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If you are in any doubt about the action to be taken, you should immediately consult your bank manager, stockbroker, solicitor, accountant or other independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your shares in Matrix Income & Growth VCT plc ("the Company"), please send this document and accompanying documents, as soon as possible, to the purchaser or transferee or to the stockbroker, independent financial adviser or other person through whom the sale or transfer was effected for delivery to the purchaser or transferee.

This document, which comprises a prospectus relating to the Company dated 14 April 2010, has been prepared in accordance with the prospectus rules made under Part VI of the Financial Services and Markets Act 2000 ("FSMA").

The Company and the Directors, whose names appear on page 11 of this document, accept responsibility for the information contained herein. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Charles Stanley Securities, a division of Charles Stanley & Co Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as sponsor for the Company and no-one else and will not be responsible to any other person for providing the protections afforded to customers of Charles Stanley Securities (subject to the responsibilities and liabilities imposed by FSMA and the regulatory regime established thereunder) in providing advice or in relation to any matters referred to in this document.

Martineau, which is regulated in the United Kingdom by the Solicitors Regulation Authority, is acting as legal adviser to the Company and Matrix Income & Growth 3 VCT plc and no-one else and will not be responsible to any other person for providing advice in connection with any matters referred to herein.

The existing Shares issued by the Company are listed on the Official List of the UK Listing Authority and traded on the London Stock Exchange's main market for listed securities. Application has been made to the UK Listing Authority for all of the new Shares to be issued ("New Shares") as described herein to be listed on the Official List and will be made to the London Stock Exchange for such New Shares to be admitted to trading on its main market for listed securities. It is expected that such admission will become effective and that trading in the New Shares will commence within three days of the allotment of such New Shares.

MATRIX INCOME & GROWTH VCT PLC

(Registered in England and Wales with registered number 05153931)

Prospectus

**relating to the issue of New Shares in connection
with the scheme of reconstruction of
Matrix Income & Growth 3 VCT plc**

The attention of Shareholders of the Company who are resident in, or citizens of, territories outside the United Kingdom is drawn to the information under the heading "Overseas Shareholders" in paragraph 5 of Part IX of this document. In particular, the New Shares to be issued pursuant to the Scheme have not and will not be registered under the United States Securities Act 1933 or the United States Investment Company Act 1990.

Persons receiving this document should carefully consider the risk factors on pages 7 and 8 of this document.

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SUMMARY

This summary should be read as an introduction to this Prospectus. Any decision to invest in the transferable securities of the Company should be based on consideration of the Prospectus as a whole by such investors. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary including any translation of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

Background

In September 2004, the Merger Regulations were introduced allowing VCTs to merge with each other without prejudicing tax reliefs obtained by shareholders. As a VCT becomes fully invested, its liquid assets may start to decrease and its running costs can become a proportionally greater burden. A larger VCT is, therefore, better placed to absorb such running costs and may, as a result, be able to pay a higher level of dividends.

Merger with VCT 3

The Company and VCT 3 have the same directors, investment manager, investment policies and advisers. The Board has reached an agreement to merge the two companies creating an Enlarged Company with net assets of over £32 million. The Board considers that this merger will bring material benefits to both groups of shareholders through:

- a reduction in annual running costs for the Enlarged Company compared to the aggregate annual running costs of the separate companies, in particular through the reduction in directors' and advisers' fees;
- the creation of a single VCT of a more efficient size with a greater capital base over which to spread annual costs;
- participation in a large VCT with the longer term potential for a more diversified portfolio thereby spreading risk across a broader range of investments and creating an increased ability to support follow-on investments;
- an increased ability to maintain a buy-back programme and the potential to increase future dividends due to a reduced level of annual expenses, as well as a reduced need to retain funds to meet them;
- increased flexibility in continuing to meet the various requirements for qualifying VCT status; and
- the potential of greater liquidity in the secondary market.

Merger with VCT 3

The Scheme will be effected by VCT 3 being placed into members' voluntary liquidation and for all of its assets and liabilities being transferred to the Company in consideration for new Shares (New Shares) being issued directly to the shareholders of VCT 3 on a relative net asset value basis.

Effect of the Scheme

As at 31 December 2009, the audited NAV per Share of the Company (taken from the audited financial statements of the Company to 31 December 2009) was 83.34p. The Merger Value per Share (this being the audited NAV of the Company as at 31 December 2009, after adjustments in relation to the Scheme, anticipated merger costs and recent interim dividends declared, divided by the number of Shares in issue) would have been 77.68p had the Scheme been implemented on that date.

As at 31 December 2009, the audited NAV of a VCT 3 Share (taken from the audited financial statements of VCT 3 to 31 December 2009) was 90.04p. The Roll-Over Value (this being the audited NAV of VCT 3 as at 31 December 2009, after adjustments in relation to the Scheme, anticipated merger costs and recent

interim dividends declared, divided by the number of VCT 3 Shares in issue) would have been 85.27p (assuming no dissenting VCT 3 shareholders) had the Scheme been implemented on that date.

The number of New Shares to be issued to the VCT 3 shareholders would then have been calculated by multiplying the number of VCT 3 Shares in issue by the Merger Ratio, this being the Roll-Over Value divided by the Company's Merger Value. The New Shares would then have been issued to the VCT 3 shareholders pro-rata to shareholdings on that date (disregarding for these purposes dissenting VCT 3 shareholders and the amounts required to purchase such VCT 3 Shares held). This would effectively have given 1.0977 New Shares for every VCT 3 Share held (assuming no dissenting VCT 3 shareholders), 21,306,522 New Shares in aggregate, had the merger been completed on 31 December 2009.

The Board

The current Board comprises four non-executive directors: Keith Niven (Chairman), Bridget Guérin, Christopher Moore and Tom Sooke.

The Board sets the Company's policies and objectives and ensures that its obligations to the Shareholders are met. The Board has overall responsibility for the Company's affairs, including approving valuations and NAVs (recommended by Matrix Private Equity) and, together, its members have significant relevant experience of similar investment funds, regulatory organisations, corporate governance of listed companies, the private equity industry and investee companies.

Subject to the merger becoming effective, Christopher Moore has agreed to resign as a director of the Company.

Revised Management Fees

Matrix Private Equity is the investment manager of the Company and, following a reorganisation of the Matrix group of companies, now also provides administration services in place of Matrix-Securities Limited.

The current management and administration fees payable to Matrix Private Equity are 2 per cent. of the net assets of the Company (inclusive of VAT) and 0.3 per cent. of the aggregate amount raised by the Company (plus VAT) respectively. Equivalent management and administration fee arrangements exist in VCT 3.

Matrix Private Equity is also currently entitled to performance incentive fees of an amount equivalent to 20 per cent. of subsequent cash distributions made to shareholders in the Company (whether by dividend or otherwise) over and above an annual target return of 6p per Share (index linked from the third accounting period), subject to maintenance of a high watermark of NAV per Share of 100p (any cumulative shortfall against the annual target return must also be made up before any entitlement arises). An equivalent performance incentive fee entitlement exists in VCT 3 (save that the entitlement is shared between Matrix Private Equity and Matrix Group Limited 75:25 unless agreed otherwise between them).

The existing management and administration arrangements between the Company, Matrix Private Equity and Matrix-Securities Limited will be replaced with a new investment management agreement between the Enlarged Company and Matrix Private Equity covering both management and administration services. The new agreement will provide for an annual fee of an amount equivalent to 2 per cent. of the net assets of the Company (exclusive of VAT, if any) plus £120,000 (inclusive of VAT, if any), the £120,000 being subject to increases in the Retail Prices Index. The terms of this new agreement will otherwise be substantially the same as those currently applicable for the Company and VCT 3.

The existing performance incentive arrangements will continue in the Enlarged Company save that the High Watermark, the Target Return and the cumulative Shortfall will be adjusted to an amount representing a weighted average performance of the companies. The aim of the adjustments is to equalise the existing Company and VCT 3 performance incentive entitlements and the Board believes these arrangements going forward reflect a fair and proportionate amalgamation of the arrangements which currently apply to the two companies.

Investment Objectives and Summary of the Investment Policy

The objective of the Company is to provide investors with a regular income stream, by way of tax-free dividends, and to generate capital growth which, following portfolio realisations, can be distributed by way of additional tax-free dividends.

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 buy-out transactions i.e. to support incumbent management teams in acquiring the business they manage but do not own. Investments are primarily made in companies that are established and profitable. No investment in any one company will represent more than 10 per cent. of the value of the Company's investments at the time of the investment.

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

The Company's Articles permit borrowings of amounts up to 10 per cent. of the sum equal to the aggregate of the amount paid up on the allotted or issued share capital of the Company and the amount standing to the credit of the capital and revenue reserves of the Company (whether or not distributable) after adding thereto or deducting therefrom any balance standing to the credit or debit of the profit and loss account. However, the Company has no current plans to undertake any borrowing.

The investment policy of the Enlarged Company will be the same as it currently is for the Company.

Dividend

Both the Company and VCT 3 have declared interim dividends for the year ended 31 December 2009 of 5.0p per Share and 4.0p per VCT 3 Share. These dividends have been declared as interim dividends in respect of the relevant company for the year to 31 December 2009, rather than final year end dividends, so that they can be paid prior to the merger being completed. These dividends (as these were unpaid as at 31 December 2009), will be taken into account as an adjustment in the merger calculations.

Following the merger, the Board intends to continue the policy of maximising dividend distributions to Shareholders from the income and capital gains generated by the portfolio.

Buy-Backs

The Board believes that it is in the best interests of the Company and its shareholders to make occasional market purchases of its Shares, given the limited secondary market for VCT shares generally, and to seek both to enhance NAV and to reduce to a degree any prevailing discount to NAV in the current market price than might otherwise prevail. The Board agrees the discount to NAV at which Shares will be bought back and regularly reviews this policy.

The Board intends to continue with the above buy-back policy following the merger and subject to the approval of Shareholders.

Risk Factors

An investment in the Company is subject to a number of risks, which could materially and adversely affect its value and a summary of the material risks is set out below:

- Completion of the Proposals is dependent upon a number of conditions precedent being fulfilled, including the approval of Shareholders and the Scheme becoming effective. If the merger is not approved and effected, the benefits of the merger will not be realised.
- The value of Shares can fluctuate and Shareholders may not get back the amount they invested.
- Although the existing Shares have been (and it is anticipated that the New Shares to be issued pursuant to the Scheme will be) admitted to the Official List and are (or will be) traded on the London Stock Exchange's market for listed securities, the secondary market for VCT shares is generally illiquid

and Shareholders may find it difficult to realise their investment. An investment in the Company should, therefore, be considered as a long-term investment.

- The past performance of the Company, VCT 3 and/or Matrix Private Equity is no indication of future performance.
- The Company's investments may be difficult, and take time, to realise.
- It can take a period of years for the underlying value or quality of the businesses of smaller companies, such as those in which the Company invests, to be fully reflected in their market values.
- Investment in AIM-traded, PLUS market-traded and unquoted companies, by its nature, involves a higher degree of risk than investment in companies listed on the Official List.
- Whilst it is the intention of the Board that the Company will continue to be managed so as to qualify as a VCT, there can be no guarantee that such status will be maintained. Failure to continue to meet the qualifying requirements could result in Shareholders losing the tax reliefs available for VCT shares, resulting in adverse tax consequences.
- If a Shareholder disposes of his or her Shares within five years of issue (three years if such Shares were issued on or between 6 April 2000 and 5 April 2006), he or she will be subject to clawback by HMRC of any income tax reliefs originally claimed.
- If at any time VCT status is lost for the Company, dealings in its Shares will normally be suspended until such time as proposals to continue or to be wound-up have been announced.
- The tax rules, or their interpretation, in relation to an investment in the Company and/or the rates of tax may change during the life of the Company and may apply retrospectively.
- Any purchaser of existing Shares in the secondary market will not qualify for the then (if any) available tax reliefs afforded to subscribers of new VCT shares on the amount invested.
- Shareholders may be adversely affected by the performance of the investments, whether acquired from VCT 3 or made by the Company, which may restrict the ability of the Company following the merger to distribute any capital and revenue gains achieved on the investments transferred from VCT 3 to the Company (as well as the investments of the Company).
- Shareholders may be adversely affected by a change in the VCT status of the Company if a number of the investments acquired from VCT 3, or the investments of the Company, are or become unable to meet VCT requirements and the Enlarged Company could also be adversely affected by the VCT investment restrictions which currently allow the Company and VCT 3 to co-invest, in aggregate, larger amounts of funds.

Taxation

The implementation of the Scheme should not affect the status of the Company as a VCT or the tax reliefs obtained by Shareholders on subscription for existing Shares. No UK stamp duty will be payable directly by Shareholders as a result of the implementation of the Scheme (UK stamp duty will be payable by the Company on the transfer of the VCT 3 assets and liabilities)

It is the intention of the Board to continue to comply with the requirements of ITA 2007 following implementation of the Scheme so as to continue to qualify as a VCT.

The effective exchange of existing VCT 3 Shares for New Shares should not constitute a disposal of the existing VCT 3 Shares for the purposes of UK taxation. Instead, the new holding of New Shares should be treated as having been acquired at the same time and at the same cost as the existing VCT 3 Shares from which they are derived. Any capital gains tax deferral relief obtained on subscription of the existing VCT 3 Shares should not, therefore, be crystallised for payment but will be transferred to the New Shares.

RISK FACTORS

Shareholders and prospective Shareholders should consider carefully the following risk factors in addition to the other information presented in this document. If any of the risks described below were to occur, it could have a material effect on the Company's business, financial condition or results of operations. The risks and uncertainties described below are not the only ones the Company, the Board or Shareholders will face. Additional risks not currently known to the Company or the Board, or that the Company or the Board currently believe are not material, may also adversely affect the Company's business, financial condition or results of operations. The value of the Shares could decline due to any of the risk factors described below and Shareholders could lose part or all of their investment. Shareholders and prospective Shareholders should consult an independent financial adviser authorised under FSMA. References to the Company should be taken as including the Enlarged Company.

Completion of the Proposals is dependent upon a number of conditions precedent being fulfilled, including the approval of Shareholders and the Scheme becoming effective. Whilst the Board has identified a number of potential benefits for the Enlarged Company, there is no certainty that these benefits will lead to improved prospects for the Enlarged Company. If the merger is not approved and effected, the benefits of the merger will not be realised.

The value of Shares can fluctuate and Shareholders may not get back the amount they invested. In addition, there is no certainty that the market price of Shares will fully reflect their underlying NAV or that any dividends will be paid, nor should Shareholders rely upon any Share buy-back policy to offer any certainty of selling their Shares at prices that reflect the underlying NAV.

Although the existing Shares have been (and it is anticipated that the New Shares to be issued pursuant to the Scheme will be) admitted to the Official List and are (or will be) traded on the London Stock Exchange's market for listed securities, the secondary market for VCT shares is generally illiquid and, therefore, there may not be a liquid market (which may be partly attributable to the fact that initial tax reliefs are not available for VCT shares generally bought in the secondary market and because VCT shares usually trade at a discount to NAV) and Shareholders may find it difficult to realise their investment. An investment in the Company should, therefore, be considered as a long-term investment.

The past performance of the Company, VCT 3 and/or Matrix Private Equity is no indication of future performance. The return received by Shareholders will be dependent on the performance of the underlying investments. The value of such investments, and interest income and dividends therefrom, may rise or fall.

Although the Company may receive customary venture capital rights in connection with some of its unquoted investments, as a minority investor it may not be in a position to fully protect its interests.

The Company's investments may be difficult, and take time, to realise. There may also be constraints imposed on the realisation of investments in order to maintain the VCT tax status of the Company.

It can take a period of years for the underlying value or quality of the businesses of smaller companies, such as those in which the Company invests, to be fully reflected in their market values and their market values are often also materially affected by general market sentiment, which can be negative for prolonged periods.

Investment in unquoted companies (including AIM-traded and PLUS market-traded companies), by its nature, involves a higher degree of risk than investment in companies listed on the Official List. In particular, small companies often have limited product lines, markets or financial resources and may be dependent for their management on a small number of key individuals and may be more susceptible to political, exchange rate, taxation and other regulatory changes. In addition, the market for securities in smaller companies is usually less liquid than that for securities in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such securities. Proper information for determining their value or the risks to which they are exposed may also not be available. Investment returns will, therefore, be uncertain and involve a higher degree of risk than investment in a company listed on the Official List.

To the extent that the investee companies are unable to pay the interest on the loan stock instruments, the Company's income return will be adversely affected.

Investee companies may have debt, such as bank loans, which rank ahead of the loan stock issued to the Company.

Where more than one of the funds managed or advised by Matrix Private Equity wishes to participate in an investment opportunity, allocations will generally be made in proportion to the net funds raised and allocated by Matrix Private Equity for each fund. When one of the funds managed or advised by Matrix Private Equity is in its fund raising period, its net funds raised, for the purpose of allocation, will be assumed to be the value of shares allotted at the time the allocation calculation is made. Implementation of this policy will be subject to the availability of funds to make the investment and other portfolio considerations such as sector exposure and the requirement to achieve or maintain a minimum of 70 per cent. of a particular VCT's portfolio in VCT qualifying holdings. This may mean that the Company may receive a greater or lesser allocation than would otherwise be the case under the normal co-investment policy.

Whilst it is the intention of the Board that the Company will continue to be managed so as to qualify as a VCT, there can be no guarantee that such status will be maintained. Failure to continue to meet the qualifying requirements could result in Shareholders losing the tax reliefs available for VCT shares, resulting in adverse tax consequences including, if the holding has not been held for the relevant holding period, a requirement to repay the tax reliefs obtained. Furthermore, should the Company lose its VCT status, dividends and gains arising on the disposal of Shares would become subject to tax and the Company would also lose its exemption from corporation tax on its capital gains.

If a Shareholder disposes of his or her Shares within five years of issue (three years if such Shares were issued on or between 6 April 2000 and 5 April 2006), he or she will be subject to clawback by HMRC of any income tax reliefs originally claimed. For these purposes, the date of issue of the New Shares issued pursuant to the Scheme will be the original date of issue of the VCT 3 Shares in respect of which such New Shares are issued.

If at any time VCT status is lost for the Company, dealings in its Shares will normally be suspended until such time as proposals to continue or to be wound-up have been announced.

The tax rules, or their interpretation, in relation to an investment in the Company and/or the rates of tax may change during the life of the Company and may apply retrospectively.

Any purchaser of existing Shares in the secondary market will not qualify for the then (if any) available tax reliefs afforded to subscribers of new VCT shares on the amount invested.

Changes in legislation, including those proposed in the Pre-Budget Report 2009, concerning VCTs in general and qualifying holdings and qualifying trades in particular, may limit the number of new qualifying investment opportunities and/or reduce the level of returns which would otherwise have been achievable.

Shareholders may be adversely affected by the performance of the investments, whether acquired from VCT 3 or made by the Company. The performance of the investments acquired from VCT 3 as well as the investments of the Company, may restrict the ability of the Company following the merger to distribute any capital and revenue gains achieved on the investments transferred from VCT 3 to the Company (as well as the investments of the Company). Any gains (or losses) made on the investments of the Company will, following the Scheme, be shared amongst the holders of all Shares then in issue.

Shareholders may be adversely affected by a change in the VCT status of the Company if a number of the investments acquired from VCT 3, or the investments of the Company, are or become unable to meet VCT requirements. In addition, as VCT investment restrictions are assessed per VCT, the Enlarged Company could be adversely affected by the VCT investment restrictions which currently allow the Company and VCT 3 to co-invest, in aggregate, larger amounts of funds.

EXPECTED TIMETABLES

EXPECTED TIMETABLE FOR THE COMPANY

Dividend record date	26 March 2010
Dividend payment date	21 April 2010
Latest time for receipt of forms of proxy for the Annual General Meeting	11.00 a.m. on 10 May 2010
Latest time for receipt of forms of proxy for the Extraordinary General Meeting	11.30 a.m. on 10 May 2010
Annual General Meeting	11.00 a.m. on 12 May 2010
Extraordinary General Meeting	11.30 p.m. on 12 May 2010
Calculation Date	after 5.00 p.m. on 19 May 2010
Effective Date for the transfer of the assets and liabilities of VCT 3 to the Company and the issue of New Shares pursuant to the Scheme*	20 May 2010
Announcement of the results of the Scheme	20 May 2010
Admission of and dealings in the New Shares to commence	21 May 2010
CREST accounts credited with New Shares	24 May 2010
Certificates for the New Shares dispatched	26 May 2010

(*this will, therefore, be the final expected date of trading of the VCT 3 Shares).

