Annual Report and Accounts

for the year ended 30 September 2008

THE INCOME & GROWTH VCT PLC

Investment Objective

The objective of The Income & Growth VCT plc (“I&G” or “the Company”) is to provide investors with an attractive return, by maximising the stream of dividend distributions from the income and capital gains generated by a diverse and carefully selected portfolio of investments.

The Company invests in companies at various stages of development. In some instances this may include investments in new and secondary issues of companies which may already be quoted on the Alternative Investment Market (“AiM”) or PLUS.

Contents

Financial Highlights

– ordinary shares of 1p each ('O' Shares)

- Increase of 32.1% in year in cumulative dividends paid to Shareholders
- Increase of 6.7% in annual dividends paid to Shareholders over 2007
- Decrease of 4.0% in year in shareholder total return (share price basis)
- Decrease of 13.0% in year in total shareholder return (net asset basis)

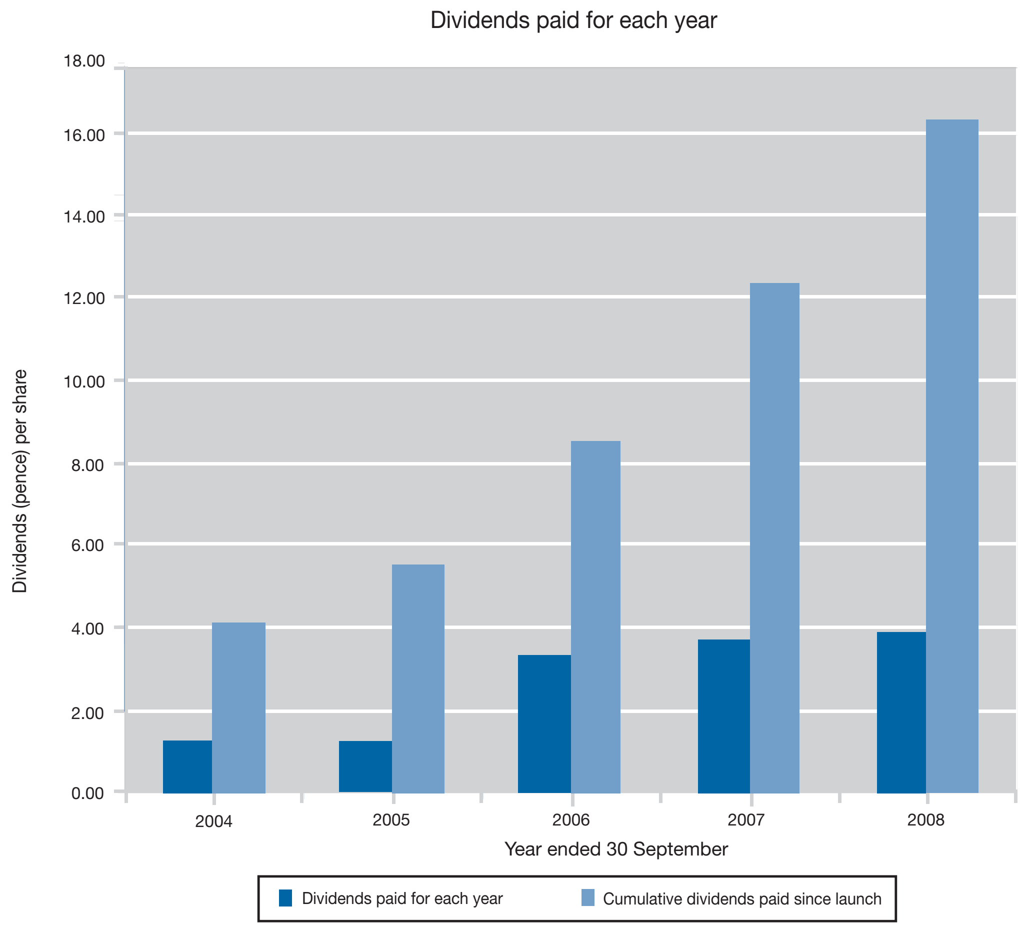
Dividends paid

Year ended 30 September	Dividends paid in each year since launch per share (p)	Cumulative dividends paid since launch per share (p)
2008	4.00	16.45
2007	3.75	12.45
2006	3.25	8.70
2005 (restated)	1.25	5.45
2004 (restated)	1.25	4.20

Dividends paid include distributions from both income and capital.

Dividends proposed

A final proposed dividend of 4 pence per share comprising 1 penny from income and 3 pence from capital, will be recommended to Shareholders at the AGM on 6 February 2009 for payment on 16 February 2009.

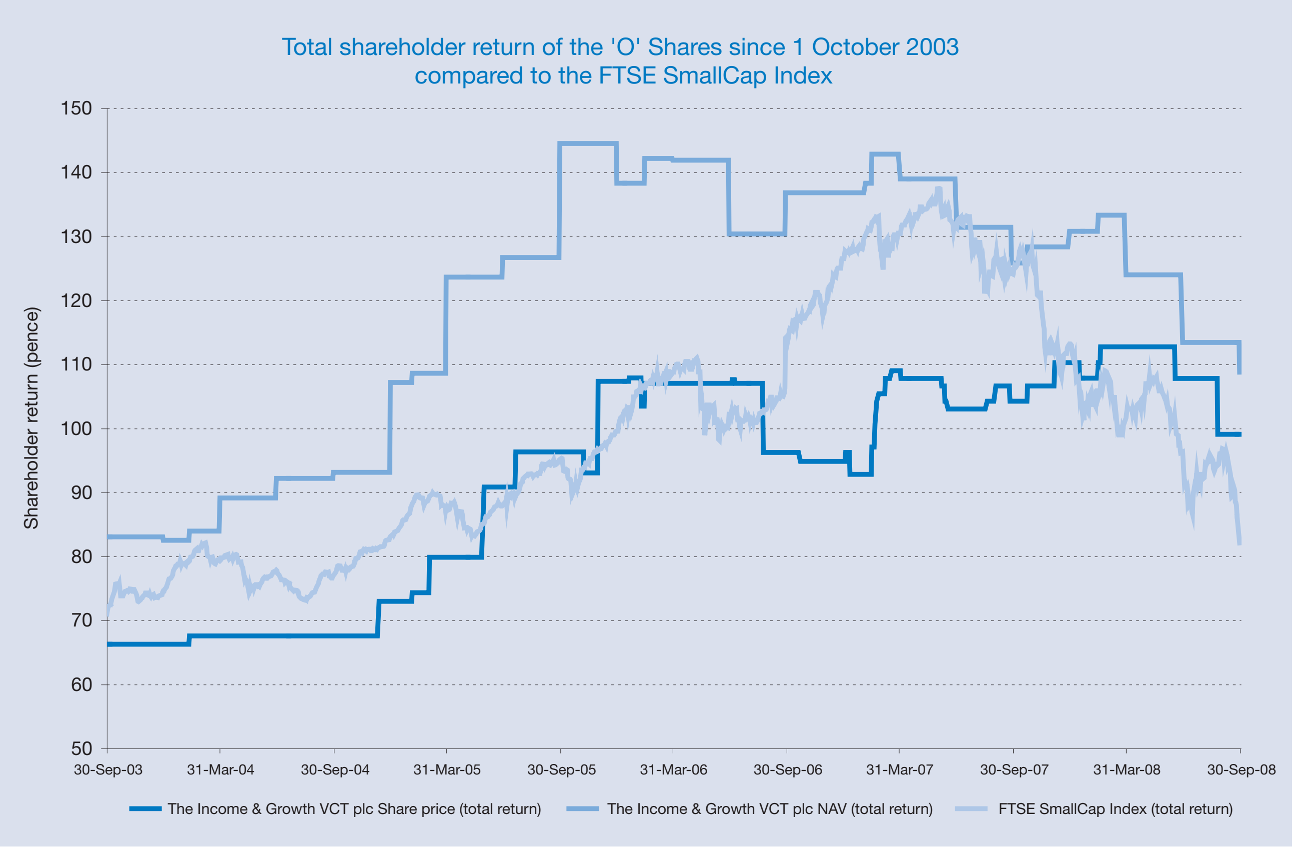


Performance Summary

Year ended 30 September	Net assets (£ million)	Net asset value per 'O' Share (p)	NAV total return to shareholders since launch per 'O' Share (p)	Share price (p)[1]	Share price total return to shareholders since launch per 'O' Share (p)
2008	29.6	83.6	100.0	79.5	96.0
2007	36.8	100.5[2]	115.0	87.5	100.0
2006	44.2	112.9	121.6	84.5	93.2
2005 (restated)	49.2	122.5	128.0	87.5	93.0
2004 (restated)	33.5	81.3	85.5	62.5	66.7

[1]Source: London Stock Exchange.
[2]After deducting the dividend of 2p per share paid on 24 October 2007.

In the graph below, the total return figures have been rebased to 100 at 15 November 2000, the date on which the Company's 'O' Shares were first admitted to trading.



Source: Matrix Corporate Capital LLP

The share price and net asset value (NAV) total return comprise the share price and NAV respectively per share assuming the dividends paid were re-invested on the date on which the shares were quoted ex-dividend in respect of each dividend.

Financial Highlights
– S ordinary shares of 1p each ('S' Shares)

Maintenance of shareholder total return (share price basis) at 100p per share since launch

Increase of 0.10% since launch in total shareholder return (net asset basis)

Performance Summary

Year ended 30 September	Net assets (£ million)	Net asset value per 'S' Share (p)	NAV total return to shareholders since launch per 'S' Share (p)	Share price (p)[1]	Share price total return to shareholders since launch per 'S' Share (p)
2008	11.2	94.6	94.6	100.0	100.0
At close of Offer for Subscription	11.2	94.5	94.5	100.0	100.0

[1] Source: London Stock Exchange.

Chairman's Statement

I am pleased to present to Shareholders the eighth Annual Report of the Company for the year ended 30 September 2008. This is also the first annual report of the Company since it became a single manager Venture Capital Trust (VCT).

Change to single manager
In my last Half-Yearly Report to you, I stated that the Board had extended Matrix Private Equity Partners' ('MPEP') management role. Your Board, in anticipation of these more difficult times, took the view that investment in the more risky early stage technology sector should be curtailed and, as a result, Foresight Group's ('Foresight') expertise in this area was no longer required. The final elements of the handover of the Foresight portfolio have now been completed.

I remain confident that, in these turbulent economic times, to concentrate the portfolio in the hands of our better performing Investment Manager, MPEP, was a good investment decision. MPEP remains one of the top VCT managers in the marketplace. Please see my comments on page 8 below on MPEP's recent award. (Further information on the contractual arrangements with the Investment Manager are included in the Directors' Report on page 30 and Note 4 to the accounts on page 54).

Performance
'O' Shares
At 30 September 2008, the Net Asset Value (NAV) per 'O' Share was 83.56 pence (2007: 100.52 pence). Adjusted for the 2 pence dividend paid to Shareholders in the year, this represents a decrease of 14.9% over the twelve month period. This compares with a decline of 33.9% in the FTSE SmallCap Index and a decline of 43.5% in the FTSE AiM Index during the same period. The NAV total return per 'O' Share fell in the year by 13.0% from 114.97 pence at 30 September 2007 to 100.01 pence at 30 September 2008.

The performance of the portfolio in the year was mixed. The MPEP portfolio achieved realised gains of £2.1 million but these were offset by provisions and lower valuations giving rise to unrealised losses of £3.3 million, resulting in net overall losses of £1.2 million. Realisations generated significant cash proceeds of £7.1 million. The Foresight legacy portfolio suffered greater falls in value with further provisions leading to unrealised net losses of £4.2 million.

UK sector price earnings multiples have, in the main, decreased significantly over this twelve month period, and this does impact on our portfolio valuation in both the quoted and unquoted sectors. The MPEP portfolio at the year end represented 87% of total venture capital investments by current value, whilst the Foresight legacy portfolio represented 13%. It continues to be a difficult time for technology investments.

Overall, the underlying performance of the portfolio continues to provide encouragement. The total dividends proposed to be paid in respect of the year under review will be 4 pence per ‘O’ Share which compares with 4 pence per ‘O’ Share paid in respect of the financial year ended 30 September 2007.

‘S’ Shares
At 30 September 2008, the NAV and NAV total return per ‘S’ Share had risen marginally to 94.59 pence (at launch: 94.50 pence), a slight increase of 0.1%.

For more information on the performance of the portfolio, please refer to the Investment and Portfolio Review on pages 17-24.

Economic background
All UK investment portfolios are being affected by the much harsher economic conditions which now exist and are predicted to continue for some time. If the problems in the global financial community are not resolved quickly and confidence restored in our financial system, the recession is likely to be severe. Today’s problems can almost certainly be attributed to irresponsible lending by many banks, by the Government’s imprudent growth in public spending and by its insatiable borrowing, both on and off balance sheet, over more than a decade. I cover our views below on the outlook for the economy and the Company’s portfolios.

The portfolios
‘O’ Shares
Overall, the MPEP portfolio continues to perform well, particularly given the current economic climate, with good trading performances being shown by some of the investments; notably Amaldis (2008) Limited (Original Additions), Tottel Publishing Limited, IDOX plc, VSI Limited, PastaKing Holdings Limited and Vectair Holdings Limited. Within the MPEP portfolio new investments of £516,900 and £424,447 respectively were made into Focus Pharma Holdings Limited, a seller of generic pharmaceutical products, in October 2007, and into Monsal Holdings Limited, an environmental technology company, in December 2007. This was followed in April 2008 by an investment of £307,071 into The Plastic Surgeon Holdings Limited to support the MBO of Plastic Surgeon Fine Finishers, a company specialising in the snagging and finishing of domestic and commercial properties. In October, just after the year-end, an investment of £595,842 was made into ATG Media Holdings Limited to support the MBO of Metropress Limited, publishers of the Antiques Trade Gazette. At the end of November, a further investment of £129,264 was made into PXP Holdings Limited (Pinewood Structures).

In the first six months of this period, advantage was taken of market conditions at that time to dispose profitably of the portfolio’s investments in Ministry of Cake (Holdings) Limited, BBI Holdings plc and to receive a further payment from Secure Mail Services Limited which was sold in the previous year. Shortly after that, further payments were received from a prepayment of loan stock from VSI Limited and from a recapitalisation of HWA Limited (Holloway White Allom).

Before the year-end, the ’O’ Share portfolio also made three investments of £1 million each into three acquisition vehicles, namely, Apricot Trading Limited (a company established to acquire businesses in the marketing services and media sector), Aust Construction Investors Limited (a company established to acquire businesses in the specialist construction, building support services, building products and related services), and Calisamo Management Limited (a company established to acquire businesses in healthcare, wellbeing products, management or professional services).

In the former Foresight portfolio, the Company invested a further £387,764 into Oxonica plc in December 2007. However, the Foresight portfolio, being an early stage technology portfolio, has been affected by sharp falls in quoted prices and much more difficult trading conditions.

‘S’ Shares
Since launch in February of this year, this Fund in April 2008 invested £99,011 into The Plastic Surgeon Holdings Limited, a company specialising in the snagging and finishing of domestic and commercial properties, and just after the year-end, the Fund also made an investment of £404,158 into ATG Media Holdings Limited to support the MBO of Metropress Limited, the publishers of the Antiques Trade Gazette.

