient resources to undertake its duties. Each of the Committees has written terms of reference, which detail their authority and duties. Shareholders may obtain copies of these by making a written request to the Company Secretary or by downloading these documents from the Company's website: www.incomeandgrowthvct.co.uk.

Full descriptions of the work of the Audit and Nomination & Remuneration Committees are set out in the Report of the Audit Committee and the Directors' Remuneration Report on pages 33 - 34 and 35 - 37, respectively, of this Annual Report.

Investment Committee

The Investment Committee is chaired by Helen Sinclair and comprises all three Directors. The Committee meets as necessary to consider the investment proposals put forward by the Investment Adviser. The Committee advises the Board on the development and implementation of the Investment Policy and leads the process for the ongoing monitoring of investee companies and the Company's investment therein. Investment guidelines have been issued to the Investment Adviser and the Committee ensures that these guidelines are adhered to. New investments and divestments are approved by written resolution of the Committee following discussion between Committee members and are subsequently ratified by the Board. Investment matters are discussed extensively at Board meetings.

Report of the Audit Committee

During the year, the Committee formally approved 20 investment, divestment and variation decisions and met informally on numerous occasions.

The Committee considers and agrees, on the advice of the Investment Adviser and under the guidance of the Audit Committee, all unquoted investment valuations for recommendation to the Board. Investments are valued in accordance with the International Private Equity and Venture Capital (IPEVC) Valuation Guidelines under which investments are valued at fair value as defined in those guidelines. Any AIM or other quoted investment will be valued at the closing bid price of its shares as at the relevant reporting date, in accordance with generally accepted accounting practice. For further information on the Company's investment portfolio, please see pages 18 - 23 of the Strategic Report.

By order of the Board

Mobeus Equity Partners LLP
Company Secretary
14 December 2016

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

The Audit Committee is chaired by Jonathan Cartwright and comprises all three Directors. A summary of the Audit Committee's principal activities for the year to 30 September 2016 is provided below:

Financial statements

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

Internal control

The Committee monitored the system of internal controls throughout the year under review and as described in more detail in the Corporate Governance Statement on page 31. It received reports by exception on the Company's progress against its internal controls at its annual and half-yearly results meetings and reviews a schedule of key risks at each meeting. A full review of the internal controls in operation by the Company was undertaken by the Committee on 30 November 2016.

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 continued 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 IPEVC Valuation Guidelines. The Committee received a report on the valuations from the external auditor as part of both the year-end audit process and the half-year review. These reports were discussed in full by the Committee with the Auditor and the Investment Adviser before a recommendation to approve the valuations was made to the Board.

Key issues considered by the Committee

In addition to the valuation of investments, the key accounting and reporting issues considered by the Committee during the year have included:

Going concern and long-term viability of the Company

The Committee monitored the Company's resources at each quarterly board meeting and has satisfied itself that the Company has an adequate level of resources for the foreseeable future. It has assessed the viability of the Company for the next three years. Its conclusions in respect of both going concern and viability are set out in the Strategic Report on page 26.

Consideration was given to the cash balances and holdings in money market funds, together with the ability of the Company to realise its investments.

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 engages the services of a VCT Status Adviser to advise on its ongoing compliance with the legislative requirements relating to VCTs. A report on the Company's compliance supported by the tests carried out is produced by the VCT Status Adviser on a bi-annual basis and reviewed by the Committee for recommendation to the Board. The Committee has continued to consider the risk and compliance aspects of changes to the VCT Rules introduced by the Finance Act (No 2) 2015 as the implications of the changes have become clearer. As an essential part of this work, the Committee has held ongoing discussions with the Company's VCT Status Adviser throughout the year.

Report of the Audit Committee

Income from investee companies

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

Key risks faced by the Company

The Board has identified the key risks faced by the Company and established appropriate controls (set out in the Strategic Report on page 25). The Committee monitors these controls and reviews any incidences of non-compliance. Further details are set out in the section of this report that discusses the Company's system of internal controls (page 31).

Relationship with the external Auditor

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

Non-audit services

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

The Audit Committee has concluded that it is in the interests of the Company to purchase certain non-audit services from the external Auditor given its knowledge of the Company and considers these to be acceptable under the FRC's ethical standard. The services contracted for during the year were tax compliance services and iXBRL tagging and certain agreed upon procedures relating to the calculation of the incentive fee paid for the year ended 30 September 2015 and the half-year report.

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. Also, with the exception of certain agreed upon procedures in respect of the half-year report and the incentive fee, the work is undertaken by separate teams and none of the services involved undertaking any management role in preparing the information reported in the Financial Statements.

Re-appointment of the external auditor

The Committee undertook a review of BDO's performance during the 2015 audit and considered the effectiveness of the audit process. When assessing the effectiveness of the process, the Committee considers whether the Auditor:

- met the agreed audit plan;
- 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 cost-effective and 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 was in the best interests of the Company and shareholders.

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

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

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

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

By order of the Board

Jonathan Cartwright
Chairman of the Audit Committee

14 December 2016

Directors' Remuneration Report

This report has been prepared by the Directors in accordance with the requirements of Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (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 on page 37 of this report and this is explained further in its report to shareholders on pages 39 - 41.

Remuneration statement by the Chairman of the Nomination & Remuneration Committee

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

The Board, on the recommendation of the Nomination and Remuneration Committee ("the Committee"), has reviewed the fees paid in the year ended 30 September 2016 and decided not to make any changes to the level of fees paid to the Directors at the current time. As part of this review, it considered information on the fees paid to directors of a peer group of VCTs of a similar size operating in its sector. The basic Directors' fees have remained unchanged since 1 January 2006 and the supplements paid to members of the Investment and Audit Committees (in recognition of the complexity and volume of the work of these committees) have not increased since 1 October 2008 and 2012 respectively.

Jonathan Cartwright
Chairman of the Nomination & Remuneration Committee

14 December 2016

Directors' Remuneration Policy

In determining the Company's remuneration policy, the Committee and the Board seek to determine a level of fees appropriate to attract and retain individuals of sufficient calibre to lead the Company in achieving its Objective. When considering the level of Directors' fees, it takes account of the workload and responsibilities of each role and the value and amount of time that a Director is required to commit to the Company. It further considers remuneration levels elsewhere in the Venture Capital Trust industry for companies of a similar size and structure, together with other relevant information.

Supplements are paid to the Directors in respect of their membership of the Investment (£6,000) and Audit Committees (£5,000). The Directors may at their discretion pay additional sums in respect of specific tasks carried out by individual Directors on behalf of the Company.

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.

The remuneration policy is set by the Board on the recommendation of the Nomination and Remuneration Committee. The level of fees paid to each of the Directors is reviewed annually by the Nomination and Remuneration Committee which makes recommendations to the Board. The Committee has access to independent advice where and when it considers it appropriate.

Performance related remuneration

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

Additional benefits

The Company does not have any schemes in place to pay bonuses or benefits to the Directors. 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. The Company does not have any schemes in place to provide compensation for loss of office.

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, as modified from time to time.

Shareholders' views on remuneration

The Board prioritises the views of shareholders very highly and encourages a full and frank discussion at general meetings of the Company. It takes shareholders' views into account, where appropriate, when formulating its remuneration policy.

Directors' terms of appointment

All of the Directors are non-executive. The Articles of Association 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 re-election at the first annual general meeting following their appointment.

The Articles of Association of the Company ("the Articles") further state that, subject to the provisions of the Companies Act, one-third of the Directors shall retire from office by rotation at each annual general meeting, or if their number is not a multiple of three, the number nearest to but not greater than one-third. Colin Hook and Helen Sinclair have both agreed to offer themselves for re-election annually as both of these Directors have served on the Board for more than nine years and Helen Sinclair is considered to be a non-independent director. Jonathan Cartwright has agreed to offer himself for re-election every three years. The Directors retiring at each annual general meeting may become eligible for re-election in accordance with the Articles.

All Directors receive a formal letter of appointment setting out the terms of their appointment and the specific duties and responsibilities and the fees pertaining to the appointment. None of the Directors have a service contract with the Company. A Director's appointment may be terminated on three months' notice being given by the Company and in certain other circumstances. Copies of the Directors' appointment letters will be available for inspection at the place of the Annual General Meeting for at least fifteen minutes prior to and during the meeting.

New Directors are asked to undertake that they will have sufficient time to carry out their responsibilities to the Company and to disclose their other significant time commitments to the Board before appointment.

Directors' Remuneration Report

Future policy

The table below illustrates how the Company's Objective is supported by its Remuneration Policy. It sets out details of each component of the pay package and the maximum amount receivable during the forthcoming year by each Director. The Nomination & Remuneration Committee and the Board review the fees paid to Directors annually in accordance with the Remuneration Policy set out on page 35 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.

Director Role	Components of pay package			Maximum payment for the forthcoming year
	Directors' fees	Supplements for committee membership		
		Audit Committee	Investment Committee	
Colin Hook Chairman	£35,000	£6,000	£5,000	£46,000
Jonathan Cartwright Chairman, Audit and Nomination & Remuneration Committees	£25,000	£6,000	£5,000	£36,000
Helen Sinclair Chairman, Investment Committee	£25,000	£6,000	£5,000	£36,000
Total fees payable	**£85,000**	**£18,000**	**£15,000**	**£118,000**

Company Objective

To provide investors with a regular income stream, by way of tax-free dividends generated from income and capital returns.

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.

Shareholder approval of the Company's remuneration policy

This policy applied throughout the year ended 30 September 2016 and will continue to apply to the current year ending 30 September 2017.

A resolution to approve the Directors' Remuneration Policy as set out in the Annual Report for the year ended 30 September 2013 was approved unanimously by shareholders on a show of hands at the Annual General Meeting of the Company held on 12 February 2014. The Company also received proxy votes in favour of the resolution representing 90.0% (including those who appointed the Chairman to vote at his discretion) of the votes received (against: 6.9%; withheld: 3.1%).

The Board is required to ask shareholders to approve the Remuneration Policy every three years. The Directors are therefore recommending that shareholders approve such a resolution to be proposed at the Annual General Meeting of the Company to be held on 8 February 2017.

Annual Remuneration Report

This section of the Directors' Remuneration Report sets out how the above Remuneration Policy has been implemented during the year.

A resolution to approve the Annual Remuneration Report as set out in the Annual Report for the year ended 30 September 2015 was approved unanimously by shareholders on a show of hands at the Annual General Meeting of the Company held on 10 February 2016.

The Company also received proxy votes in favour of the resolution representing 93.1% (including those who appointed the Chairman to vote at his discretion) of the votes received (against: 3.3%; withheld: 3.6%). An ordinary resolution for the approval of this Annual Remuneration Report will be proposed at the forthcoming Annual General Meeting of the Company to be held on 8 February 2017.

Nomination and Remuneration Committee

The Committee comprises the full Board and is chaired by Jonathan Cartwright. All members of the Committee are considered to be independent of the Investment Adviser with the exception of Helen Sinclair. The Committee meets at least once a year and is responsible for making recommendations to the Board on remuneration policy and reviewing the policy's ongoing appropriateness and relevance. It carries out an annual review of the remuneration of the Directors and makes recommendations to the Board on the level of Directors' fees. 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. However, it was not considered necessary to take any such advice during the year under review. The Committee met once during the year under review with full attendance from all its members.

