INVESTMENT PRODUCTS

MATRIX INCOME & GROWTH 4 VCT PLC

4

A VENTURE CAPITAL TRUST

REPORT & ACCOUNTS

Annual Report and Accounts
for the year ended 31 January 2012

www.mig4vct.co.uk

MATRIX

Investment Objective

Strategy
Matrix Income & Growth 4 VCT plc ("MIG4", the "Company" or the "Fund") is a tax efficient company listed on the London Stock Exchange. It invests primarily in established and profitable unquoted companies.

Investment Objective
The VCT's objective is to provide investors with a regular income stream by way of tax free dividends and to generate capital growth through portfolio realisations which can be distributed by way of additional tax free dividends.

Dividend Policy
The Company seeks to pay dividends at least annually out of income and capital as appropriate, and subject to fulfilling certain regulatory requirements.

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Financial Highlights

As at 31 January 2012

- Increase in total shareholder return (net asset value basis) over the year of 5.2% from 131.6p to 138.4p per share
- Further funds of £3.5 million subscribed in the year
- Dividend of 5 pence per share declared for the year

Performance Summary – Ordinary Shares of 1 penny

Year ended 31 January	Net assets (£ million)	Net asset value (NAV) per share (p)	Cumulative dividends paid per share (p)	NAV total return to shareholders since launch (p)[2]	Share price (p)[1]	Share price total return to shareholders since launch per share (p)[2]
31 January 2012	29.4	116.7	21.70	138.4	100.0	121.7
31 January 2011	25.3	112.9	18.70	131.6	103.5	122.2
31 January 2010	21.2	106.3	15.70	122.0	92.3	108.0
31 January 2009	21.0	104.6	13.70	118.3	92.0	105.7
31 January 2008	24.1	117.4	11.45	128.9	109.0	120.5
31 January 2007	9.8	116.3	8.90	125.2	91.0	99.9
31 January 2006	9.3	106.6	8.40	115.0	85.0	93.4

[1] Source: London Stock Exchange

[2] Total returns to Shareholders include dividends paid

Matrix Private Equity Partners LLP ("MPEP") became sole manager to the Company on 1 August 2006.

In the graph on page 38, the NAV and share price total returns to shareholders comprise the NAV and share price respectively assuming the dividends paid were re-invested on the date on which the shares were quoted ex-dividend in respect of each dividend. The total return figures have been rebased to 100 at 31 January 2007.

Return before and after income tax relief

The table below shows the NAV total returns at 31 January 2012 for a shareholder that invested **£10,000** in each fundraising undertaken by the Company:

Fundraising	**1999/2000**	**2006/2007**	**2010 (Top-up Offer)** [3]	**2011 (Linked Offer)** [4]
Issue price per share (p)	200 [1]	120.9 [2]	112.4	121.6
Number of shares held	5,000	8,271	8,897	8,224
Net asset value (NAV) at 31 January 2012 (£)	5,837	9,655	10,385	9,600
Dividends paid to shareholder since subscription (£)	1,085	910	534	247[5]
NAV total return to shareholder since subscription (£)	6,922	10,565	10,919	9,847
Percentage change in NAV total return from last year	**5.2%**	**5.7%**	**5.9%**	**6.3%**
(Loss)/ profit before income tax relief (£) [6]	**(3,078)**	**565**	**919**	**(153)** [7]
Income tax relief	20% [8]	30%	30%	30%
Cost net of income tax relief (£)	8,000	7,000	7,000	7,000
(Loss)/ profit after income tax relief (£) [9]	**(1,078)**	**3,565**	**3,919**	**2,847**

1 Original investment at 100p per ordinary share of 5p each, converted on a 2 for 1 basis to ordinary shares of 1p each in October 2006.

2 Weighted average issue price of shares.

3 2010 Top-Up Offer to raise up to £2.18 million.

4 Linked Offer for Subscription with Matrix Income & Growth VCT plc and The Income & Growth VCT plc to raise up to £21 million in total. The issue price is a weighted average for all shares issued.

5 As all investors except for the last allotment received this period’s dividend, it has been shown in these figures

6 NAV total return minus initial investment cost (before income tax relief).

7 Current unrealised loss results from initial Offer costs of 5.5% paid on subscription.

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

9 NAV total return minus cost net of income tax relief.

The data for the 1999/2000 fundraising above includes the period up to 1 August 2006, when the Company used three investment advisers. The three subsequent fundraisings have raised capital which has been solely managed by MPEP.

Dividend history

Year ended 31 January	Dividends per share paid in respect of each year (p)	Cumulative dividends per share paid and proposed since launch (p)
2012	5.00**	26.70
2011	4.00	21.70
2010	3.00	17.70
2009	2.00	14.70
2008	2.00	12.70
2007	1.80*	10.70
2006	0.50*	8.90
2005	0.20*	8.40
2004	0.50*	8.20
2003	0.50*	7.70
2002	1.00*	7.20
2001	3.10*	6.20
2000	3.10*	3.10

Dividends paid include distributions from both income and capital.

* re-stated following capital reorganisation in 2006.

** Interim dividend - an interim dividend of 5p per share for the year ended 31 January 2012 has been declared on 18 April 2012 payable on 6 June 2012.

Chairman's Statement

I am pleased to present to Shareholders the Annual Report of the Company for the year ended 31 January 2012.

Performance

At 31 January 2012, the Net Asset Value (NAV) per Share was 116.7 pence (2011: 112.9 pence). Adjusted for the dividends paid to shareholders during the year, this represents an increase of 6.0% over the twelve month period. The NAV Total Return per Share since launch increased in the year by 5.2% from 131.6 pence at 31 January 2011 to 138.4 pence at 31 January 2012.

Despite tough economic conditions, many of the portfolio companies continue to develop well. The Board is satisfied with the performance of the portfolio compared to its generalist VCT peers (a benchmark the Board uses), and supports the Manager's investment approach. A continuation of current performance trends, if achieved, should result in payment of a useful dividend stream comprising both income and capital elements.

In this context, it is relevant to note that total dividends declared in respect of the year to 31 January 2012 amount to 5 pence per share.

Economic background

The year under review was dominated by continuing concerns about the severity of the UK recession, the coalition government's reaction to this and the timing of any recovery. Further concerns are rising UK inflation and a lack of clarity on the future direction of the European community.

Against this backdrop, the quoted UK equity market as represented by the FTSE All-Share Index was volatile but ended the year down (0.31%) on a total return basis. Bearing in mind that many of the portfolio companies are primarily valued by reference to the valuations 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 5.2%.

The portfolio

The portfolio continues to be dominated by investments in management buy-out situations ("MBOs"), which has risen to 75.4% of the portfolio, followed by 16.8% in acquisition companies, 5.3% in development capital, 1.0% invested in one AIM investment and the remaining 1.5% of the portfolio being invested in what were originally development capital and early stage investments of previous managers. The portfolio is now invested in a wide range of market sectors with the largest of those being Support Services at 44.8%.

The stronger dealflow in the second half of 2010 continued into 2011. Three new investments were completed during the year under review to support the management buyouts (“MBOs”) of Motorclean Group Limited, EMaC Limited, and to provide development capital to Equip Outdoor Technologies Limited. The Company’s existing investments in the acquisition vehicles Fullfield and Vanir were used in respect of the Motorclean and EMaC investments.

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.

There has been a pleasing level of realisations in the year. Most notably, in December 2011, the Company made a partial disposal of its investment in DiGiCo to ISIS Equity Partners. The Company has received total cash proceeds of £3.0 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.

Five loan stocks held by the Company totalling £1.41 million in value were fully or partly repaid during the year (including any premia due). Repayments were received from Focus Pharma Holdings Limited, Fullfield (Motorclean), Iglu.com Holidays, MachineWorks and Vectair. In addition, £4 million was received in loan stock repayments and related premia from Bladon Castle Management Limited, Backbarrow Limited, Rusland Management Limited and Torvar Limited, who had not been able to find suitable investment opportunities.

A number of the investee companies continued to trade well, notably DiGiCo, ATG Media and Iglu.com Holidays. Other companies are still endeavouring to recover from the effects of the 2008/09 recession. Plastic Surgeon returned a modest profit after a period of weak trading and Youngman fully repaid its bank debt and so is well-positioned to benefit from any upturn in its markets. Blaze Signs reported improved results demonstrating a recovery during the year. PXP, however, continues to be valued at nil although a further small investment into this company has been approved to support its prospective turnaround. As you will see from the Manager’s Review, most companies in the portfolio continue to generate operating profits.

As at the year end the portfolio included three acquisition companies actively searching for further investments. Since the year-end, investments of £1 million each have been made in 4 further acquisition companies. A number of opportunities are under active consideration.

For further information on the portfolio please refer to the Investment Manager’s Review on pages 12 - 19.

Offer for Subscription

The Company is participating in a linked fundraising with The Income & Growth VCT plc and Matrix Income & Growth VCT plc which was launched on 20 January 2012 to raise up to £21 million across the three VCTs. The funds to be raised for the VCT of up to £7 million will further improve the Company’s liquidity, enable the VCT to continue to take advantage of the expected favourable conditions for new investment, support the Company's share buy-back policy and mean that its fixed running costs will be spread over a larger asset base. Details of the Offer have been posted to Shareholders. As at 30 April 2012, £4.3m has been subscribed after the year-end for further shares in the Company, and your Company has allotted 3,546,964 new ordinary shares so far.

The Offer will remain open until 30 June 2012 although the Directors of the three VCTs reserve the right to extend the closing date at their discretion.

Earlier in the year a further £3.4 million of net funds were raised from the 2010/2011 linked fundraising with The Income & Growth VCT plc and Matrix Income & Growth VCT plc, allotting 2,960,632 shares.

Cash available for investment

Cash and liquidity fund balances as at 31 January 2012 together with funds in acquisition companies, amounted to £14.4m which is advantageous to have at a time of increasing investment opportunities. In the meantime these funds continue to be invested in a number of leading cash funds and deposits with major banks. Despite the frustration of very low returns, your Board has taken the view that it would not be prudent to further increase counter party or timing exposures for a relatively small overall increase in the return rates. However, the Board continues to keep this policy under active review.

Review of results

The Company returned a profit for the year of £1,643,274 (2011: £1,893,790), comprised of a revenue return of £430,307 (2011: £119,808) and a capital return of £1,212,967 (2011: £1,773,982).

The revenue return for the Company has increased markedly during the year, from £119,808 to £430,307. Three main factors affected the overall increase in income to £955,864, from £636,426 for the year to 31 January 2011. Firstly, loan interest from investee companies has increased by £208,204 (44%) to £677,597. This is due to the benefit of further investments made in the year, notably Motorclean, EOTH and EMaC, in addition to a full year's interest received from CB Imports, ASL and RDL. Youngman has resumed loan stock interest payments and settled some of the arrears.

Secondly, the Company's dividend income from investee companies also rose by £79,130 (62%) to £206,966 during the year, compared to £127,836 for the year to 31 January 2011, predominantly due to dividends received from ATG Media and DiGiCo.

Finally, interest on bank deposits and money-market funds continued to be modest, rising slightly to £45,637 (2011: £34,092) due to higher liquidity following monies raised from the joint offer for subscription.

Against this net improvement in income, there was an increase in investment management fees of £185,898, principally due to increases in net assets and reclassification. This figure has been adjusted for the reclassification of Accounting and Company Secretarial fees to become part of Investment Management fees, which occurred in the previous year.

Dividend

A final dividend of 3 pence per share in respect of the year ended 31 January 2011 was paid in June 2011.

The Company's earnings per Ordinary Share were 6.62 pence per share (2011: 9.04 pence per share) comprising 1.73 pence of Income and 4.89 pence of Capital. The Board is pleased to declare a dividend of 5 pence per share which will be paid as an interim dividend, comprising 1.5 pence from income and 3.5 pence from capital in respect of the year under review. This payment will bring total cumulative dividends paid since launch to 26.7 pence per share.

Dividend Investment Scheme

Shareholders have the opportunity of reinvesting all or part of their dividends into new Ordinary Shares of the Company at the higher of an amount equivalent to (i) the mid-market share price (averaged over the last 5 business days) or (ii) a 30% discount to the unaudited last published NAV per share. It provides a convenient, easy and cost effective way for Shareholders to build their shareholding in the Company, and further income tax relief is available on the amount re-invested. The recent dividend declared above will be eligible for the Scheme.

Shareholders that wish to participate in the Scheme should contact Capita Registrars, whose contact details can be found on page 77. Please note that Shareholders must be registered no later than 15 days prior to the dividend payment date to be eligible for the Scheme.

Investment in qualifying holdings

In order to comply with VCT tax legislation, the Company must meet the target set by HM Revenue & Customs (HMRC) of investing 70% of total funds raised in qualifying unquoted and AiM quoted companies ("the 70% test"). At 31 January 2012, the Company was 61.2% invested in qualifying companies (based upon the tax values, which differ from the valuations included in the Investment Portfolio Summary on pages 20 - 21). However, once this figure is adjusted for the partial disposal of DiGiCo, the percentage becomes 70.2%. In accordance with HMRC rules, the Company is allowed six months from the date of a realisation to meet the 70% test and the Board has taken sufficient steps to restore the position post year-end.

Share buy-backs

During the year ended 31 January 2012 the Company continued to implement its buy-back policy and bought back 275,403 (2011: 610,555) Ordinary Shares, representing 1.23% (2011: 3.1%) of the shares in issue at 1 February 2011 at a total cost of £280,089 (2011: £582,286). These shares were subsequently cancelled by the Company.

The shares above were bought back for an average price of 101.05 pence per share. The share price discount to NAV has narrowed from 11.8% at the start of the year to around 9.9% at the year end, in line with the Board's current policy which is to seek to maintain the discount at which the Company's shares trade at around 10%. Shareholders will continue to benefit from the difference between the Net Asset Value and the price at which the Shares are bought back and cancelled.

The Company's shares are listed on the London Stock Exchange and as such they should be sold in the same way as any other quoted company through a stockbroker. However, to ensure that they obtain the best price, Shareholders wishing to sell their shares are advised to contact the Company's stockbroker, Matrix Corporate Capital by telephoning 020 3206 7176/7 before agreeing a price with their stockbroker. Shareholders are also advised to discuss their individual tax position with their financial advisor before deciding to sell their shares.

Change of ownership at Matrix Private Equity Partners

Since April 2004, the Company's Investment Manager, MPEP has been owned jointly by its executive partners and Matrix Group Limited ("Matrix"). On 12 January 2012, the executive partners reached agreement to acquire Matrix's interest in the business and this will lead to the Manager becoming a fully independent owner-managed firm. The acquisition is subject to approval from the FSA of the change of control in MPEP and is expected to be completed on or around 30 June 2012.

The Company's arrangements with MPEP, in particular its investment strategy and services, are not expected to change. The Directors look forward to continuing to work with MPEP to provide attractive long term returns on your Company investment whilst reserving the Company's rights under the investment management agreement.