Cash available for investment
During this economic turmoil, both the Board and the Investment Manager have worked to ensure that our cash available for investment for both the ‘O’ and ‘S’ Share Funds remains as secure as possible. We have for some time been spreading our significant cash deposits with a number of the leading global cash funds rather than depositing direct to individual banks, thereby reducing our exposure to any one particular bank.

Revenue account
The Revenue return for the Company as a whole has increased from £240,595 to £717,196 over the year, being an increase of £476,601.

£117,359 of this increase arises from the ‘S’ Share Fund, primarily due to the liquidity fund income earned from the funds raised under the ‘S’ Share Offer.

The ‘O’ Share Fund increased its return by £359,242. Income attributable to the revenue return rose by £220,857, itself due to two principal factors. First, dividend income rose by £157,289 as several MPEP investments generated dividends in the year, notably Image Source Group Limited and Brookerpaks Limited; secondly, liquidity fund interest rose by £42,539 from higher cash balances resulting primarily from the realisations in the MPEP portfolio. Loan stock income was broadly constant this year, although the level of provisions against non-performing loan stocks has risen. The ‘O’ Share Fund’s income has also increased exceptionally by £83,278, being 25% of anticipated VAT recoverable, (the other 75% being recorded in the capital return). This is explained more fully in my Statement on page 8.

Management fees charged to revenue fell by £58,241 in the year as asset values declined together with the absence of VAT on this fee. A portion of overhead costs has been shared with the 'S' Share Fund this year causing a reduction of £60,909 in running costs attributable to the 'O' Share Fund. Although the tax charge attributable to the revenue return has risen by £64,043, this in itself reflects the higher levels of taxable income of £423,285.

Dividends

'O' Shares

The Company's revenue return per 'O' Share was 1.66 pence per share (2007: 0.62 pence per share). Your Board will be recommending a final dividend of 4 pence per 'O' Share comprising 1 penny from income and 3 pence from capital in respect of the year under review at the Annual General Meeting to be held on 6 February 2009. The dividends will be paid on 16 February 2009 to 'O' Fund Shareholders on the Register on 16 January 2009.

'S' Shares

The Company's revenue return per 'S' Share was 1.26 pence per share. The Fund expects to commence dividend payments from income in the next financial year. This will become possible after the cancellation of the share premium account attributable to the 'S' Share Fund.

Dividend investment scheme

'O' Fund Shareholders have, and 'S' Fund Shareholders will have, the opportunity to re-invest their dividends into new shares of the relevant class at the latest published NAV per share as at the dividend payment date. Board members have indicated that they will be doing so to the extent of their full entitlement.

Valuation policy

In accordance with current accounting standards, quoted stocks are valued at bid prices, rather than mid-market prices. It is worth commenting that the Company does hold a number of relatively early stage AiM-quoted stocks with limited marketability. In such cases, the price at which a sizeable block of shares could be traded, if at all, may vary significantly from the market price used.

Share buy-backs

During the year ended 30 September 2008, the Company continued to implement actively its buy-back policy and, accordingly the Company bought back 1,213,848 'O' Shares (representing 3.32% of the 'O' Shares in issue at the beginning of the period) at a total cost of £1,055,206 (net of expenses). These shares were subsequently cancelled by the Company.

VAT

Shareholders may be aware of recent HMRC announcements that could permit VCTs to recover VAT previously charged on fund mangement fees for at least the past three years. These accounts have recognised VAT recoverable of £464,000, based upon available information supplied by the Company's current and past Investment Managers, of which £131,000 has been set off against the current year's management expense. This figure contains a degree of estimation and it is possible that additional amounts of such VAT will be recoverable in due course. The Directors are unable at this stage to quantify such further amounts. This amount has been disclosed as a separate item of income in the Profit and Loss Account.

Appointment of corporate broker

On 13 October 2008, the London Stock Exchange announced that Landsbanki Securities (UK) Limited (Landsbanki) would no longer be able to act as a market maker. Landsbanki was therefore unable to quote prices or make a market in the Company's shares. The Directors understand that this action by the London Stock Exchange related to the Administration of Landsbanki's parent company, Landsbanki Islands hf, and resultant regulatory actions arising therefrom. I apologise for the inconvenience this may have caused to any Shareholders.

The Board is pleased, therefore to have been able to announce the appointment of Matrix Corporate Capital LLP (MCC) as corporate broker to the Company on 3 December 2008. The team at MCC includes the core Investment Funds team who were formerly at Landsbanki.

Outlook

It is highly probable that the much tougher economic conditions now being experienced could last for some time. Relatively small, early stage growth businesses are inevitably tested in such an environment. However, many of our portfolio companies, which are in later stages of development, are continuing to trade positively. The Company has significant cash resources and this is very important at a time when commercial banks have been announcing losses and are pursuing more cautious lending policies. Furthermore, it places the Company in an excellent position to take advantage of what are expected to be increasingly attractive investment opportunities which should become available in due course. We have already recently seen one example where economic conditions enabled a renegotiation of the terms of investment. Therefore, while short term valuations may be subject to continuing pressure your Board looks to the mid-term future with more confidence.

Awards for MPEP and PastaKing

I am delighted to inform you that our Investment Manager, Matrix Private Equity Partners, won the award for "VCT Manager of the Year" at the recent ***unquote"*** British Private Equity Awards 2008. May I congratulate the team on their hard work throughout the year.

We were also proud to hear that one of our investee companies, PastaKing, has been awarded ‘The Small to Medium Sized Business of the Year Award’ at the National Business Awards.

I&G website

May I remind you that the Company has its own website which is available at www.incomeandgrowthvct.co.uk.

In conclusion, may I again thank Shareholders for their continued support.

Colin Hook
Chairman
16 December 2008

Responsibility Statement of the Directors in respect of the Annual Financial Report

The Directors confirm that to the best of their knowledge:

(a) The financial statements, which have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies' issued by the Association of Investment Trust Companies in 2003 and revised in 2005, give a true and fair view of the assets, liabilities, financial position and loss of the Company; and

(b) The management report, comprising the Chairman's Statement, Investment Policy, Statement of Principal Risks, Management and Regulatory Environment, Investment Portfolio Summary and the Investment Portfolio Review, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

Colin Hook
Chairman
16 December 2008

Investment Policy

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

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

The Company has a small legacy portfolio of investments in companies from its period prior to 30 September 2008, when it was a multi-manager VCT. This includes investments in early stage and technology companies and in companies quoted on the AiM or PLUS.

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

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

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

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

Risk diversification and maximum exposures
Risk is spread by investing in a number of different businesses across different industry sectors. To reduce the risk of high exposure to equities, each qualifying investment is structured using a significant proportion of loan stock (up to 70% of the total investment in each VCT qualifying company). Initial investments in VCT qualifying companies are generally made in amounts ranging from £200,000 to £1 million at cost. No holding in

any one company will represent more than 10% of the value of the Company's investments at the time of investment. Ongoing monitoring of each investment is carried out by the Investment Manager, generally through taking a seat on the board of each VCT qualifying company.

Co-investment

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

Principal risks, management and regulatory environment

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

- **Economic risk** – events such as an economic recession and movement in interest rates could affect trading conditions for smaller companies and consequently the value of the Company's qualifying investments.

- **Loss of approval as a Venture Capital Trust** – the Company must comply with section 274 of the Income Tax Act 2007 ("ITA") which allows it to be exempted from capital gains tax on investment gains. Any breach of these rules may lead to the Company losing its approval as a Venture Capital Trust (VCT), qualifying shareholders who have not held their shares for the designated holding period having to repay the income tax relief they obtained and future dividends paid by the Company becoming subject to tax. The Company would also lose its exemption from corporation tax on capital gains.

- **Investment and strategic** – inappropriate strategy or consistently weak VCT qualifying investment recommendations might lead to underperformance and poor returns to shareholders.

- **Regulatory** – the Company is required to comply with the Companies Acts 1985 and 2006 ("the Companies Acts"), the listing rules of the UK Listing Authority and United Kingdom Accounting Standards. Breach of any of these might lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report.

- **Financial and operating risk** – inadequate controls that might lead to misappropriation of assets. Inappropriate accounting policies might lead to misreporting or beaches of regulations. Failure of the Investment Manager's and Administrator's accounting systems or disruption to its business might lead to an inability to provide accurate reporting and monitoring.

- **Market risk** – Investment in unquoted companies, by its nature, involves a higher degree of risk than investment in companies traded on the London Stock Exchange main market. In particular, smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals.

- **Asset liquidity risk** – The Company's investments may be difficult to realise.

- **Market liquidity risk** – Shareholders may find it difficult to sell their shares at a price which is close to the net asset value.

- **Counterparty risk** - A counterparty may fail to discharge an obligation or commitment that it has entered into with the Company. For further information, please see page 6 of the Chairman's Statement under 'Cash available for investment' and the discussion on 'credit risk in Note 20 to the accounts on page 69.

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

Investment Portfolio Summary - 'O' Share Fund

as at 30 September 2008

Matrix Private Equity Partners portfolio	Ordinary Shares Cost at 30-Sep-08 £	Ordinary Shares Valuation at 30-Sep-08 £	Other Investments [1] Cost at 30-Sep-08 £	Other Investments [1] Valuation at 30-Sep-08 £	Total Cost at 30-Sep-08 £	Total Valuation at 30-Sep-07 £	Total Additional investments £	Total Valuation at 30-Sep-08 £	Interest receivable in period £	Dividends receivable in period £	Unrealised gains/(losses) in period £	Realised gains in period £	Proceeds £	% of equity held [4 5]	% of portfolio by value	Description of loan stock
HWA Limited (Holloway White Allom) High value property restoration and refurbishment	34,553	2,359,597	-	-	34,553	4,691,649	-	2,359,597	-	-	13,739	36,089	2,381,880	21.1%	10.22%	-
Image Source Group Limited Royalty free photography creator	300,000	2,236,678	5,000	5,000	305,000	2,850,171	-	2,241,678	-	101,245	(608,493)	-	-	44.0%	9.71%	-
Youngman Group Limited Manufacturer of ladders and access towers	100,052	715,929	900,000	900,000	1,000,052	2,930,234	-	1,615,929	71,609	14,301	(1,314,305)	-	-	8.5%	6.99%	Secured loan stock at 7.75%
Blaze Signs Holdings Limited Manufacturer and installer of signs	401,550	179,628	936,950	1,213,016	1,338,500	1,704,694	-	1,392,644	92,458	9,600	(312,050)	-	-	12.5%	6.03%	Secured loan stock 2011 and 2012 at 10%
Tottel Publishing Limited Publisher of specialist legal and taxation titles	128,700	772,921	386,100	521,664	514,800	809,221	-	1,294,585	36,506	4,668	485,364	-	-	13.7%	5.61%	Secured loan stock 2009 at 9.6%
Amaldis (2008) Limited (Original Additions) Manufacturer and distributor of beauty products	13,167	42,592	67,146	1,206,375	80,313	967,438	-	1,248,967	0	-	281,528	-	-	9.2%	5.41%	Secured loan stock 2013
Apricot Trading Limited Company seeking to acquire businesses in the marketing services and media sector	400,000	400,000	600,000	600,000	1,000,000	-	1,000,000	1,000,000	0	-	-	-	-	24.5%	4.33%	Secured variable loan 2013
Aust Construction Investors Company seeking to acquire businesses in the construction sector	400,000	400,000	600,000	600,000	1,000,000	-	1,000,000	1,000,000	0	-	-	-	-	16.3%	4.33%	Secured variable loan 2012
Calisamo Management Limited Company seeking to acquire businesses in the healthcare sector	400,000	400,000	600,000	600,000	1,000,000	-	1,000,000	1,000,000	0	-	-	-	-	16.3%	4.33%	Secured variable loan 2012
Tikit Group plc [2] Provider of consultancy, services and software solutions for law firms	500,000	899,999	-	-	500,000	1,304,346	-	899,999	-	22,391	(404,347)	-	-	3.0%	3.90%	-
PastaKing Holdings Limited Manufacturer and supplier of fresh pasta meals	116,962	645,390	175,443	210,860	292,405	611,778	-	856,250	11,127	49,995	244,473	-	-	4.5%	3.71%	Secured loan stock 2011 at 10%
I-Dox plc [2] Provider of document storage systems	872,625	816,667	-	-	872,625	775,833	-	816,667	-	8,167	40,834	-	-	2.4%	3.54%	-
DiGiCo Europe Limited Designer and manufacturer of audio mixing desks	253,906	360,343	402,994	402,994	656,900	656,900	-	763,337	37,751	-	106,437	-	-	4.3%	3.31%	Secured loan stock 2012 at 10.75%
VSI Limited Provider of software for CAD and CAM vendors	38,895	448,274	206,701	227,165	245,596	730,901	-	675,439	27,679	-	87,795	14,326	157,582	10.0%	2.93%	Secured loan stock 2011 at 10%
Focus Pharma Holdings Limited Licensor and distributor of generic pharmaceuticals	180,914	180,914	335,986	335,986	516,900	-	516,900	516,900	35,056	1,211	-	-	-	2.1%	2.24%	Secured loan stock 2012 at 10.97%
Brookerpaks Limited Importer and distributor of garlic and vacuum-packed vegetables to supermarkets and the wholesale trade	50,000	412,540	5,000	5,000	55,000	416,130	-	417,540	-	86,447	1,410	-	-	17.1%	1.81%	-
British International Holdings Limited Helicopter service operator	112,500	0	387,500	375,112	500,000	538,535	-	375,112	17,571	-	(163,423)	-	-	5.0%	1.62%	Secured loan stock 2011 at 9%
Vectair Holdings Limited Designer and distributor of washroom products	53,207	146,620	162,707	195,210	215,914	300,579	-	341,830	15,304	-	41,251	-	-	4.6%	1.48%	Secured loan stock 2011 at 9%
PXP Holdings Limited (Pinewood Structures) Designer, manufacturer and supplier of timber frames for buildings	227,783	0	563,129	324,860	790,912	790,912	-	324,860	0	-	(466,052)	-	-	6.8%	1.41%	Secured loan stock 2012 at 8%
Monsal Holdings Limited Supplier of engineering services to water and waste sectors	143,597	37,485	280,850	280,850	424,447	-	424,447	318,335	19,964	-	(106,112)	-	-	6.6%	1.39%	Secured loan stock 2012 at 8.62%
B G Consulting Group Limited/Duncary 4 Limited Technical training business	110,202	248,197	1,043,774	8,333	1,153,976	332,212	-	256,530	0	-	(75,682)	-	-	33.2%	1.11%	Variable rate unsecured loan notes 2007
The Plastic Surgeon Holdings Limited Supplier of snagging and finishing services to property sector	30,707	15,353	276,364	138,183	307,071	-	307,071	153,536	10,270	-	(153,535)	-	-	4.6%	0.66%	Secured loan stock 2013 at 8.62%
Campden Media Limited Magazine publisher and conference organiser	67,814	0	267,066	65,842	334,880	326,842	-	65,842	20,165	-	(261,000)	-	-	3.7%	0.29%	Secured variable loan 2011
SectorGuard plc Provider of manned guarding, mobile patrols and alarm response	150,000	64,286	-	-	150,000	107,142	-	64,286	-	-	-	-	-	1.1%	0.28%	-
Racoon International Holdings Limited Supplier of hair extensions, hair care products and training	165,256	0	385,596	13,692	550,852	413,139	-	13,692	0	-	(399,447)	-	-	7.7%	0.06%	Secured loan stock 2011 at 12%
Inca Interiors Limited Design, supply and installation of quality kitchens to house developers	50,000	0	300,000	0	350,000	50,000	-	0	0	-	(50,000)	-	-	14.8%	0.00%	Secured subordinated loan stock at 9% 2006
Letraset Limited Manufacturer and worldwide distributor of graphic art products	150,000	0	500,000	0	650,000	213,982	-	0	0	-	(213,982)	-	-	17.4%	0.00%	Unsecured subordinated loan stock 2009 at 8%
BBI Holdings plc Manufacturer of gold conjugate for the medical diagnostics industry	-	-	-	-	-	1,430,231	-	-	-	7,870	(42,856)	462,938	1,893,169	-	0.00%	-
Ministry of Cake (Holdings) Limited Manufacturer of desserts and cakes for the food service industry	-	-	-	-	-	1,039,709	-	-	8,575	-	-	708,819	1,802,824	0.0%	0.00%	Secured loan stock 2010 at 7%
Special Mail Services Limited (Company sold in 2006)	-	-	-	-	-	-	-	-	-	-	-	737,060 [6]	737,060 [6]	0.0%	0.00%	-
Other investments in the portfolio [3]	900,293	0	819,492	0	1,719,785	0	-	0	-	-	-	90,224	90,224	-	0.00%	
MPEP Total	**6,352,683**	**11,783,413**	**10,207,798**	**8,230,142**	**16,560,481**	**23,992,578**	**4,248,418**	**20,013,555**	**404,035**	**305,895**	**(3,268,453)**	**2,049,456**	**7,062,739**		86.70%	

Notes

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

[2] Investment formerly managed by Nova Capital Management Limited up to 31 August 2007.