In considering nominations, the Committee is responsible for making recommendations to the Board concerning new appointments of Directors to the Board and its committees; the periodic review of the composition of the Board and its committees; and the annual performance review of the Board, the Directors and the Chairman. This includes the ongoing review of each Director's actual or potential conflicts of interest which may arise as a result of the external business activities of Board members. No appointments were made during the year under review. The Board has made a commitment to consider diversity, including gender as part of the recruitment process for future appointments. Following the performance evaluation of the Directors during the year, the Board confirms that each of the Directors continue to demonstrate commitment to their roles and to be effective in carrying out their duties on behalf of the Company.

Audited information

Total individual emoluments paid to the Directors during the year (audited)

	Total Directors' fees year to: 30 September 2016 £	30 September 2015 £
Colin Hook	46,000	46,000
Jonathan Cartwright	36,000	36,000
Helen Sinclair	36,000	36,000
Total	**118,000**	**118,000**

No sums were paid to third parties in respect of any of the director's services during the year under review.

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

The Directors, however, believe that it is in the best interests of the Company and its shareholders for each Director to maintain an interest in the Company. The Directors who held office throughout the year under review and their interests as at 30 September 2016 were:

	30 September 2016		30 September 2015	
Director	**Shares held**	**Percentage of issued share capital**	**Shares held**	**Percentage of issued share capital**
Colin Hook	75,780	0.11%	75,780	0.11%
Jonathan Cartwright	18,085	0.03%	15,903	0.02%
Helen Sinclair	20,018	0.03%	20,018	0.03%

During the year under review, Jonathan Cartwright was allotted a total of 2,182 shares under the Company's Dividend Investment Scheme. There were no further movements in the holdings of each Director of the Company's shares during the year or between the year-end and the date of this report.

Relative importance of spend on Directors' fees

	Year to 30 September 2016 £	Year to 30 September 2015 £	Percentage increase/ (decrease)
Total directors' fees	118,000	118,000	-
Dividends paid/payable in respect of the year	7,146,472	8,449,946	(15.4)%
Share buybacks	249,518	527,852	(52.7)%

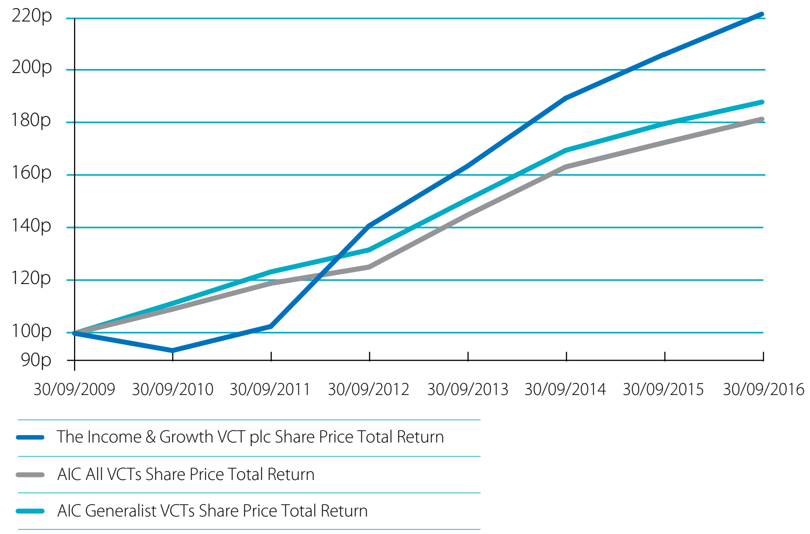
Directors' attendance at Board and Committee meetings in 2015-16

The table below sets out the Director's attendance at quarterly Board meetings and Committee meetings held during the year ended 30 September 2016. In addition to the quarterly Board meetings, the Board met on other occasions to consider specific issues as they arose.

Directors	Board Meetings		Audit Committee Meetings		Nomination & Remuneration Committee Meetings	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Colin Hook	4	4	4	4	1	1
Jonathan Cartwright	4	4	4	4	1	1
Helen Sinclair	4	4	4	4	1	1

Company performance

The graph below charts the total cumulative shareholder return of the Company's shares on a share price basis (assuming all dividends have been re-invested and excluding the tax reliefs available to shareholders) over the past seven years compared with that of an index of all VCTs and an index of generalist VCTs which are members of the AIC (based on figures provided by Morningstar). The Board considers that the AIC provides the most relevant statistical information on the VCT sector to use to measure the Company's relative performance over the medium to long term. The total shareholder returns have been rebased to 100 at 30 September 2009.



The share price total return comprises the share price plus cumulative dividends paid per share assuming the dividends paid were re-invested on the date on which the shares were quoted ex-dividend in respect of each dividend.

The former 'O' Share class was merged into the former 'S' Share class on 29 March 2010 to form the current class of shares. This graph therefore shows the performance of the former 'S' Fund class of shares up until the merger on 29 March 2010.

An explanation of the performance of the Company is given in the Chairman's Statement on pages 2 - 3, the Performance section of the Strategic Report on pages 6 - 9 and in the Investment Adviser's Review and Investment Portfolio Summary on pages 10 - 23.

By order of the Board

Jonathan Cartwright
Chairman of the Nomination & Remuneration Committee
14 December 2016

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare Financial Statements for each financial year and the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of 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 Director's Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

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

Website publication

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

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

The Directors confirm to the best of their knowledge that:

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

Neither the Company nor the Directors accept any liability to any person in relation to the Annual Report except to the extent that such liability could arise under English law.

The names and functions of the Directors are stated on page 27.

For and on behalf of the Board

Colin Hook
Chairman

14 December 2016

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

Our opinion on the financial statements

In our opinion The Income & Growth VCT plc Financial Statements for the year ended 30 September 2016, which have been prepared by the Directors in accordance with applicable law and United Kingdom Accounting Standards:

- give a true and fair view of the state of the Company's affairs as at 30 September 2016 and its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

What our opinion covers

Our audit opinion on the Financial Statements covers the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the related Notes.

Respective responsibilities of directors and auditor

As explained more fully in the 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. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

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

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

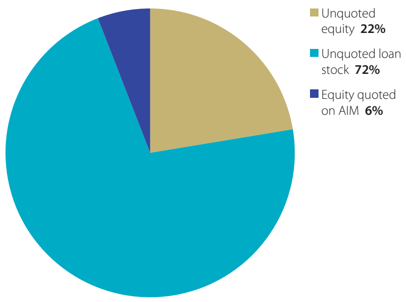
Our audit approach was developed by obtaining an understanding of the company's activities, the key functions undertaken on behalf of the Board by the Investment Adviser and Administrator and the overall control environment. Based on this understanding we assessed those aspects of the Company's transactions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

Valuation of investments

The valuation of investments is a key accounting estimate where there is an inherent risk of management override arising from the investment valuations being prepared by the Investment Adviser, who is remunerated based on the net asset value of the Company.

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

Investments by type



In respect of unquoted investments our sample for testing was stratified according to risk, having regard to the subjectivity of the inputs to the valuations. 25% of the portfolio is based on price of recent investment or cost, including cash held within companies seeking to acquire a trade. For such investments, we verified the cost or price of recent investment to supporting documentation and reviewed the Investment Adviser's determination of whether there were any reasons why the valuation did not remain appropriate, including obtaining evidence of the cash balance where appropriate.

73% of the unquoted investment portfolio is valued in accordance with more subjective techniques, mainly on an earnings multiple basis, as described in Note 9 to the Financial Statements. In respect of the sample selected for detailed testing (representing 99% by value of the investments valued using more subjective techniques) we:

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

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

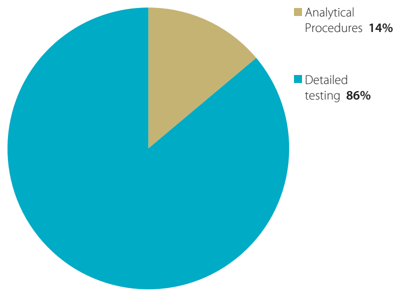
In respect of equity investments quoted on AIM (6% of the total portfolio value), we obtained the year end price and confirmed that bid price had been used as the most appropriate indication of fair value.

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

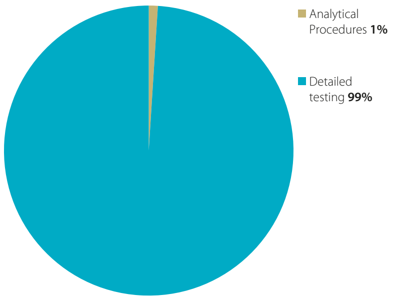
The remainder of the portfolio was subject to analytical procedures to confirm there were no unexpected movements in value warranting further investigation.

The extent of our testing is detailed below:

Investments by number



Investments by value



Revenue recognition

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

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

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

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

The Audit Committee's consideration of its key issues is set out on pages 33 - 34.

Materiality in context

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

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
Financial statement materiality (2% value of investments)-	Assessing whether the financial statements as a whole present a true and fair view	The value of investments The level of judgement inherent in the valuation The range of reasonable alternative valuation	1,000,000
Specific materiality – classes of transactions and balances which impact on revenue profits (10% revenue return before tax)	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	The level of net income return	260,000

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £13,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the Financial Statements.

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

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

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

Matters on which we are required to report by exception

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

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

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

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

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

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules of the Financial Conduct Authority for review by the auditor. The Listing Rules also require that we review the directors' statements set out on page 26 regarding going concern and longer term viability.

We have nothing to report in respect of these matters.

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

Date 14 December 2016

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

Financial Statements

Income Statement for the year ended 30 September 2016

	Notes	Year ended 30 September 2016 Revenue £	Capital £	Total £	Year ended 30 September 2015 Revenue £	Capital £	Total £
Net unrealised gains on investments	9	-	549,889	549,889	-	4,574,928	4,574,928
Net gains on realisation of investments	9	-	2,506,146	2,506,146	-	2,053,151	2,053,151
Income	3	3,201,629	-	3,201,629	2,997,718	-	2,997,718
Investment Adviser's fees	4a	(419,260)	(1,257,781)	(1,677,041)	(405,687)	(1,217,061)	(1,622,748)
Investment Advisers' performance fees	4b	-	(1,140,221)	(1,140,221)	-	(667,622)	(667,622)
Other expenses	5	(392,228)	-	(392,228)	(471,279)	-	(471,279)
Profit on ordinary activities before taxation		2,390,141	658,033	3,048,174	2,120,752	4,743,396	6,864,148
Taxation on profit on ordinary activities	6	(479,600)	479,600	-	(386,360)	386,360	-
Profit for the year and total comprehensive income		**1,910,541**	**1,137,633**	**3,048,174**	**1,734,392**	**5,129,756**	**6,864,148**
Basic and diluted earnings per ordinary share:	7	**2.68p**	**1.60p**	**4.28p**	**2.58p**	**7.63p**	**10.21p**

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

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

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

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

Balance Sheet as at 30 September 2016

Company No. 4069483

	Notes	as at 30 September 2016 £	as at 30 September 2015 £
Fixed assets			
Investments at fair value	9	54,364,958	60,415,750
Current assets			
Debtors and prepayments	11	304,935	1,082,567
Current asset investments	12	15,338,067	11,158,555
Cash at bank and in hand	12	2,189,856	3,675,257
		17,832,858	15,916,379
Creditors: amounts falling due within one year	13	(1,357,178)	(1,129,833)
Net current assets		16,475,680	14,786,546
Net assets		**70,840,638**	**75,202,296**
Capital and reserves			
Called up share capital	14	719,140	706,930
Capital redemption reserve		11,985	9,288
Share premium reserve		18,308,887	16,977,902
Revaluation reserve		4,744,396	8,997,633
Special distributable reserve		24,980,045	27,147,965
Profit and loss account		22,076,185	21,362,578
Equity shareholders' funds		**70,840,638**	**75,202,296**
Basic and diluted net asset value per share			
Ordinary shares	15	**98.51p**	**106.38p**