EXPECTED TIMETABLE FOR VCT 3

VCT 3 dividend record date	26 March 2010
VCT 3 dividend payment date	21 April 2010
Date from which it is advised that dealings in VCT 3 Shares should only be for cash settlement and immediate delivery of documents of title	3 May 2010
Latest time for receipt of forms of proxy for the Annual General Meeting	11.15 a.m. on 10 May 2010
Latest time for receipt of forms of proxy for the VCT 3 First Extraordinary General Meeting	11.45 a.m. on 10 May 2010
VCT 3 Annual General Meeting	11.15 a.m. on 12 May 2010
VCT 3 First Extraordinary General Meeting	11.45 a.m. on 12 May 2010
Latest time for receipt of forms of proxy for the VCT 3 Second Extraordinary General Meeting	11.00 a.m. on 18 May 2010
Record Date for VCT 3 shareholders' entitlements under the Scheme	19 May 2010
VCT 3 Register of Members closed	19 May 2010
Calculation Date	after 5.00 p.m. on 19 May 2010
Dealings in VCT 3 Shares suspended	7.30 a.m. on 20 May 2010
VCT 3 Second Extraordinary General Meeting	11.00 a.m. on 20 May 2010
Effective Date for the transfer of the assets and liabilities of VCT 3 to the Company and the issue of New Shares*	20 May 2010
Announcement of the results of the Scheme	20 May 2010
Cancellation of the VCT 3 Shares' listings	8.00 a.m. on 21 May 2010

(*see timetable for the Company on page 9 with regard to admission, CREST accounts being credited and certificates being dispatched).

CORPORATE INFORMATION

Directors

Keith Melville Niven (Chairman)
Bridget Elisabeth Guérin
Christopher Mark Moore
Thomas Peter Sooke
(all of the registered office)

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EC2A 1NT

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Matrix Corporate Capital LLP
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London
W1J 0AH

(*it is proposed to formally appoint Matrix Private Equity as the Company Secretary following the Extraordinary General Meeting)

DEFINITIONS

“AIM”	AIM, a market operated by the London Stock Exchange
“Annual General Meeting”	the annual general meeting of the Company to be held on 12 May 2010
“Articles”	the articles of association of the Company, as amended from time to time
“Board” or “Directors”	the board of directors of the Company
“CA 1985”	Companies Act 1985, as amended
“CA 2006”	Companies Act 2006, as amended
“Calculation Date”	the date on which the Roll-Over Value and the Merger Value will be calculated, this being after the close of business on 19 May 2010
“Charles Stanley Securities”	Charles Stanley Securities, a division of Charles Stanley & Co Limited, which is authorised and regulated by the Financial Services Authority, is a UKLA registered sponsor and is a member of the London Stock Exchange
“Companies Acts”	CA 1985 and CA 2006
“Company”	Matrix Income & Growth VCT plc
“Disclosure & Transparency Rules”	the disclosure and transparency rules of the FSA
“Effective Date”	the date on which the Scheme will be completed, this is anticipated as being 20 May 2010
“Enlarged Company”	the Company, following implementation of the Scheme
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held on 12 May 2010
“FSA”	the Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000, as amended
“HMRC”	Her Majesty’s Revenue & Customs
“IA 1986”	Insolvency Act 1986, as amended
“ICTA 1988”	Income and Corporation Taxes Act 1988, as amended
“ITA 2007”	Income Tax Act 2007, as amended
“Liquidators”	William Duncan and Jonathan Paul Philmore of RSM Tenon Limited, Unit 1, Calder Close, Calder Park, Wakefield WF4 3BA being the proposed liquidators for VCT 3
“Listing Rules”	the listing rules of the UKLA
“London Stock Exchange”	London Stock Exchange plc
“Matrix Private Equity” or “Investment Manager”	Matrix Private Equity Partners LLP, the investment manager to the Company and VCT 3, of One Vine Street, London W1J 0AH

“Merger Ratio”	the Roll-Over Value divided by the Merger Value
“Merger Regulations”	Venture Capital Trusts (Winding-up and Mergers) (Tax) Regulations 2004
“Merger Value”	the value of a Share calculated in accordance with paragraph 4 of Part IV of this document
“NAV” or “net asset value”	net asset value
“New Shares”	the new Shares (these being of the same class as the existing Shares) to be issued by the Company to VCT 3 shareholders in accordance with the Scheme (and each a “New Share”)
“Official List”	the official list of the UKLA
“Proposals”	the proposals to effect the merger by way of the Scheme and pass the resolutions to be proposed at the Meeting
“Prospectus”	the prospectus issued by the Company dated 14 April 2010
“Prospectus Rules”	the prospectus rules of the UKLA
“Record Date”	the record date to which entitlements will be allocated pursuant to the Scheme (as the context permits), this being 19 May 2010
“Revised Performance Incentive Arrangements”	the revised performance incentive arrangements proposed to be entered into between the Company and Matrix Private Equity, which constitute a related party transaction under the Listing Rules, as described on pages 26 and 27
“Roll-Over Value”	the value of a VCT 3 Share calculated in accordance with paragraph 4 of Part IV of this document
“Scheme”	the proposed merger of the Company with VCT 3 by means of placing VCT 3 into members’ voluntary liquidation pursuant to Section 110 of IA 1986 and the acquisition by the Company of all of VCT 3’s assets and liabilities in consideration for New Shares, further details of which are set out in Part IV of this document
“Shareholder”	a holder of Shares
“Shares”	ordinary shares of 1p each in the capital of the Company (and each a “Share”)
“TCGA 1992”	Taxation of Chargeable Gains Act 1992, as amended
“Transfer Agreement”	the agreement between the Company and VCT 3 (acting through the Liquidators) for the transfer of all of the assets and liabilities of VCT 3 by the Liquidators to the Company pursuant to the Scheme
“UK”	the United Kingdom
“UKLA” or “UK Listing Authority”	the UK Listing Authority, being the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
“VCT” or “venture capital trust”	a company satisfying the requirements of Chapter 3 of Part 6 of ITA 2007 for venture capital trusts

“VCT 3”	Matrix Income & Growth 3 VCT plc, registered in England and Wales under number 05537979, whose registered office is at One Vine Street, London W1J 0AH
“VCT 3 Board”	the board of directors of VCT 3
“VCT 3 Circular”	the circular to VCT 3 shareholders dated 14 April 2010
“VCT 3 First Extraordinary General Meeting”	the first extraordinary general meeting of VCT 3 to be held on 12 May 2010
“VCT 3 Meetings”	the VCT 3 First Extraordinary General Meeting and the VCT 3 Second Extraordinary General Meeting
“VCT 3 Shares”	ordinary shares of 1p each in the capital of VCT 3 (and each a “VCT 3 Share”)
“VCT 3 Second Extraordinary General Meeting”	the second extraordinary general meeting of VCT 3 to be held on 20 May 2010
“VCT Value”	the value of an investment calculated in accordance with Section 279 of ITA 2007

PART I

MERGER OF THE COMPANY AND VCT 3

Introduction

Your Board consider that the interests of the shareholders of the Company and VCT 3 will be better served by an enlarged single company, providing the potential for a more diverse investment portfolio, reduced annual costs and an increased level of funds available for investment. The most cost-effective way to achieve this is to complete a merger with VCT 3 by placing VCT 3 into members' voluntary liquidation and for all of its assets and liabilities to be transferred to the Company in exchange for the issue of New Shares to holders of VCT 3 Shares. The New Shares are not being offered to the existing Shareholders of the Company or the public, save as may be the case in connection with the Scheme.

Background

VCTs are required to be listed on the Official List, which involves a significant level of listing costs as well as related fees to ensure the VCT complies with all relevant legislation. As a VCT becomes fully invested, its net assets may start to decrease, primarily through dividends, buy backs and annual expenses. The running costs can become a proportionally greater burden which may have an adverse effect on a VCT's return for its shareholders. A larger VCT should therefore be better placed to spread such running costs and, as a result, may be able to pay a higher level of dividends to shareholders over its life.

In September 2004, the Merger Regulations were introduced allowing VCTs to be acquired by, or merge with, each other without prejudicing the VCT tax reliefs obtained by their shareholders. A number of VCTs have now taken advantage of these regulations to create larger VCTs where running costs can be spread over a substantially greater asset base.

With the above in mind, the Board entered into discussions with VCT 3 and Matrix Private Equity to consider a merger of the Company and VCT 3 to create a single, larger VCT with net assets of over £32 million (taking into account the dividends to be paid by the companies on 21 April 2010). The aim of the Board is to achieve strategic benefits and reductions in the annual running costs for both sets of shareholders whilst, in respect of the arrangements with Matrix Private Equity, a fair and proportionate amalgamation of the current arrangements across the two companies.

Merger with VCT 3

The merger will result in the creation of an Enlarged Company and should result in material cost savings and simpler administration. As both companies have the same directors, investment manager, investment policies and advisers, this is achievable without major additional cost or disruption to the portfolio of investments.

The Board considers that this merger will bring benefits to both groups of shareholders through:

- a reduction in annual running costs for the Enlarged Company compared to the aggregate annual running costs of the separate companies, in particular through the reduction in directors' and adviser's fees;
- the creation of a single VCT of a more efficient size with a greater capital base over which to spread annual costs;
- participation in a large VCT with the longer term potential for a more diversified portfolio thereby spreading risk across a broader range of investments and creating an increased ability to support follow-on investments;
- an increased ability to maintain a buy-back programme and the potential to increase future dividends due to a reduced level of annual expenses, as well as a reduced need, to retain funds to meet them;
- increased flexibility in continuing to meet the various requirements for qualifying VCT status; and
- the potential of greater liquidity in the secondary market.

The Board believes that the Proposals provide an efficient way of merging the companies with a lower level of costs compared with other merger routes. Although either of the companies could have acquired all of the assets and liabilities of the other, the Company was selected as the acquirer because the Company is the older of the VCTs with a more established portfolio and also because there is a marginal stamp duty saving which is expected to arise by the Company acquiring the assets and liabilities of VCT 3 rather than the other way round. Shareholders should note that the merger by way of the Scheme will be outside the provisions of the City Code on Takeovers and Mergers.

The Scheme

The Scheme will be completed and effected by VCT 3 being placed into members' voluntary liquidation and for all of its assets and liabilities being transferred to the Company in consideration for New Shares being issued directly to the shareholders of VCT 3. The merger with VCT 3 will be completed on a relative net asset value basis so that the VCT 3 Shares will effectively be merged into the Shares by reference to the Merger Ratio. The New Shares will be issued to the VCT 3 shareholders pro-rata to shareholdings on the Calculation Date (disregarding for these purposes dissenting VCT 3 shareholders and the amounts required to purchase such VCT 3 Shares held).

Following the transfer, the listing of the VCT 3 Shares will be cancelled and VCT 3 will be wound up.

A brief summary of the VCT 3 investment portfolio as at 31 December 2009 is as follows:

<i>Investment Portfolio</i>	<i>Number of Investments</i>	<i>Value (£'000)</i>
Unquoted	18	12,083
Other Investments	7	5,409

(As extracted from the audited financial statements of VCT 3 to 31 December 2009)

The Scheme is conditional upon:

- the passing of resolution 1 to be proposed at the Extraordinary General Meeting;
- notice of dissent not having been received from VCT 3 shareholders holding more than 10 per cent. in nominal value of its issued share capital under Section 111 IA 1986 (this condition may be waived by the VCT 3 Board); and
- the passing of the resolutions to be proposed at the VCT 3 Meetings.

Terms of the Scheme

The Scheme will be completed as follows:

On the Effective Date, Matrix-Securities Limited (on the instruction of the Liquidators) will calculate the VCT 3 Roll-Over Value and the Merger Value of the Company as set out below.

On the Effective Date, the Liquidators shall receive all the cash, undertakings and other assets and liabilities of VCT 3 and shall deliver to the Company:

- particulars of all of the assets and liabilities of VCT 3;
- a list certified by the registrars of the names and addresses of, and the number of shares and class held by, each of the shareholders of VCT 3 on the register at 5.30 p.m. on the Record Date;
- an estimate of the winding-up costs of VCT 3 which will form part of the costs of the Scheme; and
- the amount estimated to be required to purchase the holdings of any dissenting shareholders in VCT 3.

On the Effective Date, the Company and the Liquidators (on behalf of VCT 3) will enter into the Transfer Agreement (subject to such modifications as may be agreed between the parties thereto) pursuant to which the Liquidators will procure the transfer of all of the assets and liabilities of VCT 3 to the Company in exchange for the issue of New Shares (fully paid) to the shareholders of VCT 3 on the basis set out in paragraph 4 below.

In further consideration of such transfer of assets and liabilities of VCT 3 to the Company, the Company will, pursuant to the Transfer Agreement, undertake to pay all liabilities incurred by the Liquidators including but not limited to the implementation of the Scheme, the winding up of VCT 3 and the purchase for cash of any holdings of dissenting shareholders in VCT 3.

For the purposes of calculating the Merger Value and the Roll-Over Value and the number of New Shares to be issued, the following provisions will apply:

VCT 3

The Roll-Over Value will be calculated as:

$$\frac{(A + B) - (C + D)}{E}$$

where:

- A = the unaudited net asset value of VCT 3 as at close of business on the Calculation Date, calculated in accordance with VCT 3’s normal accounting policies;
- B = any adjustment that the Board consider appropriate to reflect any other actual or contingent benefit or liability of VCT 3 (including any dividends to be paid);
- C = VCT 3’s pro rata proportion (by reference to the Roll-Over Value and Merger Value, but ignoring merger costs) of the costs of the merger plus £10,000 (representing an amount of contingency to cover any unforeseen additional costs attributable to VCT 3 incurred by the Company, which will indemnify the Liquidators in respect of all costs of VCT 3 following the transfer on the Effective Date);
- D = the amount estimated to be required to purchase the holdings of VCT 3 Shares from dissenting VCT 3 shareholders; and
- E = the number of VCT 3 Shares in issue following close of business on the Record Date (save for any VCT 3 Shares held by dissenting VCT 3 shareholders).

The Company

The Merger Value will be calculated as follows:

$$\frac{(F + G) - H}{I}$$

where:

- F = the unaudited net asset value of the Company as at close of business on the Calculation Date, calculated in accordance with the Company’s normal accounting policies;
- G = any adjustment that the Board consider appropriate to reflect any other actual or contingent benefit or liability of the Company (including dividends to be paid);
- H = the Company’s pro rata proportion (by reference to the relative Roll-Over Value and Merger Value, but ignoring merger costs) of the costs of the merger; and
- I = the number of the Shares in issue on the Record Date.

New Shares to be issued to VCT 3 shareholders

The number of New Shares to be issued to VCT 3 shareholders (save for any dissenting VCT 3 shareholders) will be calculated as follows:

$$\left(\frac{J}{K} \times E \right)$$

Where:

- J = the Roll-Over Value;
- K = the Merger Value; and
- E = the number of VCT 3 Shares in issue as at close of business on the Record Date (save for any VCT 3 Shares held by dissenting VCT 3 shareholders).

The New Shares to be issued pursuant to the Scheme will be issued directly to VCT 3 shareholders pro-rata to their existing holdings (disregarding VCT 3 Shares held by dissenting VCT 3 shareholders) on the instruction of the Liquidators.

Entitlements will be rounded down to the nearest whole number and any fractional entitlements (which will not exceed £5) will be sold in the market and the proceeds retained for the benefit of the Enlarged Company.

Where VCT 3 shareholders hold their VCT 3 Shares in certificated form, they will receive a new certificate for the New Shares issued and existing certificates will no longer be valid. VCT 3 shareholders who hold their VCT 3 Shares in CREST will have their CREST accounts credited with their new holding of New Shares.

Dividend payment mandates provided for VCT 3 Shares will, unless holders of VCT 3 Shares advise otherwise, be transferred to the Company.

Application has been made to the UKLA for the New Shares to be listed on the Official List and will be made to the London Stock Exchange for such New Shares to be admitted to trading on its market for listed securities. The New Shares will rank *pari passu* with the existing issued Shares from the date of issue.

Effect of the Scheme

As at 31 December 2009, the audited NAV per Share of the Company (taken from the audited financial statements of the Company to 31 December 2009) was 83.34p. The Merger Value per New Share (this being the audited NAV of the Company as at 31 December 2009, after adjustments in relation to the Scheme, anticipated merger costs and recent interim dividends declared, divided by the number of Shares in issue, would have been 77.68p had the Scheme been implemented on that date.

As at 31 December 2009, the audited NAV of a VCT 3 Share (taken from the audited financial statements of VCT 3 to 31 December 2009) was 90.04p. The Roll-Over Value (this being the audited NAV of VCT 3 as at 31 December 2009, after adjustments in relation to the Scheme, anticipated merger costs and recent interim dividends declared, divided by the number of VCT 3 Shares in issue), would have been 85.27p (assuming no dissenting VCT 3 shareholders) had the Scheme been implemented on that date.

The number of New Shares to be issued to the VCT 3 shareholders would then have been calculated by multiplying the number of VCT 3 Shares in issue by the Merger Ratio, this being the Roll-Over Value divided by the Company's Merger Value. This would effectively have given 1.0977 New Shares for every VCT 3 Share held (assuming no dissenting VCT 3 shareholders), 21,306,522 New Shares in aggregate, had the merger been completed on 31 December 2009.

The opening unaudited NAV of the Shares in aggregate would have been £32,377,396 as at 31 December 2009.

Should the Scheme not become effective, the Company will continue in its current form and the Board will continue to keep the future of the Company under review.

Further information is set out in Part V of this document on the expected financial position of the Enlarged Company had the merger by way of the Scheme been implemented as at 31 December 2009.

Taxation

The following paragraphs apply to the Company and to persons holding Shares as an investment in the Company who are the absolute beneficial owners of such Shares (or, as the case may be, New Shares) and are resident in the UK. They may not apply to certain classes of persons, such as dealers in securities. The following information is based on current UK law and practice, is subject to changes therein, is given by way of general summary and does not constitute legal or tax advice.

If you are in any doubt about your position, or if you may be subject to tax in a jurisdiction other than the UK, you should consult your independent financial adviser.

The Company and Shareholders

The Company

The implementation of the Scheme should not affect the status of the Company as a VCT or the tax reliefs obtained by Shareholders on subscription for existing Shares. It is the intention of the Board to continue to comply with the requirements of ITA 2007 following implementation of the Scheme so as to continue to qualify as a VCT.

VCT 3 Shareholders

The effective exchange of existing VCT 3 Shares in VCT 3 for New Shares should not constitute a disposal of the existing VCT 3 Shares for the purposes of UK taxation. Instead, the new holding of New Shares should be treated as having been acquired at the same time and at the same cost as the existing VCT 3 Shares from which they are derived. Any capital gains tax deferral relief obtained on subscription of the existing Shares in the Company should not, therefore, be crystallised for payment but will be transferred to the New Shares.

For VCT 3 shareholders holding (together with their associates) more than 5 per cent. of the VCT 3 Shares in issue, clearance has been obtained from HMRC in terms of Section 138 of TCGA 1992 that the treatment described above for persons who (together with their associates) own less than 5 per cent. of the VCT 3 Shares should also apply to them.

Shareholders in the Company as a VCT, should be afforded the usual tax reliefs available to shareholders in VCTs. Qualifying shareholders should continue to receive tax-free dividends and should not be subject to UK taxation on any capital gains on the disposal of Shares.

Dissenting VCT 3 Shareholders

Dissenting VCT 3 shareholders whose holdings are purchased for cash at the break value price shall be treated as having disposed of their existing VCT 3 Shares. VCT 3 should still be able to claim the benefit of VCT status and the dissenting VCT 3 shareholder should not be subject to any UK taxation in respect of any capital gains arising on disposal. However, the purchase will constitute a disposal of the existing holding in VCT 3 and a dissenting VCT 3 shareholder will be liable to pay any capital gains tax for which such dissenting VCT 3 shareholder obtained deferral relief on subscription.

If the dissenting VCT 3 shareholder has disposed of VCT 3 Shares within the holding period required to retain upfront tax relief, income tax relief on those subscriptions will also be repayable. As VCT 3 should still be able to claim the benefit of VCT status whilst in liquidation under the Merger Regulations the dissenting VCT 3 shareholder should not be subject to any UK taxation in respect of any capital gains arising from the disposal.

Clearances

Clearance has been obtained from HMRC in respect of the Scheme under Section 701 ITA 2007 and Section 138 TCGA 1992. With regard to the former, the receipt of New Shares should not, except in the case of dealers, fall to be regarded as an income receipt for the purposes of UK taxation.

Clearance has also been obtained from HMRC that the Scheme meets the requirements of the Merger Regulations and as such the receipt by Shareholders of New Shares should not prejudice tax reliefs obtained by Shareholders on existing Shares in the Company and should not be regarded as a disposal.

Stamp Duty and Stamp Duty Reserve Tax

Although the Company will be required to pay UK stamp duty on the transfer to it of the assets and liabilities of VCT 3 (which form part of the merger costs being allocated to both the Company and VCT 3), no UK stamp duty or stamp duty reserve tax will be payable by VCT 3 shareholders as a result of the implementation of the Scheme.