[3] 'Other investments in the portfolio' comprise The Hunter Rubber Company Limited (in administration), Stortext-FM Limited/Stortext (DO) Limited and FH Ingredients Limited, of which the principal operating subsidiary, FH Realisations Limited, is in administration.

[4] The percentage of equity held, and the amounts co-invested, in these companies by funds managed by Matrix Private Equity Partners LLP are disclosed in Note 14 to the financial statements.

[5] The percentage of equity held for these companies may be subject to further dilution of an additional 1% or more if, for example, management of the investee company exercises share options.

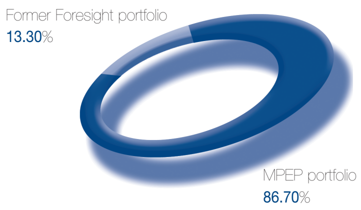
[6] Proceeds represent realisation of contingent consideration payable when Secure Mail Services Limited was sold.

	Ordinary Shares		ı stock instruments		Total investments										
	Cost at 30-Sep-08	Valuation at 30-Sep-08	Cost at 30-Sep-08	Valuation at 30-Sep-08	Cost at 30-Sep-08	Valuation at 30-Sep-07	Additional investments	Valuation at 30-Sep-08	Interest receivable in period	Dividends receivable in period	Unrealised gains/(losses) in period	Realised gains in period	Proceeds	% of equity held [3 5]	% of portfolio by value	Description of loan stock
Former Foresight Group portfolio	£	£	£	£	£	£	£	£	£	£	£	£	£			
Oxonica plc Leading international nanomaterials group	2,524,527	1,113,991	-	-	2,524,527	1,944,060	387,764	1,113,991	-	-	(1,217,833)	-	-	10.6%	4.82%	-
Camwood Limited Provider of software repackaging services	361,514	-	666,667	552,444	1,028,181	1,028,181	-	552,444	46,635	-	(475,737)	-	-	34.7%	2.39%	Secured loan at 7% 2008
DCG Group Limited (formerly DCG Datapoint Group Limited) Design, supply and integration of data storage solutions	83,324	92,263	228,750	228,750	312,074	376,283	-	321,013	16,056	-	(55,270)	-	-	6.3%	1.39%	Secured loan at 7% 2009
Aquasium Technology Limited Manufacturing and marketing of bespoke electron beam welding and vacuum furnace equipment	166,667	-	533,333	311,306	700,000	567,310	-	311,306	-	-	(256,004)	-	-	16.7%	1.35%	Secured loans at 8.25% 2006 and at 7% 2008 and 2010
NexxtDrive Limited [1] Developer and exploiter of mechanical transmission technologies	487,014	121,754	325,000	81,250	812,014	738,264	-	203,004	(27,067) [5]	-	(535,260)	-	-	8.4%	0.88%	Secured convertible loan stock at 5% 2008
ANT plc Provider of embedded browser/email software for consumer electronics and Internet appliances	462,816	196,979	-	-	462,816	131,319	-	196,979	-	-	65,660	-	-	2.7%	0.85%	-
Biomer Technology Limited [1] Developer of biomaterials for medical devices	137,170	137,170	-	-	137,170	753,837	-	137,170	-	-	(616,667)	-	-	5.6%	0.59%	-
Corero plc (formerly Mondas plc) Provider of e-business technologies	600,000	73,672	-	-	600,000	279,955	-	73,672	-	-	(206,283)	-	-	6.5%	0.32%	-
Sarantel plc Developer and manufacturer of antennae for mobile phones and other wireless devices	1,881,251	68,078	-	-	1,881,251	408,465	-	68,078	-	-	(340,388)	-	-	3.6%	0.29%	-
Aigis Blast Protection Limited Specialist blast containment materials company	272,120	68,030	-	-	272,120	249,990	-	68,030	-	-	(181,960)	-	-	4.2%	0.29%	-
Alaric Systems Limited Software developer and provider of support services in the credit/debit card authorisation and payments market	565,156	0	30,647	30,647	595,803	446,822	-	30,647	2,554	-	(416,175)	-	-	8.1%	0.13%	Secured variable rate loan stock 2009
Other investments in the portfolio [2]	-	-	-	-	-	-	-	-	-	-	-	4,054	4,054	-	0.00%	-
Foresight Total	**7,541,559**	**1,871,937**	**1,784,397**	**1,204,397**	**9,325,956**	**6,924,486**	**387,764**	**3,076,334**	**38,178**	**-**	**(4,235,917)**	**4,054**	**4,054**		13.30%	
'O' Share Fund Total	**13,894,242**	**13,655,350**	**11,992,195**	**9,434,539**	**25,886,437**	**30,917,064**	**4,636,182**	**23,089,889**	**442,213**	**305,895**	**(7,504,370)**	**2,053,510**	**7,066,793**		**100.00%**	

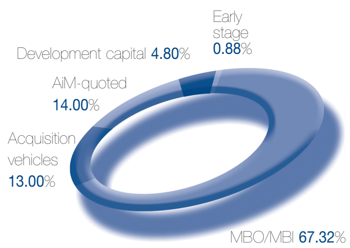
[1] Investment formerly managed by Nova Capital Management Limited up to 31 August 2007.
[2] 'Other investments in the portfolio' comprises data relating to Broadreach Networks Limited (dissolved in May 2008).
[3] The percentage of equity held, and the amounts co-invested, in these companies by funds managed by Foresight Group LLP are disclosed in note 14 to the financial statements.
[4] The percentage of equity held for these companies may be subject to further dilution of an additional 1% or more if, for example, management of the investee company exercises share options.
[5] NexxtDrive interest receivable in the previous year was provided against during the year.

'O' Share Fund Investments at valuation at 30 September 2008

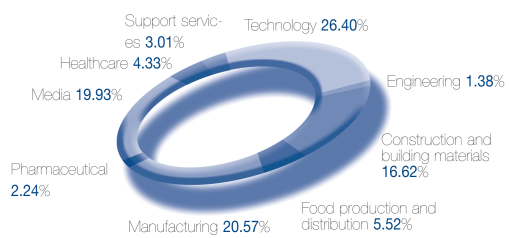
By investment manager



By stage of development



By market sector



Investment Portfolio Summary - 'S' Share Fund

as at 30 September 2008

	Ordinary Shares		her Investments [1]		Total				Interest	Dividends	Unrealised	Realised	Proceeds	% of	% of	Description of loan stock
	Cost at 30-Sep-08	Valuation at 30-Sep-08	Cost at 30-Sep-08	Valuation at 30-Sep-08	Cost at 30-Sep-08	Valuation at 30-Sep-07	Additional investments	Valuation at 30-Sep-08	receivable in period	receivable in period	gains/(losses) in period	gains/(losses) in period		equity held [4 5]	portfolio by value	
Matrix Private Equity Partners portfolio	£	£	£	£	£	£	£	£	£	£	£	£	£			
The Plastic Surgeon Holdings Limited Supplier of snagging and finishing services to property sector.	9,903	4,952	89,108	44,554	99,011	-	99,011	49,506	3,312	-	(49,505)	-	-	1.5%	100.00%	Secured loan stock 2013 at 8.62%
'S' Share Fund Total	**9,903**	**4,952**	**89,108**	**44,554**	**99,011**	**-**	**99,011**	**49,506**	**3,312**	**-**	**(49,505)**	**-**	**-**		**100.00% 0**	
Company total	**13,904,145**	**13,660,302**	**12,081,303**	**9,479,093**	**25,985,448**	**30,917,064**	**4,735,193**	**23,139,395**	**445,525**	**305,895**	**(7,553,875)**	**2,053,510**	**7,066,793**		**100.00%** 0	

[1] The percentage of equity held for these companies may be subject to further dilution of an additional 1% or more if, for example, management of the investee company exercises share options.

Investment and Portfolio Review

Summary

The portfolio has experienced a mixed year, reflecting to a significant extent the extreme market conditions which have prevailed over the period, starting with the excellent environment for profitable realisations through to March rapidly followed by the collapse in share prices as the UK headed into recession.

At 30 September 2007 the investments in the MPEP portfolio were valued at £24.0 million. During the year, realised gains of £2.1 million were achieved, but the increasing pressure on valuations in the second half of the financial year led to the need for provisions and therefore unrealised losses of £3.3 million, resulting in an overall net loss of £1.2 million. The realisations generated significant cash proceeds of £7.1 million.

The Foresight Group (Foresight) legacy portfolio fared less well. At 30 September 2007, the investments in the Foresight portfolio were valued at £6.9 million. During the year, there were no realisations for cash, but there was a need for provisions and therefore unrealised losses of £4.2 million. This reflected a continuing difficult environment for technology investment.

The year-end valuations of portfolio companies have inevitably been affected by the material reductions in the FTSE Sector PEs, by reference to which the Company's investments are valued. Despite this, we remain confident in the overall quality of the portfolio and in particular, given recent general comment on the tightening of bank lending, do not consider that the portfolio is exposed to unsustainable levels of third party debt.

MPEP 'O' Share Fund investments

During the year, £4.2 million was deployed into new investments and since the year-end, new investments of £724,106 were completed.

Generally, we have been very cautious regarding new investments over the past two years, believing that vendors' price expectations would prove unsustainable over the medium term. Since the previously reported investments of £516,900 and £424,447 to support the management buy-outs ("MBOs") of Focus Pharmaceuticals and Monsal respectively in October and December 2007, one further MBO transaction has been completed. This was an investment into Plastic Surgeon in April; this company offers snagging and finishing services to domestic and commercial properties and is based in Bovey Tracey, Devon. The 'O' Share Fund invested £307,071 for 4.6% of the equity.

As part of a new initiative to generate additional high-quality MBO investments, the Fund has also invested alongside other MPEP advised funds in three new companies headed by experienced Chairmen well known to MPEP. These individuals are working closely with MPEP in seeking to identify and complete investments in specific sectors relevant to their industry knowledge and experience. Three investments of £1 million were completed in September; Apricot Trading is focussed on the marketing services and media sectors, Aust Construction Investors is seeking to invest in the construction related services, and Calisamo Management is targeting the healthcare and wellbeing products sectors. Importantly these acquisition vehicles are designed to provide time to find and invest in their chosen target companies at sufficiently attractive prices.

After the year-end, the ‘O’ Share Fund invested £595,842 for loan stock and 5.3% of the equity of ATG Media. This company was formed to acquire the publisher of the leading weekly newspaper serving the UK antiques trade, the Antiques Trade Gazette, via a MBO. This London-based business also offers an on-line auction capability. Also after the year-end, the ‘O’ Share Fund made a further investment of £129,264 into PXP Holdings.

Conditions prevailing in the earlier months of the year gave us the opportunity to realise highly satisfactory returns from the disposals of BBI and Ministry of Cake. These were reported in detail at the half-year and resulted in total proceeds of £4.4 million (including further proceeds from the 2006 sale of Secure Mail Services), compared with cost of £1.22 million and a 30 September 2007 valuation of £2.47 million. In the case of Secure Mail Services, a further £80,000 was received in July and additional proceeds that are not recognised in these accounts are expected over the next nine months.

The recapitalisation of HWA produced a cash return of £2.38 million and a concentration of the Fund’s investment from 17.0% to 21.1%. A smaller recapitalisation of Amaldis has resulted in the Fund’s 11.0% equity investment being exchanged for a 9.2% shareholding and a loan stock with a value of £1.2 million.

Small distributions of £68,000 and £22,000 have also been received from the liquidation of The Hunter Rubber Company, and in April a loan stock prepayment of £143,000 was received from VSI, together with a 10% premium.

Whilst there is some evidence of declining performance in the portfolio, particularly amongst those companies more directly exposed to the construction and retail sectors, many portfolio companies are continuing to record growing profits and generate strong cash flow.

Youngman has inevitably suffered from a significant reduction in demand from its major trade customers serving the construction industry, and whilst PXP has performed well this year, 2009 looks less promising. Plastic Surgeon has also been hit by the downturn and we have decided to provide 50% of the cost of investment to reflect this poor start. Blaze Signs, having had a record year in 2007-8, is now feeling the effects of its customers deferring work. The provision against Monsal reflects a timing issue in winning new contracts during the year although next year appears considerably more promising with a number of contracts now secured. HWA continues with a strong order book and is expected broadly to maintain current levels of profitability.

Media investments show a mixed picture, with an excellent performance from Tottel Publishing looking to continue into 2009, based on a strong list of new legal and taxation titles. Image Source has operated in a more turbulent royalty-free image market but is succeeding in growing steadily its independent distribution revenues and expects to increase profits in its current financial year. Campden Media has found it challenging to grow its US wealth conference business, particularly over the last few months.

Elsewhere, DiGiCo Europe has enjoyed a strong first year post-investment following the successful launch of its new digital audio mixing desk. PastaKing has posted profits of £2.7 million, an increase of 23%, despite increasing pressure on ingredient prices, and Brookerpaks has again performed solidly. Focus Pharma has also had a good first year since its MBO.

Vectair had an outstanding year, producing record profits and making inroads into potentially significant markets in India and the US. VSI is strongly cash-generative and is benefitting from the relative weakness of sterling as well as seeing increased customer demand. British International’s helicopter service to the Scilly Isles from Penzance experienced possibly the worst summer weather in two decades which decimated the day trip market, but has benefited from the solidity of its long-term military contract revenue.

Amaldis is anticipating increased profitability in 2008 but much as ever will depend on the Christmas season. Racoon has continued to struggle to develop its salon business but hopes for its new retail range are high with a major retailer having agreed to take its product during the last quarter of 2008.

BG Consulting will fall short of last year’s performance in view of the major upheavals of its investment banking clients. Letraset continues to struggle to halt its gradual revenue decline, and SectorGuard’s share price has moved downwards in line with the market although it is hoped that its acquisition of Manguard in early 2008 may prove transformational. The liquidation of FH Ingredients continues. Finally and disappointingly, Inca Interiors went into administration in June, having failed to stem its losses over the past two years; no proceeds are expected to accrue to the Fund. The investment had been fully provided against.