Shareholder communication

Shareholders receive a twice-yearly Matrix VCT Newsletter from the Investment Manager, approved by the Board. The Annual General Meeting to be held in June 2012 will provide a useful platform for the Board to meet Shareholders and exchange views. Your Board welcomes your attendance at General Meetings to give you the opportunity to meet your Directors and representatives of the Investment Manager.

The Investment Manager held a second successful investor workshop on 25 January 2012. The workshop provided a forum for about 100 Matrix 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.

May I remind you that the Company continues to have its own website which is available at www.mig4vct.co.uk.

Outlook

The outlook for the UK economy remains uncertain. The coalition government has largely side-stepped taking robust decisions to improve the balance between the productive sectors of the economy and the public sector overhead, with the result that an early recovery is less likely. Higher tax rates combined with the rise in inflation in 2011 has increased pressures on consumers and the small businesses that service them. Parts of the property and construction industry have also been adversely affected. Despite this difficult environment, the majority of companies in the portfolio continue to generate operating profits and several are reporting results ahead of their budget and prior year. However, the Manager expects that there may be companies in our portfolio which may find the challenges of the economic climate testing in the short term as the public sector cuts begin to take effect and the economy struggles to achieve permanent positive growth.

The Company has a significant cash position which will be further increased by this year's fundraising. This will ensure that it is well-placed to take advantage of new investment opportunities as well as supporting existing investee companies' trade through a testing period. This is particularly important at a time that UK banks, despite government exhortations, are limiting, or even withdrawing funds from the smaller company sector. The Investment Manager continues to investigate a number of investment opportunities at realistic purchase levels. The Board believes that the VCT's strategy of investing primarily in MBOs 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.

As noted at the foot of the Investment Policy on page 11, your Board and Investment Manager are aware of proposed changes to the VCT legislation which could affect future operations and policies. It is still too early to know the final details, but any resulting impact on the fund will be reported to the Shareholders.

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

Christopher Moore
Chairman
30 April 2012

Investment Policy

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

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

The Company has a small legacy portfolio of investments in companies from its period prior to 1 August 2006, when it was a multi-manager VCT. This includes investments in early stage and technology companies.

Uninvested funds are held in cash and lower 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. The £20.2 million of Funds raised by the Company after 6 April 2006 are subject to a £7 million gross assets test for an investment to be VCT qualifying.

VCT regulation

The investment policy is designed to ensure that the Company continues to qualify and is approved as a VCT by HMRC. Amongst other conditions, the Company may not invest more than 15% of its investments in a single company and must have at least 70% by value of its investments throughout the year in shares or securities comprised in VCT qualifying holdings, of which a minimum overall of 30% by value must be ordinary shares which carry no preferential rights. In addition, although the Company 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 VCT 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 Company initially holds any new funds in a portfolio of readily realisable interest bearing investments and deposits. The investment portfolio of qualifying investments is built up over a three year period with the aim of investing and maintaining at least 80% of net funds raised in qualifying investments.

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 £1 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 Company aims to invest in larger, more mature unquoted companies through investing alongside the three other VCTs advised by the Investment Manager with a similar investment policy. This enables the Company to participate in combined investments advised on by the Investment Manager of up to £5 million.

Borrowing

The Company has never borrowed and has no current plans to undertake any borrowing.

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 Investment Manager and are then subject to formal approval by the Board of Directors.

Changes to the VCT tax legislation, which may be introduced with effect from 6 April 2012 as part of the Finance Bill 2012, were published in the Budget on 21 March 2012. The proposals are being considered by Parliament and will be subject to EU state aid approval. If implemented, the current proposals could impact on the Company's Investment Policy as follows:

(1) The size of companies in which investment can be made is proposed to be increased back to pre 6 April 2006 levels of £15 million immediately before and £16 million immediately after the investment.

(2) The number of permitted employees for an investee company at the time of investment is proposed to be increased from 50 to 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 is to be abolished. A new rule will require that an investee company should not receive more than £5 million from State Aid sources, including VCTs, within any twelve month rolling period.

(4) If the proposals are adopted in their current form it will no longer be possible for the Manager to carry out certain types of MBO transactions using funds raised after 5 April 2012. If this turns out to be the case, 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 Manager's Review

Overview

We continue to be encouraged by the positive signs that we have seen in our investment market both in terms of making investments and in achieving realisations. There has been a clear upward trend in deal flow in the year under review and we have seen a higher number of better priced, profitable, well-positioned and cash generative businesses seeking investment.

We believe that this is due to two important converging factors which have combined to make our level of investment in 2011 the highest for several years. Firstly, the continuing flat level of activity in the economy has led to greater realism amongst vendors regarding the value of their companies, leading to more realistic pricing. Secondly, our ability to invest significant levels of capital in a market lacking bank funding means that management buy-out ("MBO") teams are increasingly turning to us as a source of deliverable, long-term finance.

Furthermore, we are finding that there is trade interest, as well as enthusiasm from private equity investors, in the type of businesses in which we have invested, creating some interesting exit opportunities.

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 completed during the year under review totalling £3.5 million, two of which used the VCT's existing investments of £1 million each in the acquisition vehicles Fullfield and Vanir.

First in July 2011, was a further investment of £280,880 into the acquisition vehicle 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, bringing the Company's investment in this company to £1.20 million.

In October, the Company made an investment of £951,471 to provide mezzanine finance as part of a £7.8m transaction to support the acquisition of the international intellectual property and assets 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.

Finally the Company invested a further £263,817 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 £1.26 million.

Our Operating Partner programme continues to pursue an active search for investment opportunities in their chosen sectors. Two of the acquisition companies successfully identified promising businesses during the year, as described above. However, in December 2011, Bladon Castle Management Limited repaid its loan stock as it had been unable to execute a transaction within an acceptable period of time and its shares were exchanged for shares in Watchgate Limited. Similarly, Backbarrow Limited, Rusland Management Limited and Torvar Limited had not been able to identify suitable opportunities so they also repaid their loan stocks, and their shares have been sold to Watchgate Limited in January 2012. However, the research undertaken by these companies will not be lost as we will continue to work with our operating partners in new vehicles in which this Company has invested in January 2012, namely Ackling Management Limited, Fosse Management Limited and Peddars Management Limited. Each of these acquisition vehicles is headed by an experienced Chairman, well-known to us, who is working closely with us in seeking to identify and complete investments in specific sectors relevant to their industry knowledge and experience. We have established these companies to provide time for us to identify and invest in suitable target companies at sufficiently attractive prices. We anticipate that the Operating Partner programme will lead to further new investments during 2012.

Follow-on investment

In March and June 2011, a further £409,067 in total was invested in the loan stock of ASL Technology Holdings Limited, making the total investment in ASL Technology Holdings £1,257,133, to finance its acquisition of Transcribe Copier Systems Limited, as part of its strategy to be a large player in this sector.

We have continued to work closely with our investee companies during the downturn in the economy to support and encourage them to make the necessary changes to ensure that they were well placed to withstand the economic contraction.

It is indicative of the success of these efforts 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 £147,007 as part of a £1.75 million fundraising alongside other Matrix VCTs and other shareholders. Three tranches of this new funding round, totalling £63,431, 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 has secured two of them.

Realisations

In the prevailing economic circumstances, we are pleased to report a healthy level of realisations. Realisations during the year generated cash proceeds of £3,582,042 (excluding seed company loan repayments of £3,996,000). 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 £2.14 million to £3.0 million, representing a 3.0 times cash return on the Company's original investment of £1.0 million. In addition, the VCT retains a 2.39% equity stake, and new loan stock in DiGiCo valued at £1.33 million at the date of completion of the transaction. 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.

A number of companies in the portfolio continue to be strongly cash generative and some have repaid part or all of their loan stock during the year to 31 January 2012. As a result of this the Company has received a total of £1,409,899 in loan stock repayments plus premiums during the year. The payments received were: £876,207 from Iglu.com Holidays in February 2011; £90,322 from Vectair in March 2011; £116,588 from MachineWorks in April 2011, £241,390 from Focus Pharma in January 2012 and £85,392 from Fullfield in January 2012.

The Portfolio

The MPEP invested portfolio at 31 January 2012 comprised thirty-two investments (2011: thirty) with a cost of £18.1 million (2011: £17.4 million) and valued at £17.8 million (2011: £18.8 million), representing 98.3% of cost (2011: 107.7%).

The portfolio's performance as a whole continues to be robust. Many investee companies, of which DiGiCo, Iglu.com Holidays and ATG Media have been the most notable, have 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 made a good start. Fullfield in particular is performing in line with its investment plan. EOTH (Equip), however, has experienced a lower level of growth than expected since investment, reflecting the recent problems affecting the retail leisure goods sector.

Iglu.com Holidays continues to perform strongly and is now valued significantly above cost following out-performance of its business plans at the time of investment. DiGiCo and ATG experienced increased trading and profitability which has contributed to their higher valuations (in the former case, value is now held principally in loan stock). Focus Pharma continues to trade well, although it ended its financial year behind a stretching budget. It launched two new products during 2011 and 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 2008-9 recession. Activity in the construction and house building sectors remains well below historical levels and this continues to affect the performance of PXP and Plastic Surgeon. Although Youngman has now fully repaid its bank debt, demand for its products remains volatile and difficult to predict. Blaze Signs has made an impressive recovery from the depths of the recession but profitability remains well below peak levels. Westway has experienced less favourable trading but remains solidly profitable and with strong customer relationships. ASL has now integrated Transcribe, is trading well and is examining further acquisitions.

Elsewhere the position is mixed. RDL has had a disappointing first year with net reduction contract staff placements in its core pharmaceuticals and IT markets. 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 year 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 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.

In March 2011, VSI completed a demerger of its two constituent businesses and the VCT now holds equivalent investment in two companies, LightWorks Software Limited and MachineWorks Software Limited. As part of the agreement MachineWorks assumed all of VSI's loan stock, which it repaid in April. Both investments are valued above cost.

The investments originally made by Elderstreet continue to trade satisfactorily with sparesFinder in particular making strong progress. We remain hopeful that value will be realised from the remaining investments, although their impact on the Company as a whole is now very small.

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

Whilst we cannot be sure of the extent of UK economic recovery, we have been encouraged by strong or resilient performance by most of our investee companies in the year and we look forward to a productive new investment period. The coming year may prove more testing as the public sector cuts continue and the economy struggles to stabilise its faltering growth. We consider that good quality companies of the calibre in which we seek to invest, capable of maintaining competitive advantage, still have the potential to succeed in this environment. We are seeing the confidence of both vendors and sellers return, although 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 overall is resilient and essentially of high 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. Having retained significant uninvested cash, which will be bolstered by the current fundraising, we consider the Company is very well placed to cover both any portfolio needs and funding for attractive new investment opportunities that may arise. Alongside this, the 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 three acquisition companies), representing 51.5% by cost and 64.1% by value of the portfolio:

ATG Media Holdings Limited

Cost:	£888,993
Valuation:	£1,854,802
Basis of valuation:	Discounted earnings multiple
Equity % held:	8.5%
Business:	Publisher and online auction platform operator
Location:	London
History:	Management buy-out
Income in year:	£89,862

Audited financial information:

Year ended	Turnover	Operating profit	Net assets
30 September 2010	£7,215,000	£1,261,000	£2,505,000

Newincco 1124 Limited (trading as DiGiCo Europe Limited)

Cost:	£1,334,293
Valuation:	£1,334,293
Basis of valuation:	Price of recent investment
Equity % held:	2.4%
Business:	Designer and manufacturer of digital sound mixing consoles
Location:	Chessington, Surrey
History:	Management buy-out
Income in year:	£150,076

Audited financial information:

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

Ingleby / EMaC Limited

Cost:	£1,263,817
Valuation:	£1,263,817
Basis of valuation:	Price of recent investment
Equity % held and voting rights:	6.3%
Business:	Service plans for the motor trade
Location:	Crewe
History:	Management buy-out
Income in year:	£26,579
Audited financial information:	First audited accounts since investments will be for the year ended 31 December 2011

Fullfield (Motorclean) Limited

Cost:	£1,195,488
Valuation:	£1,195,488
Basis of valuation:	Price of recent investment
Equity % held:	8.8%
Business:	Vehicle cleaning & valet services
Location:	Laindon, Essex
History:	Management buy-out
Income in year:	£64,481
Audited financial information:	First audited accounts since investment will be for the year ended 30 November 2011

ASL Technology Holdings Limited (formerly Apricot Trading Limited)

Cost:	£1,257,133
Valuation:	£1,154,217
Basis of valuation:	Discounted earnings multiple
Equity % held and voting rights:	6.8% (fully diluted)
Business:	Supplier of printer and photocopier services
Location:	Cambridge
History:	Management buy-out
Income in year:	£90,960
Audited financial information:	First audited accounts since investment will be for the year ended 30 September 2011

Iglu.com Holidays Limited

Cost: £133,779
Valuation: £1,107,862
Basis of valuation: Discounted earnings multiple
Equity % held: 7.2%
Business: Online ski and cruise travel agent
Location: Wimbledon
History: Management buy-out
Income in year: £1,142
Audited financial information:

Year ended	Turnover	Operating profit	Net assets
31 May 2011 [1]	£72,924,000	£1,448,000	£1,213,000

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

CB Imports Group Limited

Cost: £1,000,000
Valuation: £1,082,283
Basis of valuation: Discounted earnings multiple
Equity % held: 5.8%
Business: Importer and distributor of artificial flowers, floral sundries and home décor products
Location: East Ardsley, West Yorkshire
History: Management buy-out
Income in year: £81,534
Audited financial information:

Year ended	Turnover	Operating profit	Net assets
31 December 2010	£21,197,000	£755,000	£4,259,000

EOTH Limited

Cost: £951,471
Valuation: £951,471
Basis of valuation: Price of recent investment
Equity % held: 1.7% (fully diluted)
Business: Branded outdoor equipment and clothing
Location: Altreton, Derbyshire
History: Acquisition capital
Income in year: £24,705
Audited financial information:

Year ended	Turnover	Operating profit	Net assets
28 February 2011	£13,457,000	£2,315,000	£4,706,000

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

RDL Recruitment Limited (formerly Aust Recruitment Group Limited)

Cost:	£1,000,000
Valuation:	£893,542
Basis of valuation:	Discounted earnings multiple
Equity % held:	9.1%
Business:	Recruitment consultants for the pharmaceutical, business intelligence and IT industries
Location:	Woking, Surrey
History:	Management buy-out
Income in year:	£82,507
Audited financial information:	First audited accounts since investments will be for the year ended 31 December 2011

Focus Pharma Holdings Limited

Cost:	£605,837
Valuation:	£686,743
Basis of valuation:	Discounted earnings multiple
Equity % held:	3.1%
Business:	Licensing and distribution of generic pharmaceuticals
Location:	Burton upon Trent, Staffordshire
History:	Management buy-out
Income in year:	£54,897

Audited financial information:

Year ended	Turnover	Operating profit	Net assets
31 December 2010	£24,429,000	£1,507,000	£3,342,000

* Note: Operating profit for each of the above investments is stated before charging amortisation of goodwill.