PART II

INFORMATION ON THE COMPANY

Constitution and Status

The Company was incorporated and registered in England and Wales under CA 1985 as a public company with limited liability on 15 June 2004 with registered number 0515391.

The Company was issued with a trading certificate under section 117 of CA 1985 (now section 761 of CA 2006) on 1 July 2004.

The Company operates under the Companies Acts and the regulations made thereunder.

VCTs are unregulated but are required to manage their affairs to obtain and maintain approval as a VCT under the provisions of chapter 3 of Part 6 of ITA 2007. HMRC has granted approval of the Company as a VCT under section 259 of ITA 2007 for the period ended 31 December 2009.

The business of the Company has been, and it is intended will be, carried on so as to continue to comply with that section to maintain full approval.

The Company is not authorised and/or regulated by the FSA or an equivalent overseas regulator. The Company's Shares are listed on the Official List.

Selected Financial Information

Certain selected financial information is set out below:

	<u>Year ended 31 December</u>		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
Investment Income and deposit interest	£1,231,117	£1,153,512	£399,661
Revenue return/(loss) on ordinary activities before taxation	£756,111	£584,360	£9,438
Total Earnings per Share	18.65p	(19.89)p	(2.73)p
Dividends paid per Share	2.4p	11.1p	1.0p
Net assets	£25,727,915	£17,998,562	£16,979,370
NAV per share	116.89p	86.54p	83.34

The Board declared interim dividends for the year ended 31 December 2009 of 5.0p per Share to be paid on 21 April 2010 to the holders of Shares on the Company's register on 26 March 2010 (i.e. prior to the merger being effected).

As at 31 December 2009, the audited net assets of the Company (taken from the audited financial statements of the Company to 31 December 2009) was £16,979,370 (83.34p per Share).

Board of Directors

The current Board comprises four non-executive directors: Keith Niven (Chairman), Bridget Guérin, Christopher Moore and Tom Sooke. Christopher Moore is currently a director of Matrix Income & Growth 4 VCT plc, another VCT managed by Matrix Private Equity. It is intended that Christopher Moore will take over as chairman of Matrix Income & Growth 4 VCT plc and, as for these purposes he will need to be an independent director (common directors across VCTs managed by the same investment manager will no longer be regarded as independent under the Listing Rules), was proposing to resign as a director of the Company in September 2010. In addition, the Board has considered the size and future composition of the Enlarged Company's Board. It has been concluded, that a board of three directors would be more cost effective going forward. In light of the merger, and subject to it becoming effective, Christopher Moore has agreed to bring his resignation as a director of the Company forward and resign following the merger becoming effective.

The current annual directors' fees for the Company are £80,000 and across both the Company and VCT 3 are £145,000. The annual remuneration for the remaining members of the Board will be increased to £25,000 for Keith Niven and Tom Sooke and £20,000 for Bridget Guérin resulting in the aggregate annual remuneration for the Board following the merger being £70,000, which is a cost saving of £75,000 per annum across the two companies. The Board will review the constitution and performance of the Board members following the passing of a year from the merger.

The Board sets the Company's policies and objectives and ensures that its obligations to the Shareholders are met. The Board has overall responsibility for the Company's affairs, including approving valuations and NAVs (calculated by Matrix Private Equity), and, together, its members have significant relevant experience of similar investment funds, regulatory organisations, corporate governance of listed companies, the private equity industry and investee companies.

The Directors are:

Keith Niven

Keith has over 30 years' experience in the financial services industry, most of which was spent at Schroder Investment management Limited, the fund management arm of Schrodgers plc, where he was appointed joint vice-chairman in 2000. He held a number of other senior positions within Schrodgers including managing director of its UK institutional fund management business, Schroder Unit Trusts Limited, from 1992 to 2001. He retired from Schrodgers in October 2001. Keith is also non-executive Chairman of Matrix Income & Growth 3 VCT plc and a non-executive director of three other trusts, Schroder UK Growth Fund plc, Schroder Income Growth Fund plc and Impax Environmental Markets plc. Keith is an investment adviser to the Rolls-Royce Pension Fund and a director of the Trossachs Community Trust.

Bridget Guérin

Bridget is managing director of Matrix Money Management Limited, a wholly owned subsidiary of Matrix Group Limited which is a specialist financial services company. Prior to joining Matrix, Bridget accumulated 16 years' of retail investment fund experience at Schroder Unit Trusts Limited, Ivory & Sime and County NatWest. Bridget sits on the Board of Matrix Income & Growth 3 VCT plc, the Matrix Alternative Investment Strategies Fund Limited, an open ended fund of hedge funds, and Matrix Structured Products Limited, a closed ended fund based in Bermuda.

Christopher Moore

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 turn-around of a public industrial group. Christopher is currently on the boards of Matrix Income & Growth 3 VCT plc, Matrix Income & Growth 4 VCT plc and The Income & Growth VCT plc.

Tom Sooke

Tom is an experienced venture capitalist who is currently on the board of Matrix Income & Growth 3 VCT plc. Tom is also a director of CitiCourt Associates Limited and Braxxon Consulting Limited. In recent years he has been chairman and non-executive director of a number of quoted and unquoted private equity funds and other companies. Previously, up until 1991, he was a partner in Deloitte LLP, co-managing the firm's corporate advisory group in London. Prior to that he was a main board director at Granville Holdings plc, where he also established and ran its main private equity fund activities from 1980 to 1987. In 1983, whilst with Granville, Tom was also one of the co-founding members of the British Venture Capital Association.

Corporate Governance

The Board adopts the Association of Investment Companies Code of Corporate Governance ("AIC Code"), as revised in March 2009. The AIC Code addresses all principles set out in Section 1 of the Combined 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 Combined Code and paragraph 9.8.6 of the Listing Rules.

The Board believes that reporting against the principles of the AIC Code will provide better information to shareholders.

As at the date of this document, the Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code except where noted below. There are certain areas of the Combined Code that the AIC does not consider relevant to investment companies and with which the Company does not specifically comply, for which the AIC Code provides dispensation.

These areas are as follows:

- The role of the chief executive
- Executive directors' remuneration
- 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 Matrix Private Equity and Matrix-Securities Limited, the provision of VCT monitoring services by PricewaterhouseCoopers LLP, as well as the size of the Company's operations, gives the Board confidence that an internal audit function is not appropriate.

At least four formal Board meetings are scheduled every year and other meetings are held as necessary. Matters specifically reserved for decision by the Board have been defined. The primary focus at each quarterly Board meeting is overall strategy and a review of investment performance. The Board monitors the investments made by Matrix Private Equity to ensure that the overall investment portfolio is in line with the Company's investment policy. 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 is a matter for the Board as a whole. Where Directors have concerns which cannot be resolved about the running of the Company or a proposed action, 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 the Audit Committee has sufficient resources to undertake its duties.

The Directors were subject to election by Shareholders at the first Annual General Meeting following their appointment. Subject to the provisions of CA 1985 and CA 2006, one-third of the Directors retire from office by rotation at each Annual General Meeting, or if their number is not a multiple of three, the number nearest to but not greater than one-third. The Director retiring at each Annual General Meeting shall be the Director who has been longest in office since their last re-election.

As is common practice among Venture Capital Trusts, the Directors are not appointed for fixed terms, as the AIC Code requires. However, they are subject to re-election by shareholders at approximate intervals of three years, and each Director's appointment may be terminated on three months notice being given by the Company. With regard to tenure, the Board does not believe that length of service by itself leads to a closer relationship with Matrix Private Equity or necessarily affects a Director's independence of character or judgment. Thus, the independence of Directors will continue to be assessed on a case by case basis. Nonetheless, in accordance with the provisions of the Combined Code, any Director who has served for more than nine years will thereafter be subject to annual re-election by shareholders. None of the Directors has presently served for nine years or more.

The AIC Code states 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 servicing as chairman. The Board does not agree with this measure, as it does not believe that this situation of itself would lead to any loss of independence.

The Board has considered whether each Director is independent in character and judgment and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, the Directors' judgment and has concluded that all of the Directors are independent of the Investment Manager with the exception of Bridget Guérin. In particular, it has concluded that Christopher Moore's directorships of Matrix Income & Growth 3 VCT plc, Matrix Income & Growth 4 VCT plc and The Income & Growth VCT plc, Keith Niven's Chairmanship of Matrix Income & Growth 3 VCT plc and Tom Sooke's directorship of Matrix Income & Growth 3 VCT plc, all of which are also managed by Matrix Private Equity Partners LLP, do not materially prejudice the independence of the Directors concerned in respect of the Combined Code as re-stated in principle 2 of the AIC Code. Bridget Guérin's interest in the agreements for the provision of investment management services and administration services are detailed in full in paragraph 4.5 of Part IX of this Prospectus.

The Board assessed the independence of the Chairman on appointment and concluded that he fully met the independence criteria as identified in the Combined Code, as re-stated in principle 1 of the AIC Code. The Chairman also chairs Matrix Income & Growth VCT 3 plc and accordingly the requirement that the Chairman should not serve on any boards of an investment company managed by the same manager has not been met. However, the Board considers that the Chairman's independence has not been materially prejudiced. As recommended by the AIC Code, the Directors monitor the continuing independence of the Chairman and inform the Chairman of their discussion.

For the reasons described above, and bearing in mind the relationships referred to, the Board has no hesitation in emphasising the personal integrity, experience and professionalism of the individual directors and their overall independence in character and judgment.

The Board recognises, however, that as from October 2010 the Company will be required under the Listing Rules to have an independent chairman and a majority of independent Directors where the tests for independence, *inter alia*, preclude directors from serving on the boards of more than one company managed by the same investment manager. The Board is of the view that it will have an independent chairman and that a majority of the directors will be independent following the merger.

The Board places great emphasis on the requirement for the Directors to disclose their interests in investments (and potential investments) and has instigated a procedure whereby a Director declaring such an interest does not participate in any decisions relating to such investments. For the year under review, none of the Directors was a director of or had any other interest in any investee companies.

The above conflicts, along with other potential conflicts, have been reviewed by the Board in accordance with the procedures under the Articles and applicable rules and regulations (including each Director's duty to promote the success of the Company). The articles allow the Directors not to disclose information relating to the conflict where to do so would amount to a breach of confidence. The Board places great emphasis on the requirement for the Directors to disclose their interests in investments (and potential investments) and has instigated a procedure whereby a Director declaring such an interest does not participate in any decisions relating to such investments. The Directors inform the Board of changes to their other appointments as necessary. The Board reviews the authorisations relating to conflicts annually. Authorisation will be reviewed should there be a material change in an authorised conflict. Future conflicts of interest will be considered by the Board under the above procedures and will be reported upon accordingly.

The Board aims to include a balance of skills, experience, ages and length of service that the Directors believe to be appropriate to the management of the Company. The Board offers an induction procedure to all new directors and all directors may choose relevant training as and when required. The Chairman fully meets the independence criteria as set out in the AIC Code. The Board does not believe that a formal system of performance evaluation of the Board and the Chairman is appropriate to the Company when it is comprised solely of non-executive directors. An informal review is made as part of the internal control process and, as recommended by the AIC Code, the independent directors monitor the continuing independence of the Chairman and inform him of their discussions.

Board Committees

The Audit Committee comprises three Directors, Tom Sooke (Chairman), Christopher Moore and Keith Niven. The committee meets at least twice a year to review the half-year and annual financial before submission to the Board, and meets with the independent auditors. It has primary responsibility 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. Bridget Guérin will be invited to attend the committee meetings following the merger becoming effective.

The Management Engagement Committee comprises three Directors, Keith Niven (Chairman), Christopher Moore and Tom Sooke. The committee meets at least annually to review the Company's contracts with its service providers and at other times as and when necessary. Bridget Guérin will be invited to attend the committee meetings following the merger becoming effective.

The Nominations and Remuneration Committee comprises three Directors: Keith Niven (Chairman), Christopher Moore and Tom Sooke. All members of the committee are considered to be independent of the Investment Manager. The committee 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. Bridget Guérin will replace Christopher Moore on the Nominations committee following the merger becoming effective and will be invited to attend the Remuneration committee meetings.

The Investment Committee comprises all four Directors. Christopher Moore (Chairman), Bridget Guérin, Keith Niven and Tom Sooke. The committee meets as necessary to discuss and, if appropriate, to approve investment recommendations from the Investment Manager. Following the merger becoming effective, the Investment Committee will be disbanded and investment matters will be reserved for review and discussion by the full Board.

Investment Manager

The Company's investment manager is Matrix Private Equity, the same investment manager as that of VCT 3. Matrix Private Equity Partners LLP (telephone 0203 206 7000), was incorporated and registered in England and Wales on 27 June 2006 as a limited liability partnership with registered number OC320577. Matrix Private Equity's registered office and principal place of business is at One Vine Street, London W1J 0AH. Matrix Private Equity is authorised and regulated by the FSA to provide investment management services. The principal legislation under which Matrix Private Equity operates is the provisions of the Companies Acts (and regulations made thereunder).

Matrix Private Equity will continue to provide investment management services to the Enlarged Company and has substantial experience in identifying, investing in, monitoring and subsequently exiting from companies of the size and type qualifying for VCT investment.

Investment Objective

The objective of the Company 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.

Investment Policy

The Company 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 own. Investments are primarily made in companies that are established and profitable.

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

The companies in which investments are made must have no more than £7 million of gross assets at the time of investment to be classed as a VCT qualifying holding.

The investment policy is designed to ensure that the VCT continues to qualify and is approved as a VCT by HM Revenue & Customs. Amongst other conditions, the VCT may not invest more than 15 per cent. of its investments in a single company and must have at least 70 per cent. by value of its investments throughout the period in shares or securities comprised in qualifying holdings, of which a minimum overall of 30 per cent. by value must be ordinary shares which carry no preferential rights. In addition, although the VCT can invest less than 30 per cent. of an investment in a specific company in ordinary shares it must have at least 10 per cent. by value of its total investments in each qualifying company in ordinary shares which carry no preferential rights.

The Company holds its funds in a portfolio of readily realisable interest bearing investments and deposits. The investment portfolio of qualifying investments has been built up over time with the aim of investing and maintaining 80 per cent. of net funds raised in qualifying investments.

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 per cent. 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 per cent. 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.

The Company aims to invest in larger more mature unquoted companies through investing alongside four (three if the merger proceeds) other VCTs advised by Matrix Private Equity with a similar investment policy. This enables the Company to participate in combined investments by Matrix Private Equity of up to £5 million.

The Company's Articles permit borrowings of amounts up to 10 per cent. of the sum equal to the aggregate of the amount paid up on the allotted or issued share capital of the Company and the amount standing to the credit of the capital and revenue reserves of the Company (whether or not distributable) after adding thereto or deducting therefrom any balance standing to the credit or debit of the profit and loss account. However, the Company has no current plans to undertake any borrowing.

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 Matrix Private Equity and are then subject to formal approval by the Directors. Matrix-Securities Limited provides company secretarial and accountancy services to the Company.

The investment policy of the Enlarged Company, following the merger, will be the same as it currently is for the Company.

Dividend Policy

The Company has a policy of maximising dividend distributions from income and capital gains generated from the portfolio. Following the merger, the Board intends to continue the policy of maximising dividend distributions to shareholders from the income and capital gains generated by the portfolio.

The Company has paid dividends since launch totalling 16.3p per Share and has also declared the interim dividend for the year ended 31 December 2009 of 5.0p per Share.

Investment Portfolios

As at 31 December 2009 (the date of the most recent audited financial statements of the Company), the investment portfolio of the Company, in aggregate, comprised investments in 18 companies with an audited value of £11,779,583, details of which can be found in the audited information contained in Part VI of this document.

As at 31 December 2009 (the date of the most recent audited financial statements of the VCT 3), the investment portfolio of VCT 3, in aggregate, comprised investments in 18 companies with an audited value of £12,083,450, details of which can be found in the audited information contained in Part VI of this document.

Fees and Expenses

Matrix Private Equity is the investment manager of the Company and, following a reorganisation of the Matrix group of companies, now also provides administration services in place of Matrix-Securities Limited.

The current management and administration fees payable to Matrix Private Equity (as set out in further detail in paragraph 5.1 of Part IV of this document) are as follows:

- An annual management fee of 2 per cent. of the net assets of the Company (exclusive of VAT, if any) in respect of investment management services (this being £319,692 for the year ended 31 December 2009); and
- Annual administration fees of 0.3 per cent. of the aggregate amount raised by the Company (plus VAT) (this being £88,387 (inclusive of VAT) for the year ended 31 December 2009).

Equivalent management and administration fee arrangements exist in VCT 3.

Matrix Private Equity is also currently entitled to performance incentive fees of an amount equivalent to 20 per cent. of subsequent cash distributions made to shareholders in the Company (whether by dividend or otherwise) over and above the Target Return in any accounting period. The Target Return for these purposes is dividends of 6p per Share per annum (index linked from the third accounting period) (subject to a pro rata reduction or increase for an accounting period which is less than or greater than 12 months), subject to maintenance of a High Watermark of NAV per Share of 100p (ie the original issue price of all Shares). Any cumulative shortfalls against the annual Target Return ("Shortfall") have to be made up in later years before any entitlement arises. An equivalent performance incentive fee entitlement exists in VCT 3 (save that the entitlement is shared between Matrix Private Equity and Matrix Group Limited in the ratio of 75:25 unless agreed otherwise between them).

Matrix Private Equity will continue to provide investment management and administration services to the Enlarged Company following the merger.

It is intended that the existing management and administration arrangements between the Company, Matrix Private Equity and Matrix-Securities Limited will be replaced with a new investment management agreement between the Enlarged Company and Matrix Private Equity covering both management and administration services. The new investment management agreement will provide for an annual fee (inclusive of VAT, if any) of an amount equivalent to 2 per cent. of the net assets of the Company (exclusive of VAT, if any) plus £120,000 (inclusive of VAT, if any) the £120,000 being subject to increases in the Retail Prices Index. The terms of this new agreement will otherwise be substantially the same as those currently applicable for the Company and VCT 3. On the assumption of the NAV of the Enlarged Company remaining the same as immediately after the merger, this would provide a cost saving of £20,000 (£45,000 if the annual expenses cap in the Company was not in operation) (including VAT) for the Enlarged Company compared to the aggregate costs of the separate companies.

The existing performance incentive arrangements described above will remain broadly unchanged save that the High Watermark, the Target Return and the cumulative Shortfall will be adjusted to amounts representing the weighted average performances of the Company and VCT 3 as follows:

- The High Watermark of 100p per Share will be replaced with an amount equal to the average issue price per Share in issue following the merger.
 - This will be calculated as the weighted average of the respective issue prices of the shares in issue in the Company and VCT 3.
 - Had the merger been completed on 31 December 2009, the revised High Watermark would be an amount per Share equivalent to 95.45p – ie 39,784,016 shares in issue in the Company and VCT 3, multiplied by an issue price of 100p and divided by 41,680,036 estimated Shares in issue following the merger using the above merger example.

- The Target Return of annual dividends of 6p per Share (index linked from the third accounting period) will be adjusted to an average dividend hurdle per Share in issue following the merger.
 - This will be calculated as the weighted average of the respective target returns for the Company and VCT 3.
 - Had the merger been completed on 31 December 2009, the revised Target Return would be annual dividends of 5.89p per Share (index linked thereafter) – ie (i) 20,373,514 Shares in issue in the Company multiplied by a target return of 6.20p per Share, plus (ii) 19,410,502 VCT 3 Shares in issue multiplied by a target return of 6.14p per VCT 3 Share, and the resultant figure then being divided by 41,680,036 estimated Shares in issue following the merger using the above merger example.
- The cumulative Shortfall to the date of the merger will be deemed to be an amount per Share equivalent to the average shortfall per Share in issue following the merger.
 - This will be calculated as the weighted average of the respective cumulative shortfall for the Company and VCT 3.
 - Had the merger been completed on 31 December 2009, the revised cumulative Shortfall would be 11.18p per Share – ie (i) 20,373,514 Shares in issue in the Company multiplied by a shortfall of 8.96p per Share, plus (ii) 19,410,502 VCT 3 Shares in issue multiplied by a shortfall of 14.59p per VCT 3 Share, and the resultant figure then being divided by 41,680,036 estimated Shares in issue following the merger using the above merger example). The shortfall per company used in this example includes the interim dividends recently declared.

The aim of the adjustments is to equalise the existing Company and VCT 3 performance incentive entitlements within the Enlarged Company. The arrangements following the merger will be solely with Matrix Private Equity as Matrix Group Limited has agreed to waive any entitlement by agreeing to the termination of the VCT 3 performance incentive agreement. The Board believes that these revised performance incentive arrangements going forward reflect a fair and proportionate amalgamation of the arrangements which currently apply to the two companies.

