Mobeus Income & Growth 2 VCT PLC

(formerly Matrix Income & Growth 2 VCT PLC)

A VENTURE CAPITAL TRUST

Annual Report & Accounts

for the year ended 30 April 2012

mobeus
EQUITY PARTNERS

Mobeus Income & Growth 2 VCT plc

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

Investment Objective

The Company's objective is to provide investors with a regular income stream, arising both from the income generated by the companies selected for the portfolio and from realising any growth in capital.

Venture Capital Trust Status

Mobeus Income & Growth 2 VCT has satisfied the requirements as a Venture Capital Trust under section 274 of the Income Tax Act 2007 ("ITA") and the Directors intend to conduct the business of the Company so as to continue to comply with that section.

Contents

Investment Policy

The VCT's policy is to invest primarily in a diverse portfolio of UK established, profitable, unquoted companies in order to generate capital gains from trade sales and flotations.

Investments are structured as part loan and part equity in order to receive regular income and to provide downside protection in the event of under-performance.

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

Uninvested funds are held in cash and low risk money market funds.

UK Companies

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

VCT regulation

The investment policy is designed to ensure that the VCT continues to qualify and is approved as a VCT by HMRC.

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

The VCT regulations in respect of funds raised after 6 April 2011 have changed, such that 70% of such funds must be invested in equity.

Asset mix

The Investment Manager aims to hold approximately 80% by value of the VCT's investments in qualifying holdings. The balance of the portfolio is held in readily realisable interest bearing investments and deposits.

Risk diversification and maximum exposures

Risk is spread by investing in a number of different businesses across different industry sectors. To reduce the risk of high exposure to equities, each qualifying investment is structured using a significant proportion of loan stock (up to 70% of the total investment in each VCT qualifying company). Initial investments in VCT qualifying companies are generally made in amounts ranging from £200,000 to £2 million at cost. No holding in any one company will represent more than 10% of the value of the Company's investments at the time of investment. Ongoing monitoring of each investment is carried out by the Investment Manager generally through taking a seat on the Board of each VCT qualifying company.

Co-investment

The VCT aims to invest alongside three other VCTs advised by the Investment Manager with a similar investment policy. This enables the VCT to participate in larger combined investments by the Investment Manager.

Borrowing

The VCT has no borrowing and does not have any current plans for future borrowings.

Management

The Board has overall responsibility for the Company's affairs including the determination of its investment policy. Investment and divestment proposals are originated, negotiated and recommended by the Manager and are then subject to formal approval by the Directors. Mobeus Equity Partners LLP provides Company Secretarial and Accountancy services to the VCT.

Impact of changes to the VCT tax rules on the VCT's investment policy

Changes to the VCT tax legislation, were introduced with effect from 6 April 2012 as part of the Finance Act 2012. The changes could impact on the Company's Investment Policy as follows:

(1) The size of companies in which investment can be made has increased back to pre 6 April 2006 levels; companies can have gross assets of up to £15 million immediately before and £16 million immediately after the investment.

(2) The maximum number of permitted employees for an investee company at the time of investment is proposed to be increased from fewer than 50 to fewer than 250 (this limit does not apply to VCT funds raised before 6 April 2007).

(3) The £1 million limit on the amount of investment a VCT may make into a particular company within a tax year has been abolished, except where that company trades in partnership or has a joint venture. A new rule requires that an investee company should not receive more than £5 million from State Aid sources, including VCTs, within a twelve month period ending on the date of the VCT's investment.

(4) It is no longer possible for the Manager to carry out certain types of MBO transactions using funds raised after 5 April 2012. The Company still intends to use other types of MBO transactions and therefore does not anticipate that this change will have a significant impact on the Company's investment policy.

Financial highlights

Merger of former share classes

The net assets of the 'O' and 'C' Share Funds were merged to form one share class of Ordinary Shares on 10 September 2010. At that date the net assets of the merged entity were £24.2 million, which have increased to £24.5 million at 30 April 2012.

The highlights during the year have been:

- Increase in year of 6.2% in Total Shareholder return (net asset value basis) to 112.7 pence per share
- 4p dividend declared and paid in the year
- Increase of 12.5% in Total Shareholder return (share price basis) over the year

Performance Summary

Annual results for the year ended 30 April 2012

Ordinary Shares of 1 penny (formerly C Shares until 10 September 2010)

To help Shareholders understand the recent past performance of their investment, comparative data is shown below. Total return (NAV basis) comprises NAV per share plus cumulative dividends paid per share:

	Net assets (£m)	Net asset value per Share (NAV) (p)	Cumulative dividends paid per share (p)	NAV total return to shareholders since launch per Share (p)	Share price[1] (p)	Share price total return to shareholders (p)
Ordinary Share Fund (formerly C Share Fund until 10 September 2010)						
As at 30 April 2012	**24.5**	**98.7**	**14.0**	**112.7**	**67.0**	**81.0**
As at 30 April 2011	24.9	96.2	10.0	106.2	62.0	72.0
As at 30 April 2010	15.2	87.5	5.0	92.5	57.5	62.5
At close of Offer for subscription in 2005	8.7	94.5	-	-	-	-
Former Ordinary Share Fund (raised in 2000/2001)						
As at 30 April 2012	**-**	**81.6**	**33.4**	**115.0**	**-**	**-**
As at 30 April 2011	-	79.5	30.1	109.6	-	-
As at 30 April 2010	8.1	72.1	26.8	98.9	40.5	67.3
At close of Offer for subscription in 2001	12.4	94.0	-	-	-	-

1 Source: London Stock Exchange

Financial highlights (continued)

Return before and after income tax relief

The table below shows the NAV total returns at 30 April 2012 for a shareholder that invested £10,000 in each fundraising undertaken by the Company:

Fundraising	2000/2001	2005/2006	2008/2009
Issue price per share (p)	100p	100p	92.4p
Number of shares held	8,270	10,000	10,823
Net asset value (NAV) at 30 April 2012 (£)	8,163	9,871	10,683
Dividends paid to shareholder since subscription (£)	3,341	1,400	1,082
NAV total return to shareholder since subscription (£)	11,504	11,271	11,765
Percentage change in NAV total return from last year	4.9%	6.2%	6.4%
Profit before income tax relief (£)	1,504	1,271	1,765
Income tax relief (£)	2,000	4,000	3,000
Cost net of income tax relief (£)	8,000[2]	6,000	7,000
Profit after income tax relief (£)[1]	**3,504**	**5,271**	**4,765**

1 NAV total return minus cost net of income tax relief

2 Additional capital gains tax deferral relief of up to £4,000 available to qualifying shareholders.

Dividend history

In respect of year ended	Payment date	Dividends paid in each year since launch Formerly Ordinary Share Fund (p) per share	Ordinary Share Fund (formerly 'C' share fund) (p) per share
30 April 2012 (interim)	20 April 2012	3.31*	4.00
30 April 2011 (interim)	20 April 2011	3.31*	4.00
30 April 2010 (interim)	13 August 2010	-	1.00
30 April 2009	19 September 2009	-	1.00
30 April 2008 (interim)	23 July 2008	6.00	2.50
30 April 2007	19 September 2007	6.00	1.50
30 April 2006 (interim)	8 February 2006	6.00	-
30 April 2006 (interim)	20 October 2005	6.00	-
30 April 2003	24 September 2003	0.51	-
30 April 2002	16 September 2002	1.35	-
30 April 2001	10 September 2001	0.93	-
Cumulative dividends paid		**33.41**	**14.00**

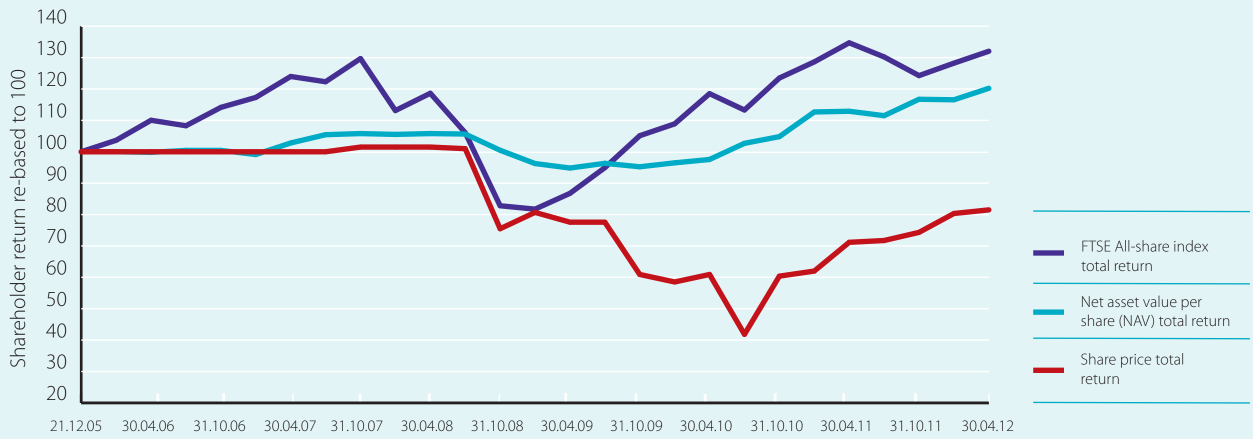
* Payments made after the share class merger on 10 September 2010 have been adjusted using the ratio of 0.827 used to convert former Ordinary Share Fund shares into the current Ordinary Shares.

Share buy-backs

The Company held approximately £2.2 million in readily realisable assets that are available for further investments, dividends and share buy-backs. The discount for the Company's shares at 30 April 2012 was 33.56% based on the NAV per share at 31 January 2012 of 100.84 pence, which was the latest published figure at that time. 1,010,299 shares were bought back at a total cost of £668,744, representing a discount to the net asset value prevailing at the time of each buy back totalling £317,740. This figure represents an increase in net asset value per share of 1.28p, based on the closing number of shares in issue at the year-end.

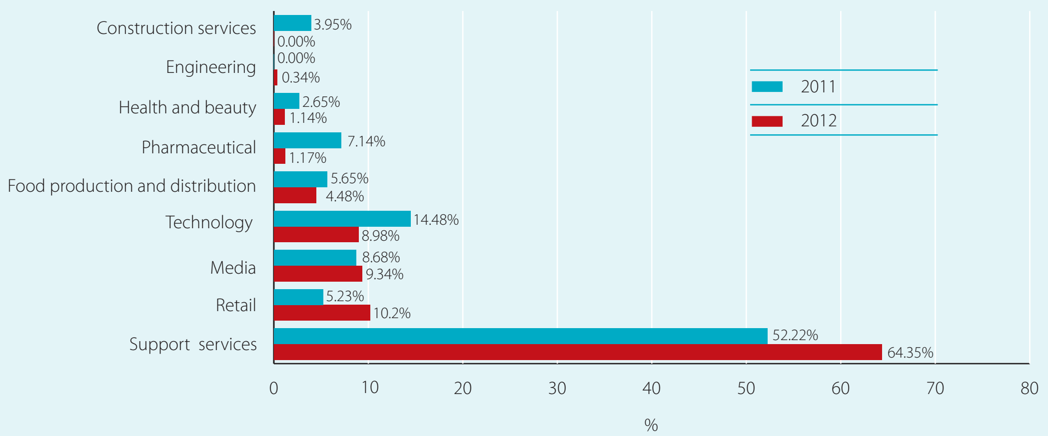
Ordinary share fund (listed on 21 December 2005)

Total shareholder return

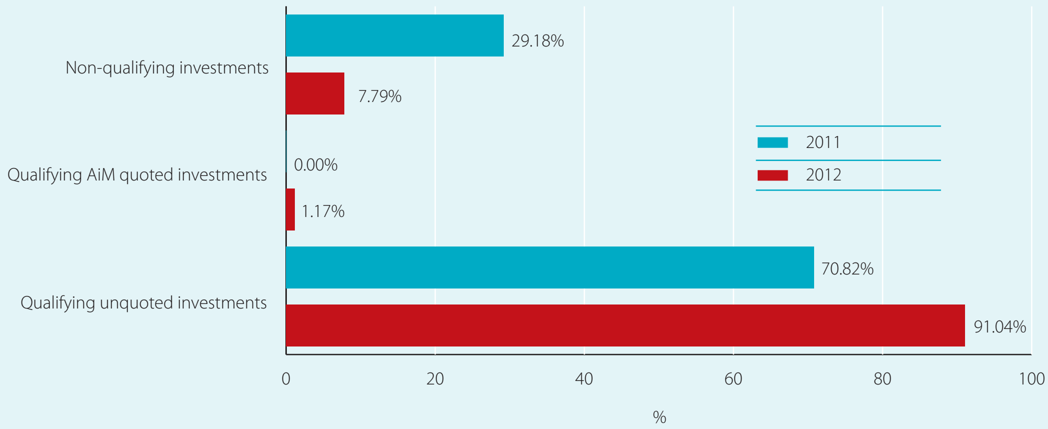


Ordinary Shares (Investments at valuation as at 30 April 2012)

Investments by market class



Investments by asset class



Chairman's Statement

I am pleased to present the twelfth Annual Report of the Company, for the year ended 30 April 2012.

The persistent uncertainty in the UK and global economies has continued to impact on the Company during the year under review. Although there are some positive economic indicators coming out of the United States, the UK economy is technically in recession. Most commentators are predicting a long road to meaningful economic recovery.

Against this backdrop, the quoted UK equity market as represented by the FTSE All-Share Index was volatile and ended the year down 2.0% on a total return basis. Bearing in mind that many of the portfolio companies are valued by reference to the performance of companies trading in similar sectors within the FTSE All-Share Index, it is encouraging to note that the Company's NAV total return rose by 6.2%.

Despite this difficult background, many of the companies in the portfolio continue to make good progress.

Performance for the year ended 30 April 2012

The net asset value ("NAV") per share at 30 April 2012 is 98.7 pence (2011: 96.2 pence), an increase over the year of 2.5 pence (2011: increase of 8.7 pence). The total NAV return per share, including dividends paid to date, is now 112.7 pence (2011: 106.2 pence), an increase over the year of 6.5 pence or 6.2% (2011: increase of 13.7 pence, or 14.8%). This compares with the initial NAV per share, net of initial costs, of 94.5 pence at the date of the first issue of the 'C' Share Fund (now the Ordinary Share Fund) representing a positive total return per share since the launch date of 19.3%. This increase is primarily a result of unrealised increases in the valuation of investments held, the partial disposal of DiGiCo Europe Limited ("DiGiCo") and a stronger revenue return.

Performance of former share classes

Shareholders should note that the performance data above relates to the one ordinary share class now in existence, which was formerly called the C share class, before the merger of the 'O' and 'C' Fund share classes on 10 September 2010. Shareholders in both the former 'O' and 'C' share classes may wish to see the performance of their own investment, and this is shown in the Financial Highlights on pages 3 to 5.

Revenue and Capital returns for the year ended 30 April 2012

The results for the year ended 30 April 2012 are set out in the following pages. The total return (after tax) attributable to Ordinary Shareholders for the year was a profit of £1,333,109 (2011: £3,250,053), comprising a net capital return of £816,532 and a revenue return of £516,577. This improved performance for the year is mainly due to net increases of £0.95 million in the investment portfolio, and a much improved revenue return over last year.

Portfolio Activity

The portfolio continued to be dominated by investments in management buy-out situations ("MBOs"), which has risen to 63.8% of the portfolio, followed by 31.3% in acquisition companies, 3.7% in development capital and 1.2% invested in AIM investments. The portfolio is now invested in a wide range of market sectors with the largest of those being Support Services at 64.4%.

There were three new investments completed during the year under review to finance the MBOs of Equip (including the Rab and Lowe Alpine brands), Ingleby (EMaC, a provider of outsourced service plans in the automotive sector), and Fullfield (Motorclean – vehicle cleaning and valet services) totalling some £3.1 million. A further £6 million was invested into six companies formed to enable investment into established trading entities, each led by experienced operating partners. There were three acquisition companies which had not been able to find suitable investment opportunities and which repaid £3 million.

On 20 July 2012 funds of £907,762 held by Sawrey Limited, one of the Company's acquisition companies, were used to invest in the acquisition of Tessella Limited, an international provider of science-powered technology and consultancy services.

Further investments were made into ASL to support the acquisition of the assets of a similar company, Transcribe Copier Systems Limited and into Monsal as part of a £1.75 million facility to continue supporting the turnaround of that company.

The partial disposal of DiGiCo towards the end of 2011 has contributed to net cash proceeds of £5.4 million from portfolio realisations in the year. There were two partial loan stock repayments made during the period by Fullfield and Focus Pharma totalling £284k.

Details of all these transactions are contained in the Investment Manager's Review on pages 9 to 14.

Portfolio Review

The portfolio experienced an encouraging period given the economic environment, and the value of the portfolio has increased by 6.7%, mainly due to the uplift from the partial sale of DiGiCo to ISIS Equity Partners. The Company has received total cash proceeds of £3 million over the life of this investment, representing a 3 times cash return to date. In addition, the Company continues to hold some loan stock and a small equity investment in this company, valued in total at £1.3 million.

ATG Media, DiGiCo and Iglu.com continued to trade well, with ATG's valuation seeing an improvement of £711k over the period. The sale of Iglu.com subsequent to the year-end meant the Company received total cash proceeds of £2.5 million over the life of the investment, representing a total return on cost of 2.5 times in two and a half years. Two of the investments made this year (EMaC and Fullfield) have made a strong start. There are some companies that continue to find trading difficult, but overall the portfolio's performance is respectable, bearing in mind the economic backdrop in which these businesses are operating.

The Company now holds 31 investments at the year-end, which were valued at 95.6% of cost.

Details of these investments are provided in the Investment Manager's Review on pages 9 to 14.