Further details of the investments in the MPEP portfolio may be found on MPEP's website: www.matrixpep.co.uk

Investment Portfolio Summary

as at 31 January 2012

	Ordinary Shares		Other Investments (loan stock/preference shares)		Total								
	Cost at 31-Jan-12 £	Valuation at 31-Jan-12 £	Cost at 31-Jan-12 £	Valuation at 31-Jan-12 £	Cost at 31-Jan-12 £	Valuation at 31-Jan-11 £	Additional investments £	Valuation at 31-Jan-12 £	Unrealised gains/ (losses) in the year £	Realised gains/ (losses) in the year £	Proceeds in the year £	% of equity held	% of portfolio by value
Matrix Private Equity Partners Portfolio													
ATG Media Holdings Limited Publisher and online auction platform operator	355,660	1,215,025	533,333	639,777	888,993	1,293,507	104	1,854,802	561,191	-	-	8.50%	10.33%
Newincco 1124 Limited (trading as DiGiCo Europe Limited) Manufacturer of audio mixing desks	2,391	2,391	1,331,902	1,331,902	1,334,293	-	1,334,293	1,334,293	-	-	-	2.39%	7.42%
Ingleby (1879) Limited (trading as EMaC Limited) (previously Vanir Consultants Limited) Provider of service plans for the motor trade	379,146	379,146	884,671	884,671	1,263,817	1,000,000	263,817	1,263,817	-	-	-	6.32%	7.03%
Fullfield Limited (Motorclean Limited) Vehicle cleaning and valet services	405,612	405,612	789,876	789,876	1,195,488	1,000,000	280,880	1,195,488	-	-	85,392	8.75%	6.65%
ASL Technology Holdings Limited Printer and photocopier services	297,099	-	960,034	1,154,217	1,257,133	848,066	409,067	1,154,217	(102,916)	-	-	6.78%	6.42%
Iglu.com Holidays Limited Online ski and cruise travel agent	131,737	1,105,820	2,042	2,042	133,779	1,420,200	-	1,107,862	563,869	-	876,207	7.15%	6.16%
CB Imports Group Limited Importer and distributor of artificial flowers, floral sundries and home décor products	175,000	82,283	825,000	1,000,000	1,000,000	1,242,622	-	1,082,283	(160,339)	-	-	5.79%	6.02%
Ackling Management Limited Food manufacturing, distribution and brand management	400,000	400,000	600,000	600,000	1,000,000	-	1,000,000	1,000,000	-	-	-	16.66%	5.56%
Fosse Management Limited Brand management, consumer products and retail	400,000	400,000	600,000	600,000	1,000,000	-	1,000,000	1,000,000	-	-	-	16.66%	5.56%
Peddars Management Limited Database management, mapping, data mapping and management services to legal and building industries	400,000	400,000	600,000	600,000	1,000,000	-	1,000,000	1,000,000	-	-	-	16.66%	5.56%
EOTH Limited (trading as Equip Outdoor Technologies) Distributor of branded outdoor equipment and clothing	95,147	95,147	856,324	856,324	951,471	-	951,471	951,471	-	-	-	1.71%	5.29%
RDL Corporation Limited (previously Aust Recruitment Limited) Recruitment consultants for the pharmaceutical, business intelligence and IT industries	173,932	4,967	826,068	888,575	1,000,000	1,000,000		893,542	(106,458)	-	-	9.05%	4.97%
Focus Pharma Holdings Limited Licensor and distributer of generic pharmaceuticals	270,359	201,244	335,478	485,499	605,837	1,060,749	-	686,743	(132,616)	-	241,390	3.10%	3.82%
Blaze Signs Holdings Limited Manufacturer and installer of signs	183,005	65,310	427,011	552,827	610,016	560,223	-	618,137	57,914	-	-	5.70%	3.44%
Westway Services Holdings (2010) Limited Installation, service and maintenance of air conditioning systems	38,688	134,973	197,408	287,089	236,096	646,071	-	422,062	(224,009)	-	-	3.20%	2.35%
Youngman Group Limited Manufacturer of ladders and access towers	50,027	-	449,999	349,983	500,026	349,983	-	349,983	-	-	-	4.24%	1.95%
British International Holdings Limited Helicopter service operator	56,250	-	239,205	323,360	295,455	433,545	-	323,360	(110,185)	-	-	2.50%	1.80%
Faversham House Holdings Limited Publlisher, exhibition organiser and operator of websites for the environmental, visual communications and building services sectors	131,465	13,340	215,023	277,380	346,488	346,488	-	290,720	(55,768)	-	-	6.26%	1.62%
Higher Nature Limited Mail order distributor of vitamins and natural medicines	500,127	258,347	-	-	500,127	429,671	-	258,347	(171,324)	-	-	10.34%	1.44%
The Plastic Surgeon Holdings Limited Snagging and finishing of domestic and commercial properties	45,884	-	412,953	225,654	458,837	114,709	-	225,654	110,945			6.88%	1.26%
Omega Diagnostics Group plc [1] In-vitro diagnostics for food intolerance, autoimmune diseases and infectious diseases	199,998	174,998	-	-	199,998	241,664	-	174,998	(66,666)	-	-	1.96%	0.97%
Machineworks Software Limited [2] Provider of software for CAD and CAM vendors	9,329	143,770	-	-	9,329	277,184	-	143,770	(45,740)	-	116,588	4.20%	0.80%
Duncary 8 Limited (trading as BG Consulting Limited) City-based provider of specialist technical training	25,328	22,798	101,667	101,667	126,995	104,769	-	124,465	19,696	-	-	5.10%	0.70%
Racoon International Holdings Limited Supplier of hair extensions, hair care products and training	122,043	-	284,762	94,621	406,805	174,507	-	94,621	(79,886)	-	-	5.70%	0.53%
Letraset Limited Manufacturer and distributor of graphic art products	150,010	80,070	-	-	150,010	19,540	10	80,070	60,520	-	-	5.26%	0.46%
Monsal Holdings Limited Supplier of engineering services to the water and waste sectors	216,313	-	483,131	63,431	699,444	-	63,431	63,431	-	-	-	6.14%	0.35%
Vectair Holdings Limited Designer and distributor of washroom products	24,643	59,268	89	89	24,732	181,406	-	59,357	(31,727)	-	90,322	2.14%	0.33%
Lightworks Software Limited [2] Provider of software for CAD and CAM vendors	9,329	52,810	-	-	9,329	92,395	-	52,810	(10,671)			4.20%	0.29%
DiGiCo Europe Limited Manufacturer of audio mixing desks	-	-	-	-	-	1,900,210		-	1,331,902	260,803	3,492,915	6.52%	0.00%
Backbarrow Limited Food manufacturing, distribution and brand management	-	-	-	-	-	1,000,000	-	-	-	(1,000)	999,000	0.00%	0.00%
Bladon Castle Management Limited	-	-	-	-	-	1,000,000	-	-	-	-	999,000	0.00%	0.00%

Investment Portfolio Summary

as at 31 January 2012

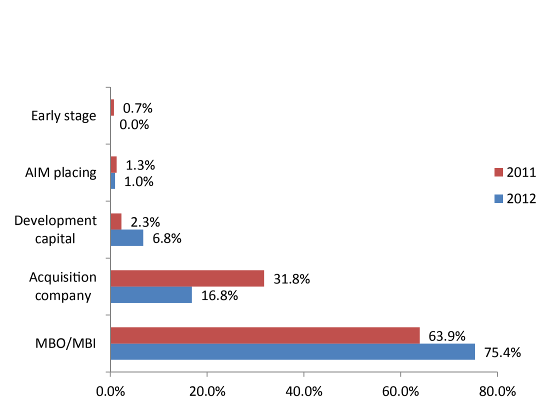
	Ordinary Shares		Other Investments (loan stock/preference shares)		Total								
	Cost at 31-Jan-12	Valuation at 31-Jan-12	Cost at 31-Jan-12	Valuation at 31-Jan-12	Cost at 31-Jan-12	Valuation at 31-Jan-11	Additional investments	Valuation at 31-Jan-12	Unrealised gains/ (losses) in the year	Realised gains/ (losses) in the year	Proceeds in the year	% of equity held	% of portfolio by value
Brand management, consumer products and retail													
Rusland Management Limited	-	-	-	-	-	1,000,000	-	-	-	(1,000)	999,000	0.00%	0.00%
Brand management, consumer products and retail													
Torvar Limited	-	-	-	-	-	1,000,000	-	-	-	(1,000)	999,000	0.00%	0.00%
Database management, mapping, data mapping and management services to legal and building industries													
PXP Holdings Limited	168,217	-	511,332	-	679,549	-	-	-	-	-	-	4.98%	0.00%
Designer, manufacturer and supplier of timber frames for buildings													
Legion Group plc (formerly Sectorguard plc)	150,102	-	-	-	150,102	-	-	-	-	-	-	0.72%	0.00%
Provider of manned guarding, patrolling and alarm response services													
Box-it Data Management Limited	-	-	25,759	-	25,759	25,759	-	-	(25,759)	-	-	N/A	0.00%
Document management and storage													
Watchgate Limited	1,000	-	-	-	1,000	-	-	-		(1,000)	-	33.33%	0.00%
Holding company													
FH Ingredients Limited	-	-	-	-	-	-		-	-	2,551	2,551	N/A	0.00%
Processor and distributor of frozen herbs to the food processing industry													
Total	5,567,841	5,697,319	12,493,067	12,108,984	18,060,908	18,763,268	6,303,073	17,806,303	1,381,973	259,354	8,901,365		99.08%
Former Elderstreet Private Equity Portfolio													
Cashfac Limited	260,101	104,906	-	-	260,101	111,054	-	104,906	(6,148)	-	-	2.88%	0.58%
Provider of virtual banking application software solutions to corporate customers													
Sparesfinder Limited	250,854	53,625	-	-	250,854	26,568	-	53,625	27,057	-	-	1.70%	0.30%
Supplier of industrial spare parts online													
Sift Group Limited	130,116	6,523	-	-	130,116	-	-	6,523	6,523	-	-	1.03%	0.04%
Developer of business-to-business internet communities													
Westchester Holdings Limited	-	-	-	-	-	-	-	-	-	8,579	8,579	1.03%	0.00%
E-tailer of CDs, videos and multi-media titles													
Total	641,071	165,054	-	-	641,071	137,622	-	165,054	27,432	8,579	8,579		0.92%
Investment Manager's Total	**6,208,912**	**5,862,373**	**12,493,067**	**12,108,984**	**18,701,979**	**18,900,890**	**6,303,073**	**17,971,357**	**1,409,405**	**267,933**	**8,909,944**		**100.00%**

[1] Quoted on AiM

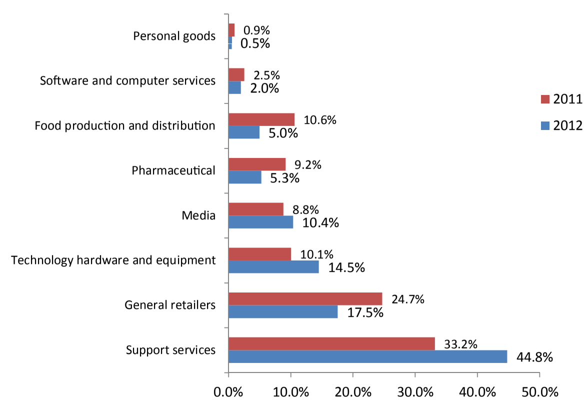
[2] On 31 March 2011, VSI Limited (VSI) undertook a demerger, such that the Company now holds separate investments in Machineworks Software Limited (Machineworks) and Lightworks Software Limited (Lightworks). On the demerger date, the cost of the ordinary shares and the cost and valuation of the preference shares were split equally between Machineworks and Lightworks. However the valuation of the ordinary share investments at the merger date were split 75:25 between Machineworks and Lightworks respectively. The former loan investment in VSI of £93,270 was wholly transferred to Machineworks at the date of the demerger. It was repaid in full on 4 April 2011.

Investments at valuation at 31 January 2012

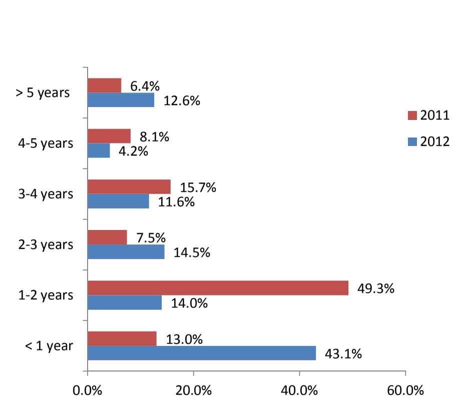
By stage of development



By market sector



By number of years held



Board of Directors

Christopher Moore
Status: Independent, Non-Executive Chairman
Age: 67
Date of appointment: 1 April 2002
Experience: Christopher has considerable experience of the venture capital industry. After a law degree and qualifying as an accountant with Price Waterhouse he worked for Robert Fleming Inc., Lazards, Jardine Fleming and then Robert Fleming, latterly as a main board director from 1986 to 1995. During this period he was involved in various unquoted and venture capital investments and remained chairman of Fleming Ventures Limited, an international venture capital fund, until the fund's final distribution in 2003. His roles have included acting as senior adviser to the chairman of Lloyds and chairing the successful turnaround of a public industrial group. Until May 2010, he was a director of Matrix Income & Growth VCT and Matrix Income & Growth 3 VCT and until September 2010 he was a director of The Income & Growth VCT.

Last re-elected to the Board: June 2011, standing for re-election at the forthcoming Annual General Meeting;
Committee memberships: Audit Committee (Chairman until 27 September 2010), Investment Committee, Nominations and Remuneration Committee (Chairman until 18 April 2012)
Number of Board and Committee meetings attended 2011: 12/12
Remuneration 2011/12: £31,000
Relevant relationships with the Investment Manager or other service providers: None
Shareholding in the Company: 33,887 Ordinary Shares

Andrew Robson
Status: Independent, Non-Executive Director
Age: 53
Date of appointment: 1 August 2010
Experience: Andrew qualified as a Chartered Accountant in 1984. From 1984 to 1997, he worked in Corporate Finance at Robert Fleming & Co Limited, becoming a director. Following a four year term in charge of the finances of the National Gallery, he joined Société Générale as a director in the London M&A department. He subsequently became finance director of the eFinancial group, a group specialising in financial publishing and online recruitment. He now works as a business adviser to small companies. Andrew has over 12 years of experience as a non-executive director, including with investment companies. He is currently a non-executive director of First Integrity Limited (from December 2006), Brambletye School Trust Limited, British Empire Securities and General Trust PLC (from August 2008), Peckwater Limited (from August 2008), Shires Income PLC (from May 2008) and JP Morgan Smaller Companies Investment Trust PLC (from 2007). Andrew was a non-executive director of Edinburgh UK Smaller Companies Tracker Trust PLC from 1998 to 2006, M&G Equity Investment Trust PLC from 2007 until 2011 and Gate Gourmet Group Holding LLC from 2006 to 2007.