The other portfolio investments are two quoted companies, Tikit and IDOX. The investment in IDOX has shown a small uplift in value over the year, and its acquisitions, particularly Plantech, seem to be performing well and strengthening its presence in the local authority market. Tikit has suffered a 31% drop in value over the year despite posting interim results recently which showed a 19% increase in operating profits.

Foresight ‘O’ Share Fund investments

Following the Board’s announcement in March that MPEP was to assume responsibility from Foresight for the eleven investments it managed on behalf of the ‘O’ Share Fund, MPEP and Foresight have been working together to ensure a smooth handover. This has now been accomplished.

This portfolio, comprising a mixture of shareholdings in AiM-quoted companies and predominantly early-stage technology-based private businesses, has again had a difficult year. With the exception of ANT, whose share price has risen by 50% over the last year, these companies have all seen very large falls in their share prices: 58% in the case of Oxonica, 74% in the case of Corero and 83% in the case of Sarantel.

Over the same period the AiM All-Share Index has suffered a 44% drop and smaller capitalisation businesses with limited liquidity are particularly exposed. This is especially so when, as is the case with Oxonica and Sarantel, cash-flow negative businesses need to raise additional capital. The ‘O’ Share Fund provided an additional £388k to Oxonica in December 2007 as part of a £4 million capital raising.

Aigis Blast Protection remains loss-making as do Biomer Technology and Nexxtdrive, both of which are only now beginning to generate small levels of revenue. Camwood moved into losses as a result of costs incurred to develop and exploit a new product designed for customers migrating to Microsoft Vista, which is taking longer than expected to happen. Alaric Systems continues to find it difficult to grow sales, not helped by the long lead times inherent in selling to financial institutions.

DCG Group (Datapoint) is seeking to develop its managed services revenue which is expected to drive shareholder value, and Aquasium Technology is performing more strongly this year due to improvement in its UK business.

‘S’ Share Fund

The Fund completed its first investment alongside the ‘O’ Share Fund, in Plastic Surgeon, as described above, investing £99,011 for 1.5% of the equity. Since the year end it has also supported the MBO of ATG Media, investing £404,158 for a 3.6% equity stake.

Whilst the ‘S’ Share Fund has not invested alongside the ‘O’ Share Fund in Apricot Trading, Aust Construction Investors and Calisamo Management, it is intended that it will do so as these companies identify and complete suitable MBO transactions.

Investment outlook

We continue to see a steady influx of interesting MBO investment opportunities but are particularly mindful of the worsening domestic economic environment and will complete only those investments which in our view are highly resilient and appropriately priced and funded to be able to weather the challenging economic conditions over the coming period.

Details of the Company’s fifteen largest investments by value are set out below.

HWA Limited (trading as Holloway White Allom) www.hwa.co.uk

Cost: £34,553
Valuation: £2,359,597
Basis of valuation: Discounted earnings
Equity % held: 21.1%
Business: High value property restoration and refurbishment
Location: London
History: Management buy-out from John Laing plc
Income in year to I&G: Nil
Audited financial information:

Year ended	Turnover	Operating Profit *	Net Assets
31 December 2007	£68,874,000	£4,829,000	£3,219,000

Image Source Group Limited www.imagesource.com

Cost: £305,000
Valuation: £2,241,678
Basis of valuation: Discounted earnings
Equity % held: 44.0% (reduced to 39.6% if options held by senior employees are exercised)
Business: Royalty-free photography creator
Location: London
History: Management buy-out
Income in year to I&G: £101,245
Audited financial information:

Year ended	Turnover	Operating Profit *	Net Assets
31 December 2007	£9,396,000	£701,000	£2,172,000

Youngman Group Limited www.youngmangroup.com

Cost: £1,000,052
Valuation: £1,615,929
Basis of valuation: Discounted earnings
Equity % held: 8.5%
Business: Manufacture of ladders and access towers
Location: Maldon, Essex
History: Management buy-in/buy-out from SGB Group
Income in year to I&G: £85,910
Audited financial information:

Year ended	Turnover	Operating Profit *	Net Assets
30 June 2008	£42,626,000	£3,603,000	£5,545,000

Blaze Signs Holdings Limited www.blaze-signs.com

Cost: £1,338,500
Valuation: £1,392,644
Basis of valuation: Discounted earnings
Equity % held: 12.5%
Business: Manufacture and installation of signs
Location: Broadstairs, Kent
History: Management buy-out
Income in year to I&G: £102,058
Audited financial information:

Year ended	Turnover	Operating Profit *	Net Assets
31 March 2008	£22,214,000	£3,220,138	£4,567,000

* Where applicable, operating profit is stated before charging amortisation of goodwill.

Tottel Publishing Limited
www.tottelpublishing.com

Cost:	£514,800
Valuation:	£1,294,585
Basis of valuation:	Discounted earnings
Equity % held:	13.7%
Business:	Publisher specialising in legal and tax titles
Location:	Haywards Heath, West Sussex
History:	Management buy-out
Income in year to I&G:	£41,174

Audited financial information:

Year ended	Turnover	Operating Profit *	Net Assets
28 February 2008	£5,084,000	£537,000	£1,045,000

Amaldis (2008) Limited (Original Additions)
www.originaladditions.com

Cost:	£80,313
Valuation:	£1,248,967
Basis of valuation:	Discounted earnings
Equity % held:	9.2%
Business:	Manufacturer and distributor of beauty products
Location:	Hayes, Middlesex
History:	Management buy-out
Income in year to I&G:	Nil

Audited financial information (for Amaldis Limited)**:**

Year ended	Turnover	Operating Profit *	Net Assets
31 December 2007	£17,883,000	£3,020,000	£1,766,000

Oxonica plc
www.oxonica.com

Cost:	£2,524,527
Valuation:	£1,113,991
Basis of valuation:	Bid price (AiM-quoted)
Equity % held:	10.6%
Business:	Leading international nanomaterials group
Location:	Kidlington, Oxfordshire
History:	Expansion capital
Income in year to I&G:	Nil

Audited financial information:

Year ended	Turnover	Operating Loss *	Net Assets
31 December 2007	£4,174,000	(£5,365,000)	£19,643,000

Apricot Trading Limited

Cost:	£1,000,000
Valuation:	£1,000,000
Basis of valuation:	Cost
Equity % held:	24.5%
Business:	Company seeking to acquire businesses in the marketing services and media sectors
Location:	Thame, Oxfordshire
History:	Newly formed company
Income in year to I&G:	Nil
Audited financial information:	First audited accounts will be for the period ended 31 October 2008

* Where applicable, operating profit is stated before charging amortisation of goodwill.

Aust Construction Investors Limited

Cost: £1,000,000
Valuation: £1,000,000
Basis of valuation: Cost
Equity % held: 16.3%
Business: Company seeking to acquire businesses in the construction and related services sectors
Location: Bristol, Avon
History: Newly formed company
Income in year to I&G: Nil
Audited financial information: First audited accounts will be for the period ended 31 July 2008

Calisamo Management Limited

Cost: £1,000,000
Valuation: £1,000,000
Basis of valuation: Cost
Equity % held: 16.3%
Business: Company seeking to acquire businesses in the healthcare and wellbeing products sectors
Location: Burton upon Trent, Staffordshire
History: Newly formed company
Income in year to I&G: Nil
Audited financial information: First audited accounts will be for the period ended 31 October 2008

Tikit Group plc

www.tikit.com

Cost: £500,000
Valuation: £899,999
Basis of valuation: Bid price (AiM-quoted)
Equity % held: 3.0%
Business: IT solutions and support services to the legal and accounting industries
Location: London
History: AiM flotation
Income in year to I&G: £22,391
Audited financial information:

Year ended	Turnover	Operating Profit *	Net Assets	Earnings per Share
31 December 2007	£26,426,000	£3,375,000	£8,276,000	18.1p

PastaKing Holdings Limited

www.pastaking.net

Cost: £292,405
Valuation: £856,250
Basis of valuation: Discounted earnings
Equity % held: 4.5%
Business: Manufacturer and supplier of fresh pasta meals
Location: Newton Abbot, Devon
History: Management buy-out
Income in year to I&G: £61,122
Audited financial information:

Year ended	Turnover	Operating Profit *	Net Assets
30 June 2008	£11,456,000	£2,731,000	£2,573,000

* Where applicable, operating profit is stated before charging amortisation of goodwill.

IDOX plc www.idoxplc.com

Cost: £872,625
Valuation: £816,667
Basis of valuation: Bid price (AiM-quoted)
Equity % held: 2.4%
Business: Development and supply of information and knowledge management products and services
Location: London
History: AiM flotation
Income in year to I&G: £8,167
Audited financial information:

Year ended	Turnover	Operating Profit *	Net Assets	Earnings per Share
31 October 2007	£20,625,000	£2,540,000	£19,904,000	0.34p

DiGiCo Europe Limited www.digico.org

Cost: £656,900
Valuation: £763,337
Basis of valuation: Discounted earnings
Equity % held: 4.3%
Business: Manufacturer of digital sound mixing consoles
Location: Chessington, Surrey
History: Management buy-out
Income in year to I&G: £37,751
Audited financial information:

7 months ended	Turnover	Operating Profit *	Net Assets
31 December 2007	4,048,000	£329,000	£2,684,000

VSI Limited www.lightworkdesign.com

Cost: £245,596
Valuation: £675,439
Basis of valuation: Discounted earnings
Equity % held: 10.0%
Business: Provider of software for CAD and CAM vendors
Location: Sheffield
History: Management buy-out
Income in year to I&G: £27,679
Audited financial information:

Year ended	Turnover	Operating Profit *	Net Assets
31 December 2007	£4,050,000	£866,000	£1,024,000

The remaining 27 investments in the portfolio have a current cost of £14,367,223 and are valued at 30 September 2008 at £4,810,806.

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

* Where applicable, operating profit is stated before charging amortisation of goodwill.

Board of Directors

Colin Hook

Status: Non-Executive Chairman
Age: 66
Date of appointment: 13 October 2000
Experience: Colin has wide industrial and commercial experience. He has directed fund management operations for more than ten years and his City involvement includes flotations, mergers and acquisitions and general corporate finance. From 1994 to 1997 he was Chief Executive of Ivory and Sime plc. He is currently the non-executive Chairman of Matrix Income and Growth 4 VCT plc and Chairman of Pole Star Space Applications Limited, a leading provider of real-time tracking information for maritime applications via a global web-based satellite enabled solution.

Last re-elected to the Board: January 2006 (standing for re-election in 2009)
Committee memberships: Nominations and Remuneration Committee (Chairman), Audit Committee, Investment Committee
Number of Board and Committee meetings attended 2007/08: 17/17
Remuneration 2007/08: £40,000
Relevant relationships with the Investment Managers or other service providers: Matrix Income & Growth 4 VCT plc is also managed by MPEP.
Shared directorships with other I&G Directors: Matrix Income & Growth 4 VCT plc (Chairman)
Shareholding in the Company: 11,294 'O' Shares; 21,100 'S' Shares

Christopher Moore

Status: Non-Executive Director
Age: 63
Date of appointment: 13 October 2000
Experience: After qualifying with Price Waterhouse, Christopher worked for Robert Fleming Inc., Lazard, Jardine Fleming and then Robert Fleming, latterly as a main board director for 9 years (1986-95). During this period he was involved in various unquoted and venture capital investments and remained chairman of Fleming Ventures Limited, an international technology venture capital fund, until 2003. He was also Chairman of Calderburn Plc from 1996 to 1999, and led a successful turnaround and sale of the group's businesses. His recent advisory roles included acting as senior adviser to the chairman of Lloyds, the insurance group, for 4½ years. Christopher was appointed Chairman of Oxonica plc in February 2005, in which the I&G 'O' Share Fund holds an investment, standing down from the board in September 2007. He is currently Chairman of Helveta plc. He is a non-executive director of Matrix Income & Growth VCT plc, Matrix Income & Growth 3 VCT plc and Matrix Income & Growth 4 VCT plc.

Last re-elected to the Board: January 2008
Committee memberships: Audit Committee (Chairman), Investment Committee, Nominations and Remuneration Committee
Number of Board and Committee meetings attended 2007/08: 17/17
Remuneration 2007/08: £30,000
Relevant relationships with the Investment Managers or other service providers: Matrix Income & Growth VCT plc, Matrix Income & Growth 3 VCT plc and Matrix Income & Growth 4 VCT plc are also managed by MPEP.
Relevant relationships with investee companies: Chairman of Oxonica plc until 28 September 2007). Shareholding in the company: 0.21%
Shared directorships with other I&G Directors: Matrix Income & Growth 4 VCT plc
Shareholding in the Company: 22,589 'O' Shares; 26,375 'S' Shares

Helen Sinclair
Status: Non-Executive Director
Age: 42
Date of appointment: 29 January 2003
Experience: Helen has extensive experience of investing in a wide range of small and medium sized businesses. She graduated in economics from Cambridge University and began her career in banking. After an MBA at INSEAD business school, Helen worked from 1991 to 1998 at 3i plc based in their London office. She was a founding director of Matrix Private Equity Limited when it was established in early 2000 and has since raised two funds, Matrix Income & Growth 2 VCT plc and Matrix Enterprise Fund. She is Chairman of British Smaller Companies VCT plc, a non-executive director of Matrix Income & Growth 4 VCT plc and Hotbed Fund Managers Limited and provides consultancy services in the venture capital sector.

Last re-elected to the Board: January 2007
Committee memberships: Investment Committee (Chairman), Audit Committee, Nominations and Remuneration Committee
Number of Board and Committee meetings attended 2007/08: 13/17
Remuneration 2007/08: £30,000
Relevant relationships with the Investment Managers or other service providers: Matrix Income & Growth 4 VCT plc is also managed by MPEP
Shared directorships with other I&G Directors: Matrix Income & Growth 4 VCT plc
Shareholding in the Company: 10,550 'S' Shares

Directors' Report

The Directors present the eighth Annual Report and Accounts of the Company for the year ended 30 September 2008.

Business and principal activities

The principal activity of the Company during the year under review was investment in unquoted or AiM-quoted companies in the United Kingdom. Details of the principal investments made by the Company are given in the Investment and Portfolio Review and Investment Portfolio Summary on pages 14-24 of this Annual Report.

The ordinary shares of 1p each in the capital of the Company (" 'O' Shares") were first admitted to the Official List of the UK Listing Authority ("UKLA") and to trading on 15 November 2000 and the S ordinary shares of 1p each in the capital of the Company (" 'S' Shares") were first admitted to the Official List of the UKLA and to trading on 8 February 2008. The Company has satisfied the requirements for full approval as a Venture Capital Trust under section 274 of the Income Tax Act 2007 ('the ITA'). It is the Directors' intention to continue to manage the Company's affairs in such a manner as to comply with section 274 of the ITA.

The Company revoked its status as an investment company on 30 November 2005 as defined by section 266 of the Companies Act 1985 ("the 1985 Act") subsequently superceded by section 833 of the Companies Act 2006 ("the 2006 Act").

Future developments

The objective of the Directors continues to be to provide investors with an attractive return, by maximising the stream of dividend distributions from the income and capital gains generated by a diverse and carefully selected portfolio of investments.

The Directors intend to continue their policy of investing in companies at various stages of development. In some instances this will include investments in new and secondary issues of companies which may already be quoted on AiM or PLUS.