Income returns

Revenue returns have been much stronger this year, generating a profit of £516,577 compared to £121,161 in 2011. The improvement in this revenue return is mainly due to two factors:

Firstly, loan stock interest from investee companies rose to £789,960 (2011: £437,080), as several new investments generated new income, while several investee companies were able to resume payment of current interest. The annualised yield from loan stocks at valuation is now running at 4.9% (2011: 5.1%).

Secondly, income from dividend receipts has also risen to £216,406 (2011: £128,033). Income this year was boosted by dividends from two main sources, namely DiGiCo and ATG.

It should be noted that income returns have continued to be adversely affected by the low interest rates available on bank deposits and money-market funds. Total income from cash and money market funds was £36,458 (2011: £69,142). Underlying costs did not change significantly from the previous year (excluding merger costs of £52,928).

Dividends

The revenue account generated a net revenue gain for the year, as explained above, being 2.03 pence per share (2011: gain of 0.46p). Your Board declared an unchanged interim dividend totalling 4 pence per share, of which 2 pence was income and 2 pence was capital. The Board is not recommending a final dividend for the year under review.

Share buy-backs

During the year ended 30 April 2012, the Company continued to implement its buy-back policy and bought back 1,010,299 Ordinary Shares, representing 3.9% of the shares in issue at the start of the year totalling £668,744. These shares were subsequently cancelled by the Company. The shares above were bought back for an average price of 66.33 pence per share, at discounts to the net asset value at the date of each buyback ranging from 34.47% to 30.58%. These discounts totalled £317,740. This figure represents an increase in net asset value per share of 1.28p, based on the closing number of shares in issue at the year-end.

Change of ownership at Mobeus Equity Partners, previously Matrix Private Equity Partners

Since April 2004, the Company's Investment Manager, Mobeus Equity Partners LLP ("Mobeus") has been owned jointly by its executive partners and Matrix Group Limited ("Matrix"). On 12 January 2012, the executive partners reached an agreement to acquire Matrix's interest in the business and this led to the Investment Manager becoming a fully independent owner-managed firm. The acquisition was completed on 30 June 2012.

The Board undertook a thorough review of the change of ownership before completion. It satisfied itself that the new entity has sufficient resources to discharge its responsibilities. The Company's arrangements with the Investment Manager, in particular its investment strategy and services, will not change.

The Directors look forward to continuing to work with the Investment Manager to provide attractive long term returns on your Company investment, whilst reserving the Company's rights under the investment management agreement.

Shareholder communication

May I remind you that the Company continues to have its own website which is available at www.mig2vct.co.uk.

Shareholders receive a twice-yearly Mobeus VCT Newsletter from the Investment Manager, approved by the Board.

The Investment Manager held a second successful investor workshop on 25 January 2012. The workshop provided a forum for about 100 Mobeus VCT Shareholders to hear presentations from the Manager about its investment activity in greater depth and from a successful entrepreneur of one of the portfolio companies. It is intended that this will be an annual event, to which all Shareholders will be invited.

Shareholders should also note that resolution 12 of the AGM seeks your approval to give the Board the option to communicate with you electronically in future. I would be interested in shareholders' views on this matter.

Strategy

Your board considers the Company's strategy at least annually. The main issues addressed are the investment objectives and policies, the role and performance of the Investment Manager and the methods of providing shareholders with a satisfactory return on their investment.

As I set out in my Statement last year, we believe that all shareholders should be able to realise their investment in the fund within a reasonable period. In the absence of a liquid market for shares in VCTs, this can be achieved only by share buy-backs or liquidation. Our dividend policy is to try to pay a consistent annual dividend while maintaining the net asset value of the fund.

We have rejected the policy of regularly issuing new shares to fund buy-backs at unrealistically low discounts mainly because each time new shares are issued, the vote by shareholders to continue the life of the fund is postponed for another 5 years, thereby depriving shareholders of the opportunity to realise their investment through a liquidation. The next renewal vote will be in September 2015. Our relatively passive buy-back policy is based on the belief that buy-backs should only be executed at a discount which balances the interests of the shareholders seeking to realise their investment with those of the continuing shareholders.

We have set the Investment Manager a target of a minimum average compound annual total NAV return on the fund of 8% from 30 April 2010. The returns on the ordinary shares (formerly the C shares) for the two years to 30 April 2012 have been 14.8% for the first year and 6.2% for the second – an average of 10.5% per annum.

Outlook

The relatively depressed state of the UK economy will inevitably affect the investments held by your Company over

Chairman's Statement (continued)

the coming year. Smaller companies can be particularly sensitive to the economic environment and only companies with robust business models will prosper. The Company has an adequate cash position to support portfolio companies where merited and will use the acquisition companies to take advantage of attractive new investment opportunities that present themselves.

The Investment Manager continues to investigate a number of investment opportunities at realistic purchase levels. The Board believes that the Company's strategy of investing in established businesses, and structuring investments to include loan stock, will continue to mitigate downside risk. This should contribute to enhancing the Company's performance and help to achieve the objective of attractive dividend payout levels.

Conclusion

I would like to express my thanks to all Shareholders for your continuing support of the Company. I hope to have the opportunity of meeting you at the Annual General Meeting on 6 September 2012.

Nigel Melville
Chairman
24 July 2012

Investment Manager's Review

Overview

We are continuing to see good quality, realistically priced investment opportunities and are finding that management buy-out ("MBO") teams are increasingly turning to us as a source of deliverable, long-term finance as an alternative to bank funding. We are therefore pleased with and encouraged by the current level of deal flow, enabling us to pursue a number of deals which we expect to come to fruition over the coming months. We are also discussing a number of interesting realisation opportunities with both trade and private equity investors as the lack of bank funding continues.

We believe that the Company's strategy of investing in modestly-geared MBO opportunities, supporting highly motivated management teams, focusing on acquiring established, profitable, positive cashflow businesses and investing partly in income yielding loan stocks substantially increases the degree of downside protection to Shareholders' capital.

We have continued to work actively with the management teams of investee companies, encouraging them to take cost cutting measures and discussing their budgets, forecasts and cost structure with them to ensure that their businesses remain as resilient as possible. The majority of investee companies have managed their cashflow well and remain cash-generative.

New investment

Three new investments were completed during the year under review totalling £3.1 million, one of which used the VCT's existing investment of £1 million in the acquisition vehicle Vanir.

In July 2011, the first of the three new investments was completed by the Company when it provided £1,160,549 into Fullfield to enable it to support the MBO of Motorclean Group Limited, a provider of vehicle cleaning and valet services to the car dealership market. At the year end, the cost of the Company's investment in this company is £1,083,179 (after it prepaid £77,370 of its loan stock).

In October, the Company made an investment of £817,185 as part of a £7.8 million transaction to support the acquisition of the international intellectual property and asset of Lowe Alpine Srl from administration in Italy, by Equip Outdoor Technologies Limited, a company specialising in owning and distributing brands focused on the outdoor sector, including the Rab brand.

Finally the Company invested a further £95,723 into the acquisition vehicle Vanir to support the MBO of EMaC Limited, the UK's leading provider of outsourced service plans to franchised dealers in the automotive sector, bringing the Company's investment in this company to £1,095,723.

The Operating Partner programme as a whole has continued to generate successful investments for the Company and accordingly six new acquisition vehicle investments have been made in the year, bringing the total invested to £7 million. Three of the Company's investments in acquisition vehicles were realised during the period as in our view insufficient progress was being made in negotiating suitable, attractive investment opportunities. Each of these acquisition vehicles is headed by experienced operating partners, well-known to us, who are working closely with us in seeking to identify and complete investments in specific sectors relevant to their industry knowledge and experience. Indeed, on 20 July 2012, funds of £907,762 held in Sawrey Limited were used to invest in the acquisition of Tessella Limited, an international provider of science-powered technology and consulting services. We anticipate that the Operating Partner programme will lead to further new investments in the coming financial year.

Follow-on investment

In June 2011, a further £360,265 in total was invested in the loan stock of ASL Technology Holdings Limited, making the total investment in ASL Technology Holdings £1,360,130, to finance its acquisition of Transcribe Copier Systems Limited, as part of its strategy to be a coordinator in this sector.

The resilience of the investment portfolio is demonstrated by the fact that Monsal is the only investment in the portfolio that has required further working capital funding during the year under review.

Earlier in the year, Monsal was experiencing completion delays on an existing contract and in the commissioning of new contracts. These delays led to a requirement for additional funding and, following careful consideration, your Company approved a further loan stock investment of up to £179,425 as part of a £1.75 million fundraising alongside other Mobeus VCTs and other shareholders. Three tranches of this new funding round, totalling £76,897, have been drawn down to date in separate tranches in July and August 2011; these investments are held at cost. The terms of this new investment round provided for it to rank ahead of the existing investment. With this additional funding, Monsal now has the ability to pursue a number of major contracts in the waste and water sector which will make the potential for recovery of value in the original investment a more realistic prospect. Encouragingly, since approval of this facility Monsal has materially advanced its negotiations on a number of new contracts, and its order book stands at a record level.

Following the period-end, in June 2012, the Company made a further investment into PXP of £57,143. The original investment has been valued at nil, but this additional investment is expected to generate a positive return.

Realisations

In the prevailing economic circumstances, we are pleased to report a healthy level of realisations. During the year these have generated net cash proceeds of £2,424,329 (excluding acquisition company loan repayments of £2,997,000).

Several companies in the portfolio continue to be strongly cash generative, and two partially repaid their loan stock during the year to 30 April 2012, returning a total of £283,695 to the Company. The payments received were: £206,325 from Focus Pharma Holdings and £77,370 from Fullfield, both in January 2012.

In December 2011 the Company made a partial realisation of its investment in DiGiCo Europe Limited ("DiGiCo") through a sale to ISIS Equity Partners. This realisation increased the total cash proceeds received by the Company over the life of the investment by £2,139,808 to £3,024,832, representing a 3.0 times cash

Investment Manager's Review (continued)

return on the Company's original investment of £1.0 million. In addition, the VCT retains a 2.4% equity stake, and new loan stock in DiGiCo, together valued at £1,334,291 at the date of completion of the transaction and the year-end. The total return to date thus equates to approximately £4.4 million; a 4.4 times return on the Company's original investment. DiGiCo is a leading manufacturer and distributor of sound mixing consoles used at major corporate and sporting events worldwide. Its sustained strong profit growth since investment has been largely driven by product development and a series of successful launches. DiGiCo is a good example of how a properly financed business with strong management and a market-leading product can develop a niche opportunity and grow significant value.

The Portfolio

The Mobeus invested portfolio at 30 April 2012 comprised thirty-one investments (2011: twenty-six) with a cost of £23.3 million (2011: £17.2 million) and valued at £22.3 million (2011: £18.0 million), representing 95.6% of cost (2011: 104.7%).

The portfolio's performance as a whole continues to be robust. DiGiCo, Iglu.com Holidays and ATG Media have once again produced the strongest performances and this is reflected in their valuations. We are pleased that the sale of Iglu.com just after the year-end contributed further proceeds of £1,455,265, making a total of £2,530,414 received by the Company over the time the investment was held, achieving a return of 2.5 times cost in only two and a half years. Many other portfolio companies have also continued to increase sales and profits despite the challenges of the economic environment.

Of the new investments made during the year, Fullfield (Motorclean Group) and Ingleby (EMaC) have both made promising starts. EMaC is currently trading ahead of investment plan. Fullfield is performing in line with expectations. EOTH (Rab and Lowe Alpine), however, has experienced a lower level of growth than expected since investment, reflecting the recent problems affecting the retail leisure goods sector.

DiGiCo and ATG Media have continued to grow revenue and profitability which has contributed to their higher valuations. Following the partial realisation of DiGiCo, the bulk of the value of the investment is in the form of loan stock. Focus Pharma continues to trade well, although it ended its last full financial year behind a stretching budget. It expects to progress further with several further product launches planned for 2012.

Other companies are still endeavouring to recover fully from the effects of the recession. Activity in the construction and house building sectors remains well below historical levels. This continues to affect the performance of Plastic Surgeon. Nonetheless, it has made considerable inroads into new markets which have driven growth in profitability and are expected to continue to develop.

Elsewhere the position is more mixed. Although Youngman has now fully repaid its bank debt, demand in the wider construction sector remains volatile and difficult to predict. Blaze Signs continues to consolidate its recovery and is starting to benefit from some contract gains whilst profitability remains well below peak levels. Westway suffered from lower revenues last year but is now growing profits again and has strong customer relationships. ASL has now integrated Transcribe, which is trading well, but the group's overall performance is lagging its investment plan.

RDL had a disappointing first year with a net reduction in contract staff placements in its core pharmaceuticals and IT markets but has taken measures to improve performance. Faversham is streamlining its operations although progress is slower than anticipated.

Of the Company's investments more directly exposed to the consumer, CB Imports has continued to advance its position in a difficult floristry supplies market and has started its trading year strongly. Racoon continues to generate solid profitability.

British International has experienced a disappointing period after record profitability in 2010 achieved on the back of high activity in oil and gas support work. The oil support work in the Falklands ended in May last year and has not been replaced by other contracts. In addition the long term decline in passenger numbers on the Penzance to Isles of Scilly passenger route has continued. Your Company's investment is, however, well underpinned by British International's assets.

Our strategy remains to invest in strong, profitable companies and we consider that the prospect of further recovery and progress over the medium term is good. We believe that the portfolio, taken as a whole, is resilient and of high quality.

Outlook

The outlook for the UK economy is uncertain but we have been encouraged by developments in the last year in our market sector. The coming year may prove more testing as the public sector cuts continue and the economy struggles to achieve any growth. We consider that good quality companies, prudently financed and capable of maintaining competitive advantage, still have the potential to succeed in this environment.

The difficult economic outlook and the volatility in the quoted markets will inevitably continue to have an impact on the unrealised valuations of the companies in the portfolio. However, we believe that the portfolio has the capability to deliver growth in value which will be released in the long term. Our strategy of investing primarily in MBOs and structuring investments to include loan stock will continue to mitigate downside risk.

Uninvested cash retained by the Company has fallen in the year, but should be adequate to support portfolio companies should the need arise. Cash in the acquisition companies will be used to invest in attractive new opportunities. Alongside this, the Investment Manager is conscious of the need to ensure that investee companies take appropriate actions to respond to the challenging environment ahead.

Details of the Company's ten largest investments by value (excluding the seven acquisition companies), representing 43.6% by cost and 54.7% by value of the portfolio, are set out on pages 11 to 14.

Ten Largest Investments

ATG Media Holdings Limited

www.antiquestradegazette.com

Cost

Total	£768,011

Valuation

Total	£1,886,354

Basis of valuation:
Earnings multiple

Equity % held:
7.4%

Income receivable in year
£79,238

Business:
Online auction platform operator and publisher of the leading newspaper serving the UK antiques trade

Location:
London

History:
MBO from Daily Mail & General Trust plc

Audited financial information

Year ended	30 September 2011
Turnover	£8,927,000
Operating profit	£1,831,000
Net assets	£3,179,000
Year ended	30 September 2010
Turnover	£7,215,000
Operating profit	£1,261,000
Net assets	£2,506,000

Iglu.com Holidays Limited

www.iglu.com

Cost

Total	£152,326

Valuation

Total	£1,455,265

Basis of valuation:
Sale realisation proceeds after the year-end

Equity % held:
8.1%

Income receivable in year:
£nil

Business:
Online ski and cruise travel agent

Location:
Wimbledon

History:
MBO via aquisition vechicle

Audited financial information

Year ended	31 May 2011
Turnover	£72,924,000
Operating profit	£1,448,000
Net assets	£1,213,000
Year ended	31 May 2010[1]
Turnover	£56,617,000
Operating profit	£974,000
Net assets	£5,151,000

1 The financial information quoted above relates to the operating subsidiary, Iglu.com Limited.

Blaze Signs Holdings Limited

www.blaze-signs.com

Cost

Total	£1,398,498

Valuation

Total	£1,422,619

Basis of valuation:
Earnings multiple

Equity % held:
13.5%

Income receivable in year:
£168,505

Business:
Manufacturing and installation of signs

Location:
Broadstairs, Kent

History:
MBO from private ownership

Audited financial information

Year ended	31 March 2012
Turnover	£20,878,000
Operating profit	£1,761,000
Net assets	£2,918,000
Year ended	31 March 2011
Turnover	£20,127,000
Operating profit	£1,889,000
Net assets	£2,937,000

Operating profit is stated before charging amortisation of goodwill.

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

Ten Largest Investments (continued)

British International Holdings Limited

www.islesofscillyhelicopter.com

Cost

Total	£1,160,000

Valuation

Total	£1,325,644

Basis of valuation:
Earnings multiple

Equity % held:
10.0%

Income receivable in year:
£6,418

Business:
Helicopter service operator

Location:
Sherborne, Dorset

History:
MBO from institutional investor

Audited financial information

Year ended	31 December 2010
Turnover	£19,350,000
Operating profit	£3,284,000
Net assets	£4,017,000

Year ended	31 December 2009
Turnover	£16,050,000
Operating profit	£945,000
Net assets	£2,970,000

Newincco 1124 Limited (trading as DiGiCo Europe Limited)

www.digico.biz

Cost

Total	£1,334,291

Valuation

Total	£1,334,291

Basis of valuation:
Recent Investment price

Equity % held:
2.4%

Income receivable in year:
£161,192

Business:
Manufacturer of digital sound mixing consoles

Location:
Chessington, Surrey

History:
MBO from private ownership

Audited financial information

Year ended	31 December 2011
Turnover	£21,314,000
Operating profit	£6,466,000
Net assets	£7,932,000

Year ended	31 December 2010
Turnover	£18,757,000
Operating profit	£5,501,000
Net assets	£8,909,000

Fullfield Limited (trading as Motorclean)

www.motorclean.net

Cost

Total	£1,083,179

Valuation

Total	£1,145,373

Basis of valuation:
Recent Investment price

Equity % held:
7.9%

Income receivable in year:
£82,564

Business:
Vehicle cleaning and valet services

Location:
Laindon, Essex

History:
MBO

Audited financial information

Year ended	31 March 2011[1]
Turnover	£22,400,000
Operating profit	£1,631,000
Net assets	£2,344,000

Year ended	31 March 2010[1]
Turnover	£20,522,000
Operating profit	£1,569,000
Net assets	£2,498,000

1 The financial information quoted above relates to the operating subsidiary, Motorclean Group Limited.

Operating profit is stated before charging amortisation of goodwill.