Last re-elected to the Board: June 2011, not standing for election at the forthcoming Annual General Meeting;
Committee memberships: Audit Committee (Chairman), Investment Committee, Nominations and Remuneration Committee (Chairman, with effect from 18 April 2012);
Number of Board and Committee meetings attended 2011: 12/12
Remuneration 2011/12: £26,000
Relevant relationships with the Investment Manager or other service providers: None
Shareholding in the Company: 6,493 Ordinary Shares

Helen Sinclair
Status: Non-Executive Director
Age: 46
Date of appointment: 1 February 2003
Experience: Helen has extensive experience of investing in a wide range of small and medium sized businesses. She graduated in economics from Cambridge University and began her career in banking. After an MBA at INSEAD business school, Helen worked from 1991 to 1998 at 3i plc based in their London office. She was a founding director of Matrix Private Equity Limited when it was established in early 2000 and has since raised two funds, Matrix Income & Growth 2 VCT plc (formerly Matrix e-Ventures VCT plc) and Matrix Enterprise Fund. She is a non-executive director of The Income & Growth VCT plc, Downing Income & Growth VCT 4 and Spark Ventures plc, Octopus Eclipse VCT 3 PLC and is Chairman of British Smaller Companies VCT plc.

Last re-elected to the Board: June 2011, standing for re-election at the forthcoming Annual General Meeting;
Committee memberships: Investment Committee (Chairman), Audit Committee, Nominations and Remuneration Committee
Number of Board and Committee meetings attended 2011: 12/12
Remuneration 2011/12: £26,000
Relevant relationships with the Investment Manager or other service providers: Director of The Income & Growth VCT plc which is also advised by Matrix Private Equity Partners LLP.
Shareholding in the Company: 12,425 Ordinary Shares

Directors' Report

The Directors present the Annual Report and Audited Accounts of the Company for the year ended 31 January 2012.

Business and principal activities

The principal activity of the Company during the year was the investment in unlisted or AiM-quoted companies in the United Kingdom.

The Company's Ordinary Shares in the capital of the Company were first admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange on 9 March 1999.

The Company has satisfied the requirements for full approval as a Venture Capital Trust by HM Revenue & Customs (HMRC) under section 274 of the Income Tax Act 2007 (the "ITA") throughout the year ended 31 January 2012. It is the Directors' intention to continue to manage the Company's affairs in such a manner so as to comply with section 274 and remain as a Venture Capital Trust.

To enable capital profits to be distributed by way of dividends, the Company revoked its status as an investment company as defined by section 833 of the Companies Act 2006 ("the 2006 Act") on 28 July 2008.

All the businesses of the investee companies are within the United Kingdom.

Business review

For a review of the Company's development and performance during the year, please see the Chairman's Statement on pages 4 – 9 and the Investment Portfolio Summary and Investment Manager's Review on pages 12 – 19 of this Report. The Financial Highlights on pages 1 – 3 provide data on the Company's key performance indicators.

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. NAV is calculated quarterly in accordance with the IPEVCV guidelines. The Company's net assets increased during the year under review resulting in a 6.0% increase in NAV per share (after adding-back dividends paid during the year) and a 5.2% increase in total NAV return per share.

- **Total expense ratio (TER)**
  The TER of the Company for the year under review was 3.30% (2011: 3.46%) which includes irrecoverable VAT of 0.09% (2011: 0.13%). Under the terms of the

management agreement, the total management and administration expenses of the VCT, excluding any irrecoverable VAT and exceptional items, are capped at 3.4% of closing net assets. There was therefore no breach of the expense cap for the year under review (2011: Nil).

Principal risks

The Board believes that the principal risks faced by the Company 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 Company's qualifying investments.

- **Loss of approval as a Venture Capital Trust** – the Company must comply with section 274 of the Income Tax Act 2007 ("ITA") which allows it to be exempted from capital gains tax on investment gains. Any breach of these rules may lead to the Company losing its approval as a Venture Capital Trust (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 Company becoming subject to tax. The Company would also lose its exemption from corporation tax on capital gains. If the proposals in the draft Finance Act 2012 are adopted in their current form it may no longer be possible for the Investment Manager to carry out certain types of MBO transactions involving share acquisitions. If this turns out to be the case, 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 underperformance and poor returns to shareholders.

- **Regulatory risk** – the Company is required to comply with the Companies Act 2006 ("the Companies Act"), the listing rules of the UK Listing Authority and United Kingdom Accounting Standards. Breach of any of these might lead to suspension of the Company'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 Investment 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** – Investment in unquoted companies, by its nature, involves a higher degree of risk than investment in companies traded on the London Stock Exchange main market. In particular, 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. They may also be more susceptible to changes to political, exchange rate, taxation, economic and other regulatory changes and conditions.

- **Asset liquidity risk** – The Company'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.

- **Counterparty risk** – A counterparty may fail to discharge an obligation or commitment that it has entered into with the Company. This may lead to the loss of liquid funds.

- **Fraud and dishonesty risk** – Fraud may occur involving company assets perpetrated by a third party, the Investment Manager or other service provider.

Please see Note 19 to the accounts on pages 65 – 72.

The Board seeks to mitigate the internal risks by setting policies 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 the Investment Manager on a six monthly basis. In mitigation and in management of these risks, the Board applies rigorously the principles detailed in the AIC Code of Corporate Governance. The Board also has a Share Buy Back policy which seeks to mitigate the Market Liquidity risk. This policy is reviewed at each quarterly Board Meeting.

Future developments

The objective of the Company continues to be to provide Shareholders with an attractive investment return, principally by maximising the stream of dividend distributions from the income and capital gains generated by a portfolio of investments in a wide variety of unquoted companies in the United Kingdom. The Directors intend to continue to pursue this objective throughout the coming year.

Share capital

Linked Offer for Subscription 2010/11
The Company issued 2,960,632 Ordinary Shares at an average of 121.6 pence per share from 31 January 2011 to 6 July 2011, under the Linked Offer for Subscription with Matrix Income & Growth VCT plc and The Income & Growth VCT plc launched on 12 November 2010 to raise up to £21 million (the "**Offer**"). The Offer raised £3.4 million for the Company and it closed on 30 June 2011.

Linked Offer for Subscription 2012

The Company has issued 3,546,964 new Ordinary Shares under the Linked Offer for Subscription with Matrix Income & Growth VCT plc and The Income & Growth VCT plc launched on 20 January 2012. The issued Ordinary Share Capital of the Company as at the date of this report is therefore £287,489 and the number of Ordinary Shares in issue is 28,748,870. Since the year end, the Company has made three allotments under the Offer:

Allotment date	No. of Ordinary Shares issued	Issue price (p)
8 March 2012	1,445,046	1.235
4 April 2012	1,217,929	1.235
5 April 2012	883,989	1.235
Total	**3,546,964**	

To date the Linked Offer has raised £14.1 million and is expected to close on 30 June 2012.

Dividend Investment Scheme

The Company issued a total of 60,875 Ordinary Shares to shareholders participating in its Dividend Investment Scheme on 24 June 2011. Further details can be found below under "Dividend Investment Scheme".

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 20 June 2011. For further details please see Note 15 to the accounts on pages 64 of this Report. A resolution to renew this authority will be put to members at the Annual General Meeting to be held on 13 June 2012 (see below). During the year the Company bought back 275,403 Ordinary Shares of 1 penny each (being £2,754 nominal value and 1.23% of the shares in issue at 1 February 2011) at a total cost of £280,089. These shares were subsequently cancelled by the Company.

The issued Ordinary Share capital of the Company as at 31 January 2012 was £252,019 and the number of Ordinary Shares in issue as at this date was 25,201,906.

Rights attaching to shares

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.

Results and dividend

The revenue profit attributable to equity shareholders for the year to 31 January 2012 was £430,307 (2011: £119,808) after taxation. Arising from the partial realisation of DiGiCo, your Board declared a dividend of 5 pence per share which will be paid as an interim dividend, comprising 1.5 pence from income and 3.5 pence from capital in respect of the year under review, payable on 6 June 2012 to Shareholders who are on the Register of Members at 6.00 pm on 11 May 2012. This brings total cumulative dividends paid to 26.7 pence per share.

The Board declared an interim dividend, as the timing of the payment helps the VCT to comply with the minimum 70% qualifying investment ratio, within 6 months of the sale of DiGiCo (Europe).

This dividend will be eligible for the Dividend Investment Scheme (see below for further information on how to join the Scheme).

Dividend Investment Scheme

At the Annual General Meeting held on 20 June 2011, Shareholders approved the introduction of a Dividend Investment Scheme (the "Scheme") and authorised the Directors to allot new shares to participating shareholders. The dividend payment referred to below was eligible for the Scheme and the following shares were allotted:

Dividend payment date	Dividend amount (p)	No. of new Ordinary Shares issued under the Scheme	Allotment date	Issue price (p)
24 June 2011	3.0	60,875	6 July 2011	100.7
Total	**3.0**	**60,875**		

The Scheme will be available for the interim dividend of 5 pence per share and Shareholders that have not already elected to participate in the Scheme should notify the Scheme Administrator, Capita Registrars, by 23 May 2012 that they wish to participate in the Scheme. A personalised Mandate form for this purpose can be obtained by contacting Capita Registrars on 0871 664 0300 (calls cost 10p per minute plus network extras. Lines are open 8.30 am – 5.30 pm Mon – Fri. If calling from overseas please ring +44 208 639 3399).

A copy of the Scheme rules can be obtained from the Company's website, www.mig4vct.co.uk.

Directors and their interests

The Directors who held office throughout the year under review and their interests in the issued Ordinary Shares of the Company as at 31 January 2012 were:

Director	*Ordinary Shares held*	
	31 January 2012	*31 January 2011*
Christopher Moore	32,464	32,464
Andrew Robson	4,358	2,887
Helen Sinclair	11,002	11,002

Since the year-end, the Directors have been issued shares in the Company as follows:

Director	*Holdings at 31 January 2012*	*Shares issued since the year-end*	*Holdings at 8 March 2012*
Christopher Moore	32,464	1,423	33,887
Andrew Robson	4,358	2,135	6,493
Helen Sinclair	11,002	1,423	12,425

Christopher Moore and Helen Sinclair will be subject to re-election by Shareholders at the forthcoming Annual General Meeting on 13 June 2012;

- Having served for ten years and in accordance with the AIC Code of Corporate Governance, Christopher Moore will retire by rotation and offer himself for re-election annually.
- In accordance with the AIC Code of Corporate Governance, Helen Sinclair is now subject to annual re-election by Shareholders as she is not considered to be independent of the Investment Manager.

The Board considers that each director continues to offer valuable skills and experience and recommends Shareholders vote in favour of electing or re-electing each Director.

It is the policy of the Directors not to participate in decisions concerning investee companies in which they hold an interest. None of the Directors held interests in investee companies throughout the year.

Management

The Company has appointed MPEP to provide investment advisory, administration and secretarial services to the Company under an Investment Adviser's Agreement dated 12 November 2010. This Agreement consolidated the Company's previous Agreements for the provision of investment advisory, administration and secretarial services on substantially the same terms. For further information on this Agreement please see Note 3 on pages 57 - 58.

The Directors believe that the continuing appointment of MPEP as the Investment Manager on the terms currently agreed is in the interests of its shareholders as a whole and this was approved by the Board on 16 September 2010. The Board remains satisfied with the investment performance to date and will continue to strive for the achievement of excellence. MPEP is one of the best performing VCT managers in the market, a fact which is additionally demonstrated by the performance of the Company's portfolio over the past year during this period of economic uncertainty. A summary of the performance of the Company's investments is contained in the Investment Portfolio Summary and Investment Manager's Review on pages 12 - 19.

MPEP 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 is subject to approval from the FSA of the change of control in MPEP and is expected to be completed on or around 30 June 2012.

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

VCT Status monitoring

The Company has retained PricewaterhouseCoopers LLP as its VCT status adviser. PricewaterhouseCoopers LLP review at the request of the Investment Manager, for VCT status purposes, new investment opportunities as appropriate and carry out regular reviews of the Company's investment portfolio.

Independent auditor

Resolutions to re-appoint PKF (UK) LLP as auditor to the Company and to authorise the Directors to determine its remuneration will be proposed at the Annual General Meeting of the Company to be held on 13 June 2012.

Auditor's right to information

So far as the Directors in office at 31 January 2012 are aware, there is no relevant audit information of which the auditor is unaware. They have individually taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Substantial interests

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

Financial instruments

The Company's financial instruments comprise its investment portfolio, cash balances, liquid resources, debtors and creditors that arise directly from its operations, such as, sales and purchases awaiting settlement and accrued income. For an explanation of the Board's risk management objectives and policies and the Company's exposure to market price risk, credit risk and liquidity risk please see Note 19 of the Notes to the Accounts on pages 65 – 72 of this Annual Report.

Creditors' payment policy

It is the Company's policy to pay all creditors' invoices within 30 days of the invoice date, or as otherwise agreed. At 31 January 2012 the average credit period for trade creditors was 1 day (2011: 21 days).

Employees

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

Anti-bribery policy

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

- It is the Company's policy to conduct all of its business in an honest and ethical manner. The Company is committed to acting professionally, fairly and with integrity in all its business dealings and relationships where it operates.

- Directors and service providers must not promise, offer, give, request, agree to receive or accept a financial or other advantage in return for favourable treatment, to influence a business outcome or to gain any other business advantage on behalf of themselves or of the Company or encourage others to do so.

- The Company has communicated its anti-bribery policy to each of its service providers. It expects and requires each of its service providers to have policies in place which reflect the key principles of this policy and procedures and which demonstrate that they have adopted procedures of an equivalent standard to those instituted by the Company.

Environmental and social responsibility

The Board seeks to conduct the Company's affairs responsibly and considers relevant social and environmental matters when 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.

Directors' indemnity and Directors' & officers' liability insurance

The Company maintains a Directors' and Officers' Liability Insurance policy. In accordance with the Company's Articles of Association, the Board may also indemnify a Director from the assets of the Company against any costs or liabilities incurred as a result of their office, to the extent permitted by law. Neither the insurance policy nor any indemnities that may be provided by the Company provide cover for fraudulent or dishonest actions by the Directors. However, costs may be advanced to Directors for their defence in investigations or legal actions.

Accountability and audit

The Statement of Directors' Responsibilities in respect of the accounts is set out on pages 47 – 48 of this Annual Report.