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

The Financial Statements were approved and authorised for issue by the Board of Directors on 14 December 2016 and were signed on its behalf by:

Colin Hook
Chairman

Statement of Changes in Equity for the year ended 30 September 2016

		Non-distributable Reserves				Distributable Reserves			
	Notes	Called up share capital £	Capital redemption reserve £	Share premium reserve £	Revaluation reserve £	Special distributable reserve (note a) £	Realised capital reserve (note b) £	Revenue reserve (note b) £	Total £
At 1 October 2015		**706,930**	**9,288**	**16,977,902**	**8,997,633**	**27,147,965**	**19,653,747**	**1,708,831**	**75,202,296**
Comprehensive income for the year									
Profit for the year		-	-	-	549,889	-	587,744	1,910,541	3,048,174
Total comprehensive income for the year		**-**	**-**	**-**	**549,889**	**-**	**587,744**	**1,910,541**	**3,048,174**
Contributions by and distributions to owners									
Shares issued via Offer for Subscription		-	-	-	-	-	-	-	-
Dividends re-invested into new shares	14	14,907	-	1,330,985	-	-	-	-	1,345,892
Shares bought back (note c)	14	(2,697)	2,697	-	-	(249,518)	-	-	(249,518)
Dividends paid	8	-	-	-	-	-	(6,737,039)	(1,769,167)	(8,506,206)
Total contributions by and distributions to owners		**12,210**	**2,697**	**1,330,985**	**-**	**(249,518)**	**(6,737,039)**	**(1,769,167)**	**(7,409,832)**
Other movements									
Realised losses transferred to special reserve (note d)		-	-	-	-	(1,918,402)	1,918,402	-	-
Realisation of previously unrealised appreciation		-	-	-	(4,803,126)	-	4,803,126	-	-
Total other movements		-	-	-	(4,803,126)	(1,918,402)	6,721,528	-	-
At 30 September 2016		**719,140**	**11,985**	**18,308,887**	**4,744,396**	**24,980,045**	**20,225,980**	**1,850,205**	**70,840,638**

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 the shareholders, and to absorb any existing and future realised losses and for other corporate purposes. As at 30 September 2016, the Company has a special reserve of £24,980,045, all of which relates to reserves from shares issued on or before 5 April 2014.

b) The realised capital reserve and the revenue reserve together comprise the Profit and Loss Account of the Company shown in the Balance Sheet.

c) The shareholders authorised the Company to purchase its own shares for cancellation pursuant to section 701 of the Companies Act 2006 at the Annual General Meeting held on 10 February 2016. The authority was limited to a maximum number of 10,596,882 shares (this being approximately 14.99% of the issued share capital at the date of the Notice of the meeting). This authority will, unless previously revoked or renewed, expire on the conclusion of the Annual General Meeting of the Company to be held on 8 February 2017. The minimum price which may be paid for a share is 1 penny per share, the nominal value thereof. The maximum price that may be paid for a share is 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 London Stock Exchange for the five business days preceding such purchase. The authorities provide that the Company may make a contract or contracts to purchase its own shares prior to the expiry of the authority which may be executed in whole or part after the expiry of such authority, and may purchase its shares in pursuance of any such contract. A resolution to renew these authorities will be proposed at the Annual General Meeting to be held on 8 February 2017.

d) The transfer of £1,918,402 to the special distributable reserve from the realised capital reserve above is the total of realised losses incurred by the Company this year.

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

Statement of Changes in Equity for the year ended 30 September 2015

	Non-distributable Reserves				Distributable Reserves			
	Called up share capital	Capital redemption reserve	Share premium reserve	Revaluation reserve	Special distributable reserve	Realised capital reserve	Revenue reserve	Total
	£	£	£	£	£	£	£	£
At 1 October 2014	**604,769**	**3,750**	**5,662,818**	**7,662,673**	**29,576,755**	**23,917,139**	**1,878,501**	**69,306,405**
Comprehensive income for the year								
Profit for the year	-	-	-	4,574,928	-	554,828	1,734,392	6,864,148
Total comprehensive income for the year	**-**	**-**	**-**	**4,574,928**	**-**	**554,828**	**1,734,392**	**6,864,148**
Contributions by and distributions to owners								
Shares issued under Offer for Subscription	90,435	-	9,716,707	-	(42,292)	-	-	9,764,850
Dividends re-invested into new shares	17,264	-	1,598,377	-	-	-	-	1,615,641
Shares bought back	(5,538)	5,538	-	-	(527,852)	-	-	(527,852)
Dividends paid	-	-	-	-	-	(9,916,834)	(1,904,062)	(11,820,896)
Total contributions by and distributions to owners	**102,161**	**5,538**	**11,315,084**	**-**	**(570,144)**	**(9,916,834)**	**(1,904,062)**	**(968,257)**
Other movements								
Realised losses transferred to special reserve	-	-	-	-	(1,858,646)	1,858,646	-	-
Realisation of previously unrealised appreciation	-	-	-	(3,239,968)	-	3,239,968	-	-
Total other movements	-	-	-	(3,239,968)	(1,858,646)	5,098,614	-	-
At 30 September 2015	**706,930**	**9,288**	**16,977,902**	**8,997,633**	**27,147,965**	**19,653,747**	**1,708,831**	**75,202,296**

The composition of each of these reserves is explained below:

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

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

Share premium reserve - This reserve contains the excess of gross proceeds less issue costs over the nominal value of shares allotted under recent Offers for Subscription and the Company's Dividend Investment Scheme.

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 9 to these Financial Statements), all such movements through both revaluation and realised capital reserves are shown within the Income Statement for the year.

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

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

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

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

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

Statement of Cash Flows for the year ended 30 September 2016

	Notes	Year ended 30 September 2016 £	Year ended 30 September 2015 £
Cash flows from operating activities			
Profit for the financial year		3,048,174	6,864,148
Adjustments for:			
Net unrealised gains on investments		(549,889)	(4,574,928)
Net gains on realisations on investments		(2,506,146)	(2,053,151)
Decrease in debtors		77,630	171,028
Increase/(decrease) in creditors and accruals		190,471	(1,020,953)
Net cash inflow/(outflow) from operating activities		**260,240**	**(613,856)**
Cash flows from investing activities			
Purchase of investments	9	(936,007)	(26,134,832)
Disposal of investments	9	10,742,834	12,247,446
Decrease/(increase) in bank deposits with a maturity over three months		1,960,755	(2,031,611)
Net cash inflow/(outflow) from investing activities		**11,767,582**	**(15,918,997)**
Cash flows from financing activities			
Shares issued as part of Offer for subscription		-	9,764,851
Equity dividends paid	8	(7,160,312)	(10,205,256)
Purchase of own shares		(212,644)	(527,387)
Net cash outflow from financing activities		**(7,372,956)**	**(967,792)**
Net increase/(decrease) in cash and cash equivalents		**4,654,866**	**(17,500,645)**
Cash and cash equivalents at start of year		7,693,045	25,193,690
Cash and cash equivalents at end of year		**12,347,911**	**7,693,045**
Cash and cash equivalents comprise:			
Cash at bank and in hand	12	2,189,856	3,675,257
Cash equivalents	12	10,158,055	4,017,788

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

Notes to the Financial Statements for the year ended 30 September 2016

1 Company Information

The Income and Growth VCT plc is a public limited company incorporated in England, registration number 4069483. 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. All accounting policies are included within an outlined box at the top of each relevant Note.

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, Financial Reporting Standard 102 ("FRS102"), with the Companies Act 2006 and the 2014 Statement of Recommended practice, 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ('the SORP') issued by the Association of Investment Companies.

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

3 Income

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

Interest income on loan stock is accrued on a daily basis. Provision is made against this income where recovery is doubtful or where it will not be received in the foreseeable future. Where the loan stocks only require interest or a redemption premium to be paid on redemption, the interest and redemption premium is recognised as income or capital as appropriate once redemption is reasonably certain. When a redemption premium is designed to protect the value of the instrument holder's investment rather than reflect a commercial rate of revenue return the redemption premium is recognised as capital. The treatment of redemption premiums is analysed to consider if they are revenue or capital in nature on a company by company basis. Accordingly, the redemption premium recognised in the year ended 30 September 2016 has been classified as capital and has been included within realised gains on investments.

	2016 £	2015 £
Income from bank deposits	101,393	121,523
Income from investments		
– from equities	114,915	167,656
– from OEIC funds	38,412	29,977
– from loan stock	2,946,909	2,667,443
	3,100,236	2,865,076
Other income	-	11,119
Total income	**3,201,629**	**2,997,718**
Total income comprises		
Revenue dividends received	153,327	197,633
Interest	3,048,302	2,788,966
Other income	-	11,119
Total Income	**3,201,629**	**2,997,718**
Income from investments comprises		
Listed UK securities	36,086	16,000
Listed overseas securities	38,412	29,977
Unlisted UK securities	3,025,738	2,819,099
Total investment income	**3,100,236**	**2,865,076**

Total loan stock interest due but not recognised in the year was £525,395 (2015: £269,052) due to uncertainty over its recoverability.

4 Investment Adviser's fees and performance fees

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

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

a) Investment Adviser's fees

	Revenue 2016 £	Capital 2016 £	Total 2016 £	Revenue 2015 £	Capital 2015 £	Total 2015 £
Mobeus Equity Partners LLP	419,260	1,257,781	1,677,041	405,687	1,217,061	1,622,748

Under the terms of a revised investment management agreement dated 29 March 2010, Mobeus Equity Partners LLP ("Mobeus") (formerly Matrix Private Equity Partners LLP ("MPEP")) provides investment advisory, administrative and company secretarial services to the Company, for a fee of 2.4% per annum of closing net assets, calculated on a quarterly basis by reference to the net assets at the end of the preceding quarter. One sixth of this fee is subject to minimum and maximum limits of £150,000 (2015: £150,000) and £170,000 (2015: £170,000) per annum respectively.

The Investment Adviser fees disclosed above are stated after applying a cap on expenses excluding IFA trail commission and exceptional items set at 3.25% of closing net assets at the year-end. In accordance with the investment management agreement any excess expenses are wholly borne by the Investment Adviser. The excess expenses during the year attributable to the Investment Adviser amounted to £nil (2015: £nil).

b) Investment Advisers' performance fees

	Revenue 2016 £	Capital 2016 £	Total 2016 £	Revenue 2015 £	Capital 2015 £	Total 2015 £
Portfolio						
Mobeus Equity Partners LLP	-	1,096,391	1,096,391	-	667,622	667,622
Foresight Group LLP	-	43,830	43,830	-	-	-
	-	1,140,221	1,140,221	-	667,622	667,622

Under a Deed of Termination and Variation relating to Performance Incentive Agreements dated 29 March 2010, the Investment Adviser's Incentive Agreement for the former 'O' Share Fund was continued, while the former 'S' Share Fund's Incentive Agreement was terminated. Under the terms of the pre-merger 'O' Share Fund Incentive Agreement, each of the ongoing Investment Adviser, Mobeus Equity Partners LLP and a former Investment Adviser, Foresight Group LLP ("Foresight") are entitled to a performance fee equal to 20% of the excess of the value of any realisation of an investment made after 30 June 2007, over the value of that investment in an Investment Adviser's portfolio at that date ("the Embedded Value"), which value is itself uplifted at the rate of 6% per annum subject to a High Watermark test.