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

Ingleby (1879) Limited trading as EMaC Holdings Limited (formerly Vanir Consultants Limited)

www.emac.co.uk

Cost

Total	£1,095,723

Valuation

Total	£1,095,723

Basis of valuation:
Recent Investment price

Equity % held:
5.5%

Income receivable in year:
£45,643

Business:
Service plans for the motor trade

Location:
Crewe

History:
MBO via acquisition vehicle

Audited financial information

Year ended	31 December 2011[1]
Turnover	£4,990,000
Operating profit	£867,000
Net assets	£1,535,000
Year ended	31 December 2010[1]
Turnover	£4,042,000
Operating profit	£1,596,000
Net assets	£2,712,000

1 The financial information quoted above relates to the operating subsidiary, EMaC Limited.

RDL Recruitment Limited (formerly Aust Recruitment Group Limited)

www.rdlcorp.com

Cost

Total	£1,000,000

Valuation

Total	£921,169

Basis of valuation:
Earnings multiple

Equity % held:
9.1%

Income receivable in year:
£82,677

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

Location:
Woking, Surrey

History:
MBO

Audited financial information

Year ended	31 December 2011
Turnover	£18,266,000
Operating profit	£1,214,000
Net assets	£1,501,000
Period ended	31 December 2010
Turnover	£3,799,000
Operating profit	£279,000
Net assets	£1,846,000

EOTH Limited (trading as Equip Outdoor Technologies Limited

www.equipuk.com

Cost

Total	£817,185

Valuation

Total	£817,185

Basis of valuation:
Recent investment price

Equity % held:
1.5%

Income receivable in year:
£40,508

Business:
Branded outdoor equipment and clothing

Location:
Alfreton, Derbyshire

History:
Development Capital

Audited financial information

Period ended	31 January 2012
Turnover	£15,504,000
Operating profit	£1,830,000
Net assets	£6,173,000
Year ended	28 February 2011[1]
Turnover	£13,457,000
Operating profit	£2,354,000
Net assets	£4,706,000

1 The financial information quoted above relates to the operating subsidiary, Equip Outdoor Technologies Limited.

Operating profit is stated before charging amortisation of goodwill.

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

Ten Largest Investments (continued)

ASL Technology Holdings Limited (formerly Apricot Trading Limited)

www.asl-group.co.uk

Cost

Total	£1,360,130

Valuation

Total	£801,951

Basis of valuation:
Earnings multiple

Equity % held:
7.3%

Income receivable in year:
£72,123

Business:
Printer and photocopier services

Location:
Cambridge

History:
MBO via acquisition vehicle

Audited financial information

Year ended	30 September 2011[1]
Turnover	£12,217,000
Operating profit	£1,279,000
Net assets	£1,110,000

Year ended	30 September 2010[1]
Turnover	£8,627,000
Operating (loss)	(£264,000)
Net assets	£442,000

1 The financial information quoted above relates to the operating subsidiary, Automated Systems Group Limited.

Operating profit is stated before charging amortisation of goodwill.

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

Investment Portfolio Summary
as at 30 April 2012

	Date of first investment/ Sector	Total Book cost at 30 April 2012 £	Valuation at 30 April 2011 £	Additions at cost £	Disposals at valuation £	Valuation at 30 April 2012 £	Change in valuation for year £	% of net assets by value £
Qualifying investments								
AiM quoted investments								
Omega Diagnostics Group plc In vitro diagnostics for food intolerance, auto-immune diseases and infectious diseases	December 2010 Pharmaceuticals	214,998	237,394		-	259,789	22,395	1.1%
Vphase plc (formerly Flightstore Group plc) Development of energy saving devices for domestic use	March 2001 Electronic and electrical equipment	254,586	1,774	-	-	1,014	(760)	0.0%
Fuse 8 plc (Award International Holdings plc) Promotional goods and services agency	March 2004 Support Services	250,000	7,000	-	-	-	(7,000)	0.0%
Sub Total AiM investments		719,584	246,168	-	-	260,803	14,635	1.1%
Unquoted investments								
ATG Media Holdings Limited Online auction platform operator and publisher	October 2008 Media	768,011	1,154,838	104		1,866,354	711,412	7.6%
Iglu.com Holidays Limited Online ski and cruise travel agent	December 2009 Retail	152,326	923,815	-	-	1,455,265	531,450	5.9%
Blaze Signs Holdings Limited Manufacturing and installation of signs	April 2006 Support services	1,398,498	1,543,170	-	-	1,422,619	(120,551)	5.8%
Ingleby (1879) Limited trading as EMaC Limited (formerly Vanir Consultants Limited) Service plans for the motor trade	October 2008 Support services	1,095,723	1,000,000	95,723	-	1,095,723	-	4.5%
Fullfield Limited trading as Motorclean Limited Vehicle cleaning and valet services	July 2011 Support services	1,000,000	-	1,000,000	-	1,062,194	62,194	4.3%
British International Holdings Limited Helicopter service operators	June 2006 Support services	1,000,000	1,401,854	-	-	1,005,644	(396,210)	4.1%
Ackling Management Limited Food manufacturing, distribution and brand management	January 2012 Food production & distribution	1,000,000	-	1,000,000	-	1,000,000	-	4.1%
Almsworthy Trading Limited Specialist construction, building support services, building products and related services	March 2012 Support services	1,000,000	-	1,000,000	-	1,000,000	-	4.1%
Peddars Management Limited Database management, mapping, data mapping and management services to legal and building industries	January 2012 Support services	1,000,000	-	1,000,000	-	1,000,000	-	4.1%
Culbone Trading Limited Outsourced services	April 2012 Support services	1,000,000	-	1,000,000	-	1,000,000	-	4.1%
Fosse Management Limited Brand management, consumer products and retail	January 2012 Support services	1,000,000	-	1,000,000	-	1,000,000	-	4.1%
Madacombe Trading Limited Engineering services	April 2012 Support services	1,000,000	-	1,000,000	-	1,000,000	-	4.1%
Sawrey Limited Marketing services and media	March 2011 Support services	1,000,000	1,000,000	-	-	1,000,000	-	4.1%
RDL Recruitment Limited (formerly Aust Recruitment Group Limited) Recruitment consultants for the pharmaceutical, business intelligence and IT industries	October 2010 Support services	1,000,000	1,000,000	-	-	921,169	(78,831)	3.8%
EOTH Limited trading as Equip Outdoor Technologies Limited Branded outdoor equipment and clothing	October 2011 General retailers	817,185	-	817,185	-	817,185	-	3.3%
ASL Technology Holdings Limited Printer and photocopier services	December 2010 Support services	1,360,130	999,865	360,265	-	801,951	(558,179)	3.3%
Youngman Group Limited Manufacturer of ladders and access towers	October 2005 Support services	1,000,052	699,966	-	-	699,966	-	2.9%
Focus Pharma Holdings Limited Licensor and distributer of generic pharmaceuticals	October 2007 Support services	517,827	1,026,860	-	206,325	578,529	(242,006)	2.4%
Machineworks Software Limited Software for CAM and machine tool vendors	April 2006 Software and Computer Services	25,727	581,802	-	-	550,340	(31,462)	2.2%
Racoon International Holdings Limited Supplier of hair extensions, hair care products and training	December 2006 Personal goods	878,527	469,359	-	-	254,441	(214,918)	1.0%

Investment Portfolio Summary (continued)
as at 30 April 2012

	Date of first investment/ Sector	Total Book cost at 30 April 2012 £	Valuation at 30 April 2011 £	Additions at cost £	Disposals at valuation £	Valuation at 30 April 2012 £	Change in valuation for year £	% of net assets by value £
Faversham House Publisher, exhibition organiser and operator of websites for the environmental, visual communications and building services sectors	December 2010 Media	374,870	374,870	-	-	216,647	(158,223)	0.9%
The Plastic Surgeon Holdings Limited Snagging and finishing of domestic and commercial properties	April 2008 Support services	392,264	98,067	-	-	203,433	105,366	0.8%
Vectair Holdings Limited Design and sale of washroom products	January 2006 Support services	60,293	204,750	-	-	154,045	(50,705)	0.6%
Lightworks Software Limited Software for CAD vendors	April 2006 Software and Computer Services	25,727	73,372	-	-	116,629	43,257	0.5%
Monsal Holdings Limited Supplier of engineering services to the water and waste sectors	December 2007 Engineering	847,614	-	76,897	-	76,897	-	0.2%
DiGiCo Europe Limited Design and manufacture of audio mixing desks	July 2007 Technology, hardware and equipment	-	1,907,395	-	1,907,395	-	1,331,900	0.0%
PXP Holdings Limited (Pinewood Structures) Design, manufacture and supply of timber frames for buildings	December 2006 Construction	1,163,436	-	-	-	-	-	0.0%
Legion Group plc (formerly SectorGuard plc) Provision of manned guarding, mobile patrolling, and alarm response services	August 2005 Support Services	150,000	-	-	-	-	-	0.0%
Backbarrow Limited Food manufacturing, distribution and brand management	April 2010 Support services	-	1,000,000	-	1,000,000	-	-	0.0%
Rusland Management Limited Brand management, consumer products and retail	April 2011 Support services	-	1,000,000	-	1,000,000	-	-	0.0%
Torvar Limited Database management, mapping, data mapping and management services to legal and building industries	April 2011 Support services	-	1,000,000	-	1,000,000	-	-	0.0%
Sub-total unquoted investments		**21,028,210**	**17,459,983**	**8,350,174**	**5,113,720**	**20,299,031**	**934,494**	**82.8%**
Total qualifying investments		**21,747,794**	**17,706,151**	**8,350,174**	**5,113,720**	**20,559,834**	**949,129**	**83.9%[1]**
Non-qualifying investments								
Money market funds [2]		2,099,906	6,538,497			2,099,906		8.6%
Newincco 1124 Limited (trading as DiGiCo Europe Limited) Design and manufacture of audio mixing desks	December 2011 Technology, hardware and equipment	1,334,291	-	1,334,291	-	1,334,291	-	5.4%
British International Holdings Limited		160,000	320,000	-		320,000	-	1.3%
Fullfield Limited trading as Motorclean Limited		83,179	-	160,549	77,370	83,179	-	0.3%
Cash		79,786	76,291			79,786		0.3%
Legion Group plc (formerly SectorGuard plc)		106	-	-	-	-	-	0.0%
Total non-qualifying investments		3,757,268	6,934,788	1,494,840	77,370	3,917,162	-	15.9%
Debtors		213,610	441,684			213,610		0.9%
Creditors		(163,967)	(218,655)			(163,967)		(0.7)%
Net assets		**25,554,705**	**24,863,968**	**9,845,014**	**5,191,090**	**24,526,639**	**949,129**	**100.0%**

1 As at 30 April 2012, the Company held more than 70% of its total investments in qualifying holdings, and therefore complied with the VCT Investment test.
2 Disclosed within Non-current assets as Monies held pending investment in the Balance Sheet

Board of Directors

Nigel Melville

Status:
Independent, non-executive Chairman
Age: 67
Nigel was Chairman of Emtelle Holdings Limited, the UK's leading supplier of fibre-optic ducting systems, until 4 August 2008. He is a director of a number of other public and private companies. Between 1972 and 1995, he was an investment banker, latterly as a director of Barings responsible for international corporate finance. In 1995 he established Melville Partners to provide strategic consultancy to a range of international companies.

Last re-elected to the Board:
September 2011. Standing for re-election at the forthcoming AGM on 6 September 2012.

Committee memberships:
Nominations Committee (Chairman), Remuneration Committee, Audit Committee and Investment Committee.

Number of Board and Committee meetings attended 2011/12:
11/12

Remuneration 2011/12:
£24,000.

Relevant relationships with the Investment Manager or other service providers:
None.

Shareholding in the Company:
Ordinary Shares 43,720.

Shareholding in investee companies:
None.

Adam Kingdon

Status:
Independent, non-executive Director
Age 54
Adam has over twenty years experience as a turnaround specialist and of restoring companies to profitability. He is also the founder and CEO of i2O Water Limited.

Last re-elected to the Board:
September 2010. Standing for re-election at the forthcoming AGM on 6 September 2012.

Committee memberships:
Audit Committee (Chairman), Nominations Committee, Remunerations Committee and Investment Committee.

Number of Board and Committee meetings attended 2011/12:
8/12

Remuneration 2011/12:
£21,000.

Relevant relationships with the Investment Manager or other service providers:
None.

Shareholding in the Company:
Ordinary Shares 5,709.

Shareholding in investee companies:
None.

Sally Duckworth

Status:
Independent, non-executive Director
Age 44
Sally has worked in the financial services sector since 1990 and in the private equity industry since 2000. An active angel investor, she sits on the board of several early stage companies. She is a qualified accountant, former investment banker and venture capitalist. From 2000 – 2004 she worked for Quester Capital Management Limited as part of the investment team for their VCTs.

Last re-elected to the Board:
September 2010. Standing for re-election at the forthcoming AGM on 6 September 2012.

Committee memberships:
Investment Committee (Chairman), Audit Committee, Nominations Committee, Remuneration Committee

Number of Board and Committee meetings attended 2011/12:
10/12

Remuneration 2011/12:
£21,000.

Relevant relationships with the Investment Manager or other service providers:
None.

Shareholding in the Company:
None.

Shareholding in investee companies:
None.

Kenneth Vere Nicoll

Status: non-executive Director
Age 69
Ken has over 35 years' corporate finance experience and retired as Deputy Chairman of Matrix Corporate Capital LLP ("MCC LLP") on 30 June 2009 and as a director of Matrix Group Limited on 30 November 2009. MCC LLP provides corporate finance advice and stockbroking services. He was a non-executive director of Unicorn AIM VCT II plc until March 2010 when it completed a merger with Unicorn AIM VCT plc.

Last re-elected to the Board:
September 2011. Standing for re-election at the forthcoming AGM on 6 September 2012.

Committee memberships:
Remuneration Committee (Chairman), Nominations Committee.

Number of Board and Committee meetings attended 2011/12:
12/12

Remuneration 2011/12:
£18,000.

Relevant relationships with the Investment Manager or other service providers:
Shareholder of Matrix Group Limited (for further details please see Note 23 on related party transactions on page 55).

Shareholding in the Company:
Ordinary Shares 49,430 (including holdings of connected persons).

Shareholding in investee companies:
None.

Directors' Report

The Directors present their twelfth annual report together with the audited financial statements of the Company for the year ended 30 April 2012.

Principal activity and status

The principal activity of the Company is the making of investments in unquoted or AIM-quoted companies in the UK. Mobeus Income & Growth 2 VCT plc has satisfied the requirements as a Venture Capital Trust under section 274 of the Income Tax Act 2007 ("ITA"). The Directors have managed, and it is their intention to continue to manage, the Company's affairs in such a manner as to comply with this section of the ITA.

The Company revoked its status as an Investment Company as defined by section 266 of the Companies Act 1985 on 7 July 2005. This change was undertaken to enable the Company to distribute capital profits to Shareholders.

The former 'O' Fund Ordinary Shares were first admitted to the Official List of the UK Listing Authority on 11 July 2000.

The Ordinary shares (formerly C Shares) were first admitted to the Official List of the UK Listing Authority on 21 December 2005. Following the merger of the 'O' and 'C' Ordinary Shares, the listing of the 'C' Shares was amended on the Official List to ordinary shares of 1p in the capital of the Company ("Ordinary Shares") on 10 September 2010 and the 'O' Share listing was cancelled.

Business review and performance review

For a review of the Company's development and performance during the year, and a consideration of its future development please see the Chairman's Statement on pages 6 to 8 and the Investment Manager's Review and Investment Portfolio Summary on pages 9 to 16 of this Report. The Financial Highlights on pages 3 to 5 provide data on the Company's key performance indicators.

The Company's Investment Policy on page 2 and note 19 of the financial statements provides information on the Company's financial risk management objectives.

The Board reviews performance by reference to various measures, taking account of the long term nature of the assets in which the Company invests.

Total return

The total return per share is the key measure of performance for the Company which comprises NAV plus cumulative dividends paid per share. The Company's NAV is calculated quarterly in accordance with the IPEVCV guidelines.

The net assets of the Ordinary Share Fund increased during the year under review resulting in a rise in the NAV per Ordinary Share of 2.7%. The total return to Ordinary Shareholders since launch has increased by 6.2% during the year, from 106.2 pence per share to 112.7 pence per share.

Total expense ratio (TER)

The TER of the Company for the year under review was 3.57% (2011: 3.39%) excluding VAT and exceptional costs, and 3.62% (2011: 3.51%) including VAT. Under the terms of the management agreement, the total management and administration expenses of the Company, excluding any irrecoverable VAT, exceptional costs and any management performance incentive fee, are limited to a maximum of 3.6% (2011: 3.6%) of the value of the VCT's closing net assets.