Business review

For a review of the Company's development and performance during the year and future prospects, please see the Chairman's Statement on pages 4-9 and the Investment and Portfolio Review and Investment Portfolio Summary on pages 14-24 of this Report. The Financial Highlights on pages 1-3 provides data on the Company's key performance indicators.

The Company's Investment Policy on pages 11-13 provides information on the Company's financial risk management objectives and exposure to risks.

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

- **Total return**
  The total return per share is the key measure of performance for the Company which comprises NAV plus cumulative dividends paid per share. NAV is calculated quarterly in accordance with the International Private Equity Venture Capital Valuation (IPEVCV) guidelines. The 'O' Share Fund's net assets decreased during the year under review resulting in a 16.87% fall in NAV per share and a 13.01% fall in total return per share whilst the NAV per 'S' Share increased by 0.10%.

- **Total expense ratio (TER)**
  The TER of the Company for the year under review was 4.2%. Under the terms of the Investment Advisers' Agreement, annual expenses, excluding any exceptional items, Investment Manager's performance fee and irrecoverable VAT are capped at 3.25% of closing net assets (previously 3.6% in respect of the year ended 30 September 2007). Any expenses in excess of the 3.25% cap are borne by the Investment Manager and the Promoter. On this basis, the figure is reduced to 2.92% of closing net assets.

Issue and buy-back of shares

During the year under review, the Company issued a total of 75,807 'O' Shares in accordance with the Dividend Investment Scheme approved by Shareholders on 31 January 2006 and amended 1 February 2008 (2007: 68,881).

Between 6 February and 5 April 2008, the Company allotted and issued a total of 11,806,467 'S' Shares pursuant to an Offer for Subscription for 'S' Shares made by the Company on 12 September 2007 ('the 'S' Share Offer for subscription') (including an additional 4,175 'S' Shares allotted retrospectively on 18 June 2008 in respect of waived commission).

The Board believes that it is in the best interests of the Company and its Shareholders for the Company to make market purchases of its shares to seek both to enhance net asset value and to discourage excessive discounts to market prices quoted. An Authority for the Company to purchase its own shares pursuant to section 166 of the 1985 Act was in place throughout the year under review. For further details please see Note 16 to the accounts on page 65 of this Annual Report. A resolution to renew this authority will be proposed at the Annual General Meeting to be held on 6 February 2009. During the year the Company bought back 1,213,848 (2007: 2,589,324) 'O' Shares (representing 3.32% of the 'O' Shares in issue at the beginning of the year) at a cost of £1,055,206 (2007: £2,189,016) (net of expenses). These shares were subsequently cancelled by the Company.

The issued 'O' Share capital of the Company as at 30 September 2008 was £354,515 (2007: £365,895) and the number of 'O' Shares in issue as at this date was 35,451,438 (2007: 36,589,479).

The issued 'S' Share capital of the Company as at 30 September 2008 was £118,065 and the number of 'S' Shares in issue as at this date was 11,806,467.

Results and dividend

The basic revenue return after taxation attributable to ‘O’ Fund Shareholders and ‘S’ Fund Shareholders for the period was £599,837 and £117,359 respectively.

The Directors are proposing to pay final dividends to ‘O’ Fund Shareholders from income of 1 penny per ‘O’ Share and from capital of 3 pence per ‘O’ Share in respect of the year ended 30 September 2008 at the Annual General Meeting to be held on 6 February 2009. The final dividends will be paid on 16 February 2009 to ‘O’ Fund Shareholders on the Register on 16 January 2009.

During the year, the ‘O’ Share Fund distributed final dividends in respect of the year ended 30 September 2007 of 1 penny per share from income and of 1 penny per share from capital on 15 February 2008. This was in addition to an interim capital dividend of 2 pence per share paid to ‘O’ Fund Shareholders on 24 October 2007.

Directors and their interests

The names of the Directors appear below and on pages 25-26 of this Annual Report. All three Directors have served throughout the year.

The Directors’ interests in the issued ‘O’ and ‘S’ Shares of the Company as at 30 September 2008 were:

	‘O’ Shares held on 30 September		*‘S’ Shares held on 30 September*	
Director	***2008***	***2007***	***2008***	***2007***
Colin Hook	11,294	10,864	21,100	-
Christopher Moore	22,589	21,728	26,375	-
Helen Sinclair	-	-	10,550	-

During the year, Colin Hook was allotted 430 ‘O’ Shares and Christopher Moore was allotted 861 ‘O’ Shares following their decision to continue to participate in the Company’s Dividend Investment Scheme.

During the year, Colin Hook was allotted 21,100 ‘S’ Shares, Christopher Moore was allotted 26,375 ‘S’ Shares and Helen Sinclair was allotted 10,550 ‘S’ Shares pursuant to the ‘S’ Share Offer for subscription.

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

No options over the share capital of the Company have been granted to the Directors. The Company does not have any employees other than directors.

In accordance with the Company’s Articles of Association and the 2006 FRC Combined Code on Corporate Governance (“the Combined Code”), Colin Hook will retire by rotation at the forthcoming Annual General Meeting of the Company, and being eligible offers himself for re-election. The Board confirms that, following a review of his performance, Colin Hook continues to make a substantial contribution to the Board as

Chairman and the remaining directors have no hesitation in recommending his re-election to Shareholders.

It is the policy of the Directors not to participate in decisions concerning investee companies in which they hold an interest. Christopher Moore resigned as a director of Oxonica plc in September 2007 but continues as a shareholder of this company. None of the other Directors held interests in investee companies throughout the year.

Investment management

Matrix Private Equity Partners LLP (MPEP) acts as Investment Manager to the Company. The principal terms of the Company's Investment Advisers' Agreement with the Investment Manager are set out in Note 4 to the Accounts. Under the Investment Advisers' Agreement, the Investment Manager receives a quarterly fee equal to 1.6% per annum of the amount of its allocation value on the last business day of the quarter. Fees are payable quarterly in arrears. Annual running costs are capped at 3.25% (including any irrecoverable VAT) of the net assets of the Company and the balance of any excess is borne by the Investment Manager and the Promoter (this cap was previously 3.6% in respect of the year ended 30 September 2007 and previous years). In March of this year, the Board gave Foresight Group LLP (Foresight) one year's notice of termination as Investment Manager of their portion of the 'O' Share Fund and a handover has been completed over the final six months of this year. Foresight will continue to be paid under the terms of the Investment Advisers' Agreement as set out above and in Note 4 to the Accounts until 11 March 2009. MPEP has assumed full responsibility for the management of those investments in the Foresight portfolio with effect from 1 October 2008.

The Directors believe that the continuing appointment of MPEP as the Investment Manager on the terms currently agreed is in the interests of its Shareholders as a whole because MPEP is one of the best performing VCT managers in the market, a fact which is additionally demonstrated by the performance of the Company's portfolio over the past year during this period of economic uncertainty.

Matrix-Securities Limited acts as both Company Administrator and Company Secretary to the Company under an agreement dated 13 October 2000 as amended by a Deed dated 12 September 2007. The agreement was for an initial period of five years and thereafter the appointment may be terminated by not less than one year's notice in writing given to expire at any time after that initial period. Fees are payable quarterly in arrears equal to 0.25% of the gross proceeds of any funds raised by the Company, subject to a minimum fee of £35,000.

VCT status monitoring

The Company has retained PricewaterhouseCoopers LLP to advise on its compliance with the tax legislative requirements relating to VCTs.

Independent auditors

PKF (UK) LLP were re-appointed as auditors during the year. Resolutions to re-appoint PKF (UK) LLP as auditors to the Company and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Auditors' right to information
So far as the Directors in office at 30 September 2008 are aware, there is no relevant audit information of which the auditors are unaware. They have individually taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

Financial Instruments
The main risks arising from the Company's financial instruments are due to fluctuations in the market price and interest rates, credit risk and liquidity risk. The Board regularly reviews and agrees policies for managing these risks and full details can be found in Note 20 to the Accounts.

Creditors' payment policy
The Company's policy is to pay all creditors' invoices within 30 days of the invoice date unless otherwise agreed. At the year-end trade creditors were £592,286 (2007: £592,286). At 30 September 2008 the average credit period for trade creditors was 8 days (2007: 10 days excluding the impact of buy-backs of 619,280 'O' Shares just before the year-end).

Environmental and social responsibility
The Board seeks to conduct the Company's affairs responsibly and considers relevant social and environmental matters when appropriate, particularly with regard to investment decisions.

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

Annual General Meeting
The Notice of the Annual General Meeting, which will be held on 6 February 2009 is set out on pages 72-75 of the Annual Report. In addition to the ordinary business, the following special business will be proposed:

Authorities for the Directors to allot shares (Resolution 7) and disapply pre-emption rights of members (Resolution 8) under sections 80 and 95 of the 1985 Act. These two resolutions grant the Directors the authority to allot 'O' Shares and 'S' Shares for cash to a limited and defined extent otherwise than pro rata to existing Shareholders in accordance with section 89 of the 1985 Act.

Resolution 7 will enable the Directors to allot up to an aggregate nominal amount not exceeding £627,420 representing approximately 132.77% of the existing issued share capital of the Company. This resolution is proposed as an ordinary resolution, requiring approval of over 50% of the votes cast and unless previously renewed or revoked, will expire on the fifth anniversary of the date of the passing of this resolution.

Under section 89 of the 1985 Act, if the Directors wish to allot any of the unissued share capital for cash they must first offer such shares to existing shareholders in proportion to their current holdings. It is proposed by Resolution 8 to sanction the disapplication of section 89 of the 1985 Act in respect of allotments for cash of (i) 'O' Shares and 'S' Shares with a nominal value of up to 10% of the issued 'O' Share capital and/or the issued 'S' Share capital pursuant to any dividend investment scheme operated by the Company, (ii) 'O' Shares and 'S' Shares with a nominal value of up to 10% of the issued 'O' Shares capital and the issued 'S' Share capital where the proceeds may in whole or part be used to purchase the Company's 'O' Shares or, as the case may be, 'S' Shares and (iii) 'O' Shares and 'S' Shares from time to time of an aggregate nominal value of up to 5% of the issued 'O' Share capital and the issued 'S' Share capital.

This resolution is proposed as a special resolution, requiring the approval of 75% of the votes cast and unless previously renewed or revoked, will expire on the conclusion of the Annual General Meeting of the Company to be held in 2010.

The Directors may allot securities after the expiry dates given above in pursuance of offers or agreements made prior to the expiration of these authorities. Both resolutions generally renew previous authorities approved on 6 February 2008.

The Directors intend to allot shares under the Dividend Investment Scheme in respect of the proposed dividend to be paid to 'O' Fund Shareholders on 16 February 2009. The Directors have no further immediate intention of exercising the above powers.

Authority to make market purchases of the Company's own shares (Resolution 9)

This resolution authorises the Company to purchase its own shares pursuant to section 166 of the 1985 Act. The authority is limited to an aggregate of 5,314,170 'O' Shares and 1,769,790 'S' Shares representing approximately 14.99% of the issued 'O' Share capital and issued 'S' Share capital of the Company as at the date of the Notice convening the Annual General Meeting. The maximum price which may be paid for an 'O' Share or, as the case may be an 'S' Share, will be an amount that is not more than 5% above the average of the middle market price of the 'O' Shares or, as the case may be, the 'S' Shares, as derived from the Daily Official List of the London Stock Exchange for the five business days preceding such purchase.

Venture Capital Trusts experience restricted market liquidity in their shares. The Board believes that it is in the best interests of the Company and Shareholders for the Company to be in a position to make occasional market purchases of its shares. This resolution will enable the Directors to carry out this policy.

Shareholders should note that the Directors will not exercise this authority unless to do so would result in an increase in net assets per share and would be in the interests of Shareholders generally. This resolution is proposed as a special resolution, requiring the approval of 75% of the votes cast and will expire on the conclusion of the Company's Annual General Meeting to be held in 2010.

Authorisation of Situational Conflict (Resolution 10)

Resolution 10 to be proposed at the forthcoming Annual General Meeting requests shareholder approval to each of the directors of the Company continuing to be directors of Matrix Income & Growth 4 VCT plc. Under the Companies Act 2006, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The Articles of Association of the Company permit the directors to authorise such conflicts of interest but as all of the directors of the Company are also directors of Matrix Income & Growth 4 VCT plc they are unable to exercise the power to authorise. Accordingly the directors consider it appropriate to seek shareholder approval. This resolution will be proposed as a special resolution requiring the approval of 75% of those voting at the meeting.

Separate Class Meetings of the 'O' Fund Shareholders and 'S' Fund Shareholders

The Annual General Meeting will be followed on 6 February 2009 by separate class meetings of the 'O' Fund Shareholders and 'S' Fund Shareholders and formal notices convening these meetings can be found on pages 76-79. Shareholders of each class will be asked to approve the same single resolution to be proposed as an extraordinary resolution (requiring the approval of 75% of the votes cast at the meeting), approving the passing of the Resolutions 7 to 9 to be approved at the Annual General Meeting and sanctioning any modification of the rights of 'O' Fund Shareholders and 'S' Fund Shareholders resulting therefrom.

Post Balance Sheet Events

Investments of £595,842 and £404,158 were made by the 'O' Share Fund and the 'S' Share Fund respectively into ATG Media Holdings Limited on 3 October 2008.

An additional loan stock investment of £129,264 was made by the 'O' Share Fund into PXP Holdings Limited on 26 November 2008.

The Company announced the appointment of Matrix Corporate Capital LLP (MCC) as Corporate Broker to the Company on 3 December 2008 in succession to Landsbanki Securities (UK) Limited (Landsbanki).

By order of the Board

Matrix-Securities Limited
Secretary
16 December 2008

Directors' Remuneration Report

This report has been prepared by the Directors in accordance with the requirements of Schedule 7A of the Companies Act 1985. A resolution to approve the report will be proposed at the Annual General Meeting to be held on 6 February 2009. The Company's independent auditors are required to give their opinion on the information provided on Directors' emoluments on page 35 of this report and this is explained further in their report to Shareholders on pages 46-47.

Remuneration Committee

The remuneration of individual Directors is determined by the Nominations and Remuneration Committee within the framework set by the Board. The Committee comprises the full Board and is chaired by Colin Hook. The Committee meets at least once a year and is responsible for reviewing the remuneration of the Directors. The Committee has access to independent advice where and when it considers it appropriate. However, it was not considered necessary to take any such advice during the year under review. The Directors fees have remained at £35,000 (Chairman) and £25,000 (Director) per annum since 1 January 2006. A supplement is paid to members of the Investment Committee. This was increased from £5,000 to £6,000 per annum with effect from 1 October 2008.

Remuneration policy

The remuneration policy is set by the Board. The Directors' fees are reviewed annually by the Nominations and Remuneration Committee which determines the amount of fees to be paid to the Directors. When considering the level of Directors' fees, the Committee takes account of remuneration levels elsewhere in the Venture Capital Trust industry and other relevant information. Since all the Directors are non-executive, the Company is not required to comply with the provisions of the Combined Code in respect of Directors' remuneration, except in so far as they relate specifically to non-executive directors. No portion of the fees paid to any of the Directors is related to performance. Details of the Directors' remuneration are disclosed on page 35 and in Note 6 to the Accounts on page 55. All the Directors are non-executive and the Company does not provide pension benefits to any of the Directors. The Company has not granted any Director any options over the share capital of the Company and the Company does not operate any long-term incentive plans for the Directors.