The revised performance incentive arrangements (Revised Performance Incentive Arrangements), which are being entered into with Matrix Private Equity, a 'related party' of the Company under the Listing Rules, constitute a related party transaction requiring the approval of Shareholders pursuant to the Listing Rules.

The Revised Performance Incentive Arrangements will, therefore, only be entered into if the merger becomes effective and subject to Shareholder approval.

Cost Savings

Annual running costs for the Company and VCT 3 are approximately £632,000 and £627,000 respectively or £1,259,000 in total. This represents 3.7 per cent. of the Company's audited net asset value and 3.6 per cent. of VCT 3's audited net asset value, in each case as at 31 December 2009. The Board consider that this level of continued administrative annual running can be materially reduced through the merger resulting in benefits to both groups of shareholders.

The aggregate anticipated cost of undertaking the merger is approximately £275,000, including VAT, legal and professional fees, stamp duty and the costs of winding up VCT 3. The costs of the merger will be split proportionally between the Company and VCT 3 by reference to their respective Merger Value and Roll-Over Value (ignoring merger costs).

On the assumption of the NAV of the Enlarged Company remaining the same as immediately after the merger, annual cost savings for the Enlarged Company of at least £140,000 per annum (representing 0.43 per cent. per annum of the expected initial net assets of the Enlarged Company) are anticipated to be achieved following completion of the merger. On the basis that no new funds are raised or investments realised to meet annual costs, the Board believes that the costs of the merger would, therefore, be recovered within two years.

VCT Status Monitoring

PricewaterhouseCoopers LLP is the Company's VCT status adviser. It carries out reviews of the Company's investment portfolio to ensure compliance and, when requested to do so by the Board or Matrix Private Equity, reviews prospective investments to ensure that they are qualifying investments.

The VCT tax implications of the merger have been advised upon by Martineau.

Duration of the Company

The Articles provide for a resolution to be proposed for the continuation of the Company as a VCT at the tenth annual general meeting of the Company (this being in 2014 and not 2011 as incorrectly stated within the Articles), and thereafter at five-yearly intervals. The revised Articles proposed to be adopted at the Annual General Meeting will include an amendment to this existing provision so that such resolution will be put to Shareholders at the annual general meeting to be held by the Company falling after the fifth anniversary of the last allotment of Shares (from time to time) and thereafter at five-yearly intervals.

Investor Communications

The Board places a great deal of importance on communications with its Shareholders and supports open communication with Shareholders. In addition to the announcement and publication of the annual report and accounts and the half-yearly results for the Company as detailed below, the Company also publishes half-yearly management statements as required by the Disclosure and Transparency Rules and a half-yearly newsletter.

Reporting Dates

Year end	31 December
Announcement and publication of annual report and accounts to Shareholders	March
Announcement and publication of half-yearly results	August

Share Issues and Buy-Backs

The Company proposes to renew its authorities to issue New Shares (having disapplied pre-emption rights) following the merger (i) up to an aggregate nominal value of £250,000 in connection with offer(s) for subscription, (ii) up to 10 per cent. of its enlarged issued Share capital in connection with any dividend investment scheme operated by the Company and (iii) up to 10 per cent. of its enlarged issued New Share capital for other purposes including top-up offers. The Board will be considering whether to make an offer available later this year to raise further funds for the Company and the authority sought under (i) is for this purpose. The authority is being taken now to avoid further costs in convening a separate general meeting at a later date.

The Board also believes that it is in the best interests of the Company and its shareholders to make occasional market purchases of its shares, given the limited secondary market for VCT shares generally, and to seek both to enhance NAV and to reduce to a degree any prevailing discount to NAV in the current market price than might otherwise prevail. The Board agrees the discount to NAV at which Shares will be bought back and regularly reviews this policy.

To date the Company has bought back 1,803,832 Shares (for an aggregate consideration of £1,453,310). The Board intend to continue with the buy-back policy following the merger and subject to the approval of Shareholders. Any such future repurchases will be made in accordance with guidelines established by the Board from time to time and will be subject to the Company having the appropriate authorities from its shareholders and sufficient funds available for this purpose.

Share buy-backs will also be subject to the Listing Rules and any applicable law at the relevant time. Shares bought back in the market will ordinarily be cancelled.

Valuation Policy

All unquoted investment valuations are subject to approval by the Directors on the recommendation of Matrix Private Equity in accordance with IPEVC Guidelines under which investments are valued at fair value, as defined in those guidelines. Any AIM or other quoted investment will be valued at the closing bid price of its shares, in accordance with generally accepted accounting practice. The net asset value of the Company's Shares will be calculated on a quarterly basis and published on an appropriate regulatory information service.

CREST

If Shares are currently held in uncertificated form (that is in CREST) New Shares will also be credited to Shareholders' CREST accounts. If, following issue pursuant to the Scheme, holders of certificated New Shares wish to hold their New Shares in uncertificated form they should contact their broker or independent financial adviser.

PART III

THE INVESTMENT MANAGER

Background on Matrix Private Equity

Matrix Private Equity, created by a merger between GLE Development Capital and Matrix Private Equity Limited, is the private equity arm of Matrix Group and manages funds primarily through a range of VCTs raised from private investors. Total funds under management are circa £120 million across six funds with the portfolio of equity investments in companies currently numbering forty.

Investment Management

Matrix Private Equity specialises in backing management buy outs and takes a partnership approach to investing, working alongside ambitious, entrepreneurial management teams wishing to buy businesses. Equity investments, typically up to £7 million, are made in UK privately owned companies across a broad range of industries and sectors, helping entrepreneurial management teams to achieve substantial gains for all shareholders. Matrix Private Equity often works with a highly experienced operating partner who has direct management experience and a wide range of contacts. Matrix Private Equity is recognised as one of the most experienced teams and active investors in this segment of the private equity market.

Matrix Private Equity focus on management buy-outs and seek investment opportunities as follows:

- established, profitable companies operating in most commercial and industrial sectors;
- leading investments which require up to £10 million equity – investment from other Matrix Private Equity advised funds is up to £7 million and the majority of equity investments made are around £4 million;
- businesses located throughout the UK;
- companies with clear and sustainable competitive advantage in their markets; and
- balanced, experienced management teams committed to creating and realising significant value for all shareholders.

Matrix Private Equity are an experienced independent investor that looks to build close, long term relationships and offer active support post investment.

Senior Management Team

Mark Wignall

Mark commenced his career in 1980 with MAI Plc. He joined GLE Development Capital in 1987 and became managing director of Matrix Private Equity in 1994. In 1997, he originated and founded a factoring and invoice discounting company, Independent Growth Finance, in which GLE Development Capital funds invested. In March 2004 he led the management team that acquired GLE Development Capital to form Matrix Private Equity. He has over 20 years' experience of private equity investment.

Mike Walker

Mike originally trained at 3i Plc and was a director of Gresham Trust Plc for seven years, becoming head of its Portfolio Management Unit. He joined the Matrix Private Equity team as a director in 1998 and is a non-executive director of several companies in Matrix Private Equity's portfolio. He has over 20 years' experience of private equity investment.

Ashley Broomberg

Ashley joined Matrix Private Equity Limited in 2001. He is a chartered accountant with a background in corporate finance and strategy consulting, having previously worked with Arthur D. Little and Arthur Andersen. He is a non-executive director of a number of Matrix Private Equity's investee companies and has 9 years' experience of private equity investment.

Jonathan Gregory

Jonathan qualified as a chartered accountant with Baker Tilly and joined the Matrix Private Equity team as a director, responsible for new investment, in 1995. He has over 20 years' experience working with unquoted companies and 15 years' experience of private equity investment. Jonathan is an ex non-executive director of BBI Holdings Plc.

Bob Henry

Bob entered the private equity industry with County Bank in 1979 and established and ran HSBC Ventures from 1992, leaving to join Matrix Private Equity in 1998. He has over 25 years' experience of private equity investment.

Eric Tung

Eric qualified as a chartered accountant with KPMG and joined Enterprise Ventures in 1990, becoming Head of Investment, leaving to join Matrix Private Equity in 2000. He has 20 years' experience of private equity investment.

PART IV

FINANCIAL INFORMATION ON THE COMPANY AND VCT 3

Audited financial information on the Company is published in the annual reports for the years ended 31 December 2007, 2008 and 2009. Audited financial information on VCT 3 is published in the annual reports for the years ended 31 December 2007, 2008 and 2009.

The annual reports for the Company for the years ended 31 December 2007, 2008 and 2009 were audited by PKF (UK) LLP of Farringdon Place, 20 Farringdon Road, London EC1M 3AP and were reported on without qualification and contained no statements under section 237(2) or (3) of the CA 1985 or section 495 to section 497A of the CA 2006 (as applicable).

The annual reports for VCT 3 for the years ended 31 December 2007, 2008 and 2009 were audited by PKF (UK) LLP of Farringdon Place, 20 Farringdon Road, London EC1M 3AP and were reported on without qualification and contained no statements under section 237(2) or (3) of the CA 1985.

The annual reports referred to above were prepared in accordance with UK generally accepted accounting practice (GAAP), the fair value rules of the Companies Acts and the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'. The annual reports contain a description of the relevant company's financial condition, changes in financial condition and results of operation for each relevant financial year and are being incorporated by reference and can be accessed at the following websites:

www.migvct.co.uk and www.mig3vct.co.uk respectively.

and are available for inspection at the FSA's document viewing facility, which is situated at:

Financial Services Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

Where these documents make reference to other documents, such other documents are not incorporated into and do not form part of this document.

The annual report includes the following information:

The Company

<i>Description</i>	<i>2007 Annual Report</i>	<i>2008 Annual Report</i>	<i>2009 Annual Report</i>
Balance Sheet	Page 30	Page 32	Page 30
Income Statement (or equivalent)	Page 29	Page 31	Page 29
Statement showing all changes in equity (or equivalent note)	Page 31	Page 33	Page 31
Cash Flow Statement	Page 32	Page 34	Page 32
Accounting Policies and Notes	Pages 33– 47	Pages 35–50	Pages 33 – 50
Auditors' Report	Pages 27–28	Pages 29–30	Page 28

This information has been prepared in a form consistent with that which will be adopted in the Company's next published annual financial statements having regard to accounting standards and policies and legislation applicable to those financial statements.

The annual report also includes operating/financial reviews as follows:

<i>Description</i>	<i>2007 Annual Report</i>	<i>2008 Annual Report</i>	<i>2009 Annual Report</i>
Objective	Page 1	Page 1	Inside Cover
Performance Summary	Page 4	Page 4	Page 2
Results and Dividend	Page 17	Page 19	Pages 3 – 4
Investment Policy	Pages 2–3	Page 2	Page 1
Chairman’s Statement	Pages 5 – 6	Pages 5 – 6	Pages 3 – 4
Manager’s Review	Pages 7 – 13	Pages 8 – 15	Pages 5 – 10
Portfolio Summary	Pages 14 – 15	Pages 16 – 17	Pages 11 – 12
Valuation Policy	Page 33	Page 35	Page 33

As at 31 December 2009, the date to which the most recent audited financial information on the Company has been drawn up, the Company had audited net assets of £16,979,370.

VCT 3

<i>Description</i>	<i>2007 Annual Report</i>	<i>2008 Annual Report</i>	<i>2009 Annual Report</i>
Balance Sheet	Page 26	Page 32	Page 30
Income Statement (or equivalent)	Page 25	Page 31	Page 29
Statement showing all changes in equity (or equivalent note)	Page 27	Page 33	Page 31
Cash Flow Statement	Page 28	Page 34	Page 32
Accounting Policies and Notes	Pages 29 – 43	Pages 35 – 48	Pages 33 – 50
Auditors’ Report	Pages 23 – 24	Pages 29 – 30	Page 28

This information in the annual reports has been prepared in a form consistent with that which will be adopted in VCT 3’s next published annual financial statements having regard to accounting standards and policies and legislation applicable to those financial statements.

Such information also includes operating/financial reviews as follows:

<i>Description</i>	<i>2007 Annual Report</i>	<i>2008 Annual Report</i>	<i>2009 Annual Report</i>
Objective	Page 1	Page 1	Inside Cover
Performance Summary	Page 4	Page 4	Page 2
Results and Dividend	Page 13	Page 19	Pages 3 – 4
Investment Policy	Pages 2 – 3	Page 2	Page 1
Chairman’s Statement	Pages 5 – 6	Pages 5 – 6	Pages 3 – 4
Manager’s Review	Pages 7 – 10	Pages 8 – 15	Pages 5 – 10
Portfolio Summary	Pages 9 – 11	Pages 16 – 17	Pages 11 – 12
Valuation Policy	Pages 29 – 30	Page 35	Pages 33 – 34

As at 31 December 2009, the date to which the most recent audited financial information on VCT 3 has been drawn up, VCT 3 had audited net assets of £17,478,122.

PART V

PRO FORMA FINANCIAL INFORMATION

ACCOUNTANT'S REPORT ON THE PRO FORMA FINANCIAL INFORMATION

The Directors
Matrix Income & Growth VCT plc
One Vine Street
London
W1J 0AH

14 April 2010

Dear Sirs

Matrix Income & Growth VCT plc (“the Company”)

We report on the pro forma financial information (“the pro forma financial information”) set out in Part V of the prospectus dated 14 April 2010 (“Prospectus”), which has been prepared on the basis described, for illustrative purposes only, to provide information about how the Scheme (as defined in the Prospectus) might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the year ended 31 December 2009. This report is required by paragraph 20.2 of Annex I of the Commission Regulation (EC) 809/2004 and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I to the Commission Regulation (EC) 809/2004, consenting to its inclusion in the Prospectus.

Responsibilities

It is the responsibility of the directors of the Company to prepare the pro forma financial information in accordance with item 20.2 of Annex I of the Commission Regulation (EC) 809/2004.

It is our responsibility to form an opinion, as required by item 7 of Annex II of the Prospectus Directive Regulation, as to the proper compilation of the pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the pro forma financial information has

been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the pro forma financial information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with paragraph 1.2 of Annex I of the Commission Regulation (EC) 809/2004.

Yours faithfully

Scott-Moncrieff

PRO FORMA FINANCIAL INFORMATION

The following pro forma financial information of the Company has been prepared for illustrative purposes only, to show the impact of the Scheme on the Company's audited net assets as at 31 December 2009 on the basis that the Scheme and the acquisition of the investment portfolio and all of the other assets and liabilities of VCT 3 by the Company had been completed on that date. This pro forma financial information has been prepared in a manner consistent with the accounting policies of the Company and VCT 3 as adopted in their last published accounts.

The pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or results.

	<i>Adjustments</i>			
<i>Company (as at 31 December 2009) (£'000) (Note 1)</i>	<i>Acquisition of the assets and liabilities of VCT 3 (£'000) (Note 2)</i>	<i>Expenses of the merger (£'000) (Note 3)</i>	<i>Enlarged Company pro forma (as at 31 December 2009) (£'000)</i>	
Investments (at fair value)	11,780	12,083	23,863	
Debtors	94	55	149	
Cash and overnight deposits	5,223	5,454	10,677	
Creditors: amounts falling due within one year	(118)	(114)	(507)	
Net current assets	5,199	5,395	10,319	
Net assets	16,979	17,478	34,182	

Notes:

1. The financial information on the Company has been extracted without material adjustment from the audited financial statements of the Company for the year ended 31 December 2009.
2. The acquired assets and liabilities of VCT 3 are based on the assets and liabilities of VCT 3 as extracted without material adjustment from its audited financial statements for the year ended 31 December 2009.
3. Total costs of approximately £275,000 (inclusive of VAT) are expected to be incurred in relation to the merger and will be borne by both the Company and VCT 3.
4. The pro forma statement of net assets of the Company does not take account of any transactions of the Company or VCT 3 or other changes in the value of the assets and liabilities of the Company and VCT 3, since 31 December 2009 in respect of both the Company and VCT 3.
5. The Company is now proposing to acquire the investment portfolio and all of the other assets and liabilities of VCT 3 as set out on page 37 of this document, which, as at 31 December 2009 (being the date of the most recently published audited financial statements for the year ended 31 December 2009), amount in aggregate to £17,478,122. The total costs associated with the merger referred to in note 3 above payable by the Company alone are estimated to be approximately £134,000 (inclusive of VAT). Other than the costs of the merger, the acquisition is not expected to have a material effect on the levels of revenue and losses to be incurred by the Company relative to its enlarged asset base had the acquisition occurred on 1 January 2009.

PART VI

INVESTMENT PORTFOLIOS AND PRINCIPAL INVESTMENTS OF THE COMPANY, VCT 3 AND THE ENLARGED COMPANY

The following unaudited information represents all the investments of the Company and VCT 3 as at the date of this document.

<i>Investments</i>	<i>Company</i>		<i>VCT 3</i>		<i>Enlarged Company</i>	
	<i>Value (£'000s)</i>	<i>%</i>	<i>Value (£'000s)</i>	<i>%</i>	<i>Value (£'000s)</i>	<i>%</i>
Investee companies						
<i>Quoted</i>						
Legion Group plc (formerly SectorGuard Plc)	75	0.4	–	–	75	0.2
<i>Unquoted</i>						
DiGiCo Europe Limited	1,582	9.3	1,492	8.5	3,074	8.9
Aust Construction Investors Limited	1,000	5.9	1,000	5.7	2,000	5.8
CB Imports Group Limited (formerly Calisamo Management Limited)	1,000	5.9	1,000	5.7	2,000	5.8
VSI Limited	1,305	7.7	480	2.7	1,785	5.2
British International Holdings Limited	1,015	6.0	762	4.4	1,777	5.2
ATG Media Holdings Limited	788	4.6	711	4.1	1,499	4.4
IGLU.com Holidays Limited	747	4.4	675	3.9	1,422	4.1
Focus Pharma Holdings Limited	725	4.3	653	3.7	1,378	4.0
Monsal Holdings Limited	665	3.9	602	3.4	1,267	3.7
Apricot Trading Limited	–	–	1,000	5.7	1,000	2.9
Bladon Castle Management Limited	–	–	1,000	5.7	1,000	2.9
Fullfield Limited	–	–	1,000	5.7	1,000	2.9
Vanir Consultants Limited	–	–	1,000	5.7	1,000	2.9
Vectair Holdings Limited	964	5.7	–	–	964	2.8
MC440 Limited (trading as Westway Cooling Limited)	466	2.7	421	2.4	887	2.6
Youngman Group Limited	701	4.1	–	–	701	2.0
Blaze Signs Holdings Limited	337	2.0	81	0.5	418	1.2
Racoon International Holdings Limited	130	0.8	118	0.7	248	0.7
The Plastic Surgeon Holdings Limited	98	0.6	88	0.5	186	0.5
Campden Media Limited	182	1.1	–	–	182	0.5
PXP Holdings Limited (Pinewood Structures)	0	0	0	0	0	0
<i>Other assets</i>						
Global Treasury Funds plc (RBS)	1,863	11	1,861	10.7	3,724	10.8
Blackrock Liquidity Fund	517	3.0	518	3.0	1,035	3.0
BGI Liquidity First Fund	138	0.8	705	4.0	843	2.4
Fidelity Institutional Cash Fund plc	1,251	7.4	906	5.2	2,157	6.2
Insight Liquidity Funds plc	415	2.4	844	4.8	1,259	3.7
Goldman Sachs Fund	425	2.5	51	0.3	476	1.4
SWIP Fund	568	3.3	524	3.0	1,092	3.2
Total portfolio investments	16,957	99.8	17,492	100.0	34,449	99.9
Cash at bank	46	0.3	45	0.3	91	0.3
Total investments	17,003	100.1	17,537	100.3	34,540	100.2
Debtors	94	0.6	55	0.3	149	0.4
Creditors (falling due in less than one year)	(118)	(0.7)	(114)	(0.6)	(232)	(0.6)
Net assets	16,979	100.0	17,478	100.0	34,457	100.0

10 largest investments of the Enlarged Company

Set out below are further details of the 10 largest investments of the Enlarged Company in aggregate representing more than 50 per cent. of the gross assets of the Company (including investments representing 5 per cent. of the expected gross assets of the Enlarged Company) as at the date of this document.