Results (2011 figures include both the former 'O' share fund and the Ordinary Share Fund (formerly named 'C' Share Fund))

	Ordinary Share Fund 30 April 2012 £	Ordinary Share Fund 30 April 2011 £
Capital return transferred to reserves	816,532	3,128,892
Revenue return, before taxation	610,403	133,342
Taxation	(93,826)	(12,181)
Revenue return for the period	516,577	121,161

Dividends

As noted in the Chairman's Statement on page 7, the Directors are not recommending final dividends for Ordinary Shareholders. The Directors, however, declared an interim dividend of 4 pence per Ordinary Share made up of capital dividend of 2 pence and an interim income dividend of 2 pence per Share for the year ended 30 April 2012. The dividend was paid on 20 April 2012 to Shareholders on the register on 30 March 2012.

Share buybacks

The Company currently has authority to purchase its own shares pursuant to section 701 of the Companies Act 2006 as approved by Shareholders on 8 September 2011. For further details please see Note 15 to the accounts on page 45 of this Report. A resolution to renew this authority will be proposed at the Annual General Meeting to be held on 6 September 2012 (see below). During the year the Company purchased 1,010,299 (2011: 799,951) Ordinary Shares for cancellation at a cost of £668,744 (2011: 457,264) including expenses.

As at 30 April 2012, the issued share capital and number of shares in issue of the Company was as follows:

Share class	Issued share capital	Number of shares in issue	% of total share capital
Ordinary Shares (formerly 'C' Shares)	£248,475	24,847,465	100%

Each shareholder has one vote on a show of hands, and on a poll one vote per share held, at a general meeting of the Company. No member shall be entitled to vote or exercise any rights at a general meeting unless all 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.

Shareholders may, if they so wish, arrange for their shares to be held via a nominee or depository where they retain the financial rights carried by the Company's shares.

Directors

The Directors who held office throughout the year under review and their interests (including those of their connected persons) in the issued Ordinary Shares of the Company were as follows:

	Ordinary held on 30 April 2012 £	Ordinary (formerly 'C' Shares) held on 30 April 2011 £
Nigel Melville	43,720	43,720
Sally Duckworth	-	-
Adam Kingdon	5,709	5,709
Kenneth Vere Nicoll	49,430	49,430

There have been no other changes to the Directors' share interests between the year-end and the date of this Annual Report.

Biographical notes on the Directors are given on page 17 of this Annual Report.

The AIC Code recommends that where directors have served the Company for nine or more years, they should be subject to annual re-election. Nigel Melville and Kenneth Vere Nicoll will therefore offer themselves for re-election at the forthcoming Annual General Meeting on 6 September 2012. The Board confirms that, following a review of their performance, Nigel Melville remains independent of the Investment Manager and that he and Kenneth Vere Nicoll continue to make a substantial and very valuable contribution to its work and the business of the Company.

With the exception of Kenneth Vere Nicoll, all the Directors are considered to be independent of the Investment Manager.

Management

Matrix Private Equity Partners Limited was appointed as Investment Manager in respect of the venture capital investments on 20 September 2005. On 20 October 2006, Matrix Private Equity Partners Limited transferred its business to Matrix Private Equity Partners LLP. Following this, the Company novated the existing Investment Adviser's Agreement and Incentive Agreement to Mobeus Equity Partners LLP.

On 1 July 2012, Matrix Private Equity Partners LLP changed their name to Mobeus Equity Partners LLP. For further information please see Note 3 to the financial statements on page 36.

In accordance with general market practice, the Investment Manager earned arrangement fees and fees for supplying directors and/or monitoring services from investee companies. The share of such fees attributable to the investments made by the Company were £76,836 (2011: £68,375) and £92,467 (2011: £78,600) respectively. The fees for supplying directors and/or monitoring services were earned from 20 (2011: 18) investee companies during the year.

The Directors regularly monitor and annually review the performance of the Investment Manager. The Directors believe that the continuing appointment of Mobeus Equity Partners LLP ("Mobeus") on the terms agreed under the agreement dated 10 September 2010 (as a result of which Mobeus is also now the Company Secretary and Administrator) is in the interests of the Shareholders as a whole because they expect Mobeus to deliver a total NAV return in line with the Board's strategy.

Mobeus has been owned jointly by its executive partners and Matrix Group Limited ("Matrix") since April 2004. On 12 January 2012, the executive partners reached agreement to acquire Matrix's interest in the business and to form a fully independent owner managed firm. The acquisition was completed on 30 June 2012.

The Company's arrangements with Mobeus, in particular its investment strategy and services, are not expected to change.

VCT status monitoring

The Company has retained PricewaterhouseCoopers LLP as VCT status tax advisers. As such, they advise on compliance with requirements of the venture capital trust tax legislation on the basis of information provided by Mobeus Equity Partners LLP. Mobeus Equity Partners LLP also seeks professional advice in relation to the application of the venture capital trust legislation to any company in which the Company is proposing to invest. The Directors monitor the continuing tests for the Company's VCT status at Board meetings.

Auditors

PKF (UK) LLP ("PKF") was reappointed as auditor to the Company during the year and has expressed its willingness to continue in office. Resolutions to re-appoint PKF and to authorise the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

Auditors' right to information

So far as the Directors in office at 30 April 2012 are aware, there is no relevant audit information of which the auditors are 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 auditors are aware of that information.

Principal risks, management and regulatory environment

The Board believes that the principal risks faced by the VCT are:

- **Economic risk** – events such as an economic recession and movement in interest rates could affect trading conditions for smaller companies and consequently the value of the VCT's qualifying investments.
- **Loss of approval as a Venture Capital Trust** – the VCT must comply with section 274 of the Income Tax Act 2007 which allows it to be exempted from capital gains tax on investment gains. Any breach of these rules may lead to the VCT losing its approval as a VCT, qualifying shareholders who have not held their shares for the designated holding period having to repay the income tax relief they obtained and future dividends paid by the VCT becoming subject to tax. The VCT would also lose its exemption from corporation tax on capital gains. Following the changes in the Finance Act 2012 it is no longer possible for the Investment Manager to carry out certain types of MBO transactions involving share acquisitions, with funds raised after 5 April 2012. The Company still intends to use other types of MBO transactions and therefore does not anticipate that this change will have a significant impact on the Company's investment policy.
- **Investment and strategic risk** – inappropriate strategy or consistently weak VCT qualifying investment recommendations might lead to under performance and poor returns to shareholders. Investment in unquoted small companies by its nature involves a higher degree of risk than investment in

Directors' Report (continued)

companies traded on the London Stock Exchange main market. 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. This may make them more risk-prone and volatile investments.

- **Regulatory risk** – the VCT is required to comply with the Companies Act 2006, the rules of the UK Listing Authority and United Kingdom Accounting Standards. Breach of any of these might lead to suspension of the VCT's Stock Exchange listing, financial penalties or a qualified audit report. In addition, rules and regulations, or their interpretation, may change from time to time, which may limit the types of investments the Company can make and/or reduce the level of returns which would otherwise be achievable.
- **Financial and operating risk** – inadequate controls might lead to misappropriation of assets. Inappropriate accounting policies might lead to misreporting or breaches of regulations. Failure of the Manager's and Administrator's accounting systems or disruption to its business might lead to an inability to provide accurate reporting and monitoring.
- **Market risk** – movements in the valuations of the VCT's investments will, inter alia, be connected to movements in UK Stock Market indices. They may also be more susceptible to changes to political, exchange rate, taxation, economic and other regulatory changes and conditions.
- **Asset liquidity risk** – the VCT's investments may be difficult to realise especially in the current economic climate.
- **Market liquidity risk** – Shareholders may find it difficult to sell their shares at a price which is close to the net asset value.
- **Fraud and dishonesty risk** – Fraud may occur involving company assets perpetrated by a third party, the Investment Manager or other service provider.

The Board seeks to mitigate the internal risks by setting policy and by undertaking a key risk management review at each quarterly Board meeting. Performance is regularly reviewed and assurances in respect of adequate internal controls and key risks are sought and received from Mobeus on a six monthly basis. In the mitigation and management of these risks, the Board applies rigorously the principles detailed in the AIC Code of Corporate Governance. The Board also has a share buyback policy to try to mitigate the Market Liquidity risk. This policy is reviewed at each quarterly Board Meeting.

Employees

The Company does not have any employees, except for directors.

Anti-bribery policy

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

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

Environmental, social and community matters

The Board seeks to conduct the Company's affairs responsibly and considers relevant environmental, social and community matters where appropriate, particularly with regard to investment decisions. The Company uses mixed sources paper from well-managed forests and recycled wood and fibre as endorsed by the Forest Stewardship Council for the printing of its Annual and Half-Yearly Reports.

Directors' conflicts of interest

In accordance with section 175 of the Companies Act 2006, the Directors have declared any existing conflicts of interest and, where appropriate, these have been authorised by the non-conflicted Directors. The Nominations and Remuneration Committee annually reviews authorisations approved by the Board.

Substantial shareholdings

As far as the Directors are aware, there were no individual shareholdings representing 3% or more of the Company's issued share capital at the date of this Annual Report.

Accountability and audit

The Statement of Directors' Responsibilities in respect of the accounts is set out on page 28 of this Annual Report.

The report of the independent auditor is set out on page 29 of this Annual Report.

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 non-audit services provided by the auditor related to the provision of tax compliance work and a review of the Half-Yearly Report. The Directors consider the auditor was best placed to provide these services cost effectively.

Related party transactions

Details of related party transactions can be found in Note 23 on page 55.

Policy of paying creditors

The Company does not subscribe to a particular code but follows a policy whereby suppliers are paid by the due date and investment purchases are settled in accordance with the stated terms. At 30 April 2012, the average credit period for trade creditors was 3 days (2011: 3 days).

Post balance sheet events

Details of post balance sheet events can be found in Note 24 on page 55.

Directors' indemnity and Directors & officers liability insurance

The Company maintains a Directors' and Officers' liability insurance policy.

Annual General Meeting

Formal notice convening the Annual General Meeting of the Company on 6 September 2012 is set out on pages 58 to 60 of this Annual Report. The Directors believe that the resolutions proposed are in the interests of all Shareholders and, accordingly, recommend Shareholders vote in favour of each resolution.

Resolutions 1 to 9 and Resolution 12 are being proposed as ordinary resolutions requiring more than 50% of the votes cast at the meeting to be passed and resolutions 10 and 11 will be proposed as special resolutions requiring the approval of at least 75% of the votes cast at the meeting to be passed.

An explanation of resolutions 9 to 12 is set out below:

Resolution 9: Allotment of shares

This resolution will authorise the Directors to allot shares or grant rights to subscribe for or to invest in shares in the Company generally, in accordance with section 551 of the Companies Act 2006 (as amended) ("the Act"), up to an aggregate nominal amount of £82,824 being approximately one third of the issued share capital of the Company at the date hereof. This authority, unless previously renewed or revoked, will expire on the conclusion of the Annual General Meeting of the Company to be held in 2013 except that the Directors may allot securities after this date in pursuance of offers or agreements made prior to the expiration of this authority.

Resolution 10: Disapplication of pre-emption rights

Under section 561(1) of the Act, if the Directors wish to allot any new shares or sell treasury shares for cash they must first offer such shares to existing shareholders in proportion to their current holdings. It is proposed by Resolution 10 to sanction the disapplication of such pre-emption rights in respect of the allotment of equity securities:

(i) with an aggregate nominal value of £33,129 in connection with offer(s) for subscription;
(ii) with an aggregate nominal value of up to, but not exceeding, 10% of the issued share capital of the Company from time to time in connection with the Company's Dividend Investment Scheme; and
(iii) with an aggregate nominal value of up to, but not exceeding, 10% of the issued share capital of the Company from time to time.

In each case where the proceeds of the issue may in part be used to purchase the Company's Shares in the market.

This authority, unless previously renewed or revoked, will expire on the conclusion of the Annual General Meeting of the Company to be held in 2013, except that the Directors may allot securities after this date in pursuance of offers or agreements made prior to the expiration of this authority.

Resolution 11: Authority for the Company to purchase its own shares

This resolution authorises the Company to purchase its own shares pursuant to section 701 of the Act. The authority is limited to the purchase of an aggregate of 3,724,635 Ordinary Shares representing approximately 14.99% of the Company's issued share capital at the date of the notice convening the Annual General Meeting. The resolution specifies the minimum price and the maximum price that may be paid for an Ordinary Share.

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 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 at the conclusion of the Annual General Meeting of the Company to be held in 2013.

Resolution 12: Authority to approve electronic communications with shareholders

The Companies Act 2006 introduced the key principle that companies should, subject to shareholder approval, be able to use electronic communication in place of the previous requirement for using paper communications.

This resolution authorises the Company to send or supply documents or information to shareholders by making them available on a website, provision for this already having been made in the articles of association of the Company adopted at the annual general meeting of the Company held in September 2010. The resolution covers all documents or information that the Company sends to shareholders, including the annual report and accounts, summary financial statements, notice of general meetings, shareholder newsletters from the Company's Investment Manager or the Company and any documents which the Company is required to send to shareholders under the Listing Rules or other rules to which the Company is subject.

This not only reduces printing and mailing costs but also reduces the environmental impact usually associated with paper communications. Shareholders can, however, ask for a hard copy of any document at any time.

If the resolution is passed, the Company will ask each shareholder individually to agree that the Company may send or supply documents or information by means of making them available to view on a website. The request will explain that, if the Company has not received a response from the shareholder within 28 days, the shareholder will be deemed to have agreed. The request will be sent to all Mobeus Income & Growth 2 VCT plc shareholders.

Even if a shareholder fails to respond, and is deemed to have agreed to website publication, he or she can ask for a hard copy of any document from the Company at any time. The Company will send the copy free of charge within 21 days of receiving the request.

The Company will notify shareholders when a document or information is made available on the website.

By order of the Board

Mobeus Equity Partners LLP
Company Secretary
24 July 2012

Directors' Remuneration Report

The remuneration policy is set by the Board and is described below. The Remuneration Committee makes recommendations to the Board on the remuneration of individual Directors within the framework of this policy. The Committee comprises all four Directors, Kenneth Vere Nicoll (Chairman, with effect from 12 July 2012), Nigel Melville (Chairman until 12 July 2012), Sally Duckworth and Adam Kingdon. The Committee meets at least once a year and makes recommendations to the Board within its terms of reference. Its duties include responsibility for considering the levels and composition of remuneration payable to the Directors, severance payments and the resolution of disputes involving any member of the Board, and any actual or potential conflicts of interest which may arise as a result of outside business activities of Board members. The Committee has access to independent advice where it considers it appropriate. However, no such advice was taken during the year under review. The Company's independent Auditor is required to give its opinion on the information provided in respect of Directors' emoluments and this is clearly identified as audited information below. This is explained further in their report to Shareholders on pages 18 to 21.

Remuneration policy

The Directors' remuneration is reviewed annually by the Remuneration Committee. When considering the level of Directors' remuneration, the Committee takes account of remuneration levels elsewhere in the Venture Capital Trust industry and considers the time commitment involved and responsibilities of the roles and other relevant information. No portion of the remuneration paid to any of the Directors is related to performance. Details of the Directors' remuneration are disclosed below and in the Notes to the Accounts.

Terms of appointment

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. Directors retiring by rotation are then eligible for re-election. Subject to the provisions of the Company's Articles of Association and the AIC Code such number of the Directors shall retire from office by rotation at each Annual General Meeting of the Company as will ensure that each Director retires once every three years. As required by the AIC Code, after nine years' service, a Director will be subject to annual re-election by Shareholders.

All of the Directors are non-executive and none of the Directors has a service contract with the Company. All Directors receive a formal letter of appointment setting out the terms of their appointment, the powers and duties of Directors and the remuneration pertaining to the appointment. Appointment letters for new Directors will in future contain an assessment of the anticipated time commitment of the appointment. New Directors will be asked to undertake that they will have sufficient time to meet what is expected of them and to disclose their other significant time commitments to the Board before appointment. Copies of the letters appointing the Directors are made available for inspection at each General Meeting of the Company and on application to the Company Secretary. A Director's appointment may be terminated on three months notice being given by the Company and in certain other circumstances. No arrangements have been entered into between the Company and the Directors to entitle any of the Directors to compensation for loss of office.

Pensions

All the Directors are non-executive and the Company does not provide pension benefits to any of the Directors.

Share options and long-term incentive schemes

The Company entered into an Incentive Agreement dated 10 May 2000 under which four former Board members are entitled to be issued with conditional performance warrants. The Board has agreed that it will seek Shareholder approval on the introduction of any future long-term incentive schemes in accordance with the provisions of the UK Corporate Governance Code. It has no intention of introducing any such schemes at the current time.

Details of individual emoluments and compensation *(Audited information)*

The annual emoluments in respect of qualifying services of each person who served as a Director during the year are set out in the table below. There are no schemes in place to pay any of the Directors bonuses or benefits in addition to their emoluments. No expenses were paid to the Directors during the year (2011: nil).

	Total emoluments 30 April 2012 £	30 April 2011 £
Nigel Melville	24,000	20,000
Adam Kingdon	21,000	17,500
Sally Duckworth	21,000	15,833
Kenneth Vere Nicoll	18,000	15,000

Aggregate emoluments in respect of qualifying services amounted to £84,000 (2011: £68,333) net of VAT and NIC.