Terms of appointment

The Articles of Association provide that Directors may be appointed either by an ordinary resolution of the Company or by the Board provided that a person appointed by the Board shall be subject to re-election at the first Annual General Meeting following their appointment. One-third of the Directors retire from office by rotation at each Annual General Meeting and the retiring Directors then become eligible for re-election in accordance with the Articles of Association. All Directors receive a formal letter of appointment setting out the terms of their appointment and their specific duties and responsibilities. A Director's appointment may be terminated on three months' notice being given by the Company and in certain other circumstances. All of the Directors are non-executive and none of the Directors has a service contract with the

Company. No arrangements have been entered into between the Company and the Directors to entitle any of the Directors to compensation for loss of office.

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

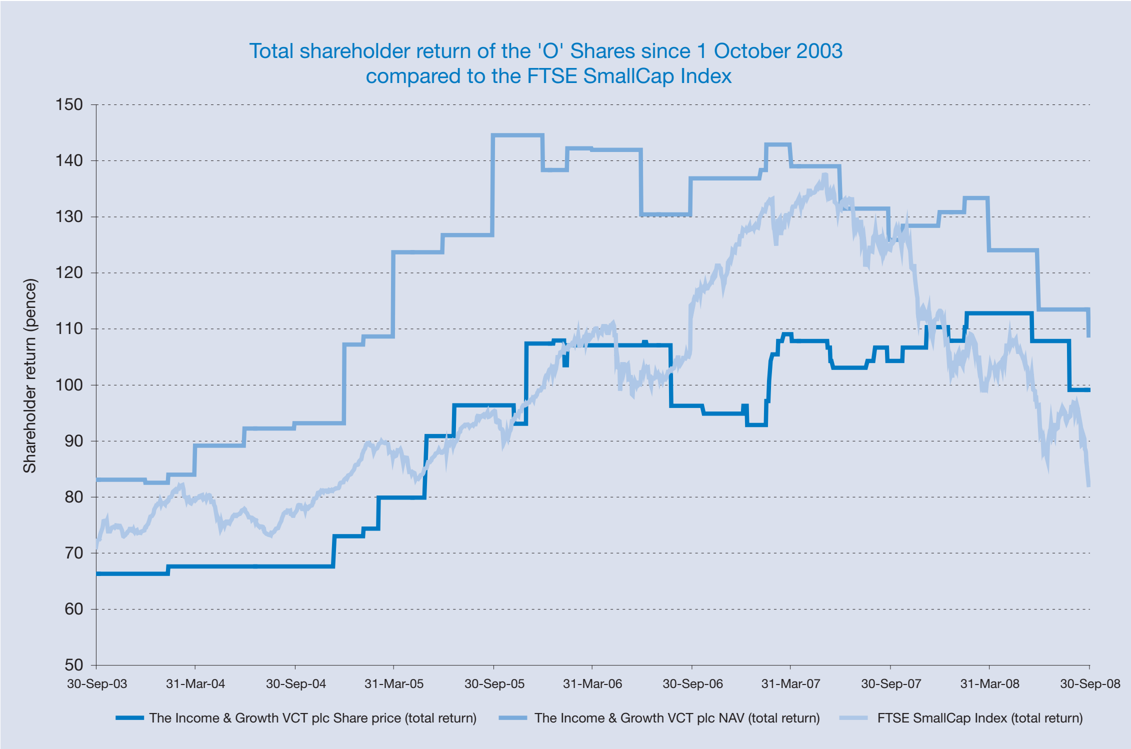
	Total emoluments year to:	
	30 September 2008	**30 September 2007**
	£	**£**
Colin Hook	40,000	40,000
Christopher Moore	30,000	30,000
Helen Sinclair	30,000	30,000

Aggregate emoluments in respect of qualifying services amounted to £100,000 (2007: £100,000). No sums were paid to third parties in respect of any of the Directors' services during the year under review.

Total shareholder return
The graph page 36 charts the total cumulative shareholder return of the 'O' Share Fund (assuming all dividends have been re-invested and excluding the tax reliefs available to Shareholders) for the last five financial years compared to the FTSE SmallCap Index. The FTSE SmallCap is an industry recognised index of listed companies. Some consider it to be an appropriate index against which to measure the Company's performance. The total shareholder return has been re-based to 100 pence as at 15 November 2000, the date on which the Company's 'O' Shares were first admitted to trading. The Net Asset Value (NAV) total return has been shown separately on the graph because the Directors believe it is a more accurate reflection of the Company's performance.

The 'S' Shares were first admitted to the Official List of the UK Listing Authority on 8 February 2008 and the shares have remained priced at 100 pence per share throughout the period from this date until 30 September 2008.

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



Source: Matrix Corporate Capital LLP

By order of the Board

Matrix-Securities Limited
Secretary
16 December 2008

Corporate Governance Statement

The Directors have adopted the Association of Investment Companies (AIC) Code of Corporate Governance ("the AIC Code") for the financial year ended 30 September 2008. The AIC Code was endorsed by the Financial Reporting Council (FRC) on 3 February 2006, who have confirmed that in complying with the AIC Code, the Company will meet its obligations in relation to the FRC Combined Code on Corporate Governance 2006 ("the Combined Code") and paragraph 9.8.6 of the Listing Rules. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Code (which incorporates the Combined Code), will provide better information to shareholders. The AIC Code is available online at: www.theaic.co.uk/files/technical/AICCode.pdf.

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

Compliance with the Combined Code

There are certain areas of the Combined Code that the AIC believes are not relevant to investment companies, and with which the Company does not specifically comply, and for which the AIC Code provides dispensation. These areas are 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 or any executive directors. The systems and procedures of the Investment Manager and the Administrator, the provision of VCT monitoring services by PricewaterhouseCoopers LLP, as well as the size of the Company's operations, gives the Board full confidence that an internal audit function is not necessary. The Company is therefore not reporting further in respect of these areas.

The Board has further considered the principles detailed in the Combined Code and believes that, insofar as they are relevant to the Company's business, the Company has complied with the provisions of the Combined Code throughout the financial year ended 30 September 2008 with the following exceptions:

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

As is common practice among Venture Capital Trusts, the Directors are not appointed for specific terms. A Director's appointment may be terminated on three months' notice being given by the Company. (For further information please see the Directors' Remuneration Report on pages 34-36).

The effectiveness of the Board and the Chairman is reviewed regularly as part of the internal control process led by the Audit Committee. The Board has implemented an annual performance evaluation review during the year ended 30 September 2008.

Compliance with the AIC Code

The Board considers that the Company fully complies with the AIC Code with the following exception and other exceptions noted elsewhere in the Annual Report:

The AIC Code stipulates that directors who sit on the boards of more than one company managed by the same manager will not be regarded as independent for the purposes of either fulfilling the requirement that there must be an independent majority on the Board or serving as chairman. This provision is currently subject to the transitional arrangements of the Listing Rules, and will not be mandatory for the Company until 2010. The Board intends to keep this matter under review, in keeping with the spirit of the AIC Code, and will report on it in succeeding years.

The Board

The Company has a Board of three non-executive Directors. The Board has considered whether each Director is independent in character and judgement and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement. It has concluded that all three Directors are independent except in respect of the contracts or investee companies in which they have declared an interest. None of the Directors has served for nine years or more. It is the policy of the Directors not to participate in decisions concerning investee companies in which they hold an interest. Christopher Moore was Chairman of Oxonica plc from February 2005 until 27 September 2007 and remains a Shareholder (0.21)%. Helen Sinclair was a director of Matrix Private Equity Limited and a director and shareholder of Matrix Group Limited until May 2005. The Board considers that these appointments no longer affect her independence materially and that she is therefore not required to stand for re-election annually.

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. As recommended by the AIC Code, the Directors monitor the continuing independence of the Chairman, and inform the Chairman of their discussions.

For the reasons described above, as well as in terms of their professional and personal integrity and experience, the Board has no hesitation in emphasising to Shareholders the independent nature of each individual director in terms of both their character and judgement.

The Board meets at least quarterly and is in regular contact with the Investment Manager between these meetings. The Board held nine formal meetings during the year with full attendance from each of the Directors at seven of those meetings. The Board met informally on numerous other occasions.

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

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

The Board reviews annually, and at other times as and when necessary, the Investment Services Agreement and the performance of the Investment Manager, as well as service providers including the administrator, auditors, VCT status adviser, solicitors, bankers and registrars. Particular emphasis is placed on reviewing the Investment Manager, in terms of investment performance, quality of information provided to the Board and remuneration. This work forms part of the Board's overall internal control procedures as discussed elsewhere. The Board has considered the appointment of a management engagement committee and has concluded that this is not necessary because the Board is comprised entirely of independent non-executive directors.

A formal training programme has not been required during the year under review as all the Directors were experienced directors of listed companies.

The Directors were subject to election by Shareholders at the first Annual General Meeting after their appointment, and retire by rotation thereafter. For further details please see the Directors' Remuneration Report on pages 34-36. The Directors are therefore not appointed for specific terms.

In terms of overall length of tenure, the AIC Code does not explicitly make recommendations. Some market practitioners feel that considerable length of service (which has generally been defined as a limit of nine years) may lead to the compromise of a director's independence. The overall matter of directors' independence is taken seriously, as discussed elsewhere, and the Board continues to keep the length of tenure of directors under review on an ongoing basis.

Colin Hook is seeking re-election to the Board at the forthcoming AGM. The Chairman's other significant directorships and time commitments are disclosed on page 25.

Internal control

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

The Board has delegated, contractually to third parties, the management of the investment portfolio, the custodial services (the safeguarding of the documents of title of the Company's assets), the day-to-day accounting, company secretarial and administration requirements and the registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered, including the financial control systems in operation in so far as they relate to the affairs of the Company. The Board receives and considers regular reports from the Investment Manager and ad hoc reports and information are supplied to the Board as required. It remains the role of the Board to keep under review the terms of the Investment Services Agreement with the Investment Manager.

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

The Board has put in place ongoing procedures for identifying, evaluating and managing the significant risks faced by the Company. As part of this process an annual review of the control systems is carried out in accordance with the Turnbull guidelines for internal control. The review covers a consideration of the key business, operational, compliance and financial risks facing the Company. Each risk is considered with regard to: the controls exercised at Board level; reporting by service providers; controls relied upon by the Board; exceptions for consideration by the Board; responsibilities for each risk and its review period; and risk rating. As part of this process, investment risk is spread by means of a diverse investment portfolio, as more fully described in the Investment and Portfolio Review on pages 17-24.

This system of internal controls and the procedure for the review of control systems referred to above has been in place and operational throughout the year under review and up to the date of this Report. The assessment of the effectiveness of internal controls in managing risk was conducted on the basis of reports from the relevant service providers. The last review took place on 26 November 2008. The Board has identified no significant problems with the Company's internal control mechanisms.

Board committees

The Investment Committee comprises all three Directors, Helen Sinclair (Chairman), Colin Hook and Christopher Moore. The Committee meets as necessary to consider the investment proposals put forward by the Investment Manager. Investment guidelines have been issued to the Investment Manager and the Committee ensures that these guidelines are adhered to. New investments and divestments are approved by written resolution of the Committee following discussion between committee members and subsequently ratified by the Board. Investment matters are discussed extensively at Board meetings. The Committee met informally on numerous occasions during the year.

The Audit Committee comprises all three Directors, Christopher Moore (Chairman), Colin Hook and Helen Sinclair. The Committee meets at least twice a year to review the half-year and annual financial statements before submission to the Board, including meeting with the independent auditors. The Committee makes recommendations to the Board on the appointment, re-appointment and removal of the external auditors. It is responsible for monitoring the effectiveness of the Company's internal control systems and for reviewing the scope and results of the audit and ensuring its cost effectiveness. The Audit Committee held seven formal meetings during the year with full attendance from each of the Directors on five of those occasions. The Committee met informally on other occasions.

The Nominations and Remuneration Committee comprises the full Board and is chaired by Colin Hook. All members of the Committee are 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 of the Directors. The Committee held one formal meeting during the year, fully attended by all Directors, and met informally on other occasions. Appointment letters for new directors will include an assessment of the expected time commitment for each Board position and new directors will be asked to give an indication of their other significant time commitments.

The Directors have declared any existing conflicts of interest in accordance with section 175 of the Companies Act 2006 which became effective on 1 October 2008. The Nominations and Remuneration Committee will regularly review authorisations approved by the Board. The Committee is responsible for conducting an annual performance review of Board members and this will in future include a review of each director's conflict authorisations.

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

www.incomeandgrowthvct.co.uk.

Directors' remuneration

The Directors' Remuneration Report, prepared in compliance with the Directors' Remuneration Report Regulations 2002, is contained on pages 34-36 of this Annual Report.

Investor relations
The Company communicates with Shareholders and solicits their views where it is appropriate to do so. Shareholders are welcome at the Annual General Meeting which provides a forum for Shareholders to ask questions of the Directors and to discuss issues affecting the Company with them. Shareholders may contact the Chairman of the Audit Committee if they have concerns which contact through the Chairman or Investment Manager has failed to resolve or for which such contact is inappropriate.

The Board as a whole approves the Chairman's Statement and the Investment and Portfolio Review which form part of the Annual Report to shareholders in order to ensure that they present a balanced and understandable assessment of the Company's position and future prospects.

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

Accountability and audit
The Statement of Directors' Responsibilities in respect of the accounts is set out on page 43 of this report.

The report of the independent auditors is set out on pages 46-47 of this Annual Report.

The Board regularly reviews and monitors the external auditor's independence and objectivity. As part of this it reviews the nature and extent of services supplied by the auditors to ensure that independence is maintained.

Going concern
The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts as the Company has adequate financial resources to continue in operational existence for the foreseeable future.