Global Treasury Funds plc (RBS)				
				<i>Accounts for the year ended</i> n/a
Operating profit/(loss)				n/a
Turnover				n/a
Net assets/(liabilities)				n/a
	<i>Equity</i>			<i>Percentage</i>
	<i>Percentage</i>	<i>Cost</i>	<i>Valuation</i>	<i>of Net</i>
<i> Holding</i>	<i>(%)</i>	<i>(£)</i>	<i>(£)</i>	<i>Assets</i>
n/a	n/a	3,724,061	3,724,061	(%) 10.8

DiGiCo Europe Limited				
Chessington, Surrey				
<i>Manufacturer of digital sound mixing consoles</i>				
				<i>Accounts for the year ended</i> 31 Dec. 2008
Operating profit/(loss)				1,673,000
Turnover				10,061,000
Net assets/(liabilities)				3,707,000
	<i>Equity</i>			<i>Percentage</i>
	<i>Percentage</i>	<i>Cost</i>	<i>Valuation</i>	<i>of Net</i>
<i> Holding</i>	<i>(%)</i>	<i>(£)</i>	<i>(£)</i>	<i>Assets</i>
386,522 ordinary shares, 435 preference shares and £178,261 loan stock	12.7	1,098,274	3,074,081	(%) 8.9

Fidelity Institutional Cash Fund plc				
				<i>Accounts for the year ended</i> n/a
Operating profit/(loss)				n/a
Turnover				n/a
Net assets/(liabilities)				n/a
	<i>Equity</i>			<i>Percentage</i>
	<i>Percentage</i>	<i>Cost</i>	<i>Valuation</i>	<i>of Net</i>
<i> Holding</i>	<i>(%)</i>	<i>(£)</i>	<i>(£)</i>	<i>Assets</i>
n/a	n/a	2,157,189	2,157,189	(%) 6.3

Aust Construction Investors Limited

				<i>Accounts for the year ended 31 July 2008</i>
Operating Profit/(loss)				(15,505)
Turnover				0
Net assets/(liabilities)				790,422
				<i>Percentage of Net Assets</i>
	<i>Equity Percentage</i>	<i>Cost</i>	<i>Valuation</i>	<i>(%)</i>
<i> Holding</i>	<i>(%)</i>	<i>(£)</i>	<i>(£)</i>	<i>(%)</i>
9,680 ordinary shares and 600,000 loan stock	32	2,000,000	2,000,000	5.8

CB Imports Group Limited (formerly Calisamo Management Limited)

East Ardsley, West Yorkshire

Importer and distributor of artificial flowers and floral sundries

				<i>Accounts for the year ended 31 Dec. 2009</i>
Operating Profit/(loss)				(24,008)
Turnover				0
Net assets/(liabilities)				1,186,438
				<i>Percentage of Net Assets</i>
	<i>Equity Percentage</i>	<i>Cost</i>	<i>Valuation</i>	<i>(%)</i>
<i> Holding</i>	<i>(%)</i>	<i>(£)</i>	<i>(£)</i>	<i>(%)</i>
818,130 ordinary shares and £825,000 loan stock	12	2,000,000	2,000,000	5.8

VSI Limited

Sheffield

Provider of software for CAD and CAM vendors

				<i>Accounts for the year ended 31 Dec. 2009</i>
Operating Profit/(loss)				824,000
Turnover				4,474,000
Net assets/(liabilities)				968,000
				<i>Percentage of Net Assets</i>
	<i>Equity Percentage</i>	<i>Cost</i>	<i>Valuation</i>	<i>(%)</i>
<i> Holding</i>	<i>(%)</i>	<i>(£)</i>	<i>(£)</i>	<i>(%)</i>
61,811 ordinary shares, 3,252 preference shares and £325,291 loan stock	21.75	533,888	1,785,451	5.2

British International Holdings Limited

Sherborne, Dorset

Helicopter service operator

*Accounts
for the
year ended
31 Dec. 2008*

Operating Profit/(loss)	2,000,000
Turnover	23,806,000
Net assets/(liabilities)	3,289,000

	<i>Equity Percentage (%)</i>	<i>Cost (£)</i>	<i>Valuation (£)</i>	<i>Percentage of Net Assets (%)</i>
<i> Holding</i>				
27,944 ordinary shares, 1,000 preference shares and £955,818 loan stock	17.5	2,070,182	1,776,976	5.2

ATG Media Holdings Limited

London

Publisher and on-line platform operator

*Accounts
for the
year ended
30 Sep. 2009*

Operating profit/(loss)	977,608
Turnover	6,117,745
Net assets/(liabilities)	2,010,053

	<i>Equity Percentage (%)</i>	<i>Cost (£)</i>	<i>Valuation (£)</i>	<i>Percentage of Net Assets (%)</i>
<i> Holding</i>				
95,516 ordinary shares, 955 preference shares and £553,035 loan stock	14.5	1,636,105	1,498,904	4.4

Iglu.com Holidays Limited (formerly Barnfield Management Investments Limited)*On-line ski and cruise travel agent*

*Accounts
for the
year ended
31 July 2008*

Operating profit/(loss)	(16,171)
Turnover	0
Net assets/(liabilities)	1,191,345

	<i>Equity Percentage (%)</i>	<i>Cost (£)</i>	<i>Valuation (£)</i>	<i>Percentage of Net Assets (%)</i>
<i> Holding</i>				
18,467 ordinary shares, 1,737 preference shares and £623,224 loan stock	11.6	1,421,750	1,421,750	4.1

Focus Pharma Holdings Limited

Burton upon Trent, Staffordshire

Licensor and distributor of generic pharmaceuticals

					<i>Accounts for the year ended 31 Dec. 2008</i>
Retained profit/(loss)					530,000
Turnover					13,205,000
Net assets/(liabilities)					99,000
					<i>Percentage of Net Assets</i>
	<i>Equity Percentage</i>	<i>Cost</i>	<i>Valuation</i>		<i>(%)</i>
<i> Holding</i>	<i>(%)</i>	<i>(£)</i>	<i>(£)</i>		<i>(%)</i>
26,690 ordinary shares, 1,026 preference shares and £426,016 loan stock	5.1	1,250,411	1,379,165		4

Note:

Investment and portfolio information in this Part VI has been derived from the Company's and VCT 3's accounting records (taken from their respective audited financial statements to 31 December 2009). In respect of the information on investee companies' sales, profits and losses and net assets, these have been taken from the latest financial year end accounts published by those investee companies as referred to in this Part VI ("Third Party Information"). As at the date of this document, there has been no material change in the valuations set out in this Part VI since 31 December 2009. The Third Party Information has been accurately reproduced and that, as far as the Company is aware and is able to ascertain from information provided, no facts have been omitted which would render the reproduced information inaccurate or misleading.

PART VII

TAX POSITION OF SHAREHOLDERS

The following paragraphs apply to the Company and to persons holding Shares as an investment who are the absolute beneficial owners of such Shares and are resident in the UK. They may not apply to certain classes of persons, such as dealers in securities. The following information is based on current UK law and practice, is subject to changes therein, is given by way of general summary and does not constitute legal or tax advice.

If you are in any doubt about your position, or if you may be subject to a tax in a jurisdiction other than the UK, you should consult your independent financial adviser.

The tax reliefs set out below are available to individuals aged 18 or over who receive Shares under the Scheme.

The Company

The Company has obtained approval as a VCT under Chapter 3 of Part 6 ITA 2007.

The Board considers that the Company has conducted its affairs and will continue to do so to enable it to qualify as a VCT.

The Scheme

The effective exchange of existing VCT 3 Shares for New Shares will not constitute a disposal of such shares for the purposes of UK taxation. Instead, the new holding of New Shares will be treated as having been acquired at the same time and at the same cost as the existing VCT 3 Shares from which they are derived. Any capital gains tax deferral relief obtained on subscription of the existing VCT 3 Shares will not, therefore, be crystallised for payment but will be transferred to the New Shares.

For VCT 3 shareholders holding (together with their associates) more than 5 per cent. in the VCT 3 Shares, clearance has been obtained from HMRC in terms of Section 138 of TCGA 1992 that the treatment described above for persons who (together with their associates) own less than 5 per cent. of the VCT 3 Shares in issue will also apply to them.

The implementation of the Scheme will not affect the VCT status of the Company as a VCT or the reliefs obtained by Shareholders on subscription for existing Shares. Although the Company will be required to pay UK stamp duty on the transfer to it of the assets and liabilities of VCT 3 (which form part of the merger costs being allocated to both the Company and VCT 3), no UK stamp duty will be payable directly by Shareholders as a result of the implementation of the Scheme.

Shareholders of the Company

Shareholders will continue to be afforded the usual tax reliefs as shareholders of a VCT including:

1. Income Tax

1.1 Dividend relief

An investor who acquires in any tax year VCT shares having a value of up to the annual limit (from 6 April 2004 a maximum of £200,000, previously £100,000) will not be liable to income tax on dividends paid on those shares.

1.2 Purchasers in the market

An individual purchaser of existing VCT shares in the market will be entitled to claim dividend relief (as described in paragraph 1.1 above).

1.3 **Withdrawal of relief**

Relief from income tax on a subscription for VCT shares will be withdrawn if the VCT shares are disposed of (other than between spouses) within five years of issue (or three years if issued after 5 April 2000 but before 6 April 2006) or if the VCT loses its approval within this period. Dividend relief ceases to be available once the investor ceases to own the VCT shares in respect of which it has been given.

2. Capital Gains Tax

2.1 **Relief from capital gains tax on the disposal of VCT shares**

A disposal by a shareholder of VCT shares will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. The relief is limited to the disposal of VCT shares acquired within the annual limit (£200,000 from 6 April 2004, previously £100,000) for any tax year.

2.2 **Purchasers in the market**

An individual purchaser of existing VCT shares in the market will be entitled to claim relief from capital gains tax on disposal (as described in paragraph 2.1 above).

3. Withdrawal of Approval

If a company which has been granted approval as a VCT subsequently fails to comply with the conditions for approval as a VCT, approval may be withdrawn or treated as never having been given. In these circumstances, reliefs from income tax on the initial investment are repayable unless loss of approval occurs more than five years after the issue (three years if issued after 5 April 2000 but before 6 April 2006) of the relevant VCT shares. In addition, relief ceases to be available on any dividend paid in respect of profits or gains in an accounting period ending when VCT status has been lost and any gains on the VCT shares up to the date from which loss of VCT status is treated as taking effect will be exempt, but gains thereafter will be taxable.

4. Shareholders not resident in the UK

Shareholders not resident in the UK should seek their own professional advice as to the consequences of making an investment in a VCT as they may be subject to tax in other jurisdictions as well as in the UK.

PART VIII

TAX POSITION OF THE COMPANY

The Company has to satisfy a number of tests to continue to qualify as a VCT. A summary of these tests is set out below. The following information is based on current UK law and practice, is subject to changes therein, is given by way of general summary and does not constitute legal or tax advice.

Qualification as a VCT

To qualify as a VCT, a company must be approved as such by HMRC. To obtain such approval it must:

- (a) not be a close company;
- (b) have each class of its ordinary share capital quoted on the London Stock Exchange;
- (c) derive its income wholly or mainly from shares or securities;
- (d) have at least 70 per cent. by VCT Value of its investments in shares or securities in qualifying holdings, of which 30 per cent. by VCT Value must be in ordinary shares carrying no preferential rights to dividends, voting, or assets on a winding-up and no rights to be redeemed;
- (e) have at least 10 per cent. by VCT Value of each qualifying holding in ordinary shares which carry no preferential rights to dividends, voting or assets on a winding-up and no rights to be redeemed;
- (f) not have more than 15 per cent. by VCT Value of its investments in a single company at the time of investment (other than a VCT or a company which would, if its shares were listed, qualify as a VCT); and
- (g) not retain more than 15 per cent. of its income derived from shares and securities in any accounting period.

For funds raised by the Company after 5 April 2010, the requirement set out in paragraph (d) above will be amended such that at least 70 per cent. by VCT Value of its investments in shares or securities in Venture Capital Investments, 70 per cent. by VCT Value must be in ordinary shares which carry no preferential rights to dividends, assets on a winding-up and no rights to be redeemed (other than priority in respect of distributions).

Qualifying Holdings

A qualifying holding consists of shares or securities first issued to the VCT (and held by it ever since) by a company satisfying certain conditions and for which not more than £1 million was subscribed in any one tax year (nor more than £1 million in, broadly, any period of six months straddling two tax years). The conditions are detailed but include for funds raised before 6 April 2006, that the company must be a qualifying company, that it has gross assets not exceeding £15 million immediately before and not exceeding £16 million immediately after the investment and £7 million and £8 million immediately after the investment for funds raised after 6 April 2006, applies the money raised for the purposes of a qualifying trade within certain time periods and that it is not controlled by another company. In certain circumstances, an investment in a company by a VCT can be split into a part which is a qualifying holding and a part which is a non-qualifying holding.

Qualifying Companies

A Qualifying Company must be unquoted (for VCT purposes this includes companies whose shares are traded on AIM and the PLUS Markets) and must carry on a qualifying trade. For this purpose certain activities are excluded such as dealing in land or shares or providing financial services. The qualifying trade must be carried on by, or be intended to be carried on by, the Qualifying Company or by a qualifying subsidiary at the time of the issue of shares or securities to the VCT (and at all times thereafter). The trade must be carried on wholly or mainly in the UK but the company need not be a UK resident. A company intending to carry on a qualifying trade must begin to trade within two years of the issue of shares or securities to the VCT and continue it thereafter.

A Qualifying Company may have no subsidiaries other than qualifying subsidiaries which must be more than 50 per cent. owned.

For the investment of funds raised after 5 April 2007 a Qualifying Company is one with less than 50 full-time equivalent employees and has not had more than £2 million of VCT funds raised after 5 April 2007 (together with funds under the Enterprise Incentive Scheme and the Corporation Venturing Scheme) in any rolling 12 month period.

Approval as a VCT

A VCT must be approved at all times by HMRC. Approval has effect from the time specified in the approval. A VCT cannot be approved unless the tests detailed above are met throughout the most recent complete accounting period of the VCT and HMRC is satisfied that they will be met in relation to the accounting period of the VCT which is current when the application is made. However, where a VCT raises further funds, VCTs are given grace periods to invest those funds before such funds need to meet the relevant tests.

Withdrawal of Approval

Approval of a VCT may be withdrawn by HMRC if the various tests set out above are not satisfied. Withdrawal of approval generally has effect from time to time when notice is given to the VCT but, in relation to capital gains tax of the VCT only, can be backdated to not earlier than the first day of the accounting period commencing immediately after the last accounting period of the VCT in which all of the tests were satisfied.

PART IX
ADDITIONAL INFORMATION

1. THE COMPANY

- 1.1 The Company was incorporated and registered in England and Wales under CA 1985 as a public company with limited liability on 15 June 2004, with registered number 05153931. The principal legislation under which the Company operates is the Companies Acts and regulations made thereunder. The name of the Company is Matrix Income & Growth VCT plc. The Company is not regulated by the FSA or an equivalent European Economic Area regulator but it is subject to regulation by HMRC under the VCT Rules in order to qualify as a VCT.
- 1.2 On 1 July 2004, the Registrar of Companies issued the Company with a trading certificate under section 117 of CA 1985 (now section 761 of CA 2006) entitling it to commence business.
- 1.3 The Company's registered office is at One Vine Street, London W1J 0AH. The Company is domiciled in England and does not have, nor has it had since incorporation, any subsidiaries or employees.
- 1.4 The Company revoked its status as an investment company under section 266 of CA 1985 (now section 833 of CA 2006) on 19 December 2007.
- 1.5 The International Securities Identification Number of the Shares is GB00BO1WL239.

2. SHARE CAPITAL

- 2.1 The authorised share capital of the Company on incorporation was £50,000, divided into 50,000 ordinary shares of £1 each.
- 2.2 On incorporation, 2 ordinary shares were issued fully paid to the subscribers to the memorandum of association of the Company ("memorandum").
- 2.3 At an extraordinary general meeting held on 30 June 2004 the authorised share capital of the Company (issued and unissued) was subdivided into 5,000,000 Shares of 1p each and the authorised share capital was increased to £500,000 by the creation of 40,000,000 Shares of 1p each and 50,000 redeemable preference shares of £1 each.
- 2.4 On 30 June 2004, so as to enable the Company to obtain a certificate under section 117 of the Companies Act 1985, Matrix-Securities Limited was allotted 50,000 redeemable preference shares of £1 each at par for cash, paid up to one quarter of their nominal value. The redeemable preference shares were paid up in full on 5 October 2004 and redeemed by the Company out of proceeds of the offer for subscription launched on 9 July 2004. The authorised but unissued share capital thereby created was automatically redesignated as Shares pursuant to the Articles.
- 2.5 Of the 50,000,000 authorised Shares each, a total of 22,143,621 were issued between 5 October 2004 and 29 June 2005 at a price of £1 per Share.
- 2.6 As at 31 December 2009, a total of 1,770,307 Shares have been bought back by the Company.
- 2.7 The following resolutions were passed at the annual general meeting of the Company held on 6 May 2009:
- 2.7.1 in substitution for any existing authorities pursuant to section 80 of the CA 1985:
- (a) the Directors shall have unconditional authority to allot, grant options over, offer or otherwise deal with or dispose of any relevant securities (as defined in section 80(2) of the CA 1985) of the Company to such persons, at such time and generally on such terms and conditions as the Directors may determine provided that the authority conferred shall expire on the conclusion of the Annual General Meeting,

unless previously renewed, varied or revoked by the Company in general meeting and the maximum nominal value of such relevant securities as aforesaid which may be allotted pursuant to such authority shall be up to an aggregate nominal amount of £69,329 (being approximately one-third of the issued share capital of the Company at the date hereof); and

- (b) the Directors shall be entitled under the authority conferred by paragraph (a) of this resolution or under the renewal thereof to make at any time prior to the expiry of such authority any offer or agreement which would or might require relevant securities as aforesaid to be allotted after the expiry of such authority and to allot relevant securities accordingly as if the authority conferred at the date hereof had not expired.

2.7.2 in substitution for any existing authorities pursuant to section 95 of the CA 1985 the Directors be and they are hereby empowered to allot equity securities (as defined in section 94 of the CA 1985) for cash pursuant to the authority conferred upon them by the resolution above as if section 89(1) of the CA 1985 did not apply to any such allotment, provided that the power conferred by this resolution shall be limited to:

- (a) the allotment and/or sale of equity securities in connection with an issue or offer by way of rights on other pre-emptive issue or offer, open for acceptance for a period fixed by the directors where the Shares offered to all shareholders are as proportionate (as nearly as may be) to the respective number of Shares held by them but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with legal or practical problems in respect of overseas shareholders, fractional entitlements or directions from any holders of equity securities to deal in some other manner with their respective entitlements, or the requirements of any recognised regulatory body or any stock exchange in any territory;
- (b) 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 at the date hereof in connection with any dividend investment or similar scheme as may be introduced by the Company from time to time;
- (c) the allotment of equity securities (otherwise than pursuant to sub-paragraphs (i) and (ii) above) up to an aggregate nominal amount of 10 per cent. of the issued Share capital of the Company at the date hereof where the proceeds of the allotment may be used in whole or in part to purchase the Company's Shares in the market; and
- (d) the allotment of equity securities from time to time (otherwise than pursuant to sub-paragraphs (a), (b) and (c) above) with an aggregate nominal value of up to 5 per cent. of the issued Share capital of the Company at the date hereof

and shall expire on the conclusion of the Annual General Meeting (unless previously renewed, varied or revoked by the Company in general meeting), except that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

2.7.3 the Company be authorised to make market purchases (within the meaning of Section 163 of CA 1985) of its Shares provided that:

- (a) the maximum aggregate number of Shares authorised to be purchased shall not exceed 3,117,730;
- (b) the minimum price which may be paid for Shares is 1 penny per share, the nominal value thereof;
- (c) the maximum price which may be paid for a Share (excluding expenses) shall be not more than (i) the higher of 105 per cent. above the average of the middle market quotations for the Shares as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day

on which that Share is purchased and (ii) the price stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation (EC/2273/2003);

and this authority shall expire on the earlier of the conclusion of the Annual General Meeting and provided further that any purchase by the Company of its own shares does not prejudice the ability of the Company to disregard, to the fullest possible extent pursuant to section 274 of ITA 2007, the use to which money raised pursuant to a share issue is put, for the purposes of complying with the 70 per cent. test and 30 per cent., test, as those terms are defined in ITA 2007.

2.8 There are no other shares or loan capital in the Company under option or agreed, conditionally or unconditionally, to be put under option nor does the Company hold any share capital in treasury.

2.9 As at 31 December 2009, the authorised share capital of the Company was £500,000 divided into 50,000,000 Shares (of which 20,373,514 were in issue, all fully paid-up). Since that date the Company has not issued any Shares, but has undertaken a buy back of 33,525 Shares.

2.10 The following resolutions of the Company will be proposed at the Extraordinary General Meeting of the Company to be held on 12 May 2010:

2.10.1 That, subject to the Scheme becoming unconditional,

2.10.1.1 the acquisition of the assets and liabilities of VCT 3 plc on the terms set out in the Circular be approved; and

2.10.1.2 in substitution for all subsisting authorities to the extent unused the directors of the Company be generally and unconditionally authorised in accordance with section 551 of the CA 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in to the Company ("Rights") up to an aggregate nominal amount of £250,000 in connection with the Scheme, provided that the authority conferred by the resolution set out in this paragraph 2.10.1.2 shall expire on the fifth anniversary of the date of the passing of the resolution set out in this paragraph 2.10.1.2 unless renewed, varied or revoked by the Company in a general meeting.