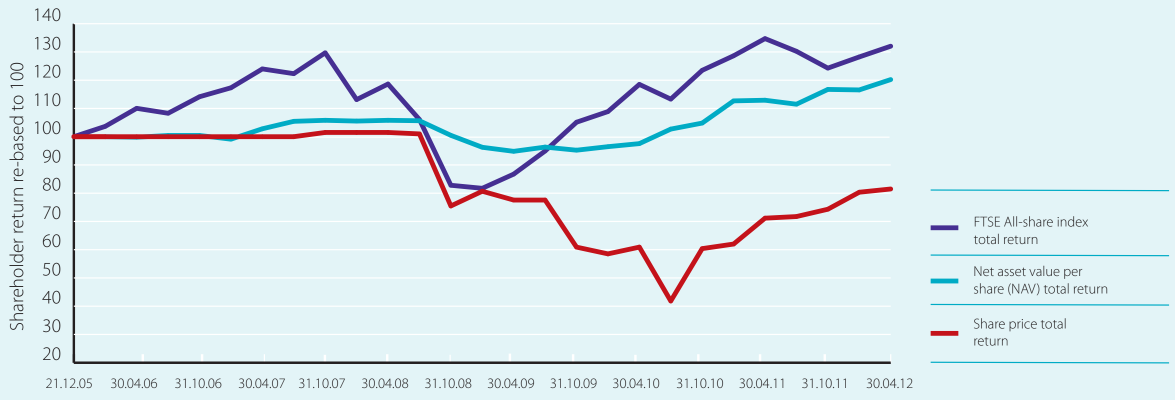
Total shareholder return

The graph below shows the total cumulative shareholder return of the Ordinary Share Fund over the past five year since its shares were first admitted to the Official List of the UKLA. The total cumulative shareholder return (assuming all dividends have been re-invested) is compared with the total shareholder return of the FTSE All-Share, SmallCap and AIM indices. These indices represent broad equity market indices against which investors can measure the performance of the Fund and are appropriate indices against which to measure its performance over the medium to long term. Total shareholder return has been re-based to 100p as at the date on which the shares were first admitted to trading. An explanation of the performance of the Company is given in the Chairman's Statement on pages 6 to 8 and Investment Manager's Review on pages 9 to 14.

The NAV per share total return has been shown separately on the graphs because the Directors believe it provides a more accurate reflection of the Company's performance than the share price.

An explanation of the Company's performance is given in the Chairman's Statement and the Investment Manager's Review.

Total shareholder return



Signed on behalf of the Board by:

Nigel Melville
Chairman
24 July 2012

Corporate Governance Statement

The Company is a member of the Association of Investment Companies (AIC) and the Directors have continued to adopt the AIC Code of Corporate Governance ("the AIC Code") as revised in October 2010 for the financial year ended 30 April 2012. The AIC Code addresses all the principles set out in section 1 of the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The Financial Reporting Council (FRC) has confirmed that in complying with the AIC Code the Company will meet its obligations in relation to the UK Corporate Governance Code and paragraph 9.8.6 of the Listing Rules.

The Board considers that reporting against the principles and recommendations of the AIC Code will provide more relevant information to shareholders. The AIC Code can be found on the AIC's website, www.theaic.co.uk.

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

Compliance with the UK Corporate Governance Code

There are certain areas of the UK Corporate Governance Code that the AIC feels are not relevant to investment companies, and with which the Company does not specifically comply, and for which the AIC Code provides dispensation. These areas are: the role of the chief executive; executive directors' remuneration; and the need for an internal audit function.

As an externally managed investment company, the Company does not employ a chief executive nor any executive directors. The systems and procedures of the Investment Manager and the Administrator, the provision of VCT monitoring services by PricewaterhouseCoopers LLP, as well as the size of the Company's operations, give the Board full confidence that an internal audit function is not necessary. The Company is therefore not reporting further in respect of these areas.

The Board has further considered the principles of the UK Corporate Governance Code and believes that the Company has complied with the provisions thereof for the year under review, except as outlined below.

The Board

The Company has a Board of four non-executive Directors. The Directors regularly review the size and composition of the Board and have agreed that a Board of four is the most appropriate for the Company given its current size and the nature of its business. The Board meets regularly on at least four occasions during the year and it is in frequent contact with the Investment Manager between these meetings.

The Board has considered whether each Director is independent in character and judgement and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement. With regard to tenure, the Board does not believe that length of service, by itself, leads to a closer relationship with the Investment Manager nor necessarily affects a Director's independence of character or judgement. Indeed the AIC expresses cogent arguments that investment companies are more likely than most to benefit from having Directors with lengthy service. Nigel Melville has now served the Company for ten years and the Directors believe that Mr Melville continues to be independent of the Investment Manager as he continues to offer independent, professional judgement and constructive challenge of the Investment Manager.

Kenneth Vere Nicoll has also served the Company for ten years but is not regarded as independent of the Investment Manager (also the Promoter and Company Secretary/Administrator) or the Corporate Broker due to his relationship to Matrix Group Limited, former joint owner of Mobeus and its related companies (for further information please see Related Party Transactions in Note 23 on page 55 of this Report).

Sally Duckworth and Adam Kingdon are considered to be independent, having served the Company for less than nine years and having no relationships that may compromise their independence.

Directors are not appointed for fixed terms, but are subject to re-election by Shareholders at approximate intervals of three years, and each Director's appointment may be terminated on three months notice being given by the Company. In accordance with the AIC Code, Mr Melville and Mr Vere Nicoll will offer themselves for re-election annually.

The independence of Directors will continue to be assessed on a case by case basis.

The Board has reviewed any actual or potential conflicts of interests in accordance with the procedures under the Articles of Association and applicable rules and regulations. The conflicts identified above have been authorised by the Board in accordance with these procedures. The Articles allow the Directors not to disclose information relating to a conflict where to do so would amount to a breach of confidence. The Nominations Committee reviews authorisations given on behalf of the Board annually and if there is a material change in an authorised conflict.

The Board has not appointed a Senior Independent Director, as it does not believe that such an appointment is necessary when the Board is comprised solely of non-executive directors. This role is fulfilled, as appropriate, by the Chairman of the Audit Committee. He is available to Shareholders if they have concerns which they have been unable to resolve through the normal channels of communication with the Chairman or Investment Manager or for which such contact is inappropriate.

Details of the Chairman's other significant time commitments are disclosed on page 17 of this Annual Report.

The Board is responsible to Shareholders for the proper management of the Company. It has formally adopted a schedule of matters that are required to be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues. These include compliance with the requirements of the Companies Act, the UK Listing Authority and the London Stock Exchange; changes relating to the Company's capital structure or its status as a plc; Board and Committee appointments as recommended by the Nominations 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 Investment Committee considers investment proposals submitted by Mobeus Equity Partners LLP and decides which of these should be accepted by the Company and is responsible for the ongoing monitoring of investee companies and the Company's investments therein. Kenneth Vere Nicoll does not participate in any decisions involving investment proposals submitted by Mobeus Equity Partners LLP.

A procedure by which individual Directors can seek independent professional advice in the furtherance of their duties at the expense of the Company is in place. Where individual Directors have concerns about the running of the Company or a proposed action, which cannot be resolved, they are asked to ensure that their concerns are recorded in the Board minutes. On resignation, a Director who has any such concerns should provide a written statement to the Chairman, for circulation to the Board.

All the Directors have access to the advice and services of the Company Secretary. Both the appointment and removal of the Company Secretary are matters for the Board as a whole.

Board committees

The Board has adopted formal terms of reference for three standing committees which make recommendations to the Board in specific areas. Given the size of the Board, each Committee comprises the full Board, with the exception of the Audit Committee, which comprises only the independent directors.

The Audit Committee comprises three Directors, Adam Kingdon (Chairman), Nigel Melville and Sally Duckworth. The Audit Committee, which meets at least twice a year, is responsible for reviewing the half-year and annual financial statements before their submission to the Board and for monitoring the effectiveness of the Company's internal control systems. The Board has satisfied itself that at least one member of the Committee has recent and relevant accounting experience. The Audit Committee has reviewed arrangements by which staff of the service providers may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and satisfied itself that the appropriate channels of communication are in place at the service providers to ensure proportionate and independent investigation of any matters raised. The Company's external auditors and Kenneth Vere Nicoll are invited to attend meetings as appropriate.

The Remuneration Committee comprises all of the Directors, Kenneth Vere Nicoll (Chairman), Nigel Melville, Adam Kingdon and Sally Duckworth. The Committee meets at least once a year and is responsible for considering the levels and composition of remuneration payable to the Directors.

The Nomination Committee comprises all of the Directors, Nigel Melville (Chairman), Adam Kingdon, Sally Duckworth and Kenneth Vere Nicoll. The Committee meets at least once a year and is responsible for making recommendations to the Board concerning new appointments of Directors to the Board and Board Committees. It carries out a periodic review of the composition of the Board and its Committees and considers actual or potential conflicts of interest which may arise as a result of the outside business activities of Board members. It is intended that job descriptions will be prepared for new vacancies as they arise. The Committee and the Board considers diversity, including gender. The selection process involves interviews with the Board and meetings with representatives of members of the Investment Manager. New directors are provided with an induction pack and an induction session is arranged in conjunction with the Board, the Investment Manager and the Administrator as part of its assessment of each candidate's eligibility for the position, alongside the extent of relevant experience and expertise. Appointment letters include an assessment of the expected time commitment for each Board position and new Directors are asked to give an indication of their other significant time commitments. An induction procedure, including appropriate training for new Directors, has been introduced and will continue for future appointments. Letters of appointment are available for inspection on written request to the Company Secretary.

The Board aims to include a balance of skills, experience and length of service that the Directors believe to be appropriate to the management of the Company. The Chairman fully meets the independence criteria as set out in the AIC Code. The effectiveness of the Board and the Chairman is reviewed regularly as part of the internal control process led by the Board. The Directors carried out a performance evaluations separately as part of the internal control processes led by the Audit Committee on 12 July 2012 for the year under review and considered performance in relation to specific headings such as, balance of skills, experience, independence and knowledge of the Company on the Board, including gender, how the board works together as a unit, and other factors relevant to its effectiveness. It concluded that the composition and performance of the Board was effective.

In discussion with the Audit Committee, the Board has also kept under review its own performance and that of its various Committees and can confirm its satisfaction with their composition and efficiency.

All of the above Committees have written terms of reference, which detail their authority and duties. Shareholders may obtain copies of these by making a written request to the Company Secretary or via the Company's website at www.mig2vct.co.uk.

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

Corporate Governance Statement (continued)

Relations with Shareholders

The Company communicates with Shareholders through the circulation of two newsletters each year in addition to the Half-Yearly Reports and Annual Reports, and solicits their views where it is appropriate to do so. Individual Shareholders are made welcome at the Annual General Meeting where they have the opportunity to ask questions of the Directors and representatives of the Investment Manager, all of whom attend the Meeting.

The Board as a whole approves the content of its communications to Shareholders including the Annual and Half-Yearly Reports in order to ensure that they present a balanced and understandable assessment of the Company's position and future prospects.

Shareholders wishing to contact the Board should direct their communications to the Company Secretary and any queries will be passed to the relevant Director or the Board as a whole.

Internal controls

The Directors have overall responsibility for the Company's system of internal control. Internal control systems are designed to meet the particular needs of the company concerned and the risks to which it is exposed and by their nature can provide reasonable but not absolute assurance against misstatement or loss.

The Board reviews a schedule of key risks at each Board meeting which identifies the risk, controls, any deficiencies that have arisen in the quarter and action to be taken. Each quarterly board meeting reviews the management accounts, and annual or half-yearly reports arising there from, prepared by the Investment Manager.

The main aspects of the internal controls which have been in place throughout the year in relation to financial reporting are:

- the valuations prepared by the Investment Manager are entered into the accounting system and reconciled by the separate accounting function. Controls are in place to ensure the effective segregation of these two tasks;
- independent reviews of the valuations of investments within the portfolio are undertaken quarterly by the Board and annually by the external auditors;
- bank and money-market fund reconciliations are carried out monthly by the separate accounting function. During the year, the Manager assumed responsibility for the safekeeping of the Company's documents of title relating to its portfolio investment in investee companies. These documents will be reconciled by the Company's accounting and secretarial records on a bi-annual basis;
- the Board has procedures in place for the approval of expenses and payments to third parties;
- the Directors review quarterly management accounts and underlying notes to those accounts, and other announcements as necessary;
- 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 Board's appointment of Mobeus Equity Partners LLP as accountant and Company Secretary has enabled the financial administration to be delegated. Mobeus Equity Partners LLP has an established system of financial controls, allowing proper accounting records to be maintained and ensuring that financial information for use within the business and for reporting to Shareholders is accurate and reliable and that the Company's assets are safeguarded.

The Investment Manager reports by exception on matters that may be of relevance to financial reporting and on other matters as appropriate on a quarterly basis. The auditors review the accounting processes in place at the Investment Manager as part of the annual audit and report any concerns to the Audit Committee. The Audit Committee reviews the independence of the auditors each year.

The Company Secretary is responsible to the Board for ensuring that Board procedures and applicable rules and regulations are complied with. Mobeus Equity Partners LLP as Investment Manager, Administrator and Company Secretary seeks professional advice in relation to the application of the VCT legislation to any company in which the Company is proposing to invest. PricewaterhouseCoopers LLP provides legal advice and assistance in relation to the maintenance of VCT tax status for the Company on the basis of information provided by Mobeus Equity Partners LLP, and the operation of the agreements entered into with Mobeus Equity Partners LLP.

Pursuant to the terms of its appointment, Mobeus Equity Partners LLP advises the Company on venture capital investments. The Company's share and loan stock certificates arising from its investments are now held by the Investment Manager.

Following publication of "Internal Control: Guidance for Directors on the UK Corporate Governance Code" (the Turnbull guidance), the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company, that has been in place for the year under review and up to the date of approval of the Annual Report and Accounts, and that this process is regularly reviewed by the Board and accords with the guidance.

The Audit Committee has carried out a review of the effectiveness of the system of internal control, together with a review of the operational and compliance controls and risk management, as it operated during the year and reported its conclusions to the Board, which was satisfied with the outcome of the review. The Board has not identified any issues with the Company's internal control mechanisms that warrant disclosure in the Annual Report.

Accountability and Audit

The Statement of Directors' Responsibilities in respect of the accounts is set out on page 28 of this Annual Report.

The report of the independent auditors is set out on page 29 of this Annual Report.

The Board regularly reviews and monitors the external auditor's independence and objectivity, and as part of this, it reviews the nature and extent of other services supplied by the auditors to ensure that independence is maintained. The Audit Committee concluded that it was in the interests of the Company to purchase the non-audit services from the auditors due to their greater knowledge of the Company and hence efficiency. The Committee believe that audit independence has been maintained as the fees involved were relatively small compared to those for the audit, the work was undertaken by separate teams and did not involve undertaking any management role in preparing the information reported in the accounts.

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. The Board has made a commitment to consider diversity in making future appointments.

Directors' remuneration and appointment

A Directors' Remuneration Report, prepared in compliance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI2008/410) and the Companies Act 2006, is contained on pages 22 and 23 of this Annual Report and provides details on the appointment and replacement of the Directors.

Share capital

Details of the Company's share capital and substantial shareholdings can be found in the Directors' Report on pages 18 to 21.

Powers of the Directors

In addition to the powers granted to the Directors by Company law and the Articles of Association, the Directors maintain shareholder authorities to issue a limited number of shares, disapply pre-emption rights and purchase the Company's own shares. Further details can be found in the Directors' Report.

Going concern

After due consideration, the Directors believe that the Company has adequate resources for the foreseeable future and that it is appropriate to apply the going concern basis in preparing the financial statements. As at 30 April 2012, the Company held cash balances and investments in money market funds with a combined value of £2,179,692. Cash flow projections have been reviewed and show that the Company has sufficient funds to meet both contracted expenditure and any discretionary cash outflows from share buybacks and dividends. The Company has no external loan finance in place and is therefore not exposed to any gearing covenants.

By order of the Board

Mobeus Equity Partners LLP
Company Secretary
24 July 2012

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations. They are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Services Authority.

Company law requires the Directors to prepare financial statements for each financial year. Under that law 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 year. In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

The Directors confirm to the best of their knowledge:

(a) that the financial statements, which have been prepared in accordance with UK Generally Accepted Accounting Practice and the 2009 Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (SORP), give a true and fair view of the assets, liabilities, financial position and the profit or loss of the Company; and

(b) that the management report, comprising the Chairman's Statement, Investment Portfolio Summary, Investment Manager's Review and Directors' Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The names and functions of the Directors are stated on page 17.

For and on behalf of the Board:

Nigel Melville
Chairman
24 July 2012

Independent Auditor's Report to the Members of Mobeus Income & Growth 2 VCT Plc

We have audited the financial statements of Mobeus Income & Growth 2 VCT plc for the year ended 30 April 2012 which comprise the Income Statement, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

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 Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 April 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 24 to 27 in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook issued by the Financial Services Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures) is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 27, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to the shareholders by the Board on Directors' remuneration.

Rosemary Clarke (Senior statutory auditor)
for and on behalf of PKF (UK) LLP,
Statutory auditor
London, UK
24 July 2012

Income Statement
for the year ended 30 April 2012

	Notes	Year ended 30 April 2012 Revenue £	Capital £	Total £	Year ended 30 April 2011 Revenue £	Capital £	Total £
Unrealised gains on investments	9	-	949,129	949,129	-	2,911,008	2,911,008
Realised gains on investments	9	-	230,239	230,239	-	624,055	624,055
Income	2	1,042,824	-	1,042,824	637,008	-	637,008
Investment management fees	3	(152,221)	(456,662)	(608,883)	(139,450)	(418,352)	(557,802)
Other expenses	4	(280,200)	-	(280,200)	(311,288)	-	(311,288)
Share merger costs		-	-	-	(52,928)	-	(52,928)
Profit on ordinary activities before taxation		610,403	722,706	1,333,109	133,342	3,116,711	3,250,053
Taxation on profit on ordinary activities	6	(93,826)	93,826	-	(12,181)	12,181	-
Profit on ordinary activities after taxation		**516,577**	**816,532**	**1,333,109**	**121,161**	**3,128,892**	**3,250,053**
Basic and diluted earnings per share:							
Ordinary shares	8	**2.03p**	**3.20p**	**5.23p**	**0.46p**	**12.03p**	**12.49p**

All the items in the above statement derive from continuing operations.
There were no other gains or losses in the year.
The total column of this statement is the profit and loss account of the Company.
Other than revaluation movements arising on investments held at fair value through the profit and loss, there were no differences between the profit as stated above and historical cost.