By order of the Board

Matrix-Securities Limited
Secretary
16 December 2008

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements the directors are required to:

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Unaudited Non-Statutory Analysis between the 'O' Share and 'S' Share Funds

Profit and Loss Accounts
for the year ended 30 September 2008

		'O' Share Fund			'S' Share Fund			Total		
	Notes	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
		£	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Unrealised (losses) on investments held at fair value		-	(7,504,370)	(7,504,370)	-	(49,505)	(49,505)	-	(7,553,875)	(7,553,875)
Realised gains on investments held at fair value		-	2,053,510	2,053,510	-	-	-	-	2,053,510	2,053,510
Income		1,201,981	-	1,201,981	252,743	-	252,743	1,454,724	-	1,454,724
Recoverable VAT		83,278	249,833	333,111	-	-	-	83,278	249,833	333,111
Investment management fees		(166,985)	(923,688)	(1,090,673)	(30,043)	(90,122)	(120,165)	(197,028)	(1,013,810)	(1,210,838)
Other expenses		(434,526)	-	(434,526)	(82,479)	-	(82,479)	(517,005)	-	(517,005)
Profit/(loss) on ordinary activities before taxation		683,748	(6,124,715)	(5,440,967)	140,221	(139,627)	594	823,969	(6,264,342)	(5,440,373)
Tax on ordinary activities		(83,911)	88,298	4,387	(22,862)	18,475	(4,387)	(106,773)	106,773	-
Profit/(loss) on ordinary activities after taxation for the financial year		599,837	(6,036,417)	(5,436,580)	117,359	(121,152)	(3,793)	717,196	(6,157,569)	(5,440,373)
Basic and diluted earnings per share	9	1.66 p	(16.72)p	(15.06)p	1.26 p	(1.30)p	(0.04)p			
Average number of shares in issue				36,109,718			9,341,544			

Unaudited Non-Statutory Analysis between the 'O' Share and 'S' Share Funds

Balance Sheets
as at 30 September 2008

	Notes	'O' Share Fund		'S' Share Fund		Adjustments (see note below)		Total
		£	£	£	£	£	£	£
Fixed assets								
Assets held at fair value through profit and loss								
- investments	10		23,089,889		49,506			23,139,395
Current assets								
Debtors and prepayments		1,433,409		461,095		(50,727)	1,843,777	
Other assets		5,643,415		10,692,599			16,336,014	
Cash at bank		24,071		41,619			65,690	
		7,100,895		11,195,313		(50,727)	18,245,481	
Creditors: amounts falling due within one year		(566,564)		(77,327)		50,727	(593,164)	
Net current assets			6,534,331		11,117,986			17,652,317
Net assets			6,534,331		11,117,986			40,791,712
Capital and reserves								
Called up share capital			354,515		118,065			472,580
Share premium reserve			213,062		11,053,220			11,266,282
Capital redemption reserve			65,472		-			65,472
Capital reserve - unrealised			(1,203,256)		(49,505)			(1,252,761)
Special reserve			18,169,799		-			18,169,799
Profit and loss account			12,024,628		45,712			12,070,340
Equity shareholders' funds			29,624,220		11,167,492			40,791,712
Number of shares in issue:			**35,451,438**		**11,806,467**			
Basic net asset value per 1p share:	17		**83.56p**		**94.59p**			
Diluted net asset value per 1p share:	17		**82.39p**		**94.59p**			

Note: The adjustment above nets off the inter-fund debtor and creditor balances, so that the "Total of both Funds" balance sheet agrees to the Statutory Balance Sheet on page 49.

Unaudited Reconciliation of Movements in Shareholders' Funds

		'O' Share Fund	'S' Share Fund	Total
		£	£	£
Opening shareholders' funds		36,778,493	-	36,778,493
Net share capital bought back in the year		(1,063,732)	-	(1,063,732)
Net share capital subscribed for in the year		77,226	11,171,285	11,248,511
Loss for the year		(5,436,580)	(3,793)	(5,440,373)
Dividends paid / payable in year	8	(731,187)	-	(731,187)
Closing shareholders' funds		29,624,220	11,167,492	40,791,712

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

We have audited the financial statements of The Income & Growth VCT plc for the year ended 30 September 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movement in Shareholders Funds, the Cash Flow Statement and the related notes. The financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom accounting standards ('United Kingdom Generally Accepted Accounting Practice') are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement, Investment and Portfolio Review, Directors' Report, the unaudited part of the Directors' Remuneration Report and the rest of the unaudited information in the Annual Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2008 and of its loss for the year then ended;

- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Directors' Report is consistent with the financial statements.

PKF (UK) LLP
Registered Auditors, London, UK

16 December 2008

Profit and Loss Account

for the year ended 30 September 2008

	Notes		30 September 2008 Revenue £	30 September 2008 Capital £	30 September 2008 Total £	30 September 2007 Revenue £	30 September 2007 Capital £	30 September 2007 Total £
Net unrealised losses on investments	10		-	(7,553,875)	(7,553,875)	-	(3,150,761)	(3,150,761)
Net gains on realisation of investments	10		-	2,053,510	2,053,510	-	85,906	85,906
Income	2		1,454,724	-	1,454,724	981,124	432,488	1,413,612
Recoverable VAT	3		83,278	249,833	333,111	-	-	-
Investment management fees	4		(197,028)	(1,013,810)	(1,210,838)	(225,226)	(675,676)	(900,902)
Other expenses	5		(517,005)	-	(517,005)	(495,435)	-	(495,435)
Profit/(loss) on ordinary activities before taxation			823,969	(6,264,342)	(5,440,373)	260,463	(3,308,043)	(3,047,580)
Tax on ordinary activities	7		(106,773)	106,773	-	(19,868)	19,868	-
Profit/(loss) on ordinary activities after taxation for the financial year			717,196	(6,157,569)	(5,440,373)	240,595	(3,288,175)	(3,047,580)
Basic and diluted earnings per share:	9	'O' Share Fund	1.66p	(16.72)p	(15.06)p	0.62p	(8.47)p	(7.85)p
Basic and diluted earnings per share:	9	'S' Share Fund	1.26p	(1.30)p	(0.04)p	-	-	-

All the items in the above statement derive from continuing operations.
No operations were acquired or discontinued in the period.
The total column is the Profit and Loss Account of the Company.
There were no other recognised gains and losses in the year.

The difference between the loss as reported above and the result that would have been reported on the historic cost basis of accounting is solely due to fair value adjustments. Accordingly, no reconciliation between the two bases has been provided.

The notes on pages 52-71 form part of these financial statements.

Balance Sheet

as at 30 September 2008

	Notes	as at 30 September 2008			as at 30 September 2007		
		£	£	£	£	£	£
Fixed assets							
Investments at fair value	10			23,139,395			30,917,064
Current assets							
Debtors and prepayments	11	1,843,777			718,787		
Current investments	12	16,336,014			6,581,497		
Cash at bank	19	65,690			46,862		
			18,245,481			7,347,146	
Creditors: amounts falling due within one year							
Other creditors		19,954			1,337,587		
Accruals		573,210			148,130		
	13		(593,164)			(1,485,717)	
Net current assets				17,652,317			5,861,429
Net assets				40,791,712			36,778,493
Capital and reserves							
Called up share capital	15			472,580			365,895
Share premium account	16			11,266,282			136,594
Capital redemption reserve	16			65,472			53,334
Capital reserve - unrealised	16			(1,252,761)			8,425,544
Special reserve	16			18,169,799			21,508,270
Profit and loss account	16			12,070,340			6,288,856
				40,791,712			36,778,493
Net asset value per share							
'O' Shares - basic	17			83.56p			**100.52p**
'O' Shares - diluted	17			82.39p			**100.52p**
'S' Shares - basic and diluted	17			94.59p			-

The notes on pages 52-71 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 16 December 2008 and were signed on its behalf by:

Colin Hook
Director

Reconciliation of Movements in Shareholders' Funds

for the year ended 30 September 2008

	Notes	2008 £	2007 £
Opening shareholders' funds		36,778,493	44,150,278
Net share capital bought back in the year	**15**	(1,063,732)	(2,202,103)
Net share capital subscribed for in the year	**15**	11,248,511	76,309
Loss for the year		(5,440,373)	(3,047,580)
Dividends paid/payable in the year	**8**	(731,187)	(2,198,411)
Closing shareholders' funds		40,791,712	36,778,493

The notes on pages 52-71 form part of these financial statements.

Cash Flow Statement

for the year ended 30 September 2008

	Notes	Year ended 30 September 2008		Year ended 30 September 2007	
Operating activities		**£**	**£**	**£**	**£**
Investment income received		1,435,092		1,758,835	
Other income received		-		11,754	
Investment management fees paid		(782,286)		(1,026,861)	
Other cash payments		(564,901)		(492,457)	
Net cash inflow from operating activities	18		87,905		251,271
Investing activities					
Acquisition of investments	10	(5,735,193)		(3,544,272)	
Disposal of investments	10	7,247,239		4,968,804	
			1,512,046		1,424,532
Equity Dividends					
Payment of equity dividends			(1,385,722)		(1,466,621)
Cash inflow before financing and liquid resource management			214,229		209,182
Management of liquid resources					
Increase in monies held pending investment	19		(9,754,517)		(612,057)
Financing					
Issue of Ordinary shares		11,171,285		76,309	
Purchase of own shares		(1,612,169)		(1,653,666)	
			9,559,116		(1,577,357)
Increase/(decrease) in cash for the year	19		18,828		(1,980,232)

The notes on pages 52-71 form part of these financial statements.

Notes to the Accounts

For the year ended 30 September 2008

1 Accounting policies

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

a) **Basis of accounting**

The accounts have been prepared under UK Generally Accepted Accounting Practice (UK GAAP) and, the Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies' ("SORP") issued by the Association of Investments Trust Companies in January 2003 and reviewed in 2005.

b) **Presentation of the Profit and Loss Account**

In order to better reflect the activities of a VCT and in accordance with the SORP, supplementary information which analyses the Profit and Loss Account between items of a revenue and capital nature has been presented alongside the Profit and Loss Account. The revenue column of profit attributable to equity shareholders is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 274 Income Tax Act 2007.

c) **Investments**

Investments are recognised on a trade date basis. All investments held by the Company are classified as "fair value through profit and loss" as the Company's business is to invest in financial assets with a view to profiting from their total return in the form of capital growth and income. For investments actively traded in organised financial markets, fair value is generally determined by reference to Stock Exchange market quoted bid prices at the close of business on the balance sheet date.

Unquoted investments are stated at fair value by the Directors in accordance with the following rules, which are consistent with the International Private Equity Venture Capital Valuation (IPEVCV) guidelines:

(i) Investments which have been made in the last twelve months are at fair value which, unless another methodology gives a better indication of fair value, will be at cost.

(ii) Investments in companies at an early stage of their development are also valued at fair value which, unless another methodology gives a better indication of fair value, will be at cost.

(iii) Where investments have been held for more than twelve months or have gone beyond the stage in their development in (i) or (ii) above, the shares may be valued by applying a suitable price-earnings ratio to that company's historic, current or forecast post-tax earnings before interest and amortisation (the ratio used being based on a comparable sector but the resulting value being discounted to reflect points of difference identified by the Investment Manager compared to the sector, as well as to reflect lack of marketability). Where overriding factors apply, alternative methods of valuation will be used. These will include the application of a material arms-length transaction by an independent third party, cost less provision for impairment, discounted cash flow, or a net asset basis;

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

(v) Unquoted investments will not normally be re-valued upwards for a period of at least twelve months from the date of acquisition. Where a company's underperformance against plan indicates a diminution in the value of the investment, provision against cost is made, as appropriate. Where the value of an investment has become permanently impaired below cost, the loss is treated as a permanent impairment and as a realised loss, even though the investment is still held. The Board assess the portfolio for such investments, and after agreement with the Investment Manager, will agree the values that represent the extent to which an investment has become permanently impaired. This is based upon an assessment of objective evidence of that investment's future prospects, to determine whether there is potential for the investment to recover in value.

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

d) **Share based payments**

Under the terms of the 'O' Share Fund Investment Manager's performance incentive agreement, the Investment Manager's incentive fee is payable either in cash or in shares. The accounts have assumed that it will be settled in cash, rather than paid in shares, so a liability has been recognised in these accounts. However the potential impact of paying this fee by the issue of additional shares has been reflected in the calculations of diluted earnings per share and diluted net asset value per share.

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

f) **Income**
Dividends receivable on quoted equity shares are brought into account on the ex-dividend date. Dividends receivable on unquoted equity shares are brought into account when the Company's right to receive payment is established and there is no reasonable doubt that payment will be received. Fixed returns on non-equity shares and on debt securities are recognised on a time apportionment basis so as to reflect the effective yield, provided there is no reasonable doubt that payment will be received in due course.

g) **Expenses**
All expenses are accounted for on an accruals basis.

25% of the Investment Managers' fees are charged to the revenue column of the Profit and Loss Account, while 75% is charged against the capital column of the Profit and Loss Account, This is in line with the Board's expected long-term split of returns from the investment portfolio of the Company,

100% of any performance incentive fee payable for the period is charged against the capital column of the Profit and Loss Account, as it is based upon the achievement of capital growth.

Expenses are charged wholly to revenue, with the exception of expenses incidental to the acquisition or disposal of an investment, which are written off to the capital column of the Profit and Loss Account or deducted from the disposal proceeds as appropriate.

Expenses common to both Funds for the second half of the year have been allocated 75% to the 'O' Share Fund, and 25% to the 'S' Share Fund.

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

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

Any tax relief obtained in respect of management fees allocated to capital is reflected in the capital reserve – realised and a corresponding amount is charged against revenue. The tax relief is the amount by which corporation tax payable is reduced as a result of these capital expenses.

i) **Comparatives**
The comparative figures are the audited figures from the annual accounts for the year ended 30 September 2007 except that Note 18's comparatives have been restated to reconcile total loss before taxation to net cash inflow from operating activities, to be consistent with this year. In the prior year the note reconciled net revenue before taxation to net cash inflow from operating activities.

2 Income

	2008	**2007**
Income from investments	**£**	**£**
– from equities	305,895	581,094
– from OEIC funds	659,358	375,523
– from loan stock	445,525	444,647
– from bank deposits	43,946	4,473
	1,454,724	1,405,737
Other Income	-	7,875
Total income	1,454,724	1,413,612

Income (continued)

Total income comprises		
Revenue dividends received	965,253	524,129
Capital dividends received	-	432,488
Interest	489,471	449,120
Other income	-	7,875
	1,454,724	1,413,612
Income from investments comprises		
Listed overseas securities	659,358	375,523
Unlisted UK securities	751,420	1,025,741
	1,410,778	1,401,264

Loan stock interest above is stated after deducting an amount of £27,067 (2007: £267,313), being a provision made against loan stock interest regarded as collectable in previous years.

Total loan stock interest not recognised in the year was £568,758 (2007: £668,673).

3 Recoverable VAT

On the basis of information supplied by the Company's current and past Investment Managers, and discussions with the Company's professional advisors as a result of the European Court of Justice ruling and subsequent HMRC briefing that management fees be exempt for VAT purposes, the Directors consider it reasonably certain that the Company will in the foreseeable future obtain a repayment of VAT of not less than £333,111. This amount has been recognised as a separate item in the profit and loss account, allocated 25% to revenue and 75% to capital return and is the same proportion as that in which the irrecoverable VAT was originally charged. It is possible that additional amounts of VAT will be recoverable in due course but the Directors are unable at this stage to quantify the sums involved.

4 Investment managers' fees

	Revenue 2008 £	Capital 2008 £	Total 2008 £	Revenue 2007 £	Capital 2007 £	Total 2007 £
Matrix Private Equity Partners LLP	169,396	930,915	1,100,311	124,599	373,797	498,396
Nova Capital Management Limited	-	-	-	30,586	91,756	122,342
Foresight Group LLP	27,632	82,895	110,527	70,041	210,123	280,164
	197,028	1,013,810	1,210,838	225,226	675,676	900,902

Included in the above is VAT of £Nil (2007: £134,177).

'O' Share Fund

At the start of the financial year, the Investment Managers operated under an agreement dated 13 October 2000. Under this Agreement, fees equal to one quarter of 1.6% of the amount of their respective allocation values (which usually equates to carrying value) were payable quarterly in arrears to each of the Investment Managers

Nova Capital Management Limited (Nova) resigned with effect from 31 August 2007. The Company made a final payment of £137,409 to Nova in September 2007, a sum calculated as equivalent to the fees that Nova would have received had they worked the twelve months' notice period provided for in the Investment Services Agreement. These fees have been recovered from the remaining two Investment Managers during the year though a reduction to management fees.

Matrix Private Equity Partners LLP (MPEP) and Foresight Group LLP (Foresight) assumed responsibility for half each of the Nova portfolio value with effect from 1 September 2007 and earn fees calculated upon the allocation value of their share of the Nova portfolio from that date.