On 30 September 2014, a new incentive fee agreement was signed between the Board and Mobeus, with effect from 1 October 2013, to amend and replace the previous agreement. The previous agreement remains in force, but only with the former adviser, Foresight Group LLP, to whom, for the year ended 30 September 2016, £43,830 (2015: £nil) is payable. The agreement is due to expire on 10 March 2019. Mobeus waived their right to their portion of the fee, under the previous agreement.

Any payment under the new incentive agreement is now 15% of net realised gains for each year, payable in cash. It is payable only if Cumulative Net Asset Value (NAV) total return per share (being the closing NAV at a year-end plus cumulative dividends paid to that year-end, since 1 October 2013) equals or exceeds a Target Return. The Target Return is the greater of two targets, being:

i) compound growth of 6% per annum (but 5% per annum for the year ended 30 September 2014 only), before deducting any incentive fee payable (for the year of calculation only) under both this amended agreement and the existing incentive agreement with Foresight Group LLP in Cumulative NAV total return per share; or

ii) the cumulative percentage change in the Consumer Prices Index since 1 October 2013 to the relevant financial year end, the resultant figure then being multiplied by (100+A)/100, where A is the number of full 12 month periods (or part thereof) that have passed between 1 October 2013 and the relevant financial year end.

Both measures of Target Return are applied to the same opening base, being NAV per share as at 30 September 2013 of 113.90 pence. The objective of this Target Return is to enable shareholders to benefit from a cumulative NAV return of at least 6% per annum (5% in the financial year ended 30 September 2014), before any incentive fee is payable. Once a payment has been made, cumulative NAV total return is calculated after deducting past years' incentive fees paid and payable.

Under this amended agreement, any fee payments to Mobeus are subject to an annual cap of an amount equal to 2% of the net assets of the Company as at the immediately preceding year-end. This cap will include any fee payable to Foresight Group LLP under the old agreement, although any such payment to Foresight Group LLP is not capped. Any excess over the 2% remains payable to Mobeus in the following year(s), subject to the 2% annual cap in such subsequent year(s) and after any payment in respect of such subsequent year(s).

The Target Return for the year ended 30 September 2016 was a 6% uplift on the previous year's Target Return of 126.77 pence, being 134.38 pence. As Cumulative Total NAV return is 140.09 pence per share, the Target Return has been met and a fee is payable. This fee amounts to £1,096,391 and has been accrued in these Financial Statements. This is payable following the approval of this Annual Report by shareholders at the AGM.

c) Offer for Subscription fees

No funds were raised by an offer by the VCT in the year (2015: £10 million). Accordingly, no subscription fees were payable to Mobeus in the year (2015: £0.33 million, where all costs associated with the Offer were met out of these fees by Mobeus, excluding any payments to financial advisers facilitated under the terms of the Offer).

5 Other expenses

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

	2016 £	2015 £
Directors' remuneration (including NIC of £9,926 (2015: £11,703) (note a)	127,926	129,703
IFA trail commission	45,183	87,786
Broker's fees	12,000	12,000
Auditor's fees – Audit of company (excluding VAT)	24,857	24,728
– tax compliance services (excluding VAT)	3,659	2,624
– audit related assurance services (excluding VAT)	4,767	4,787
– other services - (note b) (excluding VAT)	4,000	4,000
VCT monitoring fees	10,800	10,800
Registrar's fees	56,119	54,601
Printing	33,451	38,251
Legal & professional fees	5,219	4,567
Directors' insurance	8,388	9,661
Listing and regulatory fees	44,854	48,044
Sundry	11,005	10,640
Running costs	**392,228**	**442,192**
Provision against loan interest receivable recognised in previous years	-	29,087
Other expenses	**392,228**	**471,279**

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

a): See analysis in Directors' Remuneration table on page 37, which excludes the NIC above. The key management personnel are the three non-executive directors. The Company has no employees.

b): Included within this figure are fees of £4,800 (2015: £4,800) payable to the Auditor relating to the review of the Investment Advisers' performance fees calculation.

Notes to the Financial Statements for the year ended 30 September 2016

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

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

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

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

	2016 Revenue £	2016 Capital £	2016 Total £	2015 Revenue £	2015 Capital £	2015 Total £
a) Analysis of tax charge:						
UK Corporation tax on profits/(losses) for the year	479,600	(479,600)	-	386,360	(386,360)	-
Total current tax charge/(credit)	**479,600**	**(479,600)**	**-**	**386,360**	**(386,360)**	**-**
Corporation tax is based on a rate of 20% (2015: 20.5%)						
b) Profit on ordinary activities before tax	2,390,141	658,033	3,048,174	2,120,752	4,743,396	6,864,148
Profit on ordinary activities multiplied by main company rate of corporation tax in the UK of 20.0% (2015: 20.5%)	478,028	131,607	609,635	434,754	972,396	1,407,150
Effect of:						
UK dividends	(22,983)	-	(22,983)	(34,369)	-	(34,369)
Unrealised gains not taxable	-	(109,978)	(109,978)	-	(937,860)	(937,860)
Realised gains not taxable	-	(501,229)	(501,229)	-	(420,896)	(420,896)
Losses carried forward/(utilised)	24,555	-	24,555	(14,025)	-	(14,025)
Actual current tax charge	**479,600**	**(479,600)**	**-**	**386,360**	**(386,360)**	**-**

Tax relief relating to Investment Adviser fees is allocated between revenue and capital where such relief can be utilised. The rate of Corporation tax applied to the company has reduced due to a reduction in HMRC's main company rate of corporation tax to 20% on 1 April 2015, from the previous rate of 21%.

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

There is no potential liability to deferred tax (2015: £nil). There is an unrecognised deferred tax asset of £1,034,000 (2015: £1,192,000).

7 Basic and diluted earnings and return per share

	2016 £	2015 £
Total earnings after taxation:	3,048,174	6,864,148
Basic and diluted earnings per share (note a)	**4.28p**	**10.21p**
Revenue profit from ordinary activities after taxation	1,910,541	1,734,392
Basic and diluted revenue earnings per share (note b)	**2.68p**	**2.58p**
Net unrealised capital gains on investments	549,889	4,574,928
Net realised capital gains on investments	2,506,146	2,053,151
Capitalised Investment Adviser fees less taxation	(778,181)	(830,701)
Investment Advisers' performance fees	(1,140,221)	(667,622)
Total capital return	1,137,633	5,129,756
Basic and diluted capital earnings per share (note c)	**1.60p**	**7.63p**
Weighted average number of shares in issue in the year	71,198,046	67,212,047

Notes:

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

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

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

8 Dividends paid and payable

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

The Company's status as a VCT means it has to comply with Section 259 of the Income Tax Act 2007, which requires that no more than 15% of the income from shares and securities in a year can be retained from the revenue available for distribution for the year. Accordingly, the Board is required to determine the amount of minimum income dividend.

Dividend	Type	For the year ended 30 September	Pence per share	Date paid	2016 £	2015 £
Second interim	Income	2014	2.00p	30 October 2014	-	1,210,445
Second interim	Capital	2014	6.00p	30 October 2014	-	3,631,337
Final	Capital	2014	4.00p	20 March 2015	-	2,778,526
Interim	Income	2015	1.00p	30 June 2015	-	701,394
Interim	Capital	2015	5.00p	30 June 2015	-	3,506,972
Final	Income	2015	1.00p	15 February 2016	706,921	-
Final	Capital	2015	5.00p	15 February 2016	3,534,606	-
Interim	Income	2016	1.00p	07 July 2016	1,067,478	-
Interim	Capital	2016	5.00p	07 July 2016	3,202,433	-
Previous dividends not claimed within the statutory period					(5,232)	(7,778)
Total dividends paid in year					**8,506,206**	**11,820,896**

* - £8,506,206 (30 September 2015: £11,820,896) disclosed above differs to that shown in the Statement of Cash Flows of £7,160,312; (30 September 2015: £10,205,256) due to £1,345,894 (30 September 2015: £1,615,640) of new shares issued as part of the Company's Dividend Investment Scheme.

Financial Statements

Notes to the Financial Statements for the year ended 30 September 2016

8 Dividends paid and payable (continued)

	2016 Revenue £	2016 Capital £	2016 Total £	2015 Revenue £	2015 Capital £	2015 Total £
Proposed distribution to equity holders at the year-end						
Final dividend for the year ended 30 September 2016 of 1.00 penny (income) (2015: 1.00 penny), 3.00 pence (capital) (2015: 5.00 pence) per ordinary share	719,140	2,157,421	2,876,561	706,930	3,534,650	4,241,580

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.

	2016 £	2015 £
Revenue available by way of dividends for the year	1,910,541	1,734,392
Interim income dividend for the year - 1.00 penny (2015: 1.00 penny)	1,067,478	701,394
Proposed final income dividend for the year - 1.00 penny (2015: 1.00 penny)	719,140	706,930
Total income dividends for the year	1,786,618	1,408,324

9 Investments at fair value

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

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

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

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

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

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

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

or:-

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

c) Premiums that will be received upon repayment of loan stock investments are accrued at fair value when the Company receives the right to the premium and when considered recoverable.

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

A key judgement made in applying the above accounting policy relates to investments that are permanently impaired. Where the value of an investment has fallen permanently below cost, the loss is treated as a permanent impairment and as a realised loss, even though the investment is still held. The Board assesses the portfolio for such investments and, after agreement with the Investment Adviser, will agree the values that represent the extent to which an investment loss has become realised. This is based upon an assessment of objective evidence of that investment's future prospects, to determine whether there is potential for the investment to recover in value. No additional such losses were identified in the year.

Notes to the Financial Statements for the year ended 30 September 2016

9 Investments at fair value (continued)

	2016 £	2015 £
Traded on AIM	3,210,558	2,020,457
Unquoted equity shares	12,137,532	18,105,585
Unquoted preference shares	22,646	24,581
Unquoted loan stock	38,994,222	40,265,127
Total	**54,364,958**	**60,415,750**
Brought forward net unrealised gains now realised	4,803,126	3,239,968
Realised gains during the year	2,724,579	2,400,249
Transaction costs	(218,433)	(173,549)
Total realised gains	7,309,272	5,466,668
Unrealised gains for the year	549,889	4,574,928
Total realised and unrealised gains	**7,859,161**	**10,041,596**

Summary of movements on investments during the year

	Traded on AIM £	Unquoted ordinary shares £	Unquoted preference shares £	Unquoted loan stock £	Total £
Cost at 30 September 2015	1,333,907	19,298,676	27,040	36,819,426	57,479,049
Realised losses on investments still held	(500,000)	(4,582,683)	(787)	(227,462)	(5,310,932)
Unrealised gains/(losses) at 30 September 2015	1,186,550	3,389,592	(1,672)	3,673,163	8,247,633
Valuation at 30 September 2015	**2,020,457**	**18,105,585**	**24,581**	**40,265,127**	**60,415,750**
Purchases at cost	-	495,295	-	440,712	936,007
Sales - proceeds	-	(6,396,821)	-	(4,346,013)	(10,742,834)
Reclassification at value	-	(301)	301	-	-
Net realised gains	-	2,418,807	-	87,339	2,506,146
Unrealised gains/(losses) in the year	1,190,101	(2,485,033)	(2,236)	2,547,057	1,249,889
Valuation at 30 September 2016	**3,210,558**	**12,137,532**	**22,646**	**38,994,222**	**54,364,958**
Cost at 30 September 2016	1,333,907	18,112,271	27,341	34,392,604	53,866,123
Realised losses on investments still held	(500,000)	(3,467,312)	(787)	(227,462)	(4,195,561)
Unrealised gains/(losses) at 30 September 2016	2,376,651	(2,507,427)	(3,908)	4,829,080	4,694,396
Valuation at 30 September 2016	**3,210,558**	**12,137,532**	**22,646**	**38,994,222**	**54,364,958**

Unrealised gains above of £1,249,889 differ from that shown in the Income Statement and the Investment Portfolio Summary of £549,889. The difference of £700,000 is a reduction for the year in the estimated fair value of contingent consideration held at the Balance Sheet date to £50,000 (2015: £750,000), included within other debtors in Note 11 to the Financial Statements. This reduction is because consideration of £906,837 was received in the year, of which £700,000 was recognised in the previous year, now realised. The remaining £50,000 of contingent consideration at the Balance Sheet date also explains all of the difference between unrealised gains at 30 September 2016 above of £4,694,396 and that shown on the Statement of Changes in Equity of £4,744,396.