The notes on pages 33 to 55 form part of these financial statements.

Balance Sheet
as at 30 April 2012

Company number: 3946235

	Notes	30 April 2012 £	30 April 2011 £
Fixed assets			
Investments at fair value	9	22,297,304	18,026,151
Current assets			
Debtors and prepayments	11	213,610	441,684
Current Investments	12,18	2,099,906	6,538,497
Cash at bank	18	79,786	76,291
		2,393,302	7,056,472
Creditors: amounts falling due within one year	13	(163,967)	(218,655)
Net current assets		2,229,335	6,837,817
Net assets		**24,526,639**	**24,863,968**
Capital and reserves			
Called up share capital	14	248,475	258,578
Capital redemption reserve	15	58,172	48,069
Revaluation reserve	15	1,478,804	1,230,469
Special distributable reserve	15	14,350,803	16,258,990
Profit and loss account	15	8,390,385	7,067,862
Equity shareholders' funds		**24,526,639**	**24,863,968**
Net asset value per share - basic and diluted			
Ordinary Shares	16	**98.71p**	**96.16p**

The financial statements were approved and authorised for issue by the Board of Directors on 24 July 2012 and are signed on their behalf by:

Nigel Melville
Director

The notes on pages 33 to 55 form part of these financial statements.

Reconciliation of Movements in Shareholders' Funds
for the year ended 30 April 2012

	Notes	Year ended 30 April 2012 £	Year ended 30 April 2011 £
Opening shareholders' funds		24,863,968	23,290,949
Share capital bought back	15	(668,744)	(457,264)
Profit for the year		1,333,109	3,250,053
Dividends paid in year	7	(1,001,694)	(1,219,770)
Closing shareholders' funds		**24,526,639**	**24,863,968**

Cash Flow Statement
for the year ended 30 April 2012

	Notes	Year ended 30 April 2012 £	Year ended 30 April 2011 £
Interest income received		671,990	415,334
Dividend income		241,452	199,037
Other income		-	2,753
Investment management fees paid		(608,883)	(557,802)
Share merger costs paid by the Company		-	(49,988)
Cash payments for other expenses		(280,803)	(320,136)
Net cash inflow/(outflow) from operating activities	17	23,756	(310,802)
Investing activities			
Purchase of investments	9	(8,152,849)	(5,951,715)
Disposals of investments	9	5,421,329	2,631,829
Net cash outflow from investing activities		(2,731,520)	(3,319,886)
Dividends			
Equity dividends paid	7	(1,001,694)	(1,219,770)
Cash outflow before financing and liquid resource management		(3,709,458)	(4,850,458)
Financing			
Purchase of own shares		(725,638)	(375,591)
Net cash outflow from financing		(725,638)	(375,591)
Management of liquid resources			
Decrease in monies held in current investments	18	4,438,591	5,213,916
Increase/(decrease) in cash for the year	18	**3,495**	**(12,133)**

Notes to the Accounts
for the year ended 30 April 2012

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below:

a) Basis of accounting

The accounts have been prepared under UK Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ("the SORP") issued by the Association of Investment Companies in January 2009.

b) Comparatives

The results for the year to 30 April 2011 reflect the activities of what were previously the Ordinary Share Fund and the C Share Fund of the Company, which were merged on 10 September 2010, for the whole period.

c) Presentation of the Income Statement

In order to better reflect the activities of a VCT and in accordance with the SORP, 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 the 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.

d) Investments

All investments held by the Company are classified as "fair value through profit and loss", and are valued in accordance with the International Private Equity and Venture Capital Valuation ("IPEVCV") guidelines, as updated in September 2009, which have not materially changed the results reported last year. 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 measured at fair value by the Directors in accordance with the following rules, which are consistent with the IPEVCV guidelines:

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

(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 Manager 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. 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 Manager, 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.

(iii) Premiums on loan stock investments are accrued at fair value when the Company receives the right to the premium and when considered recoverable.

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

e) Current Investments

Monies held pending investment are invested in financial instruments with same day or two-day access and as such are treated as current investments, and have been measured at fair value.

f) 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 and dividends on preference shares are accrued on a daily basis. Provision is made against this income where recovery is doubtful. 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 once redemption is reasonably certain. Until such date interest is accrued daily and included within the valuation of the investment, where appropriate.

g) Capital reserves

(i) *Realised (included within the Profit and Loss Account 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 of investments; and
- 75% of management fee expense, together with the related tax effect to this reserve in accordance with the policies.

(ii) *Revaluation reserve (Unrealised capital 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, all such movements through both revaluation and realised capital reserves are now shown within the Income Statement for the year.

(iii) *Special distributable reserve*

The cost of share buybacks are charged to this reserve. In addition, any realised losses on the sale of investments, and 75% of the management fee expense, and the related tax effect, are transferred from the Profit and Loss Account reserve to this reserve.

h) Expenses

All expenses are accounted for on an accruals basis.

25% of the Investment Managers' 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 period is charged against the capital column of the Income Statement, as it is based upon the achievement of capital growth.

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.

i) Taxation

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 substantially enacted at the balance sheet date. Deferred tax is measured on a non-discounted basis.

A deferred tax asset is 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.

Any tax relief obtained in respect of management 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.

2 Income

	2012 £	2011 £
Income from bank deposits	764	94
Income from investments		
– from equities	216,406	128,033
– from overseas based OEICs	22,552	44,900
– from UK based OEICs	13,142	24,148
– from loan stock	789,960	437,080
	1,042,060	634,161
Other income	-	2,753
Total income	1,042,824	637,008
Total income comprises		
Dividends	252,100	197,081
Interest	790,724	437,174
Other	-	2,753
	1,042,824	637,008
Income from investments comprises		
Listed overseas securities	22,552	44,900
Unlisted UK securities	229,548	152,181
Loan stock interest	789,960	437,080
	1,042,060	634,161

Total loan stock interest due but not recognised in the year was £232,301 (2011: £353,940).

Notes to the Accounts (continued)
for the year ended 30 April 2012

3 Investment management fees

	Revenue 2012 £	Capital 2012 £	Total 2012 £	Revenue 2011 £	Capital 2011 £	Total 2011 £
Mobeus Equity Partners LLP (formerly Matrix Private Equity Partners LLP)	**152,221**	**456,662**	**608,883**	**139,450**	**418,352**	**557,802**

Under the terms of a revised investment management agreement dated 10 September 2010, Mobeus Equity Partners LLP ("Mobeus") (formerly called Matrix Private Equity Partners LLP ("MPEP") up to 30 June 2012) provides investment advisory, administrative and company secretarial services to the Company, for a fee of 2% per annum calculated on a quarterly basis by reference to the net assets at the end of the preceding quarter, plus a fee of £104,432 per annum, the latter being subject to changes in the retail prices index each year. This agreement replaced the previous agreements with MPEP dated 10 May 2000 and 20 September 2005, both novated to MPEP on 20 October 2006, and the accounting services agreement and the secretarial services agreement with Matrix-Securities Limited both dated 20 September 2005, all of which were terminated on 10 September 2010. In accordance with the policy statement published under "Management and Administration" in the Company's prospectus dated 10 May 2000, the Directors have charged 75% of the investment management expenses to the capital account. This is in line with the Board's expectation of the long-term split of returns from the investment portfolio of the Company. For the year ended 30 April 2012, the expense cap hasn't been breached (2011: £nil).

It has been agreed that the existing performance fee arrangements should continue following the Share Merger, and operated as detailed below:

Ordinary share fund

- an entitlement to subscribe for New Ordinary Shares representing 16.67% (as reduced by 1.5% per annum as referred to above) of (i) the New Ordinary Shares which are derived from the original Ordinary Shares and (ii) the New Ordinary Shares the subject of the performance warrants;
- subject to a hurdle of cumulative dividends amounting to 80p x A (where A is the C Shares merger NAV per share divided by the Ordinary Shares merger NAV per share) per New Ordinary Share – dividends paid prior to the Share merger will be restated taking into account the Share Merger for the purposes of assessing the amount of distributions paid. If the hurdle has not been reached by 22 December 2012, the performance warrants will lapse as the agreement envisages.

The above provides for the entitlement and hurdle to be appropriately applied to the relevant proportion of the New Ordinary Shares represented by the original Ordinary Shares fund and at a hurdle rate taking into account the revised number of shares attributable to such fund. At the date of the Share Merger, the hurdle became 96.73p per share (40.39p of which having been paid by 30 April 2012) and the conditional warrants entitlement would be to 1,509,718 shares.

C share fund

- the performance incentive fee payable will be calculated as an amount equivalent to 20% of the excess of annual dividends paid to the holders of New Ordinary Shares but then reduced to the proportion which the C Shares aggregate merger net asset value represents of the entire merger net asset value of the Company; and
- the dividend shortfall per former C Share at 30 April 2012 is 19.36p (£3,129,734 in aggregate, being 65.1% of the total shortfall at the year-end (where 65.1% was the share of C shares to the total number of shares in issue at the date of the Share Merger) and taking into account the target rate of dividends and the dividends paid to shareholders.

The 6p annual dividend hurdle (as adjusted for RPI) and the £1 NAV maintenance provisions will continue to apply in respect of shares in issue and funds raised at the date of the Share Merger.

4 Other expenses

	2012 £	2011 £
Directors' remuneration (including NIC) (see note 5)	91,747	74,154
IFA trail commission	66,483	70,453
Administration fees	-	42,319
Broker's fees	12,000	11,833
Auditors' fees – audit	21,780	19,440
– other services supplied relating to taxation	4,800	2,826
– other services supplied pursuant to legislation	5,172	4,876
– other services	-	1,500
Registrar's fees	13,183	12,801
Printing	22,339	23,905
Legal & professional fees	1,583	4,047
VCT monitoring fees	9,620	9,320
Director's insurance	6,799	7,350
Listing and regulatory fees	21,237	25,314
Sundry	3,457	1,150
	280,200	**311,288**

The Directors consider the auditors were 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.

The large fall in administration fees in the year is as a result of the termination of the Administrative and Company Secretarial agreement between the Company and Matrix Securities Limited on 10 September 2010. From this date onwards, Administration and Company Secretarial services are carried out by the Investment Manager as disclosed and detailed in note 3.

5 Directors' remuneration

	2012 £	2011 £
Directors' emoluments		
Nigel Melville	24,000	20,000
Adam Kingdon	21,000	17,500
Sally Duckworth	21,000	15,833
Kenneth Vere Nicoll	18,000	15,000
	84,000	68,333
Employer's NIC	7,747	5,821
	91,747	**74,154**

No pension scheme contributions or retirement benefit contributions were paid. There are no share option contracts held by the Directors. Since all the Directors are non-executive, the other disclosures required by the Listing Rules are not applicable. The Company has no employees other than Directors.

Notes to the Accounts (continued)
for the year ended 30 April 2012

6 Taxation on ordinary activities

	2012 Revenue £	2012 Capital £	2012 Total £	2011 Revenue £	2011 Capital £	2011 Total £
a) Analysis of tax charge:						
UK Corporation tax on profits for the year	(93,826)	93,826	-	12,181	(12,181)	-
Total current tax charge	**(93,826)**	**93,826**	**-**	**12,181**	**(12,181)**	**-**
Corporation tax is based on a rate of 20% (2011: 20.92%)						
b) Profit on ordinary activities before tax	610,403	722,706	1,333,109	133,342	3,116,711	3,250,053
Profit on ordinary activities multiplied by small company rate of corporation tax in the UK of 20% (2011: 20.92%)	122,081	144,541	266,622	27,891	651,913	679,804
Effect of:						
UK dividends	(43,282)	-	(43,282)	(26,780)	-	(26,780)
Unrealised gains not allowable	-	(189,826)	(189,826)	-	(608,886)	(608,886)
Realised gains not taxable	-	(46,048)	(46,048)	-	(130,532)	(130,532)
Marginal rate relief	15,027	(15,027)	-	-	-	-
Unrelieved expenditure	-	12,534	12,534	11,070	75,324	86,394
Actual current tax charge	93,826	(93,826)	-	12,181	(12,181)	-

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

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

There is no potential liability to deferred tax (2011: nil). There is an unrecognised deferred tax asset of £307,179 (2011: £294,670). This unrecognised deferred tax asset relates to taxable losses arising from expenses exceeding taxable income. In the directors' opinion, these are unlikely to be recovered for the foreseeable future and therefore have not been recognised as an asset.

7 Dividends paid and payable

	2012 £	2011 £
Amounts recognised as distributions to equity holders in the year:		
Ordinary shares		
Interim capital dividend paid for the year ended 30 April 2012 of 2p (2011: 3.8p) per share	500,847	993,992
Interim income dividend paid for the year ended 30 April 2012 of 2p (2011: 0.2p) per share	500,847	52,315
Interim capital dividend paid for the year ended 30 April 2010 of 1p per share	-	173,463
Total paid	**1,001,694**	**1,219,770**

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.

	2012 £	2011 £
Ordinary shares		
Revenue available for distribution by way of dividends for the year	516,577	121,161
Interim income dividend for the year ended 30 April 2012 paid of 2p (2011: 0.2p) per share	500,847	52,315
Proposed final income dividend for the year ended 30 April 2012 of nil p (2011: nil p) per share	-	-

Notes to the Accounts (continued)
for the year ended 30 April 2012

8 Basic and diluted earnings and return per share

	2012 Ordinary Shares £	2011 Ordinary Shares £
Total earnings after taxation:	1,333,109	3,250,053
Basic and diluted earnings per share (note a)	**5.23p**	**12.49p**
Net revenue from ordinary activities after taxation	516,577	121,161
Basic and diluted revenue earnings per share (note b)	**2.03p**	**0.46p**
Net realised capital gains	230,239	624,055
Net unrealised capital gains	949,129	2,911,008
Capital expenses (net of taxation)	(362,836)	(406,171)
Total capital return	816,532	3,128,892
Basic and diluted capital earnings per share (note c)	**3.20p**	**12.03p**
Weighted average number of shares in issue in the year	25,484,692	26,015,053

Notes:

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

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

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

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

The Board consider that the likelihood of the issue of performance warrants by the Ordinary Share Fund, as referred to in Note 3 above, is low. Accordingly, the potential impact of the issue of these warrants upon diluted earnings per share has been ignored for this purpose.

9 Investments at fair value

Movements in investments during the year are summarised as follows:

	Traded on AiM £	Unquoted equity shares £	Unquoted preference shares £	Loan Stock £	Total £
Cost at 30 April 2011	719,584	5,571,314	42,017	10,862,873	17,195,788
Permanent impairment at 30 April 2011	(250,000)	(150,106)	-	-	(400,106)
Unrealised (losses)/gains at 30 April 2011	(223,416)	2,543,304	(17,565)	(1,071,854)	1,230,469
Valuation at 30 April 2011	**246,168**	**7,964,512**	**24,452**	**9,791,019**	**18,026,151**
Purchases at cost	-	2,851,721	918	6,992,375	9,845,014
Sale proceeds	-	(3,375,683)	(435)	(3,397,485)	(6,773,603)
Reclassified	(7,000)	(64,283)	913	70,370	-
Realised (losses)/gains	-	(946,387)	-	1,197,000	250,613
Unrealised gains/(losses)	21,635	1,053,882	-	(126,388)	949,129
Closing valuation at 30 April 2012	**260,803**	**7,483,762**	**25,848**	**14,526,891**	**22,297,304**
Cost at 30 April 2012	469,584	7,015,231	43,413	15,797,142	23,325,370
Permanent impairment at 30 April 2012	(250,000)	(150,106)	-	(774,864)	(1,174,970)
Unrealised gains/(losses) at 30 April 2012	41,219	618,637	(17,565)	(495,387)	146,904
Valuation at 30 April 2012	**260,803**	**7,483,762**	**25,848**	**14,526,891**	**22,297,304**

A breakdown of the increases and the decreases in unrealised valuations of the portfolio is shown in the Investment Portfolio Summary on pages 15 to 16.

Reconciliation of investment transactions to cash and income statement movements

The difference between purchases and sales of investments above, being a net outflow of £3,071,411, and the net outflow of £2,731,520 shown by the Cash Flow Statement, is £339,891, being transaction costs of £20,374 and £360,265 which was awaiting investment into ASL Holdings Limited at 30 April 2011. The transaction costs also account for the difference between realised gains above of £250,613 and that shown in the Income Statement of £230,239.