The report of the independent auditor is set out on pages 49 – 50 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 relates to the provision of tax compliance work and a review of the Half-Yearly Report and will in the current year also include tagging of the Annual Report for iXBRL to enable it to be filed at HMRC. The Directors consider the auditor was best placed to provide these services cost effectively.

Going concern

After due consideration, the Directors believe that the Company has adequate financial resources to continue in operational existence for the foreseeable future and it is appropriate to continue to adopt the going concern basis in preparing the accounts. As at 31 January 2012, the Company held cash balances and investments in money market funds with a combined value of £11,394,275. 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 Linked Offer for Subscription launched on 20 January 2012 will provide further funds. The Company has no external loan finance in place and is therefore not exposed to any gearing covenants.

Related party transactions

As part of the arrangements for the Matrix VCTs Linked Offer launched on 20 January 2012 ("the Offer"), the Company has agreed to pay Matrix Private Equity Partners, the Company's Manager, the sum of 5.5% of the funds subscribed by way of a promoter's fee, out of which MPEP will pay all of the expenses of the Offer (excluding trail commission to financial intermediaries which will continue to be paid by the Company).

In addition, the Company has also appointed Matrix Corporate Capital as sponsor to the Offer at a fee based on 0.12% of funds raised. An additional charge will also be made across the three VCTs in the Offer of £1,500 per supplementary prospectus issued. The agreement includes a “cap” of £15,000 per company.

These transactions are both deemed to be related party transactions under the Listing Rules of the UK Listing Authority.

Post balance sheet events

Under the Linked Offer for subscription launched on 20 January 2012, 3,546,964 Ordinary shares were allotted at a price of 123.5 pence per share raising net funds of £4,145,844 up to the date of approval of these accounts.

On 20 March 2012, the Company made separate investments of £1 million into each of the acquisition vehicles Almsworthy Trading Limited, Culbone Trading Limited, Madacombe Trading Limited and Sawrey Limited.

Annual general meeting

The Notice of the Annual General Meeting (AGM), which will be held on 13 June 2012, is set out on pages 73 – 76 of this Annual Report. Proxy Forms for the AGM are enclosed with Shareholder’s copies of this Annual Report.

Resolutions 1 to 7 and Resolution 10 are being proposed as ordinary resolutions requiring more than 50% of the votes cast at the meeting to be passed and resolutions 8 and 9 will be proposed as special resolutions requiring the approval of at least 75% of the votes cast at the meeting to be passed.

An explanation of resolutions 7 to 10 is set out below:

Authorities for the Directors to allot shares (Resolution 7) and disapply pre-emption rights (Resolution 8) under sections 551 and 570(1) of the Companies Act 2006 (“the Act”).

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

Resolution 7 will authorise directors to allot shares up to a nominal amount of £357,498, representing approximately 124% of the Company’s issued share capital at the date hereof.

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 8 to sanction the disapplication of such pre-emption rights in respect of the allotment of equity securities:

(i) with an aggregate nominal value of £300,000 in connection with offer(s) for subscription;

(ii) with a nominal value of up to 10% of the issued share capital of the Company from time to time in respect of the Company's Dividend Investment Scheme; and

(iii) with a nominal value of up to 10% of the issued share capital of the Company from time to time

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

Both of these authorities, 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 these authorities.

The Directors have authority to allot Ordinary Shares under the Dividend Investment Scheme at either 70% of the then latest published net asset value or the mid-market share price averaged over the last 5 business days of an existing Ordinary Share, whichever is greater. Such authority will be used to allot shares under the Dividend Investment Scheme in respect of the interim dividend.

The Directors launched a Linked Offer for subscription with The Income & Growth VCT plc and Matrix Income & Growth VCT plc on 20 January 2012 to raise up to £7 million for each company and it is the Directors' intention that new shares may be issued pursuant to the offer under this authority (to the extent that existing authorities do not apply). The Directors have no further immediate intention of exercising the above powers.

Both resolutions replace previous authorities approved by Shareholders on 20 June 2011.

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

This resolution authorises the Company to purchase its own shares pursuant to section 701 of the Act. The authority is limited to the purchase of an aggregate of 4,309,455 Ordinary Shares representing 14.99 per cent. of the issued share capital of the Company at the date of the notice convening the Annual General Meeting. The resolution specifies the minimum and the maximum price which 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.

Authority to approve electronic communications with shareholders (Resolution 10)

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 May 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 Matrix Income & Growth 4 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

Matrix Private Equity Partners LLP
Company Secretary
30 April 2012

Directors' Remuneration Report

This report has been prepared by the Directors in accordance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI2008/410) and the Companies Act 2006. A resolution to approve the report will be proposed at the Annual General Meeting to be held on 13 June 2012. 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 49 to 50.

Nominations and Remuneration Committee

The remuneration of individual Directors is determined by the Nominations and Remuneration Committee within the framework set by the Board. The Committee comprises all three Directors, Andrew Robson (Chairman, with effect from 18 April 2012) and Christopher Moore (Chairman until 18 April 2012), who are both considered to be independent from the Investment Manager and Helen Sinclair. The Committee meets at least once a year and makes recommendations to the Board within its terms of reference. Its duties include responsibility for reviewing the remuneration of the Directors and the appropriateness and relevance of the remuneration policy. It held one formal meeting during the year under review. The Committee has access to independent advice where it considers it appropriate. However, it was not considered necessary to take any such advice during the year under review.

Remuneration policy

The remuneration policy is set by the Board. The Directors' fees are reviewed annually by the Nominations and Remuneration Committee which determines the amount of fees to be paid to the Directors. When considering the level of Director's fees, the Committee takes account of remuneration levels elsewhere in the VCT industry and other relevant information. The Company's Articles of Association state that the aggregate of the remuneration (by way of fees) of all the Directors shall not exceed £120,000 per annum. The Directors fees have remained at £25,000 (Chairman) and £20,000 (per Director) per annum since 1 June 2003. A supplement of £6,000 is paid to members of the Investment Committee. Details of the Directors' remuneration are disclosed below and in the Notes to the Accounts. It is not considered appropriate at the current time to relate any portion of the fees paid to the Directors, who are all non-executive, to performance. The Company does not have any employees, except for its Directors.

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 based on the advice of the Nominations and Remuneration Committee, provided that a person appointed by the Board shall be subject to election at the first Annual General Meeting following their appointment. One-third of the Directors retire from office by rotation at each Annual General Meeting and the retiring Directors then become eligible for re-election in accordance with the Articles of Association. In accordance with the AIC Code, any director not considered independent of the Investment Manager will offer themselves for re-election annually.

All Directors receive a formal letter of appointment setting out the terms of their appointment and their specific duties and responsibilities. All of the Directors are non-executive and none of the Directors has a service contract with the Company. No portion of the fees paid to any of the Directors is related to performance. A Director's appointment may be terminated on three month's notice being given by the Company and in certain other circumstances. The Company does not provide pension benefits to any of the Directors; it has not granted any Director any options over the share capital of the Company; and it does not operate any long-term incentive plans for the Directors. No arrangements have been entered into between the Company and the Directors to entitle any of the Directors to compensation for loss of office.

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

The emoluments in respect of qualifying services of each person who served as a Director during the year were as set out in the table below. The Company does not have any schemes in place to pay any of the Directors bonuses or benefits in addition to their Directors' fees.

	Total emoluments year to:	
	31 January 2012	**31 January 2011**
	£	**£**
Christopher Moore[1]	31,000	27,796
Andrew Robson[2]	26,000	13,277
Helen Sinclair	26,000	26,000
Colin Hook[3]	-	19,985
Total emoluments	**83,000**	**87,058**

Aggregate emoluments in respect of qualifying services amounted to £83,000 (2011: £87,058).

1 Appointed Chairman of the Company on 27 September 2010.

2 Appointed 1 August 2010.

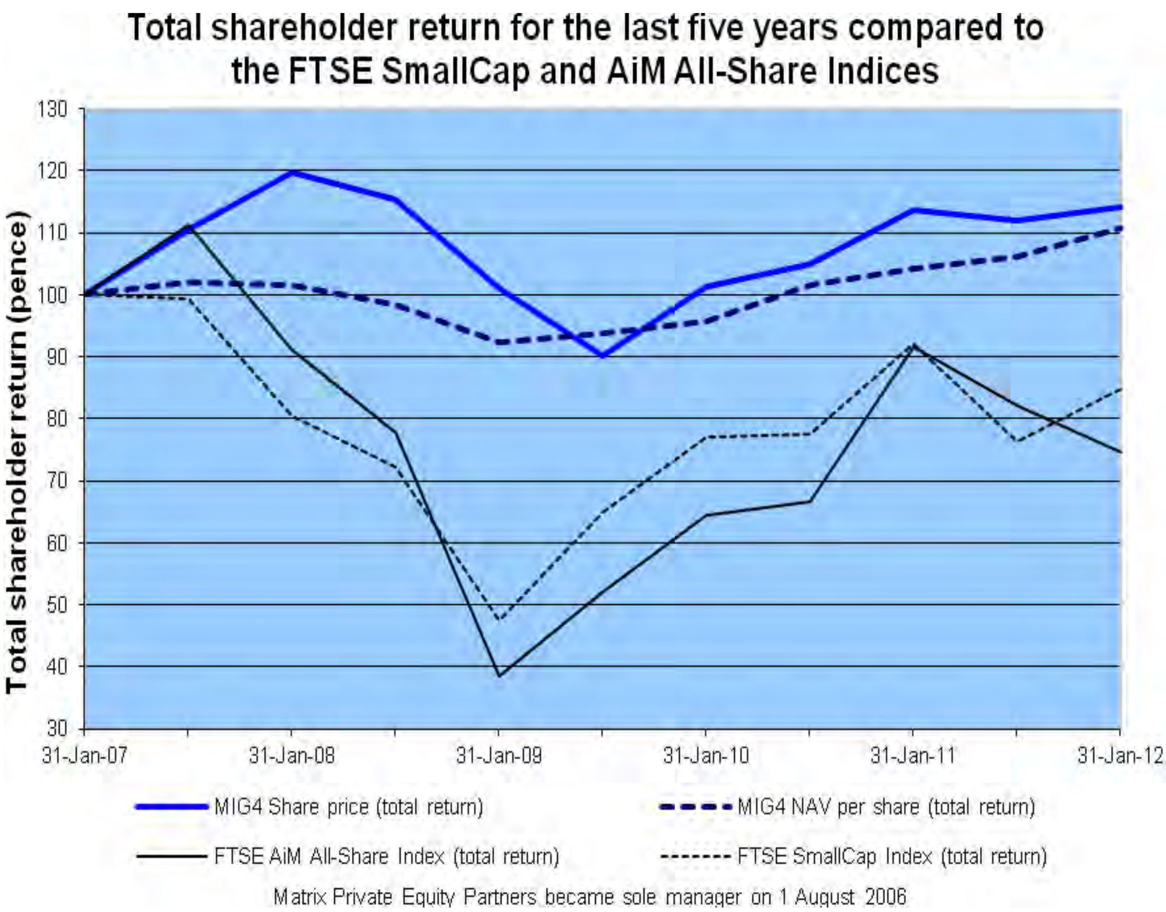
3 Resigned 27 September 2010.

From 1 January 2011 onwards £26,000 (2011: £2,167) of Christopher Moore's fee was paid to his consultancy business, The Moore Corporation.

Total shareholder return

The graph below charts the total cumulative shareholder return of the Company (assuming all dividends had been re-invested) for the last five years compared to the FTSE SmallCap and AiM All-share Indices. These indices are industry recognised indices of listed companies. The FTSE SmallCap index comprises companies with the smallest capitalisation of the capital and industry segments and represents approximately 2% of the UK market capitalisation. All data has been re-based to 100 with affect from 31 January 2007. An explanation of the performance of the Company is given in the Chairman's Statement on pages 4 to 9 and Investment Manager's Review on pages 12 to 19.

The NAV total return per share has been shown separately in addition to the information required by law because the Directors believe it is a more accurate reflection of the Company's performance.



By order of the Board

Matrix Private Equity Partners LLP
Company Secretary
30 April 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 31 January 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 is available online at 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.

The AIC issued an updated Code in October 2010, which the Company is following for the year ending 31 January 2012 and will report on in the Annual Report in respect of that year.

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, 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.

Compliance with the AIC Code

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. The Chairman of the Audit Committee fulfills this role where appropriate.

As is common practice among Venture Capital Trusts, the Directors are not appointed for fixed terms, as the AIC Code requires. A Director's appointment may be terminated on three months' notice being given by the Company. However, under the Articles of Association, one third of the Directors must retire by rotation at each Annual General Meeting and being eligible may offer themselves for re-election. A Director must retire by rotation if he has not retired at either of the last two Annual General Meetings. For further information please see the Directors' Remuneration Report on pages 36 – 38.

The AIC Code stipulates that directors who sit on the boards of more than one company managed by the same manager will not be regarded as independent, for either the purpose of fulfilling the requirement that there must be an independent majority, or for serving as chairman. In addition, this requirement became mandatory under the Listing Rules in September 2010. The Board has therefore reviewed its composition during the year and, with the exception of Helen Sinclair, all of the Directors are considered independent of the Investment Manager. Further details are provided below.

The Board

The Company has a Board of three non-executive Directors. The Board meets at least quarterly and is in regular contact with the Investment Manager between these meetings.

The table below details the formal Board and Committee meetings held and the Directors' attendance during the year. The Board also met informally on a number of occasions and additional Board committee meetings or written resolutions were completed in respect of share allotments. The Investment Committee meets to discuss investments as required and, if appropriate, complete written resolutions for approval.

Director	**Board**	**Audit Committee**	**Nomination & Remuneration committee**
No. meetings held	**7**	**4**	**1**
Christopher Moore	7	4	1
Andrew Robson	7	4	1
Helen Sinclair	7	4	1

All the Directors are equally responsible under the law for the proper conduct of the Company's affairs. In addition, the Directors are responsible for ensuring that their policies and operations are in the best interests of all the Company's Shareholders and that the best interests of creditors and suppliers to the Company are properly considered.

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. It has concluded that, with the exception of Helen Sinclair, all of the Directors are considered independent of the Investment Manager.

Helen Sinclair was a director of Matrix Private Equity Limited (a predecessor of Matrix Private Equity Partners LLP) and a director and shareholder of Matrix Group Limited until May 2005. She is also a director of The Income & Growth VCT plc which is also advised by the Investment Manager, and is therefore not considered independent. In accordance with the AIC Code, Helen will therefore be subject to annual re-election.

For the reasons given and bearing in mind the relationships referred to above, the Board has no hesitation in emphasizing the personal integrity, experience and professionalism of the individual Directors, and their overall independence in character and judgement.