Provisions and write-offs against unlisted investments

The amounts valued below cost at the end of the year ('provisions') or written-off against unlisted investments ('permanent impairments') were as follows:

	Total Provisions at end of year £	Net write-offs in year[1] £
Financial Year		
2016	11,500,860	(1,115,371)
2015	9,793,793	65,779
2014	7,709,509	(1,876,253)
2013	10,475,290	2,001,476
2012	11,991,733	313,850
2011	11,206,678	1,881,554
2010	11,575,422	2,524,527
2009	10,537,427	300,000

[1] - During the year, £1,115,371 of the cost of certain investments which were permanently impaired were written back, as these investments were liquidated in the year.

Details of the movements in unrealised gains and losses in the year are disclosed within the Investment Portfolio Summary on pages 18 - 23.

Major movements in investments

Tessella Holdings Limited was realised in the year for net proceeds of £4,043,706, realising a net gain in the year of £595,289. Westway Services (2014) Limited was realised in the year for net proceeds of £1,502,957, realising a net gain in the year of £1,252,209.

Net unrealised gains of £549,889 include valuation uplifts of £1,145,889 relating to IDOX plc, and £772,262 relating to Jablite Holdings Limited and valuation reductions of £1,439,015 for Entanet Holdings Limited and £685,915 for Media Business Insight Holdings Limited.

Notes to the Financial Statements for the year ended 30 September 2016

10 Significant interests

At 30 September 2016 the Company held significant investments, amounting to 3% or more of the equity capital of an undertaking, in the following companies:

	Total investment (at value) £	Percentage of investee company's total equity
Virgin Wines Holding Company Limited	3,706,526	13.7%
Tovey Management Limited (trading as Access IS)[1]	3,532,917	13.6%
Entanet Holdings Limited	3,351,685	14.0%*
Media Business Insight Holdings Limited[2]	2,980,641	21.2%
ASL Technology Holdings Limited	2,870,789	13.3%*
Manufacturing Services Investment Limited	2,708,100	16.7%
Veritek Global Limited	2,297,607	14.6%*
Fullfield Limited (trading as Motorclean)	2,020,433	13.2%
Tharstern Group Limited	1,777,923	16.2%*
CGI Creative Graphics International Limited	1,768,414	8.4%
Gro-Group Holdings Limited	1,651,824	16.3%*
Vian Marketing Limited (trading as Tushingham Sails)	1,593,103	9.5%*
Hollydale Management Limited	1,554,000	15.5%
Backhouse Management Limited	1,504,000	15.0%
Barham Consulting Limited	1,504,000	15.0%
Chatfield Services Limited	1,504,000	15.0%
Creasy Marketing Services Limited	1,504,000	15.0%
McGrigor Management Limited	1,504,000	15.0%
RDL Corporation Limited	1,409,809	13.0%*
Jablite Holdings Limited	1,271,052	12.1%
Bourn Bioscience Limited	1,206,547	10.9%
Redline Worldwide Limited	1,129,121	9.1%
Turner Topco Limited (trading as ATG Media)	1,114,321	3.8%*
Leap New Co Limited (trading as Anthony Ward Thomas, Bishopsgate and Aussie Man & Van)	878,989	5.8%*
The Plastic Surgeon Holdings Limited	836,215	7.6%
Aquasium Technology Holdings Limited	681,377	16.7%
MPB Group Limited	650,075	7.3%
Blaze Signs Holdings Limited	608,241	12.5%
Vectair Holdings Limited	302,340	4.6%
Racoon International Holdings Limited	104,999	14.2%*
Lightworks Software Limited	61,212	9.2%*
alwaysOn Group Limited	-	10.3%*
Biomer Technology Limited	-	3.5%*
CB Imports Group limited	-	6.0%*
Newquay Helicopters (2013) Limited	-	5.0%
Nexxtdrive Limited	-	3.9%*
Oxonica Limited	-	10.6%
Preservica Limited	-	6.3%
Watchgate Limited	-	33.3%

* The percentage of equity held for these companies is the fully diluted figure such that, in the event for example, that management of the investee company exercises share options where available.

1 – Includes a loan of £255,932 to Access IS Limited.

2 – Includes a loan of £788,589 to Media Business Insight Limited.

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

All of the companies on page 56 are incorporated in the United Kingdom.

Mobeus also advises Mobeus Income and Growth VCT plc, Mobeus Income and Growth 2 VCT plc and Mobeus Income and Growth 4 VCT plc who have investments as at 30 September 2016 in the following:

	Mobeus Income and Growth VCT plc * at cost £	Mobeus Income and Growth 2 VCT plc at cost £	Mobeus Income and Growth 4 VCT plc at cost £	Total at cost £	% of equity held by funds managed by Mobeus %
Media Business Insight Holdings Limited	3,282,263	2,009,071	2,722,760	8,014,094	67.5
Tovey Management Limited (trading as Access IS)	3,263,682	1,953,373	2,469,013	7,686,068	45.0
ASL Technology Holdings Limited	2,942,292	2,092,009	1,933,591	6,967,892	47.5
Entanet Holdings Limited	2,713,077	1,444,090	2,167,662	6,324,829	42.0
Manufacturing Services Investment Limited	2,666,700	1,608,300	2,016,900	6,291,900	50.0
Virgin Wines Holding Company Limited	2,439,351	1,284,333	1,930,812	5,654,496	42.0
Turner Topco Limited (trading as ATG Media)	2,501,087	1,320,963	1,529,075	5,351,125	17.1
Gro-Group Holdings Limited	1,975,007	1,123,088	1,577,977	4,676,072	48.0
Veritek Global Limited	2,045,275	967,780	1,620,086	4,633,141	44.0
CGI Creative Graphics International Limited	1,807,532	999,568	1,449,746	4,256,846	26.9
Fullfield Limited (trading as Motorclean)	1,625,672	1,025,152	1,131,444	3,782,268	46.0
RDL Corporation Limited	1,558,334	1,000,000	1,000,000	3,558,334	45.2
Backhouse Management Limited	1,513,500	848,500	1,134,000	3,496,000	50.0
Barham Consulting Limited	1,513,500	848,500	1,134,000	3,496,000	50.0
Chatfield Services Limited	1,513,500	848,500	1,134,000	3,496,000	50.0
Creasy Marketing Services Limited	1,513,500	848,500	1,134,000	3,496,000	50.0
McGrigor Management Limited	1,513,500	848,500	1,134,000	3,496,000	50.0
Hollydale Management Limited	1,465,500	885,000	1,095,500	3,446,000	50.0
Tharstern Group Limited	1,376,521	789,815	1,091,886	3,258,222	52.5
EOTH Limited (trading as Equip Outdoor Technologies)	1,298,031	817,185	951,471	3,066,687	8.0
Vian Marketing Limited (trading as Tushingham Sails)	1,188,950	717,038	899,074	2,805,062	31.5
Racoon International Holdings Limited	1,213,035	1,045,985	484,347	2,743,367	47.5
Redline Worldwide Limited	1,087,629	682,222	838,378	2,608,229	30.0
Bourn Bioscience Limited	-	757,101	1,132,521	1,889,622	23.8
Leap New Co Limited (trading as Anthony Ward Thomas, Bishopsgate and Aussie Man & Van)	614,444	369,625	511,855	1,495,924	18.4
MPB Group Limited	604,465	374,244	471,216	1,449,925	23.5
The Plastic Surgeon Holdings Limited	478,580	392,348	458,935	1,329,863	37.5
Blaze Signs Holdings Limited	610,308	437,030	190,631	1,237,969	52.5
Jablite Holdings Limited	501,939	281,398	376,082	1,159,419	40.1
CB Imports Group limited	350,000	-	175,000	525,000	23.2
Omega Diagnostics plc	305,030	-	200,028	505,058	6.0
Lightworks Software Limited	222,584	25,727	9,329	257,640	45.0
Vectair Holdings Limited	138,574	60,293	24,732	223,599	24.0
Newquay Helicopters (2013) Limited	49,369	49,368	12,342	111,079	34.9
BG Training Limited (formerly Duncary 8 Limited)	-	-	14,167	14,167	0.0
Watchgate Limited	1,000	-	1,000	2,000	100.0
Preservica Limited	-	-	-	-	20.2

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

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Notes to the Financial Statements for the year ended 30 September 2016

11 Debtors

	2016 £	2015 £
Amounts due within one year:		
Accrued income	240,095	317,416
Prepayments	14,840	15,151
Other debtors	50,000	750,000
	304,935	**1,082,567**

12 Current asset investments and Cash at bank

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

	2016 £	2015 £
OEIC Money market funds	10,158,055	1,471,708
Bank deposits that mature within three months but are not immediately repayable	-	2,546,080
Cash equivalents per Statement of Cash Flows	10,158,055	4,017,788
Bank deposits that mature after three months	5,180,012	7,140,767
Current asset investments	**15,338,067**	**11,158,555**
Cash at bank	**2,189,856**	**3,675,257**

13 Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	52,778	7,691
Other creditors	14,304	13,954
Accruals	1,290,096	1,108,188
	1,357,178	**1,129,833**

14 Called up share capital

	2016 £	2015 £
Allotted, called-up and fully paid:		
Ordinary Shares of 1p each: 71,914,023 (2015: 70,693,007)	**719,140**	**706,930**

Under the terms of the Dividend Investment Scheme, a total of 1,490,729 (2015: 1,726,349) ordinary shares were allotted during the year for a total consideration of £1,345,892 (2015: £1,615,641).

During the year, the Company purchased 269,713 (2015: 553,800) of its own ordinary shares for cash (representing 0.4% (2015: 0.9%) of the ordinary shares in issue at the start of the year) at the prevailing market price for a total cost of £249,518 (2015: £527,852). The shares bought back were subsequently cancelled.

15 Basic and diluted net asset value per share

	2016 £	2015 £
Net assets	70,840,638	75,202,296
Number of shares in issue	71,914,023	70,693,007
Basic and diluted net asset value per share	**98.51p**	**106.38p**

16 Financial instruments

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

- Equity and preference shares and fixed and floating rate interest securities that are held in accordance with the Company's investment objective, and
- Loans and receivables being Cash at bank, Current asset investments and short term debtors and financial liabilities being creditors, all that arise directly from the Company's operations.