Notes to the Accounts (continued)
for the year ended 30 April 2012

10 Significant interests

At 30 April 2012 the Company held significant investments, amounting to 3% or more of the equity capital of an undertaking, in the following companies:

	Equity investment (Ordinary Shares) £	Investment in loan stock and preference shares £	Total investment (at cost) £	Percentage of investee company's total equity £
Blaze Signs Holdings Limited	419,549	978,949	1,398,498	13.46%
Ackling Management Limited	400,000	600,000	1,000,000	12.50%
Almsworthy Trading Limited	400,000	600,000	1,000,000	12.50%
Culbone Trading Limited	400,000	600,000	1,000,000	12.50%
Fosse Management Limited	400,000	600,000	1,000,000	12.50%
Madacombe Trading Limited	400,000	600,000	1,000,000	12.50%
Peddars Management Limited	400,000	600,000	1,000,000	12.50%
Sawrey Limited	400,000	600,000	1,000,000	12.50%
Racoon International Holdings Limited	263,558	614,969	878,527	12.30%
Lightworks Software Limited	25,727	-	25,727	11.57%
Machineworks Software Limited	25,727	-	25,727	11.57%
British International Holdings Limited	225,000	935,000	1,160,000	9.98%
RDL Recruitment Limited (formerly Aust Recruitment Group Limited)	173,932	826,068	1,000,000	9.05%
PXP Holdings Limited (Pinewood)	288,000	875,436	1,163,436	8.53%
Youngman Group Limited	100,052	900,000	1,000,052	8.49%
IGLU.com Holidays Limited	150,000	2,326	152,326	8.14%
Fullfield Limited	367,507	715,672	1,083,179	7.93%
Monsal Holdings Limited	261,912	585,702	847,614	7.44%
ATG Media Holdings Limited	307,266	460,745	768,011	7.37%
ASL Technology Holdings Limited	321,449	1,038,681	1,360,130	7.34%
Faversham House Holdings Limited	142,233	232,637	374,870	6.77%
Plastic Surgeon Holdings Limited	39,229	353,035	392,264	5.88%
Ingleby (1879) Limited (trading as EMaC Limited)	328,717	767,006	1,095,723	5.48%
Vectair Limited	60,075	218	60,293	5.22%

It is considered that, as permitted by FRS9, "Associates and Joint Ventures", 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. In view of this, it is not considered that any of the above represent investments in associated undertakings.

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

At 30 April 2012, Mobeus Equity Partners LLP (formerly Matrix Private Equity Partners LLP) also advised The Income and Growth VCT plc, Mobeus Income and Growth VCT plc (formerly Matrix Income and Growth VCT plc), and Mobeus Income and Growth 4 VCT plc (formerly Matrix Income and Growth 4 VCT plc) who had investments in the following:

	Mobeus Income and Growth VCT plc (formerly Matrix Income and Growth VCT plc)* at cost £	Mobeus Income and Growth 4 VCT plc (formerly Matrix Income and Growth 4 VCT plc) at cost £	The Income and Growth VCT plc at cost £	Total at cost £	% of equity held by funds managed by Mobeus %
ASL Technology Holdings Limited	1,912,945	1,257,135	1,769,790	4,939,870	34.0
Newincco 1124 Limited (DiGiCo)	2,592,022	1,334,293	876,497	4,802,812	11.0
Ingleby (1879) Limited (trading as EMaC Limited)	1,762,336	1,263,817	1,878,124	4,904,277	30.0
Fullfield Limited trading as Motorclean	1,717,691	1,195,487	1,603,643	4,516,821	41.0
RDL Recruitment Group Limited (formerly Aust Recruitment Group Limited)	1,558,333	1,000,000	1,441,667	4,000,000	45.2
Blaze Signs Holdings Limited	1,699,507	610,016	1,338,500	3,648,023	52.5
EOTH Limited	1,298,031	951,471	1,383,313	3,632,815	8.0
ATG Media Holdings Limited	1,486,214	888,993	888,993	3,264,200	38.4
Ackling Management Limited	1,000,000	1,000,000	1,000,000	3,000,000	50.0
Almsworthy Trading Limited	1,000,000	1,000,000	1,000,000	3,000,000	50.0
Culbone Trading Limited	1,000,000	1,000,000	1,000,000	3,000,000	50.0
Fosse Management Limited	1,000,000	1,000,000	1,000,000	3,000,000	50.0
Madacombe Trading Limited	1,000,000	1,000,000	1,000,000	3,000,000	50.0
Peddars Management Limited	1,000,000	1,000,000	1,000,000	3,000,000	50.0
Sawrey Limited	1,000,000	1,000,000	1,000,000	3,000,000	50.0
British International Holdings Limited	2,026,316	295,455	590,909	2,912,680	34.9
PXP Holdings Limited (Pinewood)	1,163,436	679,549	920,176	2,763,161	37.3
Youngman Group Limited	1,000,052	500,026	1,000,052	2,500,130	29.7
Monsal Holdings Limited	1,299,082	699,444	468,610	2,467,136	29.0
Focus Pharma Holdings Limited	1,042,972	605,837	405,407	2,054,216	13.0
Racoon International Holdings Limited	1,213,035	406,805	550,852	2,170,692	49.0
Faversham House Holdings Limited	527,214	346,488	487,744	1,361,446	31.4
The Plastic Surgeon Holdings Limited	478,421	458,837	406,082	1,343,340	30.0
Omega Diagnostics Group plc	305,000	199,998	279,996	784,994	9.8
IGLU.com Holidays Limited	216,569	133,779	152,326	502,674	35.0
Legion Group plc	150,106	150,102	150,000	450,208	2.9
Lightworks Software Limited	222,584	9,329	20,471	252,384	45.0
Machineworks Software Limited	222,584	9,329	20,471	252,384	45.0
Vectair Limited	138,574	24,732	53,400	216,706	24.0

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

Notes to the Accounts (continued)
for the year ended 30 April 2012

11 Debtors

	2012 £	2011 £
Amounts due within one year:		
Accrued income	200,946	71,563
Prepayments	12,664	9,856
Other debtors	-	360,265
	213,610	**441,684**

12 Current asset investments

Current asset investments total £2,099,906 (2011: £6,538,497) and comprise investments in four OEIC money market funds (three Dublin based and one London based), as shown in the table below. The share of each OEIC represented by these holdings is less than 1% in all cases. All of this sum is subject to same day access. These sums are regarded as monies held pending investment and are treated as liquid resources in the Cash Flow Statement and in note 18.

	Total 2012 £	Total 2011 £
Blackrock Investment Management (UK) Limited Institutional Sterling Fund	64,859	808,070
Royal Bank of Scotland Sterling Liquidity Fund	315,558	308,849
Scottish Widows Investment Management Sterling Liquidity Fund	1,719,489	2,705,162
Prime Rate Capital Management LLP Sterling Liquidity Fund	-	2,716,416
Monies held pending investment	**2,099,906**	**6,538,497**

13 Creditors: amounts falling due within one year

	2012 £	2011 £
Trade creditors	34,015	94,109
Accruals	129,952	124,546
	163,967	**218,655**

14 Called up share capital

	2012 £	2011 £
Allotted, called-up and fully paid:		
Ordinary shares of 1p each: 24,847,465 (2011: 25,857,764)	**248,475**	**258,578**

Purchased	Date of purchase	Nominal value £
233,259	19 August 2011	2,332
44,168	30 October 2011	442
220,882	31 October 2011	2,209
114,573	27 January 2012	1,146
93,775	10 February 2012	938
191,032	8 March 2012	1,910
76,677	25 April 2012	767
35,933	30 April 2012	359
1,010,299	Nominal value	10,103

During the year the Company repurchased 1,010,299 (2011: 799,951) of its own Ordinary shares (representing 4.1% (2011: 3.1%) of the Ordinary shares in issue at the year-end) at the prevailing market price for a total cost of £668,744 (2011: £457,264).

The Companies Act 2006 ("CA06") abolished the requirement for a company to have an authorised share capital. The Company's Articles of Association were updated to take account of this, and other changes resulting from CA06 and the merger of the Ordinary share fund and the C share fund, and approved for adoption by shareholders at the EGM on 9 September 2010.

15 Movement in share capital and reserves

	Called up Share capital £	Capital redemption reserve £	Revaluation reserve £	Special distributable reserve* £	Profit and loss account* £	Total £
At 30 April 2011	258,578	48,069	1,230,469	16,258,990	7,067,862	24,863,968
Share buybacks	(10,103)	10,103	-	(668,744)	-	(668,744)
Transfer of realised losses to Special distributable reserve (note)	-	-	-	(1,239,443)	1,239,443	-
Realised gain on investments	-	-	-	-	230,239	230,239
Realisation of previously unrealised gain	-	-	(700,794)	-	700,794	-
Dividends paid	-	-	-	-	(1,001,694)	(1,001,694)
Profit for the year	-	-	949,129	-	153,741	1,102,870
As at 30 April 2012	**248,475**	**58,172**	**1,478,804**	**14,350,803**	**8,390,385**	**24,526,639**

* - These reserves total £22,532,407 (2011: £23,326,852) and are regarded as distributable reserves for the purpose of assessing the Company's ability to pay dividends to shareholders.

The Company's revaluation reserve represents the capital reserve (unrealised) upon investments held at the year end.

The cancellation of the formerly named C Share Fund's share premium account (as approved at the Extraordinary General meeting held on 10 September 2008 and by the order of the Court dated 28 October 2009), together with the previous cancellation of the share premium account attributable to the former Ordinary Share Fund and C Shares, has provided the Company with a special distributable reserve. The purpose of this reserve is to fund market purchases of the Company's own shares as and when it is considered by the Board to be in the interests of the Shareholders, and to write-off existing and future losses as the Company must take into account capital losses in determining distributable reserves. The total transfer of £1,239,443 to the special distributable reserve from the profit and loss account is the total of realised losses incurred by the Company in the year.

Notes to the Accounts (continued)
for the year ended 30 April 2012

16 Basic and diluted net asset value per share

Net asset value per Ordinary Share is based on net assets at the end of the year, and on 24,847,465 (2011: 25,857,764) Ordinary Shares, being the number of Ordinary Shares in issue on that date.

17 Reconciliation of Profit on ordinary activities before taxation to net cash inflow/(outflow) from operating activities

	2012 £	2011 £
Profit on ordinary activities before taxation	1,333,109	3,250,053
Net gains on realisations of investments	(230,239)	(624,055)
Net unrealised gains on investments	(949,129)	(2,911,008)
Increase in debtors	(132,191)	(20,412)
Increase/(decrease) in creditors and accruals	2,206	(5,380)
Net cash inflow/(outflow) from operating activities	**23,756**	**(310,802)**

18 Analysis of changes in net funds

	Cash £	Liquid resources £	Total £
At beginning of year	76,291	6,538,497	6,614,788
Cash flows	3,495	(4,438,591)	(4,435,096)
At 30 April 2012	**79,786**	**2,099,906**	**2,179,692**

19 Financial instruments

The Company's financial instruments in both years comprise:

- Equity and preference shares and fixed and floating rate interest securities that are held in accordance with the Company's investment objective.
- Cash, liquid resources and short-term debtors and creditors that arise directly from the Company's operations.

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

Classification of financial instruments

The Company held the following categories of financial instruments at 30 April 2012:

	2012 (Book value) £	2012 (Fair value) £	2011 (Book value) £	2011 (Fair value) £
Assets at fair value through profit and loss:				
Investment portfolio	22,297,304	22,297,304	18,026,151	18,026,151
Current investments	2,099,906	2,099,906	6,538,497	6,538,497
Loans and receivables				
Accrued income	200,946	200,946	71,563	71,563
Other debtors	-	-	360,265	360,265
Cash at bank	79,786	79,786	76,291	76,291
Liabilities at amortised cost or equivalent				
Other creditors	(163,967)	(163,967)	(218,655)	(218,655)
Total for financial instruments	24,513,975	24,513,975	24,854,112	24,854,112
Non financial instruments	12,664	12,664	9,856	9,856
Total net assets	**24,526,639**	**24,526,639**	**24,863,968**	**24,863,968**

The investment portfolio principally consists of unquoted investments of 98.8% (2011: 98.6%). The investment portfolio has a 100% (2011: 100%) concentration of risk towards small UK based, sterling denominated companies, and represents 90.9% (2011: 72.5%) of net assets at the year-end.

Current investments are money market funds, discussed under credit risk below, which represent 8.6% (2011: 26.3%) of net assets at the year-end.

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

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 £22,297,304 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, 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 Investment Objective, as set out on the inside front cover. As part of the investment management process, the Board seeks to maintain an appropriate spread of market risk, and also has full and timely access to relevant information from the Investment Manager. No single investment is permitted to exceed 15% of total investment assets at the point of investment. The Investment Committee meets regularly and reviews the investment performance and financial results, as well as compliance with the Company's objectives. The Company does not use derivative instruments to hedge against market risk.

Notes to the Accounts (continued)
for the year ended 30 April 2012

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 small part of these assets are quoted on AiM, nearly all of these assets are unquoted. All of the investments made by the Investment Manager 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 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% (2011: 20%) movement in overall share prices, which might in part be caused by changes in interest rate levels. However, it is not considered possible to evaluate separately the impact of changes in interest rates upon the value of the Company's portfolios of investments in small, unquoted companies.

The sensitivity analysis below assumes that each of these sub categories of investments (shares, preference shares and loan stocks) held by the Company produces a movement overall of 20% (2011: 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.

	2012 Profit and net assets £	2011 Profit and net assets £
If overall share prices fell by 20% (2011: 20%), with all other variables held constant – decrease	(4,459,461)	(3,605,230)
Decrease in earnings, and net asset value, per Ordinary share (in pence)	(17.95)p	(13.94)p

	2012 Profit and net assets £	2011 Profit and net assets £
If overall share prices increase by 20% (2011: 20%), with all other variables held constant – increase	4,459,461	3,605,230
Increase in earnings, and net asset value, per Ordinary share (in pence)	17.95p	13.94p

The impact of a change of 20% (2011: 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. The range in equity prices is considered reasonable given the historic changes that have been observed.

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:

	2012 £	2011 £
Loan stock investments	14,526,891	9,791,019
Preference shares	25,848	24,452
Money market funds	2,099,906	6,538,497
Accrued income and other debtors	200,946	431,828
Cash at bank	79,786	76,291
	16,933,377	**16,862,087**

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 where they do, such security ranks beneath any bank debt that an investee company may owe.

The accrued income shown above was all due within three months of 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	2012 £	2011 £
0 to 1 year	1,812,678	600,000
1 to 2 years	2,756,057	2,363,923
2 to 3 years	53,496	4,770,975
3 to 4 years	2,164,462	320,000
4 to 5 years	7,740,198	1,736,121
Total	**14,526,891**	**9,791,019**

There are four loans which are past their repayment date. These loans have a carrying value of £3,133,115 and have not yet been renegotiated. These loan stock investments are made as part of the qualifying investments within the investment portfolio, and the risk management processes applied to the loan stock investments have already been set out under market price risk above.

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 also include amounts of £1,408,283 in the 0-6 month category, which are all considered to be past due only because interest on the loan is outstanding. We are required to report in this format and include the full value of such loans even though it is only in respect of interest that they are past due.

Notes to the Accounts (continued)
for the year ended 30 April 2012

	0 - 6 months £	6 - 12 months £	over 12 months £	2012 Total £
Loans to investee companies past due	**1,408,283**	**-**	**3,133,115**	**4,541,398**

	0 - 6 months £	6 - 12 months £	over 12 months £	2011 Total £
Loans to investee companies past due	**320,000**	**-**	**3,348,033**	**3,668,033**

There is a risk of default by the money market funds above, which could suffer defaults within their underlying portfolios that could affect the values at which the Company could sell its holdings. 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. These money market funds are all triple A rated funds, and so credit risk is considered to be relatively low in current circumstances.

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.

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 April 2012 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	7,744,565	-	-	7,744,565		
Preference shares	-	25,848	-	25,848	6.78	0.80
Loan stocks	-	10,098,615	4,428,276	14,526,891	4.87	3.27
Money market funds	-	-	2,099,906	2,099,906	0.55	
Cash	-	-	79,786	79,786	0.11	
Debtors	200,946	-	-	200,946		
Creditors	(163,967)	-	-	(163,967)		
Total for financial instruments	7,781,544	10,124,463	6,607,968	24,513,975		
Non-financial instruments	12,664	-	-	12,664		
Total net assets	**7,794,208**	**10,124,463**	**6,607,968**	**24,526,639**		

The interest rate profile of the Company's financial net assets at 30 April 2011 was:

	Financial net assets on which no interest paid £	Fixed rate financial assets £	Variable rate financial assets £	Total £	Weighted average interest rate %	Average period to maturity (years)
Equity shares	8,210,680	-	-	8,210,680		
Preference shares	-	24,452	-	24,452	7.17	0.71
Loan stocks	-	7,329,574	2,461,445	9,791,019	5.09	2.59
Money market funds	-	-	6,538,497	6,538,497	0.69	
Cash	-	-	76,291	76,291	0.11	
Debtors	431,828	-	-	431,828		
Creditors	(218,655)	-	-	(218,655)		
Total for financial instruments	8,423,853	7,354,026	9,076,233	24,854,112		
Non-financial instruments	9,856	-	-	9,856		
Total net assets	**8,433,709**	**7,354,026**	**9,076,233**	**24,863,968**		

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

Floating rate cash earns interest based on LIBOR rates.

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

Notes to the Accounts (continued)
for the year ended 30 April 2012

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

	2012 £ Profit and net assets	2011 £ Profit and net assets
If interest rates fell by 1%, with all other variables held constant – decrease	(52,864)	(72,610)
Decrease in earnings, and net asset value, per Ordinary share (in pence)	(0.21)p	(0.28)p

	2012 £ Profit and net assets	2011 £ Profit and net assets
If interest rates rose by 1%, with all other variables held constant – increase	52,864	72,610
Increase in earnings, and net asset value, per Ordinary share (in pence)	0.21p	0.28p

Liquidity risk

The investments in equity and fixed interest stocks of unquoted companies that the Company holds are not traded, and thus 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. 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 above 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 Manager 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 which are, as reported in Note 12, nearly all accessible on an immediate basis.

Currency risk

All assets and liabilities are denominated in sterling and therefore there is no currency risk.

Fair value hierarchy

The table below sets out fair value measurements using FRS29 fair value hierarchy. The Company has one class of assets, being at fair value through profit and loss.

Financial assets at fair value through profit and loss At 30 April 2012	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	260,803	-	7,483,762	7,744,565
Preference shares	-	-	25,848	25,848
Loan stock investments	-	-	14,526,891	14,526,891
Money market funds	2,099,906	-	-	2,099,906
Total	**2,360,709**	**-**	**22,036,501**	**24,397,210**

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

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

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

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

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

The valuation techniques used by the company are explained in the accounting policies in note 1.