The Board has considered a policy on tenure and agreed that for a Company of this size and structure, it is not appropriate to insist on a director's period of service being limited to a set number of years. The AIC Code does not explicitly make recommendations on the overall length of tenure for directors. Some market practitioners feel that considerable length of service (which has generally been defined as a limit of 9 years) may lead to the compromise of a Director's independence and the Board is aware that this is a recommendation of the Combined Code. The Board, however, concurs with the arguments put forward by the AIC that investment companies are more likely than most to benefit from having Directors with lengthy service. In line with the AIC Code, the Board has agreed that directors that have served for nine years or more will be subject to annual re-election.

All Directors are subject to election by Shareholders at the first Annual General Meeting following their appointment.

As part of its annual performance review, the Board has come to the conclusion that the length of service, experience and ability of its Directors enhances its performance. It does not believe that the length of service of any of the Directors has a negative effect on their independence and is satisfied with the balance of experience on the current Board.

The Board has agreed a schedule of matters specifically reserved for decision by the Board. These include: compliance with the requirements of the Companies Act, the UK Listing Authority and the London Stock Exchange; changes to the Company's capital structure or its status as a plc; Board and Committee appointments as recommended by the Nominations and Remuneration Committee and terms of reference of Committees; and material contracts of the Company and contracts of the Company not in the ordinary course of business.

The primary focus at each quarterly Board meeting is overall strategy and a review of investment performance. The Board monitors the investments made by the Investment Manager to ensure that the overall investment portfolio is in line with the Company's Investment Policy. The Board also considers peer group performance, asset allocation and wider industry and economic issues in reviewing investment performance and strategy.

A procedure has been adopted for individual Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company. The Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring board procedures are followed. Both the appointment and removal of the Company Secretary are matters for the Board as a whole. Where Directors have concerns about the running of the Company or about 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. The Board has satisfied itself that each of its Committees has sufficient resources to undertake their duties.

The Board offers an induction procedure to all new directors. A formal training programme has not been required during the year under review as all the Directors are experienced directors of listed companies. However, the Directors do attend meetings and conferences organised by the VCT industry. A performance evaluation of the Chairman, Directors, Committees and the Board as a whole was completed during the year and reviewed by the Nominations and Remuneration Committee. The evaluation concluded that the Directors continued to perform effectively.

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 review separately as part of the internal control processes led by the Audit Committee on 5 December 2011 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. 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.

The Chairman's other significant directorships and time commitments are disclosed on page 22.

Board committees

The Board has reviewed the need for a Management Engagement Committee and concluded that such a committee is not required, given that a majority of the Board are independent of the Investment Manager. The Board as a whole is responsible for reviewing management engagement matters.

The Board has agreed that, given its size and the majority of its Directors being independent, each Committee below should comprise the full Board.

The Audit Committee is chaired by Andrew Robson. It meets at least twice a year to review the half-year and annual financial statements before submission to the Board, and meets with the independent auditor. The Committee makes recommendations to the Board on the appointment, re-appointment and removal of the external auditor. It is responsible for monitoring the effectiveness of the Company's internal control systems and for reviewing the scope and results of the audit and ensuring its cost effectiveness.

The Nominations and Remuneration Committee is chaired by Andrew Robson, having been previously chaired by Christopher Moore until 18 April 2012. It meets at least once a year and is responsible for proposing candidates for appointment to the Board and for reviewing the remuneration policy to ensure that it reflects the duties, responsibilities and value of time spent by the Directors on the business of the Company and makes recommendations to the Board accordingly. The Committee held one formal meeting during the year, attended by all of the Directors, and met informally on other occasions. The Board has adopted a formal process of recruitment for the appointment of new directors including, as appropriate, the use of advertising and recruitment consultants as well as drawing on Board members' extensive range of business contacts to attract the optimum number of high quality candidates. The Board will consider diversity, including gender. The selection process involves interviews with the Board and meetings with representatives of members of the manager. New directors are provided with an induction pack and an induction session is arranged in conjunction with the Board, the 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 for new directors 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. Although the AIC Code recommends that the Chairman does not chair the Remuneration Committee, the Board does not consider that the effectiveness to the Company's combined Nominations and Remuneration Committee's is impaired.

The Investment Committee is chaired by Helen Sinclair and meets as necessary to discuss and, if appropriate, to approve investment recommendations from the Investment Manager. New investments and divestments are generally approved by written resolution of the Committee following discussion between committee members. Investment matters are discussed extensively at Board meetings. The Committee and the Investment Manager endeavour to operate in a supportive, co-operative and open environment. The Committee met informally on numerous occasions during the year.

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: www.mig4vct.co.uk.

Internal control

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

The internal control systems aim to ensure the maintenance of proper accounting records, the reliability of the financial information used for publication and upon which business decisions are made, and that the assets of the Company are safeguarded. The financial controls operated by the Board include the authorisation of the investment strategy and regular reviews of the financial results and investment performance.

The Board has put in place procedures for identifying, evaluating and managing the significant risks faced by the Company. As part of this process an annual review of the control systems is carried out in accordance with the Turnbull guidelines for internal control. The review covers a consideration of the key business, operational, compliance and financial risks facing the Company. Each risk is considered with regard to: the controls exercised at Board level; reporting by service providers; controls relied upon by the Board; exceptions for consideration by the Board; responsibilities for each risk and its review period; and risk rating. As part of this process, investment risk is spread by means of a diverse investment portfolio, as more fully described in the Investment Manager's Review. The Board reviews a schedule of other 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 from there, 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 were:

- Controls are in place around the preparation and reconciliation of the valuations prepared by the Manager;
- Independent reviews of the valuations of investments within the portfolio are undertaken quarterly by the Board and annually by the external auditor;
- Bank and money-market fund reconciliations are carried out monthly by the Manager;
- 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 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 auditor reviews the accounting processes in place at the Investment Manager as part of the annual audit and reports any concerns to the Audit Committee. The Audit Committee reviews the independence of the auditor each year.

This system of internal controls and the procedure for the review of control systems referred to above has been in place and operational throughout the year under review and up to the date of this Report. The assessment of the effectiveness of internal controls in managing risk included consideration of reports from the relevant service providers. The last review took place on 18 April 2012. The Board has not identified any issues with the Company's internal control mechanisms that warrant disclosure in the Annual Report.

Third party service providers

The Board has delegated, contractually to third parties, the management of the investment portfolio, the procurement of safekeeping services for the documents of title to the Company's investments, the day-to-day accounting, company secretarial and administration requirements, VCT status advice and the registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered, including the financial control systems in operation in so far as they relate to the affairs of the Company.

During the year, the Company transferred the safe-keeping of its documents of title to the Company Secretarial staff at Matrix Private Equity Partners LLP, following the end of this service by the previous service provider. The Company has agreed controls with the Company Secretary which it believes are sufficient to minimise the risk of misuse or theft of the documents of title.

The Board reviews annually, and at other times as and when necessary, the terms of the Investment Services Agreement and the performance of the Investment Manager and agrees policies with the Investment Manager on key operational matters. The Board receives and considers regular reports from the Investment Manager, and ad hoc reports and information are supplied to the Board as required. Particular emphasis is placed on reviewing the Investment Manager, in terms of investment performance, quality of information provided to the Board and remuneration.

Diversity

The Directors have considered diversity in relation to the composition of the Board and have concluded that its membership is diverse in relation to gender and quality and depth and experience. 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 36 – 38 of this Annual Report and provides details on the appointment and replacement of the Directors.

Share capital and voting rights

Details of the Company's share capital and substantial shareholdings can be found in the Directors' Report on pages 24 – 35.

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.

Investor relations

The Company communicates regularly with its Shareholders by means of periodic performance reporting, twice yearly VCT shareholders newsletters which contain information on the portfolio and recent investment and corporate activity and its website. The Board welcomes feedback from Shareholders who are encouraged to attend the Annual General Meeting. The Investment Manager holds an annual Shareholder Workshop to which all shareholders are invited. The Directors and the Investment Manager are present and available to answer questions and discuss any issues at the Annual General Meeting and Shareholder Workshop.

Shareholders may contact the Chairman of the Audit Committee, Andrew Robson, if they have concerns which contact through the Chairman or Investment Manager has failed to resolve or for which such contact is inappropriate. Shareholders should initially contact the Company Secretary who will direct their enquiry accordingly.

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.

The notice of the Annual General Meeting accompanies this Annual Report, which is normally sent to shareholders allowing a minimum of 20 working days before each meeting. Separate resolutions are proposed for each substantive issue. The number of proxy votes received for each resolution is announced after each resolution has been dealt with on a show of hands and is published after the Meeting on the Company's website: www.mig4vct.co.uk.

Accountability and audit

The Statement of Directors' Responsibilities in respect of the accounts is set out on pages 47 to 48 of this Annual Report.

The independent auditor's report is set out on pages 49 to 50 of this Annual Report.

By order of the Board

Matrix Private Equity Partners LLP
Company Secretary
30 April 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 that:

(a) 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 of the Company; and

(b) 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 pages 22 and 23.

For and on behalf of the Board of Directors

Christopher Moore
Chairman
30 April 2012

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MATRIX INCOME & GROWTH 4 VCT PLC

We have audited the financial statements of Matrix Income and Growth 4 VCT plc for the year ended 31 January 2012 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Reconciliation of Movements in Shareholders' Funds 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 31 January 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 39 - 46 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 32, 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

30 April 2012

Income Statement

for the year ended 31 January 2012

	Notes	Year ended 31 January 2012 Revenue £	Capital £	Total £	Year ended 31 January 2011 Revenue £	Capital £	Total £
Unrealised gains on investments	**9**	-	1,409,405	1,409,405	-	2,119,702	2,119,702
Gains on investments realised	**9**	-	247,559	247,559	-	16,077	16,077
Income	**2**	955,864	-	955,864	636,426	-	636,426
Recoverable VAT		-	-	-	(264)	(794)	(1,058)
Investment management fees	**3**	(166,809)	(500,427)	(667,236)	(120,335)	(361,003)	(481,338)
Other expenses	**4**	(302,318)	-	(302,318)	(396,019)	-	(396,019)
Profit on ordinary activities before taxation		486,737	1,156,537	1,643,274	119,808	1,773,982	1,893,790
Taxation on ordinary activities	**6**	(56,430)	56,430	-	-	-	-
Profit for the year		**430,307**	**1,212,967**	**1,643,274**	**119,808**	**1,773,982**	**1,893,790**
Basic and diluted earnings per ordinary share	**8**	1.73p	4.89p	6.62p	0.57p	8.47p	9.04p

All the items in the above statement derive from continuing operations of the Company

There were no other recognised gains or losses in the year.

The total column 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 account, there were no differences between the return as stated above and at historical cost.

The notes on pages 55 - 72 form part of these financial statements.

Balance Sheet
as at 31 January 2012

	Notes	as at 31 January 2012 £	£	£	as at 31 January 2011 £	£	£
Fixed assets							
Investments at fair value	**9**			17,971,357			18,900,890
Current assets							
Debtors and prepayments	**11**	200,080			1,948,065		
Current investments	**12,18**	8,883,265			3,644,741		
Cash at bank	**18**	2,511,010			1,061,164		
			11,594,355			6,653,970	
Creditors: amounts falling due within one year	**13**		(147,047)			(209,681)	
Net current assets				11,447,308			6,444,289
Net assets				**29,418,665**			**25,345,179**
Capital and reserves							
Called up share capital	**14**			252,019			224,558
Share premium account	**15**			6,847,570			3,413,664
Capital redemption reserve	**15**			894,105			891,351
Revaluation reserve	**15**			1,204,972			992,420
Special distributable reserve	**15**			14,078,325			15,256,001
Profit and loss account	**15**			6,141,674			4,567,185
Equity shareholders' funds	**15**			**29,418,665**			**25,345,179**
Basic and diluted net asset value per Ordinary Share	**16**			**116.73p**			**112.87p**

The notes on pages 55 - 72 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 30 April 2012 and were signed on its behalf by:

Christopher Moore
Chairman

Cash Flow Statement

for the year ended 31 January 2012

	Notes	Year ended 31 January 2012 £	Year ended 31 January 2011 £
Interest income received		609,497	494,974
Dividend income		264,438	144,366
VAT (paid)/received and interest thereon		(15,287)	10,199
Other income		-	2,544
Investment management fees paid		(667,235)	(561,799)
Cash payments for other expenses		(299,720)	(397,775)
Net cash outflow from operating activities	17	**(108,307)**	**(307,491)**
Investing activities			
Sale of investments	9	7,549,563	923,983
Purchase of investments	9	(4,971,171)	(2,397,128)
Net cash inflow/(outflow) from investing activities		**2,578,392**	**(1,473,145)**
Dividends			
Equity dividends paid	7	**(753,820)**	**(633,619)**
Cash inflow/(outflow) before liquid resource management and financing		**1,716,265**	**(2,414,255)**
Management of liquid resources			
(Increase)/decrease in monies held in current investments	18	**(5,238,524)**	**2,331,078**
Financing			
Issue of own shares		5,297,186	1,611,231
Purchase of own shares		(325,081)	(537,294)
Increase in cash for the year	18	**1,449,846**	**990,760**

The notes on pages 55 - 72 form part of these financial statements.

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 January 2012

	Notes	Year ended 31 January 2012 £	Year ended 31 January 2011 £
Opening shareholders' funds		25,345,179	21,222,542
Share capital subscribed	15	3,464,121	3,444,752
Purchase of own shares	15	(280,089)	(582,286)
Profit for the year		1,643,274	1,893,790
Dividends paid in year	7	(753,820)	(633,619)
Closing shareholders' funds	15	29,418,665	25,345,179

The notes on pages 55 - 72 form part of these financial statements.

Notes to the Accounts
for the year ended 31 January 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 Trust Companies in January 2009.

b) **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 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.

c) **Investments**

All investments held by the Company are classified as "fair value through profit and loss", in accordance with the International Private Equity and Venture Capital Valuation ("IPEVCV") guidelines, as updated in September 2009. 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 in organised financial markets, fair value is generally determined by reference to Stock Exchange market quoted bid prices at the close of business on the balance sheet date. Purchases and sales of quoted investments are recognised on the trade date where a contract of sale exists whose terms require delivery within a time frame determined by the relevant market. Purchases and sales of unlisted investments are recognised when the contract for acquisition or sale becomes unconditional.

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

d) **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 valued at fair value.

e) **Income**

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

Interest income on loan stock is accrued on a daily basis. Provision is made against this where recovery is doubtful. Where the loan stocks require interest to be paid on redemption, the interest 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.

f) **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 is 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.

(iv) Share premium account

This reserve contains the excess of gross proceeds less issue costs and less the nominal value of shares allotted under recent Offers for Subscription and the Company's dividend re-investment scheme.