2.10.2 That:

2.10.2.1 in substitution for all subsisting authorities to the extent unused the directors of the Company be generally and unconditionally authorised in accordance with section 551 of the CA 2006 to exercise all the powers of the Company to allot Shares in the Company and to grant Rights up to an aggregate nominal amount of £145,000 during the period commencing on the passing of the resolution set out in this paragraph 2.10.2.1 and expiring on the fifth anniversary of the date of the passing of the resolution set out in this paragraph 2.10.2.1 (unless renewed, varied or revoked by the Company in a general meeting) but so that the 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.

2.10.2.2 in addition to existing authorities, the directors be empowered pursuant to Sections 570 and 573 of the CA 2006 to allot or make offers or agreements to allot equity securities (which expression shall have the meaning ascribed to it in Section 560(1) of the CA 2006) for cash pursuant to the authority given in pursuant to the resolution at paragraph 2.10.2.1 or by way of a sale of treasury shares, as if Section 561(1) of the CA 2006 did not apply to such allotment, provided that the power provided by the resolution set out in this paragraph 2.10.2.2 shall expire on the conclusion of the annual general meeting of the Company to be held in 2011 and provided further that this power shall be limited to the allotment and issue of equity securities up to an aggregate nominal value representing 10 per cent. of the issued share capital as at 21 May 2010, where the proceeds may in whole or part be used to purchase shares; and

2.10.2.3 in addition to existing authorities, the Company be empowered to make one or more market purchases within the meaning of Section 693(4) of the CA 2006 of its own shares (either for cancellation or for the retention as treasury shares for future re-issue or transfer) provided that:

- (i) the aggregate number of shares which may be purchased shall not exceed 6,700,000;
- (ii) the minimum price which may be paid per share is 1p, the nominal value thereof;
- (iii) the maximum price which may be paid per share is an amount equal to the higher of (i) 105 per cent. of the average of the middle market quotation per share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such Share is to be purchased; and (ii) the amount stipulated by Article 5(1) of the Buy Back and Stabilisation Regulation 2003;
- (iv) the authority conferred by the resolution in this paragraph 2.10.2.3 shall expire on the conclusion of the annual general meeting of the Company to be held in 2011 unless such authority is renewed prior to such time; and
- (v) the Company may make a contract to purchase Shares under the authority conferred by the resolution set out in this paragraph 2.10.2.3 prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of such Shares.

3. MEMORANDUM AND ARTICLES OF ASSOCIATION

In this paragraph 3, reference to “Directors” means the directors of the Company from time to time, reference to the “Board” means the board of directors of the Company from time to time and reference to “the Act” means the CA 1985 and/or the CA 2006 as the context permits.

Memorandum

The Memorandum, which, by virtue of section 28 of the CA 2006, is now treated as being part of the Articles, provides that the Company’s principal object and purpose is to carry on the business of a VCT. The objects of the Company are set out in full in clause 4 of the Memorandum.

Articles

The following is a summary of the current Articles.

3.1.1 Share Capital

3.1.1.1 Share Capital

The authorised share capital is £500,000 divided into 50,000,000 Shares.

3.1.1.2 Dividends

The holders of Shares shall be entitled to receive, any dividends paid pro rata according to the amounts paid up or credited as paid up on the shares in respect of which the dividend is paid.

3.1.1.3 Rights as to Capital

The capital and assets of the Company shall on a winding up or on a return of capital be divided amongst the holders of ordinary Shares pro rata according to their holdings of Shares.

3.1.1.4 Voting Rights

The Shares, rank *pari passu* as to rights to attend and vote at any general meeting of the Company.

The redeemable preference shares shall not be entitled to attend and vote at any general meeting of the Company.

3.1.1.5 *Class Consents and Variation of Rights*

Subject to the provisions of the Act, if at any time the share capital of the Company is divided into shares of different classes any of the rights for the time being attached to any share or class of shares in the Company (and notwithstanding that the Company may be or be about to be in liquidation) may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of shares of the class duly convened and held as provided in the Articles (but not otherwise).

3.1.2 **General Meetings**

3.1.2.1 *Annual General Meetings*

Subject to the provisions of the CA 1985, annual general meetings shall be held at such time and place as the Board may determine.

3.1.2.2 *Extraordinary General Meetings*

All general meetings other than annual general meetings, shall be called extraordinary general meetings.

3.1.2.3 *Convening of Extraordinary General Meeting*

The Board may convene an extraordinary general meeting whenever it thinks fit. An extraordinary general meeting shall also be convened on such requisition or in default may be convened by such requisitionists as provided by Section 368 of the CA 1985. At any meeting convened on such requisition or by such requisitionists no business shall be transacted except that stated by the requisition or proposed by the Board. If there are not within the UK sufficient members of the Board to convene a general meeting, any Director or any member of the Company may call a general meeting.

3.1.2.4 *Notice of General Meeting*

- (a) An annual general meeting and an extraordinary general meeting convened for the passing of a special resolution or a resolution appointing a person as a Director or (save as provided by the Act) a resolution of which special notice has been given to the Company shall be convened by not less than 21 'clear days' notice in writing. Other extraordinary general meetings shall be convened by not less than 14 'clear days' notice in writing.
- (b) Subject to the provisions of the Act, and notwithstanding that it is convened by shorter notice than that specified in the above, a general meeting shall be deemed to have been duly convened if it is so agreed:
 - (i) in the case of an annual general meeting by all the members entitled to attend and vote at the meeting; and
 - (ii) in the case of any other meeting by a majority in number of the members having a right to attend and vote at the meeting being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.
- (c) Every notice convening a general meeting shall specify:
 - (i) whether the meeting is an annual general meeting or an extraordinary general meeting;
 - (ii) the place, the day and the time of the meeting;
 - (iii) in the case of special business the general nature of that business;
 - (iv) if the meeting is convened to consider a special or extraordinary resolution the intention to propose the resolution as such; and

- (v) with reasonable prominence that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him and that a proxy need not also be a member.
- (d) The notice shall be given to the members (other than any who under the provisions of these Articles or of any restrictions imposed on any shares are not entitled to receive notice from the Company), to the Directors and to the auditors and if more than one for the time being, to each of them

3.1.2.5 *Omission to Send Notice*

The accidental omission to send a notice of meeting or, in cases where it is intended that it be sent out with the notice, an instrument of proxy, to, or the non-receipt of either by, any person entitled to receive the same shall not invalidate the proceedings at that meeting.

3.1.2.6 *Special Business*

All business that is transacted at a general meeting shall be deemed special, except the following transactions at an annual general meeting:

- (a) the declaration of dividends;
- (b) the receipt and consideration of the annual accounts and the reports of the Directors and the auditors and other documents required to be attached or annexed to the accounts;
- (c) the receipt and consideration of the reports of the audit and remuneration committees;
- (d) the election or re-election of Directors;
- (e) the fixing of the Directors fees pursuant to article 97 of the Articles;
- (f) the re-appointment of the Auditors retiring (unless they were last appointed otherwise than by the Company in general meeting) and the fixing of the remuneration of the Auditors or the determination of the manner in which such remuneration is to be fixed; and
- (g) the giving, variation or renewal of any authority of the Board for the purposes of Section 80 of the CA 1985 or any power pursuant to Section 95 of the CA 1985.

3.1.3 **Proceedings at General Meetings**

3.1.3.1 *Quorum*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business but the absence of a quorum shall not preclude the choice or appointment of a chairman which shall not be treated as part of the business of the Meeting. Subject to the provisions below, 2 persons entitled to attend and to vote on the business to be transacted, each being a member present in person or a proxy for a member or a duly authorised representative of a corporation which is a member, shall be a quorum.

3.1.3.2 *If Quorum not Present*

If within 15 minutes (or such longer interval as the Chairman in his absolute discretion thinks fit) from the time appointed for the holding of a general meeting a quorum is not present, or if during a meeting such a quorum ceases to be present, the meeting, if convened on the requisition of members, shall be dissolved. In any other case, the meeting shall stand adjourned to the same day in the next week at the same time and place, or to such other day and at such time and place as the Chairman (or, in default, the Board) may determine, being not less than 14 nor more than 28 days thereafter. If at such adjourned meeting a quorum is not present within 15 minutes from the time appointed for holding the meeting one member present in person or by proxy or (being a corporation) by a duly authorised representative shall be a quorum. If no such quorum is present or if during the adjourned meeting a quorum ceases to be present, the adjourned meeting shall be dissolved. The Company shall give at least 7 clear days' notice of any meeting adjourned through lack of quorum.

3.1.4 **Voting**

3.1.4.1 *Method of Voting*

At any general meeting a resolution put to a vote of the meeting shall be decided on a show of hands unless (before or immediately after the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded. Subject to the provisions of the CA 1985, a poll may be demanded by:

- (a) the chairman of the meeting; or
- (b) by at least 5 members present in person or by proxy having the right to vote at the meeting; or
- (c) a member or members present in person or by proxy representing not less than one tenth of the voting rights of all the members having the right to vote at the meeting; or
- (d) a member or members present in person or by proxy holding shares conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one tenth of the total sum paid up on all the shares conferring that right, and a demand for a poll by a person as proxy for a member shall be as valid as if the demand were made by the member himself.

3.1.4.2 *Chairman's Declaration Conclusive on Show of Hands*

Unless a poll is duly demanded and the demand is not withdrawn a declaration by the Chairman of the meeting that a resolution has on a show of hands been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority shall be conclusive, and an entry to that effect in the book containing the minutes of proceedings of the Company shall be conclusive evidence thereof, without proof of the number or proportion of the votes recorded in favour of or against such resolution.

3.1.5 **Votes of Members**

Subject to the provisions of the CA 1985 and to any special terms as to voting on which any shares may have been issued or may for the time being be held and to any suspension or abrogation of voting rights pursuant to the Articles, at any general meeting every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative, not being himself a member entitled to vote, shall on a show of hands have one vote and on a poll every member present in person or by proxy or (being a corporation) by a duly authorised representative shall have one vote for each share of which he is the holder.

3.1.6 **Variation of Class Rights**

3.1.6.1 *Sanction to Variation*

- (a) Subject to the provisions of the CA 1985, if at any time the share capital of the Company is divided into shares of different classes any of the rights for the time being attached to any share or class of shares in the Company (and notwithstanding that the Company may be or be about to be in liquidation) may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of shares of the class duly convened and held as provided in these Articles (but not otherwise).
- (b) The foregoing provisions of this article shall apply also to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the separate rights of which are to be varied.

3.1.6.2 *Class Meetings*

All the provisions in the Articles as to general meetings shall mutatis mutandis apply to every meeting of the holders of any class of shares save that:

- (a) the quorum at every such meeting shall be not less than 2 persons holding or representing by proxy at least one-third of the nominal amount paid up on the issued shares of the class;
- (b) every holder of shares of the class present in person or by proxy may demand a poll;
- (c) each such holder shall on a poll be entitled to one vote for every share of the class held by him; and
- (d) if at any adjourned meeting of such holders, such quorum as aforesaid is not present, not less than one person holding shares of the class who is present in person or by proxy shall be a quorum.

3.1.7 ***Increase, Consolidation, Cancellation and Subdivision***

The Company in general meeting may from time to time by ordinary resolution:

- (a) increase its share capital by such sum to be divided into shares of such amount as the resolution prescribes;
- (b) consolidate and divide all or any of its share capital into shares of larger nominal amount than its existing shares;
- (c) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; and
- (d) subject to the provisions of the CA 1985, sub-divide its shares or any of them into shares of smaller nominal value than is fixed by the memorandum of association and may by such resolution determine that as between the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights or be subject to any such restrictions as the Company has power to attach to unissued or new shares but so that the proportion between the amount paid up and the amount (if any) not paid up on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived.

3.1.8 ***Transfer of Shares***

3.1.8.1 *Form of Transfer*

Except as provided in paragraph 3.1.8.2 below, each member may transfer all or any of his shares by instrument of transfer in writing in any usual form or in any form approved by the Board. Such instrument shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the Register in respect of it.

3.1.8.2 *Right to Refuse Registration*

- (a) The Board may in its absolute discretion and without giving any reason refuse to register any share transfer unless:
 - (i) it is in respect of a share which is fully paid up;
 - (ii) it is in respect of only one class of shares;
 - (iii) it is in favour of a single transferee or not more than four joint transferees;
 - (iv) it is duly stamped (if so required); and
 - (v) it is delivered for registration to the Office, or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer by a recognised person where a certificate has not been issued) by the certificate for the shares to which it relates and such other evidence

as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or if the transfer is executed by some other person on his behalf, the authority of that person to do so, provided that such discretion may not be exercised in such a way as to prevent dealings in such shares from taking place on an open and proper basis.

3.1.9 **Dividends and Other Payments**

3.1.9.1 *Declaration of Dividends*

Subject to the provisions of the CA 1985 and of the Articles, the Company may by ordinary resolution declare that out of profits available for distribution dividends be paid to members according to their respective rights and interests in the profits of the Company available for distribution. However, no dividend shall exceed the amount recommended by the Board.

3.1.9.2 *Entitlement to Dividends*

- (a) Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the shares on which the dividend is paid. Subject as aforesaid, all dividends shall be apportioned and paid pro rata according to the amounts paid up or credited as paid up on the shares during any portion or portions of the period in respect of which the dividend is paid but if any share is issued on terms providing that it shall rank for dividend as from a particular date or be entitled to dividends declared after a particular date it shall rank for or be entitled to dividends accordingly.
- (b) All dividends and interest shall be paid (subject to any lien of the Company) to those members whose names shall be on the register at the date at which such dividend shall be declared or at the date at which such interest shall be payable respectively, or at such other date as the Company by ordinary resolution or the Board may determine, notwithstanding any subsequent transfer or transmission of shares.
- (c) The Board may pay the dividends or interest payable on shares in respect of which any person is by transmission entitled to be registered as holder to such person upon production of such certificate and evidence as would be required if such person desired to be registered as a member in respect of such shares.

3.1.10 **Borrowing Powers**

3.1.10.1 Subject as provided in the Articles, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present or future) and uncalled capital of the Company and, subject to the provisions of the CA 1985, to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

3.1.10.2 The Board shall restrict the borrowings of the Company and exercise all voting and other rights and powers of control exercisable by the Company in respect of its subsidiaries so as to procure (as regards its subsidiaries in so far as it can procure by such exercise) that the aggregate principal amount at any one time outstanding in respect of moneys borrowed by the Group (exclusive of moneys borrowed by one Group (being the Company and its subsidiaries from time to time) company from another and after deducting cash deposited) shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to 10 per cent of the Adjusted Capital (as defined below) and Reserves (as defined below) provided that prior to the publication of an audited balance sheet of the Company such aggregate principal amount shall be limited to 10 per cent. of the amount paid up or credited as being paid up (whether in respect of nominal value or premium) of the allotted and issued share capital of the Company.

3.1.10.3 *For these purposes only:*

- (a) the Adjusted Capital and Reserves means a sum equal to the aggregate from time to time of:
 - (i) the amount paid up (or credited as paid up) on the allotted or issued share capital of the Company; and
 - (ii) the amount standing to the credit of the capital and revenue reserves of the Group, whether or not distributable (including without limitation any share premium account, capital redemption reserve fund, and credit or debit balance on any other distributable reserve) after adding thereto or deducting therefrom any balance standing to the credit or debit of the profit and loss account,

all as shown in the latest audited balance sheet of the Group (prepared on the historical cost basis, modified to the extent as may be stated in the accounting policies used for the preparation of such balance sheet) but after:
 - (iii) making such adjustments as may be appropriate to reflect;
 - (A) any variation in the amount of the paid up share capital, the share premium account or the capital redemption reserve or any such reserves since the date of the relevant balance sheet and so that for the purpose of making such adjustments:
 - (aa) if any issue or proposed allotment of shares by the Company for cash has been underwritten, then such shares shall be deemed to have been allotted and the amount (including the premium) of the subscription monies payable in respect of them (not being monies payable later than 6 months after the date of allotment) shall be deemed to have been paid up to the extent so underwritten on the date when the issue of such shares was underwritten (or, if such underwriting was conditional, the date on which it became unconditional);
 - (bb) subject as aforesaid, share capital (including any premium) shall be deemed to have been paid up as soon as it has been unconditionally agreed to be subscribed or taken up (within 6 months of such agreement) by any person;
 - (B) any variation since the date of the relevant balance sheet of the companies comprising the Group;
 - (C) where the calculation is required for the purposes of or in connection with a transaction under or in connection with which any company is to become or cease to be a subsidiary undertaking, such adjustments as would be appropriate if such transactions had been carried into effect;
 - (iv) excluding (so far as not already excluded):
 - (A) amounts attributable to the proportion of the issued equity share capital of any subsidiary which is not attributable directly or indirectly to the Company;
 - (B) any sum set aside for taxation (including deferred taxation);
 - (v) deducting:
 - (A) sums equivalent to the book values of goodwill and other intangible assets shown in the relevant balance sheet; and
 - (B) the amount of any distribution declared, recommended or made by any Group company to a person other than a Group company out of profits accrued up to and including the date of (and not provided for in) the relevant balance sheet;

- (b) cash deposited means an amount equal to the aggregate of the amounts beneficially owned by Group companies which are deposited for the time being with any bank or other person (not being a Group company) and which are repayable to any Group company on demand or within three months of such demand subject, in the case of amounts deposited by a partly-owned subsidiary, to the exclusion of a proportion thereof equal to the proportion of its issued equity share capital which is not attributable, directly or indirectly, to the Company;
- (c) moneys borrowed include not only moneys borrowed but also the following except in so far as otherwise taken into account:
- (i) the nominal amount of any issued and paid up share capital and the principal amount of any debenture or borrowings of any person together with any fixed or minimum premium payable on redemption, the beneficial interest in which or right to repayment to which is not for the time being owned by a Group company but the payment or repayment of which is the subject of a guarantee or indemnity by a Group company or is secured on the assets of a Group company;
 - (ii) the principal amount raised by any Group company by acceptances or under any acceptance credit opened on its behalf by any bank or acceptance house (not being a Group company) other than acceptances and acceptance credits relating to the purchase of goods or services in the ordinary course of trading and outstanding for 6 months or less;
 - (iii) the principal amount of any debenture (whether secured or unsecured) of any Group company beneficially owned otherwise than by a Group company;
 - (iv) the principal amount of any preference share capital of any subsidiary beneficially owned otherwise than by a Group company;
 - (v) any fixed or minimum premium payable on final repayment of any borrowing or deemed borrowing (but any premium payable on final repayment of an amount not to be taken into account as moneys borrowed shall not be taken into account); and
 - (vi) any fixed amount in respect of a hire-purchase agreement or of a finance lease payable in either case by a Group company which would be shown at the material time as an obligation in a balance sheet prepared in accordance with the accounting principles used in the preparation of the relevant balance sheet (and for the purpose of this sub-paragraph (vi) finance lease means a contract between a lessor and a Group company as lessee or sublessee where substantially all the risks and rewards of the ownership of the asset leased or subleased are to be borne by that company and purchase hire-agreement means a contract of hire-purchase between a hire-purchase lender and a Group company as hirer);
but do not include:
 - (vii) moneys borrowed by any Group company for the purpose of repaying within 6 months of being first borrowed the whole or any part of any moneys borrowed and then outstanding (including any premium payable on final repayment) of that or any other Group company pending their application for such purpose within that period;
 - (viii) moneys borrowed by any Group company for the purpose of financing any contract in respect of which any payment of the price receivable under the contract by that or any other Group company is guaranteed or insured by the Export Credits Guarantee Department or by any other institution fulfilling a similar function up to an amount equal to but not exceeding that part of the price receivable under the contract which is so guaranteed or insured;

- (ix) an amount equal to the moneys borrowed of any company outstanding immediately after it becomes a Group company provided that it became a Group company during the 6 months preceding the calculation;
 - (x) an amount equal to the amount secured on an asset immediately after it was acquired by a Group company provided that it was acquired during the 6 months preceding the calculation;
 - (xi) notwithstanding paragraphs (i) to (vi), the proportion of moneys borrowed by a Group company (and not owing to another Group company) which is equal to the proportion of its issued equity share capital not attributable directly or indirectly to the Company;
 - (xii) amounts borrowed or raised which are for the time being deposited with H.M. Customs & Excise or any other body designated by any relevant legislation or order in connection with import deposits or any similar government scheme to the extent that a member of the group retains an interest in them;
and in paragraphs (vii) to (xii) above references to amounts of moneys borrowed include references to amounts which, but for the exclusion under those paragraphs, would fall to be included;
- (d) there shall be credited against the amount of any moneys borrowed any cash deposited;
 - (e) for the avoidance of doubt it is hereby expressly provided that for the purposes of the limit set out in the Articles (as set out in paragraph 3.1.10.2 above) the following sums shall be deemed not to be moneys borrowed of the Group:
 - (i) any and all sums retained by any member of the Group (or their agent or nominee) under the terms of any contract or other arrangement relating to the construction of capital projects where the retention is made for the purposes of securing satisfactory completion and entry into service of the project for so long as and to the extent that any member of the Group is entitled to retain such sums under the relevant contract or arrangement;
 - (ii) sums advanced or paid to any member of the Group (or their agent or nominee) by customers of any member of the Group as prepayments or progress payments or payments on account or by way of deposit or security in respect of any products or services or under any sales contracts or settlements systems; and
 - (iii) sums which otherwise would fall to be treated as borrowed moneys of any member of the Group which were treated with the concurrence of the auditors and in accordance with any current Statement of Standard Accounting Practice or other accountancy principle or practice generally accepted for the time being in the United Kingdom in the latest audited balance sheet of the relevant member of the Group on which such consolidation was based as otherwise than borrowed moneys of that member of the Group;
 - (f) relevant balance sheet means the latest published audited consolidated balance sheet of the Group, but where the Company has no subsidiaries it means the balance sheet and profit and loss account of the Company and, where the Company has subsidiaries but there are no consolidated accounts of the Group, it means the respective balance sheets and profit and loss accounts of the companies comprising the Group; and
 - (g) subsidiary has the meaning given to it in the CA 1985 except that where the relevant balance sheet is in respect of an accounting reference period of the Company which commenced on or after 23 December 1989 it shall also include a subsidiary undertaking (within the meaning of the CA 1985) (except a subsidiary undertaking which is excluded from consolidation by virtue of the provisions of Section 229 of the CA 1985), and Group and Group company and references to

any company which becomes a Group company or to companies comprising the Group shall in such case be construed so as to include subsidiary undertakings except a subsidiary undertaking which is excluded from consolidation as aforesaid and equity share capital shall be construed in relation to a subsidiary undertaking without a share capital in the same manner as shares are defined in relation to an undertaking without a share capital under Section 259(2)(b) and of the CA 1985.