The principal purpose of these financial instruments is to generate revenue and capital appreciation for the Company's operations, 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 9 to the Financial Statements. The composition of investments held is shown below and in Note 9.

The fair value of cash at bank, current asset investments, short term debtors and creditors equates to their carrying value in the Balance Sheet. Loans and receivables and other financial liabilities are stated at amortised cost which the Directors consider is equivalent to fair value.

Classification of financial instruments

The Company held the following categories of financial instruments at 30 September 2016:

	2016 (Book value) £	2016 (Fair value) £	2015 (Book value) £	2015 (Fair value) £
Assets at fair value through profit and loss:				
Investment portfolio	54,364,958	54,364,958	60,415,750	60,415,750
Current asset investments	15,338,067	15,338,067	11,158,555	11,158,555
Cash at bank	2,189,856	2,189,856	3,675,257	3,675,257
Other debtors	50,000	50,000	750,000	750,000
Loans and receivables held at amortised cost				
Accrued income	240,095	240,095	317,416	317,416
Financial liabilities				
Liabilities held at amortised cost				
Other creditors	(1,357,178)	(1,357,178)	(1,129,833)	(1,129,833)
Total for financial instruments	70,825,798	70,825,798	75,187,145	75,187,145
Non financial instruments	14,840	14,840	15,151	15,151
Net assets	**70,840,638**	**70,840,638**	**75,202,296**	**75,202,296**

The investment portfolio principally consists of unquoted investments - 94.1%; (2015: 96.7%) and AIM quoted stocks - 5.9%; (2015: 3.3%). The investment portfolio has a 100% (2015:100%) concentration of risk towards small UK based, sterling denominated companies, and represents 76.7% (2015: 80.3%) of net assets at the year-end.

Notes to the Financial Statements for the year ended 30 September 2016

Current investments are money market funds and bank deposits which, along with Cash at bank are discussed under credit risk below, represent 24.7% (2015: 19.7%) of net assets at the year-end.

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

Investment risk

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

Liquidity risk

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

To counter these risks to the Company's liquidity, the Investment Adviser maintains sufficient cash and money market funds to meet running costs and other commitments. The Company invests its surplus funds in high quality money market funds/bank deposits of £17,527,923 (2015: £14,833,812) which are all accessible at varying points over the next 12 months. The Board also receives regular cash flow projections in order to manage this liquidity risk.

The table below shows a maturity analysis of financial liabilities:

Financial liabilities	<3 months £	3-6 months £	6-12 months £	over 12 months £	2016 Total £
Other creditors	**144,650**	**1,212,528**	**-**	**-**	**1,357,178**

Financial liabilities	<3 months £	3-6 months £	6-12 months £	over 12 months £	2015 Total £
Other creditors	173,101	956,732	-	-	1,129,833

The Company does not have any derivative financial liabilities.

Credit risk

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

The Company's maximum exposure to credit risk is:

	2016 £	2015 £
Loan stock investments	38,994,222	40,265,127
Current asset investments	15,338,067	11,158,555
Accrued income and other debtors	290,095	1,067,416
Cash at bank	2,189,856	3,675,257
	56,812,240	**56,166,355**

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 £290,095 was all due within three months of the year end, with £100,280 still receivable two months after the year end.

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

Repayable within	2016 £	2015 £
0 to 1 year	7,554,933	2,526,266
1 to 2 years	7,266,688	1,792,106
2 to 3 years	12,906,560	5,732,954
3 to 4 years	7,066,877	14,701,911
4 to 5 years	4,199,164	15,511,890
> 5 years	-	-
Total	**38,994,222**	**40,265,127**

Included within loan stock investments above are loans at a carrying value of £521,657 (2015: £521,657) which are past their repayment date but have been re-negotiated. Loans which are past their repayment date but which have not been renegotiated have a carrying value of £1,480,642 (2015: £nil). 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 above, which are past due but not individually impaired, is set out below. For this purpose, these loans are considered to be past due when any payment due date under the loan's contractual terms (such as payment of interest) is received late or missed. The loans in the table below are all considered to be past due either because interest on the loan is outstanding or the loan has passed its contracted redemption date. We are required to report in this format and include the full value of the loan even though, in some cases, it is only in respect of interest that they are in default.

	0-6 months £	6-12 months £	over 12 months £	2016 Total £
Loans to investee companies past due	**4,632,465**	**70,833**	**87,187**	**4,790,485**

	0-6 months £	6-12 months £	over 12 months £	2015 Total £
Loans to investee companies past due	**681,427**	**-**	**537,948**	**1,219,375**

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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 there are five OEIC money market funds holding £10,158,055 which are all triple A rated funds, and along with bank deposits of £6,699,199 at four well-known financial institutions, credit risk is considered to be relatively low in current circumstances. The Board manages credit risk in respect of these money market funds and cash by ensuring a spread of such investments such that none should exceed 15% of the company's total investment assets. The Company's current account totalling £670,669 is held with Natwest Bank plc, so the risk of default is low.

There could also be a failure by counter-parties to deliver securities which the Company has paid for, or pay for securities which the Company has delivered. This risk is considered to be small as most of the Company's investment transactions are in unquoted investments, where investments are conducted through solicitors, to ensure that payment matches delivery. In respect of any quoted investment transactions that are undertaken, the Company uses brokers with a high credit quality, and these trades usually have a short settlement period. Accordingly, counterparty risk is considered to be relatively low.

Market price risk

Market price risk arises from uncertainty about the future valuations of financial instruments held in accordance with the Company's investment objectives. These future valuations are determined by many factors but include the operational and financial performance of the underlying investee companies, as well as market perceptions of the future performance of the UK economy and its impact upon the economic environment in which these companies operate. This risk represents the potential loss that the Company might suffer through holding its investment portfolio in the face of market movements, which was a maximum of £54,364,958, the fair value of the investment portfolio at the year-end.

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

The Board's strategy in managing the market price risk inherent in the Company's portfolio of equities and loan stock investments is determined by the requirement to meet the Company's Objective, as set out on page 4. As part of the investment management process, the Board seeks to maintain an appropriate spread of market risk, and also has full and timely access to relevant information from the Investment Adviser. No single investment is permitted to exceed 15% of total investment assets at the point of investment. The Investment Committee meets regularly and reviews the investment performance, financial results and prevailing market conditions, as well as compliance with the Company's objectives. The Company does not use derivative instruments to hedge against market risk.

Market price risk sensitivity

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

Although a relatively small part of these assets are quoted on AIM, nearly all of these assets are unquoted. All of the investments made by the Investment Adviser in unquoted companies, irrespective of the instruments the Company actually holds, (whether shares, preference shares or loan stock) carry a full market risk, even though some of the loan stocks may be secured on assets, but behind any prior ranking bank debt in the investee company.

The Board considers that the value of investments in equity and loan stock instruments are ultimately sensitive to changes in their trading performance (discussed under investment risk above) and to changes in quoted share prices, insofar as such changes eventually affect the enterprise value of unquoted companies. The table below shows the impact on profit and net assets if there were to be a 20% (2015: 20%) movement in overall share prices, which might in part be caused by changes in interest rate levels. However, it is not considered possible to evaluate separately the impact of changes in interest rates upon the value of the Company's portfolios of investments in small, unquoted companies.

The following sensitivity analysis on the next page assumes that each of these sub categories of investments (shares, preference shares and loan stocks) held by the Company produces a movement overall of 20% (2015: 20%), and that the actual portfolio of investments held by the Company is perfectly correlated to this overall movement in share prices. However, shareholders should note that this level of correlation is unlikely to be the case in reality, particularly in the case of the loan stock instruments. This is because loan stock instruments would not share in the impact of any increase in share prices to the same extent as the equity instruments, as the returns are set by reference to interest rates and premiums agreed at the time of initial investment. Similarly, where share prices are falling, the equity instrument could fall in value before the loan stock instrument. It is not considered practical to assess the sensitivity of the loan stock instruments to market price risk in isolation.

The calculation below has applied plus and minus 20% to the value of the portfolio of £42.58 million, after excluding the value of the companies preparing to trade of £11.78 million. The latter are vehicles that currently solely hold cash, so are not sensitive to market price risk at the year-end.

	2016 Profit and net assets £	2015 Profit and net assets £
If overall share prices increased/(decreased) by 20% (2015: 20%), with all other variables held constant – increase/(decrease)	8,516,572 / (8,516,572)	8,814,330 / (8,814,330)
Increase/(decrease) in earnings, and net asset value, per Ordinary share (in pence)	11.84p / (11.84)p	12.47p / (12.47)p

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

Cash flow interest rate risk

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

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

The interest rate profile of the Company's financial net assets at 30 September 2016 was:

	Financial net assets on which no interest paid £	Fixed rate financial assets £	Variable rate financial assets £	Total £	Weighted average interest rate %	Average period to maturity (years)
Equity shares	15,348,090	-	-	15,348,090		
Preference shares	-	22,646	-	22,646	0.0%	2.17
Loan stocks	-	31,510,122	7,484,100	38,994,222	6.8%	2.69
Current asset investments	-	2,028,243	13,309,824	15,338,067	0.7%	0.06
Cash	-	-	2,189,856	2,189,856	0.3%	0.00
Debtors	290,095	-	-	290,095		
Creditors	(1,357,178)	-	-	(1,357,178)		
Total for financial instruments	14,281,007	33,561,011	22,983,780	70,825,798		
Other non financial assets	14,840	-	-	14,840		
Total net assets	**14,295,847**	**33,561,011**	**22,983,780**	**70,840,638**		

Notes to the Financial Statements for the year ended 30 September 2016

The interest rate profile of the Company's financial net assets at 30 September 2015 was:

	Financial net assets on which no interest paid £	Fixed rate financial assets £	Variable rate financial assets £	Total £	Weighted average interest rate %	Average period to maturity (years)
Equity shares	20,126,042	-	-	20,126,042		
Preference shares	-	24,581	-	24,581	0.0%	2.27
Loan stocks	-	30,043,827	10,221,300	40,265,127	6.9%	3.28
Current asset investments	-	3,040,061	8,118,494	11,158,555	1.1%	0.33
Cash	-	-	3,675,257	3,675,257	0.5%	0.00
Debtors	1,067,416	-	-	1,067,416		
Creditors	(1,129,833)	-	-	(1,129,833)		
Total for financial instruments	20,063,625	33,108,469	22,015,051	75,187,145		
Other non financial assets	15,151	-	-	15,151		
Total net assets	**20,078,776**	**33,108,469**	**22,015,051**	**75,202,296**		

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

Variable rate cash earns interest based on LIBOR rates.

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

Cash flow interest rate sensitivity

Although the Company holds investments in loan stocks that pay interest, the Board does not consider it appropriate to assess the impact of interest rate changes in isolation upon the value of the unquoted investment portfolio, as interest rate changes are only one factor affecting the market price movements that are discussed above under market price risk. However, as the Company has a substantial proportion of its assets in cash and money market funds, the table below shows the sensitivity of income earned to changes in interest rates in these instruments:

	2016 £ Profit and net assets	2015 £ Profit and net assets
If interest rates increased/(decreased) by 1%, with all other variables held constant – increase/(decrease)	200,096 / (200,096)	200,441 / (200,441)
Increase/(decrease) in earnings, and net asset value, per Ordinary share (in pence)	0.28p / (0.28)p	0.28p / (0.28)p

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 the fair value hierarchy, set out in the amendments to FRS102, which have been adopted early.