(v) Capital redemption reserve

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

g) **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.

h) **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	**25,664**	2,561
Income from investments		
– from equities	**206,966**	127,836
– from overseas based OEICs	**45,637**	34,092
– from loan stock	**677,597**	469,393
	930,200	631,321
Other income	**-**	2,544
Total income	**955,864**	636,426
Total income comprises		
Dividends	**252,603**	161,928
Interest	**703,261**	471,954
Other income	**-**	2,544
	955,864	636,426
Income from investments comprises		
Listed overseas securities	**45,637**	34,092
Unlisted UK securities	**206,966**	127,836
Loan stock interest	**677,597**	469,393
	930,200	631,321

Loan stock interest above is stated after deducting an amount of £nil (2011: £nil), being a provision made against loan stock interest regarded as collectable in previous years.

Total loan stock interest due but not recognised in the year was £155,190 (2011: £214,248).

3 Investment management fees

	Revenue 2012 £	Capital 2012 £	Total 2012 £	Revenue 2011 £	Capital 2011 £	Total 2011 £
Matrix Private Equity Partners LLP	166,809	500,427	667,236	120,335	361,003	481,338

Under the investment management agreement dated 1 November 2006, but effective 18 October 2006, Matrix Private Equity Partners LLP (MPEP LLP) was appointed to be sole advisor to the Company on investments in qualifying companies. The agreement was for an initial period of 3 years and thereafter unless if the appointment was terminated by not less than one year's notice in writing at any time after the initial period. MPEP LLP was entitled to an annual advisory fee of 2 per cent of the closing net assets attributable to the Fund.

Under the terms of a revised investment management agreement dated 12 November 2010, MPEP provides investment advisory, administrative and company secretarial services to the Company, for a fee of 2% per annum of closing net assets, calculated on a quarterly basis by reference to the net assets at the end of the preceding quarter, plus a fixed fee of £112,518 per annum, the latter being subject to indexation, if applicable. This agreement replaced the previous agreements with MPEP described above, and with Matrix-Securities Limited dated 1 November 2006, which were all terminated with effect from 12 November 2010.

The investment management fee includes provision for a cap on expenses excluding irrecoverable VAT and exceptional items set at 3.4% of closing net assets at the year-end. In accordance with the investment management agreement, any excess expenses are borne by the Investment Manager. The excess expenses during the year amounted to £nil (2011: £nil).

Under the terms of a separate agreement dated 1 November 2006, from the end of the accounting period ending on 31 January 2009 and in each subsequent accounting period throughout the life of the company, the Investment Manager will be entitled to receive a performance related incentive fee of 20% of the excess above 6 per cent of the net asset value per share of the annual dividends paid to Shareholders. The performance fee will be payable annually, with any cumulative shortfalls below the 6 per cent hurdle having to be made up in later years. The incentive payment will be shared between the Investment Manager 75% and the Promoter 25%. No incentive fee is payable to date.

The Company is responsible for external costs such as legal and accounting fees, incurred on transactions that do not proceed to completion ("abort expenses") subject to the cap on total annual expenses referred to above. In line with common practice, MPEP LLP retain the right to charge arrangement and syndication fees and Directors' or monitoring fees ("deal fees") to companies in which the Company invests.

4 Other expenses

	2012	2011
	£	£
Directors' remuneration (including NIC) (see note 5)	93,658	95,275
IFA trail commission	73,177	85,771
Administration fees	-	75,195
Broker's fees	12,000	11,771
Auditor's fees – audit	23,436	21,096
– other services supplied relating to taxation	4,620	2,606
– other services supplied pursuant to legislation	4,284	3,995
Registrar's fees	22,418	16,713
Printing	26,324	22,082
Legal & professional fees	-	7,528
VCT monitoring fees	10,667	9,533
Director's insurance	7,002	7,350
Listing and regulatory fees	23,188	27,804
Sundry	1,544	9,300
	302,318	396,019

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

Note: The Administration fees above arose from the Agreement with Matrix-Securities Limited referred to in note 3 above, which was terminated on 12 November 2010.

5 Directors' emoluments and national insurance

	2012	2011
Directors' emoluments	£	£
Christopher Moore	31,000	27,796
Helen Sinclair	26,000	26,000
Andrew Robson (appointed 1 August 2010)	26,000	13,277
Colin Hook (resigned 27 September 2010)	-	19,985
	83,000	87,058
Employer's NIC	10,658	8,217
	93,658	95,275

No pension scheme contributions or retirement benefit contributions were paid (2011: £nil). 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.

6 Taxation on profit 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	(56,430)	56,430	-	-	-	-
Total current tax charge	(56,430)	56,430	-	-	-	-
Corporation tax is based on a rate of 20.17% (2011: 21%)						
b) Profit on ordinary activities before tax	486,737	1,156,537	1,643,274	119,808	1,773,982	1,893,790
Profit on ordinary activities multiplied by small company rate of corporation tax in the UK of 20.17% (2011: 21%)	98,175	233,274	331,449	25,160	372,535	397,695
Effect of:						
UK dividends	(41,745)	-	(41,745)	(26,846)	-	(26,846)
Unrealised gains not allowable	-	(284,075)	(284,075)	-	(445,137)	(445,137)
Realised gains not taxable	-	(50,134)	(50,134)	-	(3,376)	(3,376)
Unrelieved expenditure		44,505	44,505	1,686	75,978	77,664
Actual current tax charge	56,430	(56,430)	-	-	-	-

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 £245,483 (2011: £211,961).

7 Dividends paid and payable

	2012	2011
	£	£
Amounts recognised as distributions to equity holders in the year:		
Final capital dividend for the year ended 31 January 2010 of 2 pence per Ordinary Share paid 9 June 2010	-	423,331
Interim capital dividend for the year ended 31 January 2011 of 1 pence per Ordinary Share paid 5 November 2010	-	210,288
Final capital dividend for the year ended 31 January 2011 of 2.6 pence per Ordinary Share paid 24 June 2011	653,311	-
Final income dividend for the year ended 31 January 2011 of 0.4 pence per Ordinary Share paid 24 June 2011	100,509	-
	753,820*	633,619*

* - Of this amount £61,301 (2011: £38,319) of new shares were issued as part of the DRIS scheme.

	2012	2011
Proposed distributions to equity holders at the year-end:		
Interim income (2011: Final) dividend for the year ended 31 January 2012 of 1.5 pence (2011: 0.4p) per Ordinary share	431,233	101,120
Interim capital (2011: Final) dividend for the year ended 31 January 2012 of 3.5 pence (2011: 2.6p) per Ordinary share	1,006,210	652,700
	1,437,443	753,820

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
	£	**£**
Revenue available for distribution by way of dividends for the year	430,307	119,808
Proposed interim (2011: Final) income dividend declared for the year ended 31 January 2012 of 1.5 pence (2011: 0.4) per Ordinary Share	431,233	101,120
	431,233	101,120

8 Basic and diluted earnings per share

	2012	2011
	£	**£**
Total earnings after taxation:	1,643,274	1,893,790
Basic and diluted earnings per share (note a)	**6.62p**	**9.04p**
Net revenue from ordinary activities after taxation	430,307	119,808
Basic and diluted revenue return per share (note b)	**1.73p**	**0.57p**
Net unrealised capital gains	1,409,405	2,119,702
Net realised capital gains	247,559	16,077
VAT recoverable	-	(794)
Capital expenses (net of taxation)	(443,997)	(361,003)
Total capital return	1,212,967	1,773,982
Basic and diluted capital return per share (note c)	**4.89p**	**8.47p**
Weighted average number of shares in issue in the year	24,804,482	20,946,842

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 profit 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.

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 31 January 2011	199,998	6,711,094	25,467	11,122,013	18,058,572
Unrealised gains/(losses) at 31 January 2011	41,666	1,406,204	(9,019)	(446,431)	992,420
Permanent impairment in value of investments	-	(150,102)	-	-	(150,102)
Valuation at 31 January 2011	241,664	7,967,196	16,448	10,675,582	18,900,890
Purchases at cost	-	1,303,264	1,069	4,998,740	6,303,073
Sale proceeds	-	(3,378,241)	(434)	(5,531,269)	(8,909,944)
Reclassification at value	-	(19,922)	121	19,801	-
Realised (losses)/gains in the year	-	(1,336,646)	-	1,604,579	267,933
Unrealised (losses)/gains in the year	(66,666)	1,151,724	-	324,347	1,409,405
Closing valuation at 31 January 2012	174,998	5,687,375	17,204	12,091,780	17,971,357
Cost at 31 January 2012	199,998	6,008,914	26,223	12,466,844	18,701,979
Unrealised (losses)/gains at 31 January 2012	(25,000)	(2,220)	(7,951)	(91,759)	(126,930)
Permanent impairment in value of investments	-	(319,319)	(1,068)	(283,305)	(603,692)
Valuation at 31 January 2012	174,998	5,687,375	17,204	12,091,780	17,971,357

The major components of the increase in unrealised valuations of £1,409,405 in the year were increases of £1,331,902 in Newincco 1124 Limited (DiGiCo Europe Limited), £563,869 in IGLU.com Holidays Limited and £561,191 in ATG Media Holdings Limited. These gains were partly offset by falls of £224,009 in Westway Services Holdings (2010) Limited, £171,324 in Higher Nature Limited and £160,339 in CB Imports Group Limited.

Reconciliation of investment transactions to cash and income statement movements

The difference between purchases and sales of investments above, being a net inflow of £2,606,871, and the net inflow of £2,578,392 shown by the Cash Flow Statement, is £28,479, being transaction costs of £20,374 and an amount receivable at the year-end of £8,105. These transaction costs also account for the difference in realised gains between £267,933 shown above and £247,559 disclosed in the Income Statement.

Details of investment transactions such as net disposal proceeds, cost and carrying value at end of previous period are contained in the Investment Portfolio Summary on pages 20 - 21.

10 Significant interests

At 31 January 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
	£	£	£	
Ingleby (1879) Limited (trading as EMaC Limited)	379,146	884,671	1,263,817	6.32%
ASL Technology Holdings Limited	297,099	960,034	1,257,133	6.78%
Fullfield Limited (trading as Motorclean)	405,612	789,876	1,195,488	8.75%
Ackling Management Limited	400,000	600,000	1,000,000	16.66%
Fosse Management Limited	400,000	600,000	1,000,000	16.66%
Peddars Management Limited	400,000	600,000	1,000,000	16.66%
RDL Corporation Limited	173,932	826,068	1,000,000	9.05%
CB Imports Group Limited	175,000	825,000	1,000,000	5.79%
ATG Media Holdings Limited	355,660	533,333	888,993	8.50%
Monsal Holdings Limited	216,313	483,131	699,444	6.14%
PXP Holdings Limited	168,217	511,332	679,549	4.98%
Blaze Signs Holdings Limited	183,005	427,011	610,016	5.70%
Focus Pharma Holdings Limited	270,359	335,478	605,837	3.10%
Higher Nature Limited	500,127	-	500,127	10.34%
Youngman Group Limited	50,027	449,999	500,026	4.24%
The Plastic Surgeon Holdings Limited	45,884	412,953	458,837	6.88%
Racoon International Holdings Limited	122,043	284,762	406,805	5.70%
Faversham House	131,465	215,023	346,488	6.26%
Westway Services Holdings (2010) Limited	38,688	197,408	236,096	3.20%
Letraset Limited	150,010	-	150,010	5.26%
IGLU.com Holidays Limited	131,737	2,042	133,779	7.15%
Duncary 8 Limited	25,328	101,667	126,995	5.10%
Lightworks Software Limited	9,329	-	9,329	4.20%
Machineworks Software Limited	9,329	-	9,329	4.20%
Watchgate Limited	1,000	-	1,000	33.33%

It is considered that, as permitted by FRS 9, “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.

Matrix Private Equity Partners LLP also advises The Income and Growth VCT plc, Matrix Income and Growth VCT plc and Matrix Income and Growth 2 VCT plc which have investments as at 31 January 2012 in the following:

	The Income and Growth VCT plc	Matrix Income and Growth VCT plc	Matrix Income and Growth 2 VCT plc	Total	% of equity held by funds managed by MPEP
	at cost	at cost	at cost	at cost	
	£	£	£	£	%
ASL Technology Holdings Limited (formerly Apricot Trading limited)	1,769,790	1,912,945	1,360,130	5,042,865	34.0
Newincco 1124 Limited (trading as DiGiCo Europe Limited)	876,497	2,592,669	1,334,292	4,803,458	11.0
Ingleby (1879) Limited (trading as EMaC Limited)	1,878,124	1,762,336	1,095,723	4,736,183	30.0
Blaze Signs Holdings Limited	1,338,500	1,699,507	1,398,498	4,436,505	52.5
Fullfield Limited (trading as Motorclean)	1,603,643	1,717,691	1,083,179	4,404,513	41.0
RDL Corporation Limited (formerly Aust Recruitment Group Limited)	1,441,667	1,558,334	1,000,000	4,000,001	45.2
British International Holdings Limited	590,909	2,026,316	1,160,000	3,777,225	34.9

EOTH Limited (trading as Equip Outdoor Technologies Limited)	1,383,313	1,298,031	817,185	3,498,529	8.0
PXP Holdings Limited (Pinewood Structures)	920,176	1,163,436	1,163,436	3,247,048	37.3
ATG Media Holdings Limited	888,993	1,486,214	768,011	3,143,218	38.4
Youngman Group Limited	1,000,052	1,000,052	1,000,052	3,000,156	29.7
CB Imports Group Limited	1,000,000	2,000,000	-	3,000,000	23.2
Racoon International Holdings Limited	550,852	1,213,035	878,527	2,642,414	49.0
Monsal Holdings Limited	452,744	1,299,082	820,265	2,572,091	27.7
Peddars Management Limited	1,000,000	-	1,000,000	2,000,000	50.0
Fosse Management Limited	1,000,000	-	1,000,000	2,000,000	50.0
Ackling Management Limited	1,000,000	-	1,000,000	2,000,000	50.0
Focus Pharma Holdings Limited	405,407	980,703	517,827	1,903,937	12.7
Faversham House Holdings Limited	487,744	527,214	374,870	1,389,828	31.4
The Plastic Surgeon Holdings Limited	406,082	478,421	392,264	1,276,767	30.0
Westway Services Holdings (2010) Limited	353,588	602,778	-	956,366	13.0
Omega Diagnostics Group plc	279,996	305,000	214,998	799,994	9.8
Duncary 8 Limited	634,923	-	-	634,923	30.6
Vectair Holdings Limited	215,914	138,574	243,784	598,272	24.0
Iglu.com Holidays Limited	152,326	216,569	152,326	521,221	35.0
Legion Group plc	150,000	150,106	150,106	450,212	2.9
Lightworks Software Limited	20,471	222,584	25,727	268,782	45.0
Machineworks Software Limited	20,471	222,584	25,727	268,782	45.0
Watchgate Limited	1,000	1,000	-	2,000	100.0

11 Debtors

	2012	2011
	£	£
Amounts due within one year:		
Accrued income	178,827	96,896
Prepayments	13,148	12,474
Other debtors	8,105	1,838,695
	200,080	1,948,065

In 2011, Other debtors contained £1,833,065 receivable from the first allotment of shares on 21 January 2011 arising from the Joint VCT fundraising offer. This sum was received during the year and also explains the difference between Issue of own shares per the Cash Flow Statement of £5,297,186 and total shares issued per the Reserves note of £3,464,121.