There have been no transfers during the year between Levels 1 and 2. Transfers into Level 3 related to investments for which listing has been suspended during the year. A reconciliation of fair value measurements in Level 3 is set out on below:

	Equity investments £'000	Preference shares £'000	Loan stock investments £'000	Total £'000
Opening balance at 1 May 2011	7,964,512	24,452	9,791,019	17,779,983
Purchases	2,851,721	918	6,992,375	9,845,014
Sales	(3,375,683)	(435)	(3,397,485)	(6,773,603)
Transfers into Level 3	7,000	-	-	7,000
Reclassification	(71,283)	913	70,370	-
Total (losses)/gains included in Income Statement:			-	
– on assets sold	(946,387)	-	1,197,000	250,613
– on assets held at the year end	1,053,882	-	(126,388)	927,494
Closing balance at 30 April 2012	**7,483,762**	**25,848**	**14,526,891**	**22,036,501**

As detailed in the accounting policies note, where investments are valued on an earnings-multiple basis, the main input used for this basis of valuation is a suitable price-earnings ratio taken from a comparable sector on the quoted market. These ratios are correlated to the share prices and so any change in share prices will have a significant effect on the fair value measurements of the investments classified as Level 3 investments.

Notes to the Accounts (continued)
for the year ended 30 April 2012

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

	30 April 2012 £	30 April 2011 £
Investment methodology		
Cost (reviewed for impairment)	7,000,000	5,098,067
Asset value supporting security held	699,966	699,966
Recent investment price	3,324,096	2,374,735
Earnings multiple	11,012,439	9,607,215
	22,036,501	**17,779,983**

The unquoted equity investments had the following movements between valuation methodologies between 30 April 2012 and 30 April 2011:

Change in investment methodology (2011 to 2012)	Carrying value as at 30 April 2012 £	Explanatory note
Recent investment price to earnings multiple	1,939,767	More appropriate basis for determining fair value
Cost (reviewed for impairment) to recent investment price	1,172,620	More appropriate basis for determining fair value
Earning multiple to recent investment price	1,334,291	More appropriate basis for determining fair value
Cost (reviewed for impairment) to earnings multiple	203,433	More appropriate basis for determining fair value
Earnings multiple to cost (reviewed for impairment)	-	More appropriate basis for determining fair value

The valuation will be the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the September 2009 IPEVCV guidelines. The directors believe that, within these parameters, there are no other possible methods of valuation which would be reasonable as at 30 April 2012.

FRS 29 requires disclosure, by class of financial instruments, if the effect of changing one or more inputs to reasonably possible alternative assumptions would result in a significant change to the fair value measurement. The information used in determination of the fair value of Level 3 investments is chosen with reference to the specific underlying circumstances and position of the investee company. The portfolio has been reviewed and both downside and upside reasonable possible alternative assumptions have been identified and applied to the valuation of each of the unquoted investments. Applying the downside alternatives, the value of the unquoted investments would be £1,319k or 5.9% lower. Using the upside alternatives the value would be increased by £1,208k or 5.4%. In arriving at both these figures, a 5% change to earnings multiples was applied and for the upside alternative of one company the maintainable earnings figure was revised upwards.

21 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.

22 Segmental analysis

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

23 Related party transactions

On 12 January 2012, MPEP's executive partners, being the holders of a 50% interest in MPEP, agreed to purchase the 50% interest held by MPE Partners Limited. The transaction completed on 30 June 2012.

Mobeus Equity Partners LLP (formerly Matrix Private Equity Partners LLP up to 30 June 2012) is the Company's Investment Manager in respect of venture capital investments and earned fees of £608,883 (2011: £557,802) in respect of investment management and, from 10 September 2010 onwards, Administration and Company Secretarial services.

Kenneth Vere Nicoll is a shareholder of Matrix Group Limited, which owns Matrix-Securities Limited, MPE Partners Limited and Matrix CC Limited, the latter being a member of Matrix Corporate Capital LLP ("MCC").

MCC are the Company's brokers and fees of £12,000 (2011: £11,833) were charged for the period. Eight (2011: seven) share buybacks were undertaken by MCC on the Company's instruction totalling £668,744 (2011: £457,264). £24,394 (2011: £81,088) was due to MCC at the year-end.

24 Post balance sheet events

On 31 May 2012, the entire holding in IGLU.com Holidays Limited was realised for net proceeds of £1,455,265. This has been reflected in the valuation of the portfolio at 30 April 2012.

On 15 June 2012, a further £57,143 was invested in PXP Holdings Limited.

On 20 July 2012, funds of £907,762 held by Sawrey Limited, one of the Company's acquisition companies, were used to invest in the acquisition of Tessella Limited, an international provider of science-powered technology and consultancy services.

Shareholder Information

Shareholders wishing to follow the Company's progress can visit the Company's website at www.mig2vct.co.uk which contains publicly available information or links to information about our largest investments, the latest NAV and the share price. The London Stock Exchange's website at www.londonstockexchange.com/en-gb/prices/news provides up to the minute details of the share price and latest NAV announcements, etc. A number of commentators such as Allenbridge at www.taxshelterreport.co.uk provide comparative performance figures for the VCT sector as a whole. The share price is also quoted in the Financial Times.

The Company circulates a bi-annual newsletter to Shareholders, as well as the usual Annual and Half-Yearly Reports. The next edition will be distributed in July 2012.

Net asset value per share

The Company's NAV as at 30 April 2012 was 98.71 pence per Ordinary Share. The Company announces its unaudited NAV on a quarterly basis.

Dividends

The Directors are not proposing a final dividend for Ordinary Shareholders. An interim dividend of 4 pence made up of capital dividend of 2 pence and an interim income dividend of 2 pence per Share for the year ended 30 April 2012 was declared by the Board and paid on 20 April 2012 to Shareholders on the register on 30 March 2012.

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 Registrars, at the address below.

Financial calendar

Late July 2012	Annual Report for the year ended 30 April 2012 to be circulated to Shareholders
6 September 2012	Annual General Meeting
July/ August 2012	Newsletter to be circulated to Shareholders
Mid December 2012	Release of the half-yearly results
Early January 2013	Half-Yearly Report for the six months ending 31 October 2012 to be circulated to Shareholders
Mid July 2013	Newsletter to be circulated to Shareholders
30 April 2013	Year-end

Annual General Meeting

The Annual General Meeting of the Company will be held on Thursday, 6 September 2012 from 12 noon at the Offices of Mobeus Equity Partners LLP, 30 Haymarket, London SW1Y 4EX. Please try to arrive 15 minutes before the meeting starts when tea and coffee will be served to Shareholders. Proxy forms for the meetings, which Shareholders will find included with their copy of this Annual Report, should be completed in accordance with the instructions printed thereon and sent to the Company's Registrars, Capita Registrars, to arrive no later than 12 noon on 4 September 2012.

Shareholder enquires:

For enquiries concerning the investment portfolio, please contact the Investment Manager, Mobeus Equity Partners LLP (formerly Matrix Private Equity Partners LLP), on 020 7024 7615 or by e-mail to info@mobeusequity.co.uk.

For information on your holding, to notify the Company of a change of address or to request a dividend mandate form (should you wish to have future dividends paid directly into your bank account) please contact the Company's Registrars, Capita Registrars, on 0871 664 0300 (calls cost 10p per minute plus network extras. If calling from overseas please ring +44 208 639 2157) or write to them at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. Alternatively you can contact them via their website at www.capitaregistrars.com.

VCT Tax Benefits

Taxation benefits

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

Personal taxation benefits

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

The following is an outline of the tax reliefs available to VCT investors with effect from 6 April 2006.

(1) **Relief from income tax on investments**
An investor subscribing for new ordinary shares in a VCT is entitled to claim income tax relief on amounts subscribed up to a maximum of £200,000 (increased from £100,000 in respect of shares issued on or after 6 April 2004) in any tax year. To obtain relief, an investor must subscribe in his/her own name and not through a nominee, although the shares may subsequently be transferred into the name of a nominee. The relief is given at the lower rate of tax on the amount subscribed provided that the relief is limited to the amount which reduces the investor's income tax liability to nil. Investments used as security for, or financed by, a loan may not qualify for relief depending on the circumstances. The income tax relief for investments in new VCT shares was decreased from 40% to 30% in relation to VCT shares issued on or after 6 April 2006.

(2) **Capital gains tax reinvestment relief**
The ability to defer capital gains by reinvesting the gains in a VCT, where the VCT shares are issued in the two year period beginning twelve months before the gain arises, has been abolished in respect of shares issued on or after 6 April 2004. However, the relief will remain available in respect of shares issued before 6 April 2004 (so long as, in accordance with certain rules, the gain arose within 12 months of the issue of the shares).

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

(4) **Relief from capital gains tax on disposal**
A disposal by an investor of ordinary shares in a VCT will not be subject to UK capital gains tax.

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

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

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

Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Mobeus Income & Growth 2 VCT plc (formerly Matrix Income & Growth 2 VCT) plc will be held at 12.00 noon on Thursday, 6 September 2012 at the offices of Mobeus Equity Partners LLP, 30 Haymarket, London SW1Y 4EX, for the purposes of considering the following resolutions of which resolutions numbered 1 to 9 and 12, will be proposed as ordinary resolutions and resolutions numbered 10 and 11 as special resolutions:

1. To receive and adopt the audited annual report and accounts of the Company for the year ended 30 April 2012 ("**Annual Report**") together with the Directors' Report and the auditor's report thereon.

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

3. To appoint PKF (UK) LLP of Farringdon Place, 20 Farringdon Road, London EC1M 3AP as auditor to the Company until the conclusion of the next annual general meeting.

4. To authorise the directors to determine PKF (UK) LLP's remuneration as auditor to the Company.

5. To re-elect Nigel Melville as a director of the Company.

6. To re-elect Adam Kingdon as a director of the Company.

7. To re-elect Sally Duckworth as a director of the Company.

8. To re-elect Kenneth Vere Nicoll as a director of the Company.

9. That, in substitution for any existing authorities, the directors 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 pence each in the Company ("Shares") and to grant rights to subscribe for, or convert, any security into Shares ("Rights") up to an aggregate nominal value of £82,824 (being approximately one third of the issued share capital of the Company as at the date hereof), provided that the authority conferred by this resolution shall expire (unless renewed, varied or revoked by the Company in a general meeting) on the conclusion of the annual general meeting of the Company to be held in 2013 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.

To consider and if thought fit, to pass the following resolutions as special resolutions:

10. That, subject to the passing of resolution 9 set out in this notice and in substitution for any existing authorities, the directors of the Company be and hereby are empowered in accordance with sections 570 and 573 of the Act to allot or make offers or agreements to allot equity securities (as defined in section 560(1) of the Act) for cash, pursuant to the authority conferred upon them by resolution 9 set out in this notice, or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such sale or allotment, provided that the power conferred by this resolution shall expire (unless renewed, varied or revoked by the Company in a general meeting) on the conclusion of the annual general meeting of the Company to be held in 2013, and provided further that this power shall be limited to:

    (i) the allotment or transfer of equity securities up to an aggregate nominal value representing £33,129 in connection with offer(s) for subscription;
    (ii) the allotment or transfer of equity securities with an aggregate nominal value of up to, but not exceeding, 10 per cent. of the issued share capital of the Company from time to time pursuant to any dividend investment scheme operated by the Company; and
    (iii) the allotment or transfer, otherwise than pursuant to sub-paragraphs (i) and (ii) above, of equity securities with an aggregate nominal value of up to, but not exceeding, 10 per cent. of the issued share capital of the Company from time to time

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

11. That, in substitution for any existing authorities, the Company be and hereby is authorised pursuant to and in accordance with section 701 of the Act to make one or more market purchases (within the meaning of section 693(4) of the Act) of its own shares provided that:

(i) the aggregate number of shares which may be purchased shall not exceed 3,724,635 (representing approximately 14.99 per cent. of the Company's issued share capital at the date hereof);
(ii) the minimum price which may be paid for a share is 1 penny (the nominal value thereof);
(iii) the maximum price which may be paid for a share (excluding expenses) shall be the higher of (a) an amount equal to five per cent. above the average of the middle market quotations for a share in the Company taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Share is contracted to be purchased and (b) the price stipulated by Article 5(1) of the Buy-back and Stabilisation Regulations (EC 2273/2003);
(iv) the authority conferred by this resolution shall (unless previously renewed or revoked) expire on the conclusion of the annual general meeting of the Company to be held in 2013; 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.

To consider and if thought fit, to pass the following resolution as an ordinary resolution

12. That, the Company be and hereby is generally and unconditionally authorised to use electronic communications with its shareholders and in particular to authorise the Company to send or supply documents or information to shareholders by making them available to view on a website.

By order of the Board

Mobeus Equity Partners LLP
Company Secretary

Registered Office
30 Haymarket
London SW1Y 4EX
24 July 2012

Notes:

1. To be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the votes they may cast), members must be registered in the Register of Members of the Company at 6.00 p.m. on 4 September 2012 (or, in the event of any adjournment, the time and date which is two days before the time of the adjourned meeting). Changes to the Register of Members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the form of proxy are set out in the notes on the form of proxy. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.
3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you may copy the proxy form, clearly stating on each copy the shares to which the proxy relates, or alternatively contact the Company's registrars, Capita Registrars, on 0871 664 0300 (lines are open between 8.30 am and 5.30 pm Monday to Friday, calls cost 10p per minute (including VAT) plus network extras – if calling from overseas please dial +44 208 639 3399 (international rates will apply)) to request additional copies of the proxy form. Different charges may apply to calls from mobile telephones and call may be recorded and randomly monitored for security and training purposes. For legal reasons Capita Registrars will be unable to give advice on the merits of the proposals or provide financial, legal, tax or investment advice. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned together in the same envelope.
4. The statement of the rights of members in relation to the appointment of proxies in paragraphs 1 to 3 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.
5. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 (the "Act") to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.
6. If you have been nominated to receive general shareholder communications directly from the Company, it is important to remember that your main contact in terms of your investment remains as it was (so the registered shareholder, or perhaps custodian or broker, who administers the investment on your behalf). Therefore any changes or queries relating to your personal details and holding (including any administration thereof) must continue to be directed to your existing contact at your investment manager or custodian. The Company cannot guarantee dealing with matters that are directed to us in error. The only exception to this is where the Company, in exercising one of its powers under the Act, writes to you directly for a response.

Notice of the Annual General Meeting (continued)

7. A personal reply paid form of proxy is enclosed with this document. To be valid, it should be lodged, together with the power of attorney or other authority, if any, under which it is signed or a notarilly certified or office copy thereof, at the offices of the Company's registrar, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received not later than 12.00 noon on 4 September 2012 or 48 hours before the time appointed for any adjourned meeting or, in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll.
8. If you prefer, you may return the proxy form to the Registrar in an envelope addressed to FREEPOST RSBH-UXKS-LRBC, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
9. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
10. Appointment of a proxy or CREST proxy instruction will not preclude a member from subsequently attending and voting at the meeting should he or she subsequently decide to do so. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.
11. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
12. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by 12.00 noon on 4 September 2012. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
13. As at 24 July 2012 (being the last business day prior to the publication of this notice), the Company's issued share capital consists of 24,847,465 Ordinary Shares of 1p, all of which carry one vote each. Therefore, the total voting rights in the Company as at 24 July 2012 were 24,847,465.
14. The Company, pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, specifies that only those Shareholders registered in the Register of Members of the Company as at 6.00 pm on 4 September 2012 or, in the event that the meeting is adjourned, in the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at the relevant time. Changes to entries in the Register of Members after 6.00 pm on 4 September 2012 or, in the event that the meeting is adjourned, in the Register of Members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.
15. The Register of Directors' Interests and Directors' appointment letters will be available for inspection at the Company's registered office during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) until the end of the Annual General Meeting and will also be available for inspection at the place of the Annual General Meeting for at least fifteen minutes prior to and during the meeting. The Directors do not have any service contracts with the Company.
16. If a corporate shareholder has appointed a corporate representative, the corporate representative will have the same powers as the corporation could exercise if it were an individual member of the Company. If more than one corporate representative has been appointed, on a vote on a show of hands on a resolution, each representative will have the same voting rights as the corporation would be entitled to. If more than one authorised person seeks to exercise a power in respect of the same shares, if they purport to exercise the power in the same way, the power is treated as exercised; if they do not purport to exercise the power in the same way, the power is treated as not exercised.
17. Under section 527 of the Companies Act 2006 ("the Act") members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor no later then the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Companies Act to publish on a website.
18. At the meeting shareholders have the right to ask questions relating to the business of the meeting and the Company is obliged under section 319A of the Act to answer such questions, unless to do so would interfere unduly with the preparation of the meeting or would involve the disclosure of confidential information, if the information has been given on the Company's website, www.mig2vct.co.uk in the form of an answer to a question, or if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
19. Further information, including the information required by section 311A of the Act, regarding the meeting is available on the Company's website, www.mig2vct.co.uk.

Corporate Information

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

Company's registered office and head office
30 Haymarket
London
SW1Y 4EX

Company Registration Number
3946235

Website
www.mig2vct.co.uk

Company Secretary
Mobeus Equity Partners LLP
(formerly Matrix Private Equity Partners LLP)
30 Haymarket
London
SW1Y 4EX
e-mail: mig2@mobeusequity.co.uk

Investment Manager, Promoter and Company Accountants
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(formerly Matrix Private Equity Partners LLP)
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Matrix Corporate Capital LLP
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London
W1J 0AH

Registrar
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
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BR3 4TU
Tel: 0871 664 0300 (calls cost 10p per minute plus net work extras. Lines are open 8.30am-5.30pm Mon-Fri. If calling from overseas please ring +44 208 639 2157)

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