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

Level 1 – valued using quoted prices in active markets for identical assets

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

The valuation techniques used by the company are explained in the accounting policies in Note 9 to these Financial Statements.

Financial assets at fair value through profit and loss At 30 September 2016	Level 1 £	Level 2 £	Level 3 £	Total £
Equity investments	3,210,558	-	12,137,532	15,348,090
Preference shares	-	-	22,646	22,646
Loan stock investments	-	-	38,994,222	38,994,222
Current asset investments	15,338,067	-	-	15,338,067
Total	**18,548,625**	**-**	**51,154,400**	**69,703,025**

Financial assets at fair value through profit and loss At 30 September 2015	Level 1 £	Level 2 £	Level 3 £	Total £
Equity investments	2,020,457	-	18,105,585	20,126,042
Preference shares	-	-	24,581	24,581
Loan stock investments	-	-	40,265,127	40,265,127
Current Investments	11,158,555	-	-	11,158,555
Total	**13,179,012**	**-**	**58,395,293**	**71,574,305**

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

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

	Equity investments £	Preference shares £	Loan stock investments £	Total £
Opening balance at 1 October 2015	18,105,585	24,581	40,265,127	58,395,293
Purchases	495,295	-	440,712	936,007
Sales	(6,396,821)	-	(4,346,013)	(10,742,834)
Transfers into Level 3	-	-	-	-
Reclassification at value *	(301)	301	-	-
Total gains/(losses) included in gains/(losses) on investments in the Income Statement:				-
- on assets sold	2,418,807	-	87,339	2,506,146
- on assets held at the year end	(2,485,033)	(2,236)	2,547,057	59,788
Closing balance at 30 September 2016	**12,137,532**	**22,646**	**38,994,222**	**51,154,400**

* - There were three transactions whereby the equity of a company preparing to trade was exchanged for equity and loan stock issued by the

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eventual acquirer of the target business.

As detailed in the accounting policy for Note 9, where investments are valued on an earnings-multiple basis, the main inputs used for this basis of valuation is a suitable price-earnings ratio taken from a comparable sector on the quoted market, which is then appropriately adjusted for points of difference. Thus any change in share prices can have a significant effect on the fair value measurements of the Level 3 investments, as they may not be wholly offset by the adjustment for points of difference.

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

	2016 £	2015 £
Valuation methodology		
Recent investment price	13,666,295	23,969,978
Earnings multiple	37,417,272	34,425,315
Discounted realisation proceeds	70,833	-
	51,154,400	**58,395,293**

The unquoted equity investments had the following movements between valuation methodologies between 30 September 2015 and 30 September 2016:

Change in valuation methodology (2015 to 2016)	Carrying value as at 30 September 2016	Explanatory note
Recent investment price to earnings multiple	£4,573,744	Sufficient time has elapsed since investment to move to a more appropriate basis for determining value

The valuation will be the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the September 2015 IPEVC Guidelines. The directors believe that, within these parameters, there are no other appropriate methods of valuation which would be reasonable as at 30 September 2016.

17 Management of capital

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

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

18 Segmental analysis

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

19 Post balance sheet events

On 20 October 2016, £0.69 million was invested into BookingTek Limited.

On 23 November 2016, £0.86 million was invested in Pattern Analytics Ltd (trading as Biosite).

Shareholder Information

Communication with shareholders

We aim to communicate regularly with our shareholders. In addition to the Half-Year and Annual Reports, shareholders receive a twice-yearly VCT newsletter from the Investment Adviser, approved by the Board. The February annual general meetings provide a useful platform for the Board to meet shareholders and exchange views. Your Board welcomes your attendance at general meetings to give you the opportunity to meet your Directors and representatives of the Investment Adviser. The Company releases Interim Management Statements in respect of those quarters where it does not publish half or full year accounts. The Investment Adviser holds an annual shareholder event and further information on the next event to be held on 24 January 2017, is given in the Chairman's Statement on page 3.

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

Financial calendar

13 January 2017	Record date for the final dividend of 4.00 pence in respect of the year ended 30 September 2016
24 January 2017	Shareholder Event
8 February 2017	Annual General Meeting
15 February 2017	Payment date for the final dividend of 4.00 pence in respect of the year ended 30 September 2016
Late May 2017	Announcement of Half-Year Results and circulation of Half-Year Report for the six months ended 31 March 2017 to shareholders
30 September 2017	Year-end
Late December 2017	Annual Report for the year ended 30 September 2017 to be circulated to shareholders

Annual General Meeting

The Company's next Annual General Meeting will be held on **Wednesday, 8 February 2017 at a new venue, The Clubhouse, 8 St James's Square, London SW1Y 4JU**. A copy of the notice of the meeting can be found on pages 69 - 71 of this Annual Report and an explanation of the resolutions to be proposed is on pages 29 - 30. A proxy form for the meeting is included with shareholders' copies of this Annual Report.

Dividend

Shareholders who wish to have dividends paid directly into their bank account rather than sent by cheque to their registered address can complete a mandate for this purpose. Mandates can be obtained by contacting the Company's Registrars, Capita Asset Services at the address given on page 75.

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

Dividend Investment Scheme

The Scheme is a convenient, easy and cost effective way to build up your shareholding in the Company. Instead of receiving cash dividends, you can elect to receive new shares in the Company. By opting to receive your dividend in this manner, there are three benefits to shareholders:

- The dividend is tax free to you;
- Shareholders are allotted new ordinary shares which will, subject to your particular circumstances, attract VCT tax reliefs applicable for the tax year in which the shares are allotted. The tax relief currently available to investors in new VCT shares is 30% for the 2016/17 tax year for investments up to £200,000 in any one tax year; and
- The Scheme also has one other, particular advantage. Under its terms, a member is able to re-invest at an advantageous price, being the average market price of the shares for the five business days prior to the dividend being paid. This price is likely to be at an approximate discount of 10% to the underlying net asset value (provided that this is greater than 70% of the latest published net asset value per share).

Should you wish to join the Scheme, please contact the Scheme Administrator, Capita Asset Services at the address given on page 75 or download an application form from the Company's website on the dividend page.

Selling your shares

The Company's shares are listed on the London Stock Exchange and as such they can be sold in the same way as any other quoted company through a stockbroker. **However, to ensure that you obtain the best price, you are strongly advised to contact the Company's stockbroker, Panmure Gordon, by telephoning: 020 7886 2727, before agreeing a price with your stockbroker.** Shareholders are also advised to discuss their individual tax position with their financial adviser before deciding to sell their shares.

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

New 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 account information to HMRC on certain investors who purchase their shares including details of their shareholding and income from the shares. As an affected entity, the Company has to provide information annually to HMRC relating to a number of non-UK based certificated shareholders who are deemed to be resident for tax purposes in any of the 90 plus countries who have joined CRS. All new shareholders, excluding those whose shares are held in CREST, who are entered onto the share register from 1 January 2016 will be asked to provide the relevant information. Additionally, HMRC changed its policy position on FATCA in June of this year. We understand that this will mean that, as a result of the restricted secondary market in VCT shares, the Company's shares will not be considered to be "regularly traded". This will mean that the Company will also be an affected entity for the purposes of this legislation and as such will have to provide information annually to HMRC relating to shareholders who are resident for tax purposes in the United States.

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information – information for account holders:

https://www.gov.uk/government/publications/exchange-of-information-account-holders.

Managing your shareholding online

For details on your individual shareholding and to manage your account on online shareholders may log into or register with the Capita Shareholder Portal at: www.capitashareportal.com. You can use the Portal to change your address details, check your holding balance and transactions, view the dividends you have received, add and amend your bank details and manage how you receive your dividends.

Shareholder enquiries:

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

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

Full contact details for each of Mobeus and Capita are included under Corporate Information on page 75 of this Annual Report.

Timeline of the Company

October 2000	The Company is launched as TriVest VCT plc advised by three managers, Foresight Group, GLE Development Capital and LICA Development Capital.
April 2001	The Company's first fundraising of its "O Share Fund" is completed.
October 2007	The Company changes its name to The Income & Growth VCT plc.
December 2007	The 'S' Share Fund is launched.
March 2009	The Company becomes a VCT solely advised by Matrix Private Equity Partners. The Company changes its Investment Policy to focus on more mature businesses.
March 2010	The 'O' Share Fund (launched in 2000) merges with the 'S' Share Fund (launched in 2007) to create the current class of shares.
November 2011	The Company sells its stake in App-DNA for 32 times cost and pays a special interim capital dividend of 20p per share in the following January.
June 2012	Matrix Private Equity Partners LLP becomes a fully independent firm owned by its partners and renames itself Mobeus Equity Partners LLP.
2010-2014	The Company participates in four linked fundraisings with other Mobeus advised VCTs.
March 2015	The Company closes a successful fundraising with the other Mobeus advised VCTs in which £10 million was raised for the Company.

Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that an annual general meeting of The Income & Growth VCT plc ("the Company") will be held at 11.00 am on Wednesday, 8 February 2017 at The Clubhouse, 8 St James's Square, London SW1Y 4JU for the purposes of considering and, if thought fit, passing the following resolutions of which resolutions 1 to 10 will be proposed as ordinary resolutions and resolutions 11 and 12 will be proposed as special resolutions. Explanations of the business to be proposed are included in the Directors' Report on pages 29 - 30.

1. To receive and adopt the annual report and financial statements of the Company for the year ended 30 September 2016 ("Annual Report"), together with the auditor's report thereon.

2. To approve the remuneration policy as set out in the Annual Report.

3. To approve the directors' annual remuneration report as set out in the Annual Report.

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

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

6. To re-elect Colin Hook as a director of the Company.

7. To re-elect Jonathan Cartwright as a director of the Company.

8. To re-elect Helen Sinclair as a director of the Company.

9. To approve the payment of a final dividend in respect of the year ended 30 September 2016 of 4.00 pence per ordinary share of 1 penny each in the capital of the Company, payable on 15 February 2017 to shareholders on the register on 13 January 2017.

10. 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 £237,314, 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 2018 but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require Shares to be allotted or Rights to be granted after such expiry and the directors of the Company shall be entitled to allot Shares or grant Rights pursuant to any such offers or agreements as if the authority conferred by this resolution had not expired.

11. That, subject to the passing of resolution 10 set out in this notice and in substitution for any existing authorities, the directors of the Company be and hereby are empowered in accordance with sections 570 and 573 of the Act to allot or make offers or agreements to allot equity securities (as defined in section 560(1) of the Act) for cash, pursuant to the authority conferred upon them by resolution 10 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, £165,400 in connection with offer(s) for subscription;

    (ii) with an aggregate nominal value of up to, but not exceeding, 5% of the issued share capital of the Company from time to time pursuant to any dividend investment scheme operated by the Company at a subscription price per share which is less than the net asset value per share; and

    (iii) otherwise than pursuant to sub-paragraphs (i) and (ii) above, 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 in 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 2018, except that the Company may, before the expiry of this authority, make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors of the Company may allot equity securities in pursuance of such offers or agreements as if the power conferred by this resolution had not expired.

12. That, in substitution for any existing authorities, the Company be and hereby is authorised pursuant to and 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 10,779,912 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 of 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 (EC2273/2003);

    (iv) the authority conferred by this resolution shall (unless renewed, varied or revoked by the Company in general meeting) expire on the date falling fifteen months after the passing of this resolution or, if earlier, on the conclusion of the annual general meeting of the Company to be held in 2018; and

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

BY ORDER OF THE BOARD
Mobeus Equity Partners LLP
Secretary

Registered office:
30 Haymarket
London SW1Y 4EX

Dated: 14 December 2016

Notes:

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact Mobeus Equity Partners LLP, the Company Secretary at 30 Haymarket, London SW1Y 4EX or by email to: vcts@mobeusequity.co.uk or telephone on 020 7024 7600.