12 Current asset investments

	2012	2011
	£	£
Monies held pending investment	8,883,265	3,644,741

These comprise investments in six Dublin based OEIC money market funds. £8,883,265 (2011: £3,634,303) of this sum is subject to same day access while £nil (2011: £10,438) is subject to two day access. These sums are regarded as monies held pending investment and are treated as liquid resources in the Cash Flow Statement and note 18.

13 Creditors: amounts falling due within one year

	2012	2011
	£	£
Trade creditors	7,562	45,268
Other creditors	4,037	26,002
Accruals	135,448	138,411
	147,047	209,681

14 Called up share capital

	2012	2011
	£	£
Allotted, called-up and fully paid:		
Ordinary Shares of 1p each: 25,201,906 (2011: 22,455,802)	252,019	224,558

During the year the Company purchased 275,403 (2011: 610,555) of its own shares for cash (representing 1.2% (2011: 2.7%) of the shares in issue at the year-end) at the prevailing market price for a total cost of £280,089 (2011: £582,286). These shares were subsequently cancelled by the Company.

Under the linked offer for subscription launched on 12 November 2010, 2,960,632 shares were allotted during the year at an average price of 121.6p per share raising net funds of £3,402,820.

Under the terms of the Dividend Investment Scheme, 60,875 (2011: 40,089) shares were allotted during the year for a consideration of £61,301 (2011: £38,319).

15 Movement in share capital and reserves

	Called up Share capital	Share Premium	Capital redemption reserve	Revaluation reserve	Special distributable reserve *	Profit and loss account *	Total
	£		£	£	£	£	£
At 1 February 2011	224,558	3,413,664	891,351	992,420	15,256,001	4,567,185	25,345,179
Share buybacks	(2,754)	-	2,754	-	(280,089)	-	(280,089)
Shares issued via Dividend re-investment Scheme	609	60,692	-	-	-	-	61,301
Shares issued via Offer for Subscriptions	29,606	3,373,214	-	-	-	-	3,402,820
Transfer of realised losses to Special distributable reserve (note)	-	-	-	-	(897,587)	897,587	-
Realisation of previously unrealised gains	-	-	-	(1,196,853)	-	1,196,853	-
Dividends paid	-	-	-	-	-	(753,820)	(753,820)
Profit for the year	-	-	-	1,409,405	-	233,869	1,643,274
As at 31 January 2012	**252,019**	**6,847,570**	**894,105**	**1,204,972**	**14,078,325**	**6,141,674**	**29,418,665**

* - These reserves total £20,219,999 (2011: £19,823,186) and are regarded as distributable reserves for the purpose of assessing the Company's ability to pay dividends to shareholders.

The cancellation of the Company's Share Premium Account (as approved by a Special Resolution of the Company passed on 20 June 2001 and confirmed by an Order of the Court dated 5 September 2001) and the cancellation of the share premium on the further allotted shares (by an Order of the Court dated 19 December 2007) has provided the Company with a special reserve. One of the purposes of the special reserve is to be treated as distributable profits for the purposes of funding purchases of the Company's own shares.

The Company is also able to write off existing and future realised capital losses against this reserve, now that the Company has revoked its investment company status and is obliged to take into account capital losses in determining distributable reserves. Accordingly, a transfer of £897,587 has been made from the Special Reserve to the Profit and Loss account, representing current year realised losses.

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 25,201,906 (2011: 22,455,802) Ordinary Shares, being the number of Ordinary Shares in issue on that date.

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

17 Reconciliation of profit on ordinary activities before taxation to net cash outflow from operating activities

	2012	2011
	£	£
Profit on ordinary activities before taxation	1,643,274	1,893,790
Net gains on realisations of investments	(247,559)	(16,077)
Net unrealised gains on investments	(1,409,405)	(2,119,702)
(Increase)/decrease in debtors	(76,975)	24,702
Decrease in creditors and accruals	(17,642)	(90,204)
Net cash outflow from operating activities	(108,307)	(307,491)

18 Analysis of changes in net funds

	Cash	Liquid resources	Total
	£	£	£
At beginning of year	1,061,164	3,644,741	4,705,905
Cash flows	1,449,846	5,238,524	6,688,370
At 31 January 2012	2,511,010	8,883,265	11,394,275

19 Financial instruments

The Company's financial instruments in both years comprised:

- Equity and preference shares and fixed and floating rate interest securities that are held in accordance with the Company's investment objective; and
- 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 31 January 2012:

	2012 (Book value)	2012 (Fair value)	2011 (Book value)	2011 (Fair value)
	£	£	£	£
Assets at fair value through profit and loss:				
Investment portfolio	17,971,357	17,971,357	18,900,890	18,900,890
Current investments	8,883,265	8,883,265	3,644,741	3,644,741
Loans and receivables				
Accrued income	178,827	178,827	96,896	96,896
Other debtors	8,105	8,105	1,838,695	1,838,695
Cash at bank	2,511,010	2,511,010	1,061,164	1,061,164
Liabilities at amortised cost or equivalent				
Other creditors	(147,047)	(147,047)	(209,681)	(209,681)

Total for financial instruments	29,405,517	29,405,517	25,332,705	25,332,705
Non financial instruments	13,148	13,148	12,474	12,474
Total net assets	29,418,665	29,418,665	25,345,179	25,345,179

The investment portfolio principally consists of unquoted investments 99.0% (2011: 98.7%). The investment portfolio has a 100% (2011:100%) concentration of risk towards small UK based, sterling denominated companies, and represents 61.1% (2011: 74.6%) of net assets at the year-end.

Current investments are money market funds, discussed under credit risk below, which represent 30.2% (2011: 14.4%) 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.

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.

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	(3,594,271)	(3,780,178)
Decrease in earnings, and net asset value, per Ordinary share (in pence)	(14.26)p	(16.83)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	3,594,271	3,780,178
Increase in earnings, and net asset value, per Ordinary share (in pence)	14.26p	16.83p

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.

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	12,091,780	10,675,582
Money market funds	8,883,265	3,644,741
Accrued income and other debtor	186,932	1,935,591
Cash at bank	2,511,010	1,061,164
	23,672,987	17,317,078

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 and other debtors 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 maybe repaid.

Repayable within	2012 £	2011 £
0 to 1 year	871,849	1,462,347
1 to 2 years	2,015,242	5,190,627
2 to 3 years	1,367,557	927,882
3 to 4 years	2,419,172	1,377,909
4 to 5 years	5,417,960	1,716,817
Total	12,091,780	10,675,582

Four loans with values totalling £823,834 are now past their repayment date but have not yet been renegotiated. The 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 value of 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 under the loan's contractual terms (such as payment of interest or redemption date) is received late or missed. We are required to report in this format and include the full value of the loan even though in some cases it is only in respect of interest that they are in default.

	0-6 months	**6-12 months**	**over 12 months**	**2012 Total**
	£	**£**	**£**	**£**
Loans to investee companies past due	-	90,910	1,222,005	1,312,915

	0-6 months	**6-12 months**	**over 12 months**	**2011 Total**
	£	**£**	**£**	**£**
Loans to investee companies past due	876,207	-	1,301,891	2,178,098

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. The cash at bank of £2,511,010 is held with NatWest Bank plc, where the risk of default is considered to be low.

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

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

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

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

The interest rate profile of the Company's financial net assets at 31 January 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	5,862,373	-	-	5,862,373		
Preference shares	-	17,204	-	17,204	4.28	1.83
Loan stocks	-	10,028,485	2,063,295	12,091,780	7.17	2.85
Money market funds	-	-	8,883,265	8,883,265	0.67	
Cash	-	-	2,511,010	2,511,010	1.24	
Debtors	186,932	-	-	186,932		
Creditors	(147,047)	-	-	(147,047)		
Total for financial instruments	5,902,258	10,045,689	13,457,570	29,405,517		
Non-financial instruments	13,148	-	-	13,148		
Total net assets	5,915,406	10,045,689	13,457,570	29,418,665		

The interest rate profile of the Company's financial net assets at 31 January 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	8,208,860	-	-	8,208,860		
Preference shares		16,448	-	16,448	5.48	1.68
Loan stocks	-	6,944,017	3,731,565	10,675,582	4.42	2.43
Money market funds	-	-	3,644,741	3,644,741	0.65	
Cash	-	-	1,061,164	1,061,164	1.19	
Debtors	1,935,591	-	-	1,935,591		
Creditors	(209,681)	-	-	(209,681)		
Total for financial instruments	9,934,770	6,960,465	8,437,470	25,332,705		
Non-financial instruments	12,474	-	-	12,474		
Total net assets	9,947,244	6,960,465	8,437,470	25,345,179		

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

Floating rate cash earns interest based on LIBOR rates.

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

Cash flow interest rate sensitivity

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

	2012 £ Profit and net assets	2011 £ Profit and net assets
If interest rates fell by 1%, with all other variables held constant – decrease	(107,661)	(66,656)
Decrease in earnings, and net asset value, per Ordinary share (in pence)	(0.43)p	(0.30)p

	2012 £ Profit and net assets	2011 £ Profit and net assets
If interest rates rose by 1%, with all other variables held constant – increase	107,661	66,656
Increase in earnings, and net asset value, per Ordinary share (in pence)	0.43p	0.30p

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 FRS 29 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 31 January 2012

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	174,998	-	5,687,375	5,862,373
Preference shares	-	-	17,204	17,204
Loan stock investments	-	-	12,091,780	12,091,780
Money market funds	8,883,265	-	-	8,883,265
Total	9,058,263	-	17,796,359	26,854,622

Financial assets at fair value through profit and loss At 31 January 2011				
	Level 1	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Equity investments	241,664	-	7,967,196	8,208,860
Preference shares	-	-	16,448	16,448
Loan stock investments	-	-	10,675,582	10,675,582
Money market funds	3,644,741	-	-	3,644,741
Total	3,886,405	-	18,659,226	22,545,631

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. A reconciliation of fair value measurements in Level 3 is set out on below:

	Equity investments	**Preference shares**	**Loan stock investments**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Opening balance at 1 February 2011	7,967,196	16,448	10,675,582	18,659,226
Purchases	1,303,264	1,069	4,998,740	6,303,073
Sales	(3,378,241)	(434)	(5,531,269)	(8,909,944)
Total (losses)/gains included in gains/(losses) on investments in the Income Statement:				
- on assets sold or impaired	(1,336,646)	-	1,604,579	267,933
- on assets held at the year end	1,151,724	-	324,347	1,476,071
Closing balance at 31 January 2012	5,707,297	17,083	12,071,979	17,796,359

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.

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

	31 January 2012	**31 January 2011**
	£	**£**
Investment methodology		
Cost (reviewed for impairment)	3,225,654	6,114,709
Asset value supporting security held	349,983	349,983
Recent investment price	4,808,500	2,194,554
Earnings multiple	9,412,222	9,999,980
	17,796,359	18,659,226

The unquoted equity and loan stock investments had the following movements between valuation methodologies between 31 January 2011 and 31 January 2012:

Change in investment methodology (2011 to 2012)	Carrying value as at 31 January 2012 £	Explanatory note
Recent investment price to earnings multiple	2,338,479	More appropriate basis for determining fair value
Cost (reviewed for impairment) to recent investment price	2,522,736	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 31 January 2012.

The Standard 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 £930k or 5.2% lower and using the upside alternatives the value would be increased by £2,196k or 7.0%. In arriving at both these figures, a 5% change to earnings multiples was applied. In addition, for the downside alternatives, the earnings figure for one investee company was revised downwards and for the upside alternatives, for two investee companies, an enterprise value based upon break up sale proceeds and a third party offer (discounted by 10%) was used.

20 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 levels 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.

21 Segmental analysis

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

22 Post balance sheet events

From 8 March 2012 to the date of these financial statements, under the Linked Offer for subscription launched on 20 January 2012, 3,546,964 Ordinary shares were allotted at a price of 123.5 pence per share raising net funds of £4,145,844.

On 20 March 2012, the Company made separate investments of £1 million into each of the acquisition vehicles Almsworthy Trading Limited, Culbone Trading Limited, Madacombe Trading Limited and Sawrey Limited.

Matrix Income & Growth 4 VCT PLC

(Registered in England and Wales No. 3707697)

NOTICE of the ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Company will be held at 12.00 noon on Wednesday, 13 June 2012 at One Vine Street, London W1J 0AH for the purpose of considering and, if thought fit, passing the following resolutions of which, resolutions numbered 1 to 7 and resolution 10 will be proposed as ordinary resolutions and resolutions numbered 8 and 9 will be proposed as special resolutions:

1. To receive and adopt the audited annual report and accounts of the Company for the year ended 31 January 2012 ("Annual Report") together with the auditors' report thereon.

2. To approve the directors' remuneration report as set out in the Annual Report of the Company for the year ended 31 January 2012.

3. To appoint PKF (UK) LLP of Farringdon Place, 20 Farringdon Road, London, EC1M 3AP as auditors 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 auditors of the Company.

5. To re-elect Christopher Moore as a director of the Company.

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

7. 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 £357,498 (being approximately 124 per cent 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:

8. That, subject to the passing of resolution 7 set out in this notice and in substitution for any existing authorities, the directors of the Company be and hereby are empowered in accordance with sections 570 and 573 of the Act to allot or make offers or agreements to allot equity securities (as defined in section 560(1) of the Act) for cash, pursuant to the authority conferred upon them by resolution 7 set out in this notice, or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such sale or allotment, provided that the power conferred by this resolution shall 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 and issue of equity securities up to an aggregate nominal value representing £300,000 in connection with offer(s) for subscription;

   (ii) the allotment 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, 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.

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

(i) the aggregate number of shares which may be purchased shall not exceed 4,309,455 (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 Regulation (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:

10. 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

Matrix Private Equity Partners LLP
Company Secretary

Registered Office
One Vine Street
London W1J 0AH

Dated: 30 April 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 pm on 11 June 2012 (or, in the event of any adjournment, 6.00 pm on the 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.

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 11 June 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 12.00noon on 11 June 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 30 April 2012 (being the last business day prior to the publication of this notice), the Company's issued share capital consisted of 28,748,870 Ordinary Shares of 1p, carrying one vote each. Therefore, the total voting rights in the Company as at 30 April 2012 were 28,748,870.

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 11 June 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 11 June 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 Act members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor no later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Companies Act to publish on a website.

18. At the meeting shareholders have the right to ask questions relating to the business of the meeting and the Company is obliged under section 319A of the Act to answer such questions, unless; to do so would interfere unduly with the preparation of the meeting or would involve the disclosure of confidential information, if the information has been given on the Company's website, www.mig4vct.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.mig4vct.co.uk.

Corporate Information

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Andrew Robson
Helen Sinclair

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