3.1.10.4 When the aggregate amount of moneys borrowed required to be taken into account for the purposes of this article on any particular day is being ascertained any of such moneys denominated or repayable in a currency other than sterling shall if not subject to a contract or arrangement determining the rate of exchange be converted for the purpose of calculating the sterling equivalent either:

- (a) with the exception of Excepted Foreign Currency Borrowings at the rate of exchange prevailing at the material time in London provided that the moneys comprising such borrowing shall be translated (if thereby such sterling amount would be less) at the option of the Company at the rate of exchange prevailing in London 6 months before such time. For the purposes of this sub-paragraph the rate of exchange shall be taken as the middle market rate as at the close of business in London on the relevant day or, if such day is not a business day, on the last business day before the day in question;
- (b) in the case of any Excepted Foreign Currency Borrowings, at the rate of exchange which would be applicable to the moneys comprising such borrowing on their repayment to the extent that such rate of exchange is fixed under any Exchange Cover Scheme in connection with such moneys borrowed provided that where it is not possible to determine the rate of exchange applicable at the time of repayment of any such moneys borrowed they shall be translated into sterling under the terms of the applicable Exchange Cover Scheme on such basis as may be agreed with or determined by the auditors or, if this is agreed by the auditors not to be practicable, in accordance with the provisions of paragraph (a);

For these purposes:

- (i) Excepted Foreign Currency Borrowings means moneys borrowed denominated or repayable in a currency other than sterling which have the benefit of an Exchange Cover Scheme and Exchange Cover Scheme means any exchange cover scheme, forward currency contract, currency option, back to back loan, swap or other arrangement taken out or entered into to reduce the risks associated with fluctuations in exchange rates; and
- (ii) where under the terms of any borrowing the amount of money which would be required to discharge the principal amount of moneys borrowed in full if it fell to be repaid (whether at the option of the company borrowing the same or by reason of default) at such material time is less than the amount which would otherwise be taken into account in respect of such moneys borrowed for the purposes of this Article, the amount of such moneys borrowed to be taken into account shall be such lesser amount.

3.1.10.5 A report or certificate of the Auditors as to the amount of the Adjusted Capital and Reserves or the amount of moneys borrowed falling to be taken into account for the purposes of this article or to the effect that the limit imposed by this article has not been or will not be exceeded at any particular time or times or as a result of any particular transaction or transactions shall be conclusive evidence of the amount or of that fact.

3.1.10.6 Nevertheless for the purposes of this article the Directors may at any time act in reliance on a bona fide estimate of the amount of the Adjusted Capital and Reserves and if in consequence the limit set out in the Articles (as set out in paragraph 3.1.10.2 above) is inadvertently exceeded, an amount borrowed equal to the excess may be disregarded until the expiration of 3 months after the date on which by reason of a determination of the auditors or otherwise the Directors become aware that such a situation has or may have arisen.

3.1.10.7 No debt incurred or security given in respect of moneys borrowed in excess of the limit imposed by this article shall be invalid or ineffectual except in the case of express notice to the lender or recipient of the security at the time when the debt was incurred or security given that the limit had been or would thereby be exceeded but no lender or other person dealing with the Company shall be concerned to see or enquire whether such limit is observed.

3.1.11 **Directors' Interests**

3.1.11.1 *Conflicts of Interest Requiring Board Authorisation*

The Board may, provided the quorum and voting requirements set out below are satisfied, authorise any matter that would otherwise involve a Director breaching his duty under the CA 2006 to avoid conflicts of interest.

- (a) Any Director (including the Director concerned) may propose that the Director concerned be authorised in relation to any matter the subject of such a conflict. Such proposal and any authority given by the Board shall be effected in the same way that any other matter may be proposed to and resolved upon by the Board under the provisions of these Articles, except that the Director concerned and any other Director with a similar interest:
 - (i) shall not count towards the quorum at the meeting at which the conflict is considered;
 - (ii) may, if the other members of the Board so decide, be excluded from any Board meeting while the conflict is under consideration; and
 - (iii) shall not vote on any resolution authorising the conflict except that, if he does vote, the resolution will still be valid if it would have been agreed to if his vote had not been counted.

3.1.11.2 Where the Board gives authority in relation to such a conflict:

- (a) the Board may (whether at the time of giving the authority or at any time or times subsequently) impose such terms upon the Director concerned and any other Director with a similar interest as it may determine, including, without limitation, the exclusion of that Director and any other Director with a similar interest from the receipt of information, or participation in discussion (whether at meetings of the Board or otherwise) related to the conflict;
- (b) the Director concerned and any other Director with a similar interest will be obliged to conduct himself in accordance with any terms imposed by the Board from time to time in relation to the conflict;
- (c) any authority given by the Board in relation to a conflict may also provide that where the Director concerned and any other Director with a similar interest obtains information that is confidential to a third party, the Director will not be obliged to disclose that information to the Company, or to use the information in relation to the Company's affairs, where to do so would amount to a breach of that confidence;
- (d) the terms of the authority shall be recorded in writing (but the authority shall be effective whether or not the terms are so recorded); and
- (e) the Board may withdraw such authority at any time.

3.1.11.3 A Director is entitled to accept a benefit from a third party, even if the benefit was conferred by reason of his being a Director, if the receipt of the benefit is disclosed to and approved by the Board within a reasonable time of its receipt or the value or nature of the benefit or series of benefits taken as a whole is such that it cannot reasonably be regarded (including by reference to any scale or categorisation of benefits that the Board may from time to time prescribe for the purpose) as likely to give rise to a conflict of interest.

3.1.11.4 *Director may have Interests*

Subject to the provisions of the CA 1985 and the Articles (as set out in paragraph 3.1.11.1 above) and further provided that a Director declares his interest at the meeting, a Director, notwithstanding his office:

- (a) may be a party to or otherwise be interested in any transaction or arrangement with the Company or in which the Company is otherwise interested, either in regard to his tenure of any office or place of profit or as vendor, purchaser or otherwise;
- (b) may hold any other office or place of profit under the Company (except that of Auditor (being the auditor of the Company from time to time) or of auditor of a subsidiary of the Company) in conjunction with the office of Director and may act by itself or through his firm in a professional capacity for the Company and in any such case on such terms as to remuneration and otherwise as the remuneration committee may arrange either in addition to or in lieu of any remuneration provided for by any other article;
- (c) may be a member of or a director or other officer, or employed by, or a party to any transaction or arrangement with or otherwise interested in, any body corporate promoted by or promoting the Company or in which the company is otherwise interested or as regards which the Company has any powers of appointment; and
- (d) shall not, by reason of his office, be liable to account to the Company for any dividend, profit, remuneration, superannuation payment or other benefit which he derives from any such office, employment, contract, arrangement, transaction or proposal or from any interest in any such body corporate; and no such contract, arrangement, transaction or proposal shall be avoided on the grounds of any such interest or benefit.

3.1.12 **Untraced Members**

3.1.12.1 *Power of Sale*

- (a) The Company shall be entitled to sell at the best price reasonably obtainable any share of a member or any share to which a person is entitled by transmission if and provided that:
 - (i) during the period of 12 years prior to the date of the publication of the advertisements referred to in paragraph (b) (or if published on different dates, the earlier or earliest of them) no cheque, order or warrant in respect of such share sent by the Company through the post in a pre-paid envelope addressed to the member or to the person entitled by transmission to the share at his address on the register or other last known address given by the member or person to which cheques, orders or warrants in respect of such share are to be sent has been cashed and the Company has received no communications in respect of such share from such member or person provided that during such period of 12 years at least 3 cash dividends (whether interim or final) in respect of the shares in question have become payable and no such dividend during that period has been claimed by the person entitled to it;
 - (ii) on or after expiry of the said period of 12 years the Company has given notice of its intention to sell such share by advertisements in both a national daily newspaper published in the United Kingdom and in a newspaper circulating in the area in which the last known address of such member or person appeared;
 - (iii) the said advertisements, if not published on the same day, shall have been published within 30 days of each other;
 - (iv) during the further period of 3 months following the date of publication of the said advertisements (or, if published on different dates the later or latest of them) and prior to the exercise of the power of sale the Company has

not received any communication in respect of such share from the member or person entitled by transmission; and

- (v) the Company has given notice to the London Stock Exchange of its intention to make such sale and shall have obtained the approval of the Quotations Department to the proposed form of the said advertisement, if shares of the class concerned are listed or dealt in on that exchange.

3.1.12.2 To give effect to any sale of shares pursuant to this article the Board may authorise some person to transfer the shares in question and may enter the name of the transferee in respect of the transferred shares in the register notwithstanding the absence of any share certificate being lodged in respect of it and may issue a new certificate to the transferee. An instrument of transfer executed by that person shall be as effective as if it had been executed by the holder of, or the person entitled by transmission to, the shares. The purchaser shall not be bound to see to the application of the purchase moneys nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.

3.1.13 **Capitalisation of Reserves**

The Board may with the authority of an ordinary resolution of the Company:

3.1.13.1 subject as provided in this article, resolve to capitalise any profits of the Company not required for paying any preferential dividend (whether or not they are available for distribution) or any sum standing to the credit of any reserve or fund of the Company which is available for distribution or standing to the credit of share premium account or capital redemption reserve or other undistributable reserve;

3.1.13.2 appropriate the sum resolved to be capitalised on the date specified in the resolution to the holders of Shares in proportion to the nominal amount of the shares (whether or not fully paid) held by them respectively which would entitle them to participate in a distribution of that sum if the shares were fully paid and the sum were then distributable and were distributed by way of dividend and apply such sum on their behalf either in or towards paying up the amount, if any, for the time being unpaid on any share held by them respectively or in paying up in full unissued shares or debentures of the Company of a nominal amount equal to that sum and allot the shares or debentures credited as fully paid to those holders of Shares or as they may direct in those proportions or partly in one way and partly in the other provided that:

- (a) the share premium account, the capital redemption reserve, any other undistributable reserve and any profits which are not available for distribution may, for the purposes of this Article, only be applied in paying up unissued shares to be allotted to holders of Shares credited as fully paid; and
- (b) in a case where any sum is applied in paying amounts for the time being unpaid on any shares of the Company or in paying up in full debentures of the Company, the amount of the net assets of the Company at that time is not less than the aggregate of the called up share capital of the Company and its undistributable reserves as shown in the latest audited accounts of the Company or such other accounts as may be relevant and would not be reduced below that aggregate by the payment of it;

3.1.13.3 resolve that any shares so allotted to any member in respect of a holding by him of any partly paid shares shall, so long as such shares remain partly paid, rank for dividends only to the extent that such partly paid shares rank for dividends;

3.1.13.4 make such provision by the issue of fractional certificates (or by ignoring fractions or by accruing the benefit of it to the Company rather than to then holders of Shares concerned) or by payment in cash or otherwise as it thinks fit in the case of shares or debentures becoming distributable in fractions;

3.1.13.5 authorise any person to enter on behalf of all the holders of Shares concerned into an agreement with the Company providing for either:

- (a) the allotment to them respectively, credited as fully paid up, of any shares or debentures to which they may be entitled on such capitalisation; or
 - (b) the payment up by the Company on behalf of such holders by the application to it of their respective proportions of the reserves or profits resolved to be capitalised of the amounts or any part of the amounts remaining unpaid on their existing shares,
- (any agreement made under such authority being effective and binding on all such holders);
and

3.1.13.6 generally do all acts and things required to give effect to such resolution.

3.1.14 **Distribution of Realised Capital Profits**

At any time when the Company has given notice in the prescribed form (which has not been revoked) to the registrar of companies of its intention to carry on business as an investment company (a "Relevant Period") distribution of the Company's capital profits (within the meaning of section 266(2)(c) of the CA 1985 shall be prohibited. The Board shall establish a reserve to be called the capital reserve. During a Relevant Period all surpluses arising from the realisation or revaluation of investments and all other monies realised on or derived from the realisation, payment off of or other dealing with any capital asset in excess of the book value thereof and all other monies which are considered by the Board to be in the nature of accretion to capital shall be credited to the capital reserve. Subject to the CA 1985, the Board may determine whether any amount received by the Company is to be dealt with as income or capital or partly one way and partly the other. During a Relevant Period, any loss realised on the realisation or payment off of or other dealing with any investments or other capital assets and, subject to the CA 1985, any expenses, loss or liability (or provision thereof) which the Board considers to relate to a capital item or which the Board otherwise considers appropriate to be debited to the capital reserve shall be carried to the debit of the capital reserve. During a Relevant Period, all sums carried and standing to the credit of the capital reserve may be applied for any of the purposes for which sums standing to any revenue reserve are applicable except and provided that notwithstanding any other provision of these Articles during a Relevant Period no part of the capital reserve or any other money in the nature of accretion to capital shall be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution (as defined by section 263(2) of the CA 1985) or be applied in paying dividends on any shares in the Company. In periods other than a Relevant Period any amount standing to the credit of the capital reserve may be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution (as defined by section 263(2) of the CA 1985) or be applied in paying dividends on any shares in the Company.

3.1.15 **Winding Up**

3.1.15.1 *Division of Assets*

- (a) The Board shall have power in the name and on behalf of the Company to present a petition to the court for the Company to be wound up.
- (b) If the Company is wound up, the surplus assets remaining after payment of all creditors are to be divided among the members in proportion to the capital which at the commencement of the winding up is paid up on the shares held by them respectively and, if such surplus assets are insufficient to repay the whole of the paid up capital, they are to be distributed so that as nearly as may be the losses are borne by the members in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. This article is subject to the rights attached to any shares which may be issued on special terms or conditions.
- (c) If the Company is wound up the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by law, divide among the members *in specie* the whole or any part of the assets of the Company and may for that purpose value any assets and determine how the division shall be carried out as between the members or different classes of members. Any such division may be otherwise than in accordance with the existing

rights of the members but if any division is resolved otherwise than in accordance with such rights the members shall have the same right of dissent and consequential rights as if such resolution were a special resolution passed pursuant to Section 110, IA 1986. The liquidator may with the like sanction vest the whole or any part of the whole of the assets in trustees on such trusts for the benefit of the members as he with the like sanction shall determine but no member shall be compelled to accept any assets on which there is a liability.

3.1.15.2 *Transfer or Sale under Section 110, Insolvency Act 1986*

A special resolution sanctioning a transfer or sale to another company duly passed pursuant to Section 110, Insolvency Act 1986 may in the like manner authorise the distribution of any shares or other consideration receivable by the liquidator among the members otherwise than in accordance with their existing rights and any such determination shall be binding on all the members, subject to the right of dissent and consequential rights conferred by the said section.

3.1.15.3 *Duration of the Company*

On the earlier of the date on which the cumulative dividend payments on each Share exceed 80p or the tenth annual general meeting of the Company (this being in 2014 and not 2011 as incorrectly stated within the Articles) and if the Company has not then been wound-up or unitised or reorganised at each fifth annual general meeting of the Company thereafter, the Directors shall procure that an ordinary resolution will be proposed to the effect that the Company shall continue in being as a venture capital trust. If at any such meeting such resolution is not passed the Board shall within 4 months of such meeting convene an extraordinary general meeting of the Company at which either or both of the following resolutions shall be proposed:

- (i) a special resolution for the reorganisation or reconstruction of the Company; or
- (ii) a special resolution requiring the Company to be wound up voluntarily.

If neither of the special resolutions referred to in paragraphs (i) and (ii) of this article is passed, the Company shall continue as a venture capital trust.

3.1.16 **Proposed amendment to the Articles**

Revised Articles incorporating amendments to reflect, *inter alia*, the new provisions of CA 2006 and market practice will be proposed to Shareholders for approval at the Annual General Meeting. The resolution, if approved, will see technical changes being made to the Articles in relation to, amongst other things, the holding of and voting at meetings, electronic communications, conflicts of interest, the holding of uncertificated securities and the provision of indemnities by the Company. A summary of the proposed changes are set out on pages 17 to 20 of the annual report for the year ended 31 December 2009, which is being incorporated by reference and can be accessed at the following website:

www.migvct.co.uk

and are available for inspection at the FSA's document viewing facility, which is situated at:

Financial Services Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

4. **DIRECTORS AND THEIR INTERESTS**

- 4.1 As at 13 April 2010 (this being the latest practicable date prior to publication of this document), the Company is not aware of any person who, immediately following the issue of the New Shares pursuant to the Scheme, directly or indirectly, has or will have an interest in the Company's capital or voting rights which is notifiable under UK law (under which, pursuant to CA 2006 and the Listing Rules and the Disclosure & Transparency Rules of the FSA, a holding of 3 per cent. or more must be notified to the Company).

- 4.2 As at 13 April 2010 (this being the latest practicable date prior to publication of this document), the interests of the Directors (and their immediate families) in the issue share capital of the Company and VCT 3 were as follows:

<i>Director</i>	<u><i>Company</i></u>		<u><i>VCT 3</i></u>	
	<u><i>Shares</i></u>	<u><i>% of issued Share capital</i></u>	<u><i>VCT 3 Shares</i></u>	<u><i>% of VCT 3 issued Share capital</i></u>
Keith Niven	21,100	0.10	10,550	0.05
Bridget Guérin	10,550	0.05	7,912	0.04
Christopher Moore	42,200	0.21	42,200	0.22
Tom Sooke	7,912	0.04	7,912	0.04

- 4.3 As at 13 April 2010 (this being the latest practicable date prior to publication of this document) save as disclosed above, no Director, his family or any person connected to the Director within the meaning of s.252 CA 2006 has any interest in the share or loan capital of the Company.
- 4.4 The Directors (other than Tom Sooke) were appointed under letters of appointment dated 1 July 2004 which may be terminated on 3 months' notice. Tom Sooke is appointed pursuant to a service agreement dated 1 October 2008 and provides consultancy services pursuant to a consultant's agreement between the Company and a company controlled by Tom Sooke also dated 1 October 2008. Both agreements are also terminable on 3 months' notice. No arrangements have been entered into by the Company, entitling the Directors to compensation for loss of office. Bridget Guérin is entitled to annual fees of £17,000, Christopher Moore and Tom Sooke are entitled to annual fees of £20,000 (inclusive, in respect of Tom Sooke, the consultancy agreement pursuant to which he provides consultancy services) and Keith Niven (as Chairman) is entitled to £23,000. Fees paid to the Directors in respect of the year ended 31 December 2009 were £80,000. Aggregate emoluments for the current year on this basis are also expected to be £80,000. If the merger becomes effective, Christopher Moore has agreed to resign and the annual fees for the Enlarged Company will be £25,000 for Keith Niven and Tom Sooke and £20,000 for Bridget Guérin and aggregate emoluments for the current year on this basis would be £70,000.
- 4.5 Bridget Guérin was a director of Matrix-Securities Limited, the Company's secretary and administrator, until 22 December 2009 and was interested in the contracts referred to at paragraphs 6.1.1, 6.1.2, 6.1.3 and 6.1.4 below. Matrix-Securities Limited has also on occasion acted as promoter to the Company in respect of fundraisings since inception. Bridget Guérin was a director and remains a shareholder of Matrix Group Limited which (i) holds a controlling stake in Matrix Corporate Capital LLP, which acts as broker to the Company; (ii) owns 100 per cent. of the equity of MPE Partners Limited which holds a 50 per cent. interest in Matrix Private Equity and (iii) is the parent company of the wholly owned subsidiary Matrix-Securities Limited.
- 4.6 Save as set out in paragraphs 4.4 and 4.5 above, there are no potential conflicts of interest between the duties of any Director and their private interests and/or other duties.
- 4.7 Other than disclosed in this paragraph 4, no Director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by the Company in the years ended 31 December 2007, 2008 and 2009 or to the date of this document in the current financial year or which was effected in an earlier financial year and remains in any respect outstanding or unperformed.
- 4.9 No loan or guarantee has been granted or provided by the Company to or for the benefit of any of the Directors.
- 4.10 The Company has taken out directors' and officers' liability insurance for the benefit of its Directors, which is renewable on an annual basis.