2. Shareholders may appoint a proxy either by completing the hard copy of the proxy form provided with this Annual Report or electronically at www.capitashareportal.com. To register to vote electronically via the Share Portal, you will need to enter your Investor Code which is provided on your proxy form for the meeting. The proxy form, or other instrument appointing a proxy, must be received (a) by post or (during normal business hours only) by hand at the Company's registrars, Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or (b) online, via the Share Portal at www.capitashareportal.com, in each case so as to be received not later than 11.00 am on Monday, 6 February 2017 or 48 hours before the time appointed for any adjourned meeting or, in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll. You can only appoint a proxy using the procedures set out in these notes and the notes to the Proxy Form.

3. The return of a completed proxy form, other such instrument or any electronic Proxy Instruction (as described in paragraph 2 above will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.

4. 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 shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

5. If you have been nominated to receive general shareholder communications directly from the Company, it is important to remember that your main contact in terms of your investment remains as it was (ie the registered shareholder, or perhaps custodian or broker, who administers the investment on your behalf). Therefore any changes or queries relating to your personal details and holding (including any administration thereof) must continue to be directed to your existing contact at your financial adviser or custodian. The Company cannot guarantee dealing with matters that are directed to it in error. The only exception to this is where the Company, in exercising one of its powers under the Act, writes to you directly for a response.

6. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

7. 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.

8. 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.

9. 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 6 February 2017. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. You may submit your proxy electronically using the Shareportal Service at www.capitashareportal.com If not already registered for the share portal, you will need your investor code which can be found on your share certificate.

10. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the Annual General Meeting and the number of votes that may be cast thereat will be determined by reference to the Register of Members of the Company at the close of business on the day which is two days before the day of the meeting or of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

11. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares

12. Any member attending the meeting has the right to ask questions relating to the business being dealt with at the meeting and the Company is obliged to answer such questions under section 319A of the Act. However, no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on the Company's website www.incomeandgrowthvct.co.uk in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

13. Under section 527 of the Act (i) Members representing at least 5% of the total voting rights of all the Members or (ii) at least 100 members who have a relevant right to vote and hold shares in the company on which there has been paid up an average sum, per member, of at least £100 (in accordance with section 525 of the Act) can require the Company to publish a statement on its website setting out any matter relating to (a) the audit of the Company's accounts (including the Auditor's Report and the conduct of the audit) that are to be laid before the meeting; or (b) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act, that the Members propose to raise at the meeting. The Company cannot require the Members requesting the publication to pay its expenses in complying with sections 527 or 528 of the Act. Any statement required to be placed on the Company's website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the Meeting includes any statement that the Company has been required to publish on its website under section 527.

14. By attending the meeting, Members and their proxies and representatives are understood by the Company to have agreed to receive any communications relating to the shares of the Company made at the Meeting.

15. As at 13 December 2016 (being the last business day prior to the publication of this Notice) the Company's issued share capital consisted of 71,914,023 ordinary shares of 1 penny each carrying one vote. Therefore, the total voting rights in the Company as at 13 December 2016 were 71,914,023.

16. The Register of Directors' Interests and Directors' appointment letters shall be available for inspection at the Company's registered office during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) and at the place of the meeting for at least fifteen minutes prior to and during the meeting. The Directors do not have any service contracts with the Company.

17. A copy of this notice, and other information required by Section 311A of the Act, can be found on the Company's website at www.incomeandgrowthvct.co.uk

Performance Data at 30 September 2016

(unaudited)

Share price at 30 September 2016 **88.80p[1]**

NAV per share as at 30 September 2016 **98.51p**

Performance data for all fundraising rounds

The following table shows, for all investors in The Income & Growth VCT plc, how their investments have performed since they were originally allotted shares in each fundraising.

Shareholders from the original fundraising in 2000/01 should note that the funds were managed by three investment advisers, up until 10 March 2009. At that date, Mobeus became the sole adviser, to this and all subsequent fundraisings.

Total return data, which includes cumulative dividends paid to date, is shown on both a share price and a NAV basis as at 30 September 2016. The NAV basis enables Shareholders to evaluate more clearly the performance of the Fund, 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.

The tables show dividends paid in each year. A table showing the amounts paid in respect of each year can be found on the Company's website: www.incomeandgrowthvct.co.uk under Dividends.

Allotment date(s)				Total return per share to shareholders since allotment		
	Allotment price (p)	Net allotment price[2] (p)	Cumulative dividends paid per share (p)	(Share price basis) (p)	(NAV basis) (p)	% increase since 30 September 2015 (NAV basis)
Funds raised - O Fund[3] (launched 18 October 2000)						
Between 3 November 2000 and 11 May 2001	100.00	**60.62**	83.09	**150.38**	**157.74**	**2.0%**
Funds raised 2007/8 - S Share fund (launched 14 December 2007)						
Between 1 April 2008 and 6 June 2008	100.00	**70.00**	80.50	**169.30**	**179.01**	**2.4%**
Funds raised 2010/11 (launched 12 November 2010)						
21 January 2011	104.80	**73.36**	80.00	**168.80**	**178.51**	**2.4%**
28 February 2011	107.90	**75.53**	78.00	**166.80**	**176.51**	**2.4%**
22 March 2011	105.80	**74.06**	78.00	**166.80**	**176.51**	**2.4%**
1 April 2011	105.80	**74.06**	76.00	**164.80**	**174.51**	**2.4%**
5 April 2011	105.80	**74.06**	76.00	**164.80**	**174.51**	**2.4%**
10 May 2011	105.80	**74.06**	76.00	**164.80**	**174.51**	**2.4%**
6 July 2011	106.00	**74.20**	76.00	**164.80**	**174.51**	**2.4%**
Funds raised 2012 (launched 20 January 2012)						
8 March 2012	106.40	**74.48**	52.00	**140.80**	**150.51**	**2.8%**
4 April 2012	106.40	**74.48**	52.00	**140.80**	**150.51**	**2.8%**
5 April 2012	106.40	**74.48**	52.00	**140.80**	**150.51**	**2.8%**
10 May 2012	106.40	**74.48**	52.00	**140.80**	**150.51**	**2.8%**
10 July 2012	111.60	**78.12**	52.00	**140.80**	**150.51**	**2.8%**
Funds raised 2013 (launched 29 November 2012)						
14 January 2013	116.00	**81.20**	52.00	**140.80**	**150.51**	**2.8%**
28 March 2013	112.60	**78.82**	46.00	**134.80**	**144.51**	**2.9%**
4 April 2013	112.60	**78.82**	46.00	**134.80**	**144.51**	**2.9%**
5 April 2013	112.60	**78.82**	46.00	**134.80**	**144.51**	**2.9%**
10 April 2013 Pre RDR[4]	115.30	**80.71**	46.00	**134.80**	**144.51**	**2.9%**
10 April 2013 Post RDR[4]	112.60	**78.82**	46.00	**134.80**	**144.51**	**2.9%**
7 May 2013	112.60	**78.82**	46.00	**134.80**	**144.51**	**2.9%**

Allotment date(s)	Allotment price (p)	Net allotment price[2] (p)	Cumulative dividends paid per share (p)	Total return per share to shareholders since allotment (Share price basis) (p)	(NAV basis) (p)	% increase since 30 September 2015 (NAV basis)
Funds raised 2014 (launched 28 November 2013)						
09 January 2014	117.82[5]	**82.47**	40.00	**128.80**	**138.51**	**3.1%**
11 February 2014	119.02[5]	**83.31**	40.00	**128.80**	**138.51**	**3.1%**
31 March 2014	115.64[5]	**80.95**	36.00	**124.80**	**134.51**	**3.2%**
03 April 2014	116.17[5]	**81.32**	36.00	**124.80**	**134.51**	**3.2%**
04 April 2014	115.45[5]	**80.82**	36.00	**124.80**	**134.51**	**3.2%**
06 June 2014	121.55[5]	**85.09**	36.00	**124.80**	**134.51**	**3.2%**
Funds raised 2015 (launched 10 December 2014)						
14 January 2015	108.33[5]	**75.83**	22.00	**110.80**	**120.51**	**3.5%**
17 February 2015	113.17[5]	**79.22**	22.00	**110.80**	**120.51**	**3.5%**
10 March 2015	109.88[5]	**76.92**	18.00	**106.80**	**116.51**	**3.7%**

[1] - Source: London Stock Exchange (mid-price basis).
[2] - Net allotment price is the allotment price less applicable income tax relief. Income tax relief was 20% up until 5 April 2004, 40% from 6 April 2004 to 5 April 2006, and 30% thereafter.
[3] - Shareholders who invested in 2000/01 received 0.7578 shares in the current share class for each share previously held on 29 March 2010, when the Company's two share classes merged. The net allotment price, NAV, cumulative dividend, total return, share price and percentage return data per share have been adjusted to reflect this conversion ratio.
[4] - RDR means the date of implementation of the Retail Distribution Review on 31 December 2012, which affected the level of charges in the allotment price for applications received before and after that date.
[5] - Average effective offer price

Cumulative dividends paid

	Funds raised 2000/01 'O' Share Fund (p)	Funds raised 2007/08 'S' Share Fund (p)	Funds raised 2010/11 (p)	Funds raised 2012 (p)	Funds raised 2013 (p)	Funds raised 2014 (p)	Funds raised 2015 (p)
07 July 2016	4.55[1]	6.00	6.00	6.00	6.00	6.00	6.00
15 February 2016	4.55[1]	6.00	6.00	6.00	6.00	6.00	6.00
30 June 2015	4.55[1]	6.00	6.00	6.00	6.00	6.00	6.00
20 March 2015	3.03[1]	4.00	4.00	4.00	4.00	4.00	4.00
30 October 2014	6.06[1]	8.00	8.00	8.00	8.00	8.00	
03 July 2014	4.55[1]	6.00	6.00	6.00	6.00	6.00	
12 March 2014	3.03[1]	4.00	4.00	4.00	4.00	4.00	
27 June 2013	4.55[1]	6.00	6.00	6.00	6.00		
08 February 2013	4.55[1]	6.00	6.00	6.00	6.00		
15 February 2012	3.02[1]	4.00	4.00				
27 January 2012	15.16[1]	20.00	20.00				
28 March 2011	1.52[1]	2.00	2.00				
22 February 2011	1.52[1]	2.00	2.00				
29 March 2010 Merger of the 'O' and 'S' Share Funds							
17 March 2010	2.00	0.50					
16 February 2009	4.00						
15 February 2008	2.00						
24 October 2007	2.00						
15 February 2007	3.75						
14 February 2006	3.25						
04 February 2005	1.25						
11 February 2004	1.25						
12 February 2003	1.75						
18 February 2002	1.20						
Total dividends paid	**83.09**	**80.50**	**80.00**	**52.00**	**52.00**	**40.00**	**22.00**

[1] - The dividends paid after the merger, on the former 'O' Share Fund shareholdings have been restated to take account of the merger conversion ratio.

The above data relates to an investor in the first allotment of each fundraising. The precise amount of dividends paid to shareholders by date of allotment is shown in the table on pages 72 - 73.

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