- 4.11 The Directors are currently or have been within the last five years, a member of the administrative, management or supervisory bodies or partners of the companies and partnerships mentioned below:

<u>Director</u>	<u>Current</u>	<u>Past 5 Years</u>
Keith Niven	Trossachs Community Trust Schroder UK Growth Fund plc Schroder Income Growth Fund plc Impax Environmental Markets plc Matrix Income & Growth VCT plc Matrix Income & Growth 3 VCT plc	Pennthorpe School Trust Limited CAF Nominees Limited CAF Bank Limited Healthstar group plc Procura MNCB Limited Cornerstone VCT Limited Advance UK Trust PLC
Bridget Guérin	Matrix Money Management Limited Matrix Income & Growth VCT plc Matrix Income & Growth 3 VCT plc Matrix Structured Products Ltd Matrix Alternative Investment Strategies Fund	Matrix Group Limited Matrix-Securities Limited Cornerstone VCT Limited
Christopher Moore	Bletchley Park Trust Limited The Income & Growth VCT plc Matrix Income & Growth 4 VCT plc Eye Research UK Matrix Income & Growth VCT plc Matrix Income & Growth 3 VCT plc British Eye Research Foundation Fight for Sight Trading Limited Moore Corporation Moore Farms Partnership	Oxonica Materials Limited Oxonica plc Helveta Limited Cornerstone VCT Limited
Tom Sooke	Matrix Income & Growth VCT plc Matrix Income & Growth 3 VCT plc CitiCourt Associates Limited Braxxon Consulting Limited	Citicourt & Co Limited Spark VCT plc Advance Media Information Limited Braxxon Technology Limited

- 4.12 None of the Directors have any convictions in relation to fraudulent offences during the previous five years.

- 4.13 Save as disclosed in this paragraph, there were no bankruptcies, receiverships or liquidations of any companies or partnership where any of the Directors were acting as (i) a member of the administrative, management or supervisory body, (ii) a partner with unlimited liability, in the case of a limited partnership with a share capital, (iii) a founder where the company had been established for fewer than five years or (iv) a senior manager during the previous five years.

Keith Niven, Bridget Guérin and Christopher Moore were directors of Cornerstone VCT Limited which was voluntarily struck off the register of companies and dissolved on 4 July 2006.

Keith Niven was also a director of Advance UK Trust plc, which entered members voluntary liquidation on 19 March 2010.

- 4.14 There have been no official public incriminations and/or sanctions of any Director by statutory or regulatory authorities (including designated professional bodies) and no Director has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company during the previous five years.

5. OVERSEAS SHAREHOLDERS

- 5.1 The issue of New Shares to be issued pursuant to the merger to persons resident in or citizens of jurisdictions outside the UK may be affected by the laws of the relevant jurisdiction. Such Company shareholders should inform themselves about and observe any legal requirements, in particular:
- 5.1.1 none of the New Shares to be issued pursuant to the merger have been or will be registered under the United States Securities Act 1933, as amended, or qualify under applicable United States state statute and the relevant clearances have not been, and will not be, obtained from the securities commission of any province of Canada, Australia, Japan South Africa or New Zealand;
 - 5.1.2 the Company is not registered under the United States Investment Company Act of 1940, as amended and investors are not entitled to the benefits of that Act; and
 - 5.1.3 no offer is being made, directly, under the merger, in or into or by the use of emails, or by means of instrumentality (including, without limitation, facsimile, transmission, telex or telephone) or interstate or foreign commerce, or of any facility in a national securities exchange, of the United States, Canada, Australia Japan South Africa or New Zealand. It is the responsibility of VCT 3 shareholders with registered addresses outside the UK to satisfy themselves as to the observance of the laws of the relevant jurisdiction in connection with the issue of New Shares pursuant to the Scheme, including the obtaining of any government or exchange control or other consents which may be required, the compliance with any other necessary formalities which need to be observed and the payment of any issue, transfer or other taxes or duties due in such jurisdiction.

6. MATERIAL CONTRACTS

- 6.1 Save as disclosed in this paragraph 6.1, the Company has not entered, other than in the ordinary course of business, into any contract which is or may be material to the Company within the two years immediately preceding the publication of this document or into any contract containing provisions under which the Company has any obligation or entitlement which is material to the Company as at the date of this document:
- 6.1.1 An investment adviser's agreement dated 9 July 2004 between the Company (1) and Matrix Private Equity Partners Limited (2), which was novated to Matrix Private Equity pursuant to a novation agreement dated 20 October 2006, pursuant to which Matrix Private Equity provides certain investment management services to the Company for a fee payable quarterly in advance of an amount equivalent to 2 per cent. per annum (exclusive of VAT, if any) of the NAV of the Company calculated in accordance with the Company's normal accounting policies. The agreement is terminable by either party by 12 months' notice by either party subject to earlier termination by either party in the event of, *inter alia*, a party having a receiver, administrator or liquidator appointed or committing a material breach of the agreement or by the Company if it fails to become, or ceases to be, a VCT for tax purposes or where Matrix Private Equity ceases to be authorised by the Financial Services Authority or if there is a change in control of Matrix Private Equity. The agreement contains provisions indemnifying Matrix Private Equity against any liability not due to its default, gross negligence, fraud or breach of the Financial Services and Markets Act 2000.
 - 6.1.2 A performance incentive agreement dated 9 July 2004 between the Company (1) and Matrix Private Equity Partners Limited (2), which was novated to Matrix Private Equity pursuant to a novation agreement dated 20 October 2006, pursuant to which Matrix Private Equity are entitled to receive performance related incentive fees subject to achieving certain defined targets.

Matrix Private Equity are entitled to receive performance incentive fees of 20 per cent of any excess above 6p per Share (index linked from the third accounting period) of the annual dividends paid to holders of Shares subject to the Company achieving a NAV per Share of 100p or more as calculated in the annual report and accounts for the year relating to payment. Any cumulative shortfalls below the 6p per annum dividend hurdle ("Shortfall") will have to be made up in later years before any entitlement arises.

The agreement will terminate automatically if the Company enters into liquidation or if a receiver or manager is appointed or if a resolution is passed that the Company is voluntarily wound up in accordance with the Articles.

- 6.1.3 An agreement dated 9 July 2004 between the Company (1) and Matrix-Securities Limited (2) pursuant to which Matrix-Securities Limited has agreed to provide secretarial services to Company and which is terminable by either party at any time thereafter by 12 months' notice subject to earlier termination by the Company in the event of Matrix-Securities Limited having a receiver, administrator or liquidator appointed or ceasing to or threatening to cease carrying on its business or have committed a serious breach of its obligations under this agreement and not remedying the breach within 90 days of being given notice by the Company. Under this agreement Matrix-Securities Limited is entitled to an annual fee of an amount equivalent to 0.09 per cent. (plus VAT) of the aggregate amount raised by the Company. The secretarial services under this agreement are, following the reorganisation of the Matrix group, now provided by Matrix Private Equity.
- 6.1.4 An agreement dated 9 July 2004 between the Company (1) and Matrix-Securities Limited (2) pursuant to which Matrix-Securities Limited has agreed to provide accountancy services to Company and which is terminable by either party at any time thereafter by 12 months' notice subject to earlier termination by the Company in the event of Matrix-Securities Limited having a receiver, administrator or liquidator appointed or ceasing to or threatening to cease carrying on its business or have committed a serious breach of its obligations under this agreement and not remedying the breach within 90 days of being given notice by the Company. Under this agreement Matrix-Securities Limited is entitled to an annual fee of an amount equivalent to 0.21 per cent. (plus VAT) of the aggregate amount raised by the Company. The accountancy services under this agreement are, following the reorganisation of the Matrix group, now provided by Matrix Private Equity
- 6.1.5 A letter of engagement dated 5 February 2010 between the Company and Charles Stanley Securities, pursuant to which Charles Stanley Securities will act as sponsor to the Company. Under the letter of engagement, which may be terminated by Charles Stanley Securities in certain circumstances, certain warranties have been given by the Company. The Company has also agreed to indemnify Charles Stanley Securities in respect of its role as sponsor. The warranties and indemnity are in usual form for a contract of this type. The agreement may be terminated if any statement in the Prospectus is untrue, any material omission from the Prospectus arises or any breach of warranty occurs
- 6.2 The following contracts will be entered into, subject, *inter alia*, to the approval by the Shareholders of the Revised Performance Incentive Arrangements and the Scheme becoming effective:
- 6.2.1 A transfer agreement between the Company and VCT 3 (acting through the Liquidators) pursuant to which all of the assets and liabilities of VCT 3 will be transferred to the Company (subject only to the consent required to transfer such assets and liabilities) in consideration for New Shares in accordance with Part IV of this document. The Liquidators will further agree under this agreement that all sale proceeds and/or dividends received in respect of the underlying assets of VCT 3 will be transferred on receipt to the Company as part of the Scheme. This agreement will be entered into as part of the Scheme.
- 6.2.2 An indemnity from the Company to the Liquidators pursuant to which the Company will indemnify the Liquidators for expenses and costs incurred by them in connection with the Scheme. A liquidation fee has been agreed (including an amount representing contingency) and taken into account in the merger calculations. This agreement will be entered into as part of the Scheme.
- 6.2.3 An investment management agreement between the Company (1), Matrix Private Equity (2) and Matrix-Securities Limited (3) pursuant to which:
- the investment management and administration agreements referred to at paragraphs 6.1.1, 6.1.3 and 6.1.4 above will be terminated (save that Matrix Private Equity will jointly and severally with Matrix-Securities Limited assume full responsibility for liabilities, omission of duties and other claims arising under those agreements against them prior to termination);

- revised investment management and administration arrangements will apply, following the merger, across the Enlarged Company materially on the terms of the existing management and administration arrangements; and
- the revised annual fee will be equivalent to 2 per cent. of net assets of the Company (exclusive of VAT, if any) plus £120,000 (inclusive of VAT, if any) the £120,000 being subject to increase in the Retail Prices Index.

6.2.4 A deed of variation to the performance incentive agreement pursuant to which:

- the High Watermark of 100p per Share will be replaced with an amount equal to the average issue price per Share in issue following the merger;
- the Target Return of annual dividends of 6p per Share (index linked from the third accounting period) will be adjusted to an average dividend hurdle per Share in issue following the merger; and
- the cumulative Shortfall to the date of the merger will be deemed to be an amount per Share equivalent to the average shortfall per Share in issue following the merger

7. RELATED PARTY TRANSACTIONS

Save for the fees paid to Matrix Private Equity and Matrix-Securities Limited, under the arrangements set out at paragraph 6.1, the fees paid to the Directors as detailed in paragraph 4.4 above and fees paid to Matrix Corporate Capital LLP of £nil (2008), £9,161 (2009) and £5,875 (current year) there were no related party transactions or fees paid by the Company during the years ended 31 December 2007, 2008 and 2009 or to the date of this document in the current financial year.

8. TAXATION

- 8.1 The following paragraphs, which are intended as a general guide only and are based on current legislation and HMRC practice, summarise advice received by the Board as to the position of the Company's Shareholders who hold Shares other than for trading purposes. Any person who is in any doubt as to his taxation position or may be subject to taxation in any jurisdiction other than the United Kingdom should consult his professional advisers.
- 8.2 Taxation of dividends – under current law, no tax will be withheld by the Company when it pays a dividend.
- 8.3 Stamp duty and stamp duty reserve tax – the Company has been advised that no stamp duty or stamp duty reserve tax will be payable on the issue of the New Shares to be issued pursuant to the merger. The Company has been advised that the transfer of New Shares will, subject to any applicable exemptions, be liable to ad valorem stamp duty at the rate of 0.5 per cent. of the consideration paid. An unconditional agreement to transfer such New Shares if not completed by a duly stamped stock transfer will be subject to stamp duty reserve tax generally at the rate of 50p per £100 (or part thereof) of the consideration paid.
- 8.4 Close company – the Board believes that the Company is not, and expects that following completion of the Scheme it will not be, a close company within the meaning of ITA 2007. If the Company was a close company in any accounting period, approval as a VCT for the Company would be withdrawn.

9. GENERAL

Working Capital Statement

- 9.1 The Company is of the opinion that its working capital is sufficient for its present requirements, that is for at least the twelve month period from the date of this document.

Capitalisation and Indebtedness Statement

- 9.2 As at 13 April 2010 (the latest practicable date prior to publication of this document), the Company has no indebtedness, whether guaranteed, unguaranteed, secured, unsecured, direct and/or

contingent and there is no current intention of incurring any such indebtedness for at least the twelve month period from the date of this document.

- 9.3 The capitalisation of the Company, extracted from Part IV of this document as at 31 December 2009, is set out below. There has been no material change in the capitalisation of the Company between 31 December 2009, the date of the Company's last published financial information and 13 April 2010, the latest practicable date before the date of publication of this document.

<u>Shareholders' Equity</u>	<u>£'000</u>
Called-up share capital	204
Capital redemption reserve	18
Revaluation reserve	(2,272)
Special distributable reserve	17,907
Profit & loss account	1,122
Total	<u>16,979</u>

Other

- 9.4 Other than the costs of the merger, the acquisition is not expected to have a material effect on the levels of revenue and losses to be incurred by the Company relative to its enlarged asset base had the acquisition occurred on 1 January 2009.
- 9.5 The Company is not, and has not at any time in the 12 months immediately preceding the date of this document, been involved in any governmental, legal or arbitration proceedings (and the Company is not aware of any such proceedings being pending or threatened) which may have, or have had, a significant effect on the Company's financial position or profitability.
- 9.6 There has been no significant change in the financial or trading position of the Company since 31 December 2009, the date to which the last audited financial statements have been published, to the date of this document.
- 9.7 Since launch the Company paid in dividends totalling 16.3p per Share. The Company has also declared an interim dividend of 5.0p per Share, which will be paid on 21 April 2010.
- 9.8 There have been no important events so far as the Company and the Directors are aware relating to the development of the Company or its business.
- 9.9 There have been no significant factors, whether governmental, economic, fiscal, monetary or political, including unusual or infrequent events or new developments nor any known trends, uncertainties, demands, commitments or events that are reasonably likely to have an effect on the Company's prospects or which have materially affected the Company's income from operations so far as the Company and the Directors are aware.
- 9.10 There are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for at least the current financial year, so far as the Company and the Directors are aware.
- 9.11 Scott-Moncrieff (a member of the Institute of Chartered Accountants) has given and has not withdrawn its written consent to the inclusion in this document of its report set out in Part V of this document in the form and context in which it is included and has authorised the contents of its report for the purposes of Rule 5.5.3(2)(f) of the Prospectus Rules.
- 9.12 Charles Stanley and the Liquidators have given and not withdrawn their written consent to the issue of this document and the inclusion of their names and the references to them in this document in the form and context in which they appear.
- 9.13 The costs and expenses of the merger payable by the Company, including any irrecoverable value added tax and all fees and commissions payable are estimated to be £134,000 inclusive of VAT.

Whilst the Roll-Over Value and Merger Value take into account anticipated costs to be incurred by them respectively in relation to the merger and an amount of contingency in relation to the Company providing an indemnity to the Liquidators in respect of VCT 3 liabilities and expenses, under the terms of the Transfer Agreement the Company has agreed to meet all the costs of VCT 3 in relation to the Merger and of winding up VCT 3 whether or not so anticipated.

- 9.14 Shareholders will be informed, by means of the half-yearly and/or annual report or through a Regulatory Information Service announcement if the investment restrictions which apply to the Company as a VCT detailed in this document are breached.
- 9.15 The Company's capital resources are restricted insofar as they may be used only in putting into effect the investment policies in this document. There are no firm commitments in respect of the Company's principal future investments.
- 9.16 All Shareholders have the same voting rights in respect of the share capital of the Company. The Company is not aware of any person who, directly or indirectly, exercises or could exercise control over the Company, nor of any arrangements, the operation of which, may be at a subsequent date result in a change of control of the Company.
- 9.17 PKF (UK) LLP (a member of the Institute of Chartered Accountants in England and Wales), have been auditors of the Company since launch
- 9.18 The Company has no employees or subsidiaries.
- 9.19 The typical investor for whom investment in the Company is designed is an individual retail investor aged 18 or over who is resident and a tax payer in the United Kingdom.
- 9.20 The Company does not have any material shareholders with different voting rights.
- 9.21 Application has been made for the admission of the New Shares to be issued under the Scheme to be listed on the Official List and application will be made for the New Shares to be admitted to trading on the London Stock Exchange's market for listed securities. A Regulatory Information Service announcement will be made following the Calculation Date stating the number of such New Shares to be issued. Dealings may not commence in the New Shares issued pursuant to the Scheme before notification of the number of New Shares to be issued is given. If Shares are currently held in uncertificated form (that is in CREST) New Shares will also be credited to Shareholders' CREST accounts. If, following issue, recipients of certificated New Shares pursuant to the Scheme should wish to hold their New Shares in uncertificated form they should contact their broker or independent financial advisor.
- 9.22 The Company is subject to the investment restrictions relating to a venture capital trust in ITA 2007, as more particularly detailed in Part VIII of this document, and in the Listing Rules which specify that (i) the Company must, at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with its published investment policy as set out in page 26 of this document; (ii) the Company must not conduct any trading activity which is significant in the context of its group as a whole; and (iii) the Company may not invest more than 10 per cent., in aggregate, of the value of the total assets of the issuer at the time an investment is made in other listed closed-ended investment funds. Any material change to the investment policy of the Company will require the approval of Shareholders pursuant to the Listing Rules. The Company intends to direct its affairs in respect of each of its accounting periods so as to qualify as a venture capital trust and accordingly:
- 9.22.1 the Company's income is intended to be derived wholly or mainly from shares or other securities, as this phrase is interpreted by HMRC;
- 9.22.2 the Company will not control the companies in which it invests in such a way as to render them subsidiary undertakings;
- 9.22.3 none of the investments at the time of acquisition will represent more than 15 per cent. by VCT Value of the Company's investments; and

- 9.22.4 not more than 20 per cent. of the Company's gross assets will at any time be invested in the securities of property companies.
- 9.23 The Company and its Shareholders are subject to the provisions of the Takeover Code and the Companies Acts, which require shares to be acquired/transferred in certain circumstances.
- 9.24 Had the Scheme been implemented on 31 December 2009, being the latest practicable date before the date of publication of this document, based on the relative unaudited net asset values of the Company and VCT 3 as at that day, 21,306,522 New Shares would have been issued to VCT 3 shareholders representing approximately 104.75 per cent. of the issued Share capital of the Company.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any day (Saturdays, Sundays and public holidays excepted) from the date of this document until the Effective Date at the offices of Martineau, New Bridge Street, London EC4V 6BW and also at the registered office of the Company:

- 10.1 the memorandum and articles of association of the Company;
- 10.2 the audited report and accounts of the Company for the financial years ended 31 December 2007, 2008 and 2009;
- 10.3 the audited report and accounts of VCT 3 for the three financial years ended 31 December 2007, 2008 and 2009;
- 10.4 the material contracts referred to in paragraph 6 above (the contracts referred to at paragraph 6.2. being subject to non-material amendment);
- 10.5 the Directors' appointment letters;
- 10.6 a draft (subject to non-material updating and amendment) of the Transfer Agreement;
- 10.7 the consents referred to in paragraphs 9.11 and 9.12 above;
- 10.8 the circular to Shareholders dated 14 April 2010;
- 10.9 the VCT 3 Circular dated 14 April 2010;
- 10.10 the pro forma financial information together with a report from Scott-Moncrieff thereon set out in Part V of this document; and
- 10.11 this document.

14 April 2010