Under a new investment management agreement dated 12 September 2007, but effective from 31 August 2007, MPEP and Foresight advise the Company on investments in qualifying companies. The agreement is for an initial period of three years and thereafter until the appointment is terminated by not less than one year's notice in writing at any time after the initial period.

MPEP and Foresight are entitled to an annual advisory fee of 1.6% of the closing net assets attributable to the Fund. The annual management fees are calculated and payable quarterly in advance, together with any applicable VAT.

A new incentive agreement replaced the old incentive agreement dated 13 October 2000. The new arrangements entitle Foresight and MPEP to receive performance related incentive payments (payable in cash or shares) based on realised gains in their individual portfolios. Each Investment Manager will be entitled to receive its own annual performance payment of 20% of any excess (over the investment growth hurdle detailed below) of realised gains over realised losses from its own portfolio during each calculation period, provided that in respect of its own portfolio:

- at any calculation date, the value of portfolio assets contained in the audited accounts adjusted for net realised gains and losses and total surplus income since 20 June 2007 is equal to or greater than the embedded value, as adjusted by new investments and the value of the Nova portfolio (as at 30 June 2007) transferred to the relevant manager; and
- at any calculation date, such excess is calculated after carrying forward all realised losses not previously offset in respect of any calculation period after 30 June 2008; and

- such excess is subject to an investment growth hurdle of 6% per annum calculated from 1 July 2007.

MPEP is entitled to an incentive fee of £422,733 which is included in the table above and relates to the current year.

On 11 March 2008, the Company gave Foresight notice of their termination being one year from the date therein. Fees are payable to Foresight in the meantime as the portfolio is handed over to MPEP during the one year notice period. MPEP will become the sole Investment Manager from 11 March 2009.

'S' Share Fund

MPEP will receive a fund management fee of 2% per annum of the NAV of the 'S' Share Fund. The fund management fees will be calculated and payable quarterly in advance together with any applicable VAT.

MPEP will receive a performance related incentive fee to reward exceptional performance. MPEP will be entitled to receive a performance fee equivalent to 20% of the excess above 6p, of the annual dividends paid to 'S' Fund Shareholders. The performance fee will only be payable if the NAV per 'S' Share over the year relating to payment has remained at or above 100p per 'S' Share. The performance fee will be payable annually, with any cumulative shortfalls below the 6p threshold having to be made up in later years. Under the above agreement MPEP are not entitled to a performance fee in the current year.

5 Other expenses

	2008 £	2007 £
Directors' remuneration (including NIC) (see note 6)	110,200	111,058
IFA trail commission	115,325	117,516
Administration fees	133,516	107,564
Broker's fees	11,750	11,750
Auditors' fees – audit	29,692	19,916
– other services supplied relating to taxation	2,033	1,938
– other services supplied pursuant to legislation	4,641	3,231
Monitoring fees	11,750	11,868
Registrar's fees	26,403	15,580
Printing	25,384	13,281
Legal fees	16,081	54,338
Sundry	30,230	27,395
	517,005	495,435

6 Directors' remuneration

	2008 £	2007 £
Colin Hook	40,000	40,000
Christopher Moore	30,000	30,000
Helen Sinclair	30,000	30,000
	100,000	100,000
Employer's NIC	10,200	11,058
	110,200	111,058

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

7 Tax on ordinary activities

	2008 Revenue £	2008 Capital £	2008 Total £	2007 Revenue £	2007 Capital £	2007 Total £
a) Analysis of tax charge:						
UK Corporation tax on profits/(losses) for the year	106,773	(106,773)	-	19,868	(19,868)	-
Total current tax charge/(credit)	106,773	(106,773)	-	19,868	(19,868)	-
Corporation tax is based on a rate of 20.5% (2007: 19.5%)						
b) Profit/(loss) on ordinary activities before tax	823,969	(6,264,342)	(5,440,373)	260,463	(3,166,059)	(2,905,596)
Profit/(loss) on ordinary activities multiplied by small company rate of corporation tax in the UK of 20.5% (2007: 19.5%)	168,914	(1,284,190)	(1,115,276)	50,790	(617,381)	(566.591)
Effect of:						
UK dividends	(62,574)	-	(62,574)	(28,978)	(84,335)	(113,313)
Unrealised losses not allowable	-	1,548,544	1,548,544	-	614,398	614,398
Realised gains not taxable	-	(420,970)	(420,970)	-	(16,751)	(16,751)
Income not yet taxable	(7,743)	-	(7,743)	(5,842)	-	(5,842)
Expenses not deductible for tax purposes (commissions)	-	-	-	3,898	-	3,898
Unrelieved expenditure	-	58,019	58,019	-	84,201	84,201
Impact of marginal rate	8,176	(8,176)	-	-	-	-
Actual current tax charge	106,773	(106,773)	-	19,868	(19,868)	-

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

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

There is no potential liability to deferred tax (2007: £nil). There is an unrecognised deferred tax asset, of £220,000 (2007: £152,537). The deferred tax asset relates to unrelieved management expenses. It is considered more likely than not that there will be insufficient taxable profits in the future against which the deferred tax asset can be offset and, therefore, in accordance with FRS 19, the asset has not been recognised.

8 Dividends paid and payable

Dividends on equity shares	2008 £ Revenue	2008 £ Capital	2008 £ Total	2007 £ Revenue	2007 £ Capital	2007 £ Total
'O' Share Fund						
'O' Shares – final paid of 1p Revenue and 1p Capital in February 2008 (2007: 0.75p revenue) per share:	365,895	365,895	731,790	293,324	-	293,324
'O' Shares – interim paid of nil (2007: 3p) per share:					1,173,297	1,173,297
'O' Shares – interim of 2p paid in October 2007 (2006: nil per share):					731,790	731,790
Over provision re prior year		(603)	(603)		-	
'S' Share Fund	-	-	-	-	-	-
Total declared in year	365,895	365,292	731,187	293,324	1,905,087	2,198,411
Proposed final dividend	**448,966**	**1,063,543**	**1,512,509**	**365,895**	**365,895**	**731,790**

Any proposed final dividend is subject to approval by Shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

Set out below are the total income dividends payable in respect of the financial year, which is the basis on which the requirements of Section 259 of the Income Tax Act 2007 are considered.

	2008 £	2007 £
'O' Shares:		
Revenue available for distribution by way of dividends for the year	599,837	240,595
Interim dividend for the year	-	-
Proposed final dividend for the year – 1p (2007: 1p)	354,514	365,895

9 Basic and diluted earnings per share

	2008 'O' Share Fund £	2008 'S' Share Fund £	2007 'O' Share Fund £
Total earnings after taxation:	(5,436,580)	(3,793)	(3,047,580)
Basic and diluted earnings per share (note a and d)	**(15.06)p**	**(0.04)p**	**(7.85)p**
Revenue profit from ordinary activities after taxation	599,837	117,359	240,595
Basic and diluted revenue earnings per share (note b and d)	**1.66p**	**1.26p**	**0.62p**
Net unrealised losses on investments	(7,504,370)	(49,505)	(3,150,761)
Net gains on realisation of investments	2,053,510	-	85,906
Income from capital dividends	-	-	432,488
Recoverable VAT	249,833	-	-
Capitalised management fees less taxation	(835,390)	(71,647)	(655,808)
Total capital losses from ordinary activities after taxation	(6,036,417)	(121,152)	(3,288,175)
Basic and diluted capital earnings per share (note c and d)	**(16.72)p**	**(1.30)p**	**(8.47)p**
Weighted average number of shares in issue in the year	36,109,718	9,341,544	38,802,180

Notes

a) Basic earnings per share is total earnings after taxation divided by the weighted average number of shares in issue.
b) Revenue earnings per share is the revenue profit after taxation divided by the weighted average number of shares in issue.
c) Capital earnings per share is the total capital loss after taxation divided by the weighted average number of shares in issue.
d) Diluted earnings per share in each case are the same as basic earnings per share, due to the potential extra shares that maybe issued to settle the investment manager's incentive fee having no effect on the weighted average number of shares in issue at the year end.

10 Investments

	2008 £	2007 £
Traded on AiM	3,233,672	6,381,352
Unquoted equity shares	10,426,630	16,874,972
Unquoted preference shares	70,473	75,815
Loan stock	9,408,620	7,584,925
Total	23,139,395	30,917,064
Brought forward net unrealised (gains)/losses now realised	(2,124,430)	(1,042,523)
Realised gains during the year	4,232,235	1,129,848
Transaction costs	(54,295)	(1,419)
Total realised gains for the year	2,053,510	85,906
Unrealised losses for the year	(7,553,875)	(3,150,761)
Total losses for the year	(5,500,365)	(3,064,855)

A full list of the portfolio holdings by their aggregate market value is on pages 14-16.

Summary of movement on investments during the period

10a Company

	Traded on AiM	Unlisted or traded on OFEX	Preference shares	Qualifying loans	Total
	£	£	£	£	£
Valuation at 30 September 2007	6,381,352	16,874,972	75,815	7,584,925	30,917,064
Impairment	-	-	-	153,943	153,943
Unrealised losses/(gains)	718,223	(11,347,509)	101,890	2,101,852	(8,425,544)
Cost at 30 September 2007	7,099,575	5,527,463	177,705	9,840,720	22,645,463
Purchases at cost	387,764	1,565,121	1,010	2,781,298	4,735,193
Sales - proceeds	(1,893,169)	(4,221,218)	(3,518)	(948,888)	(7,066,793)
- realised gains	1,397,050	3,578,847	(1,890)	(741,772)	4,232,235
Reclassification at cost	-	(57,146)	-	57,146	-
Impairment	-	519,858	1,890	917,602	1,439,350
Book cost at 30 September 2008	6,991,220	6,912,925	175,197	11,906,106	25,985,448
Unrealised (losses)/gains at 30 September 2008	(3,757,548)	3,513,705	(104,724)	(2,497,486)	(2,846,053)
Valuation at 30 September 2008	3,233,672	10,426,630	70,473	9,408,620	23,139,395

10b 'O' Share Fund

	Traded on AiM	Unlisted or traded on OFEX	Preference shares	Qualifying loans	Total
	£	£	£	£	£
Valuation at 30 September 2007	6,381,352	16,874,972	75,815	7,584,925	30,917,064
Impairment	-	-	-	153,943	153,943
Unrealised losses/(gains)	718,223	(11,347,509)	101,890	2,101,852	(8,425,544)
Cost at 30 September 2007	7,099,575	5,527,463	177,705	9,840,720	22,645,463
Purchases at cost	387,764	1,555,218	962	2,692,238	4,636,182
Sales - proceeds	(1,893,169)	(4,221,218)	(3,518)	(948,888)	(7,066,793)
- realised gains	1,397,050	3,578,847	(1,890)	(741,772)	4,232,235
Reclassification at cost	-	(57,146)	-	57,146	-
Reclassification at valuation	-	-	-	-	-
Impairment	-	519,858	1,890	917,602	1,439,350
Book cost at 30 September 2008	6,991,220	6,903,022	175,149	11,817,046	25,886,437
Unrealised (losses)/gains at 30 September 2008	(3,757,548)	3,518,656	(104,700)	(2,452,956)	(2,796,548)
Valuation at 30 September 2008	3,233,672	10,421,678	70,449	9,364,090	23,089,889

10c 'S' Share Fund

	Traded on AiM	Unlisted or traded on OFEX	Preference shares	Qualifying loans	Total
	£	£	£	£	
Valuation at 30 September 2007	-	-	-	-	-
Impairment	-	-	-	-	-
Unrealised losses/(gains)	-	-	-	-	
Cost at 30 September 2007	-	-	-	-	-
Purchases at cost	-	9,903	48	89,060	99,011
Sales - proceeds	-	-	-	-	-
- realised gains	-	-	-	-	-
Reclassification at cost	-	-	-	-	-
Impairment	-	-	-	-	-
Book cost at 30 September 2008	-	9,903	48	89,060	99,011
Unrealised (losses)/gains at 30 September 2008	-	(4,951)	(24)	(44,530)	(49,505)
Valuation at 30 September 2008	-	4,952	24	44,530	49,506

Reconciliation of cash movements in investment transactions
Acquisitions on Investments shown in the cash flow statement are £1,000,000 larger than disclosed above, as the Cash Flow Statement includes £1,000,000 held on deposit with solicitors at the year-end in relation to an investment in ATG Media Holdings Limited, which completed after the year-end.

Disposals of investments shown in the Cash Flow Statement are £180,446 more than as disclosed above.This is due to an increase in cash from the movement on the Special Mail Services deferred consideration debtor of £234,741, less transaction costs of £54,295 upon the sale of investments.

The amounts provided at the end of the year or written off against unlisted investments were as follows:

	Total Provisions at end of year	Write-offs in year
Financial Year	**£**	**£**
2008	8,588,728	1,439,350
2007	6,690,435	592,011
2006	6,268,991	5,522,339
2005	8,665,187	523,651
2004	7,483,325	989,815

Details of the movements in unrealised gains and losses in the year are disclosed within the Investment Portfolio Summary on pages 14-16.

Ministry of Cake (Holdings) Limited was disposed of during the year realising net proceeds of £1,802,824 from an original investment cost of £718,010. The carrying value as at 30 September 2007 was £1,039,709. There was a part-disposal of HMA Limited realising net proceeds of £2,381,880 from an original investment of £34,552. The carrying value as at 30 September 2007 was £2,345,791. BBI Holdings plc was also disposed of realising net proceeds of £1,893,169 from an original cost of £496,119. The carrying value as at 30 September 2007 was £1,430,231.

11 Debtors

	2008 £	2007 £
Amounts due within one year:		
Accrued income	174,210	154,576
Prepayments	12,488	149,470
Other debtors	1,657,079	414,741
	1,843,777	718,787

Other debtors include £180,000 payable by the acquirer upon the achievement of certain contractual conditions in the agreement for the sale of Special Mail Services Limited that occurred in 2006, which the Board consider will be received in future. This figure also includes £464,702 of VAT recoverable from VAT already paid upon previous management fee charges and £1,000,000 held with solicitors relating to investment in ATG Media Holdings Limited.

12 Current investments

Monies held pending investment	2008 £	2007 £
'O' Share Fund		
Royal Bank of Scotland Sterling Liquidity Fund	1,683,879	2,272,690
Royal Bank of Scotland Sterling Liquidity Fund plus	287,051	270,037
Blackrock Investment Management (UK) Institutional Sterling Fund	3,672,485	4,038,770
'S' Share Fund		
Royal Bank of Scotland Sterling Liquidity Fund	2,330,657	-
Fidelity Institutional Cash Fund	4,091,501	-
Scottish Widows Investment Partnership Sterling Liquidity Fund	4,270,441	-
Monies held pending investment	16,336,014	6,581,497

This comprises cash invested in five Dublin based OEIC money market funds as shown in the table above. £287,051 (2007: £270,037) of this sum is subject to two day access, while £16,048,963 (2007: £6,311,460) is subject to immediate access. These sums are regarded as monies held pending investment.

13 Creditors: amounts falling due within one year

	2008 £	2007 £
Trade creditors	6,605	43,848
Other creditors	13,349	561,949
Accruals	573,210	148,130
Dividend payable	-	731,790
	593,164	1,485,717

14 Significant interests

At 30 September 2008 the Company held significant investments, amounting to 3% or more of the equity capital of an undertaking, in the following companies:

Company	Equity investment (ordinary shares)	Investment in loan stock and preference shares	Total investment (at cost)	Percentage of investee company's total equity	
	£	£	£		
Image Source Group Limited	300,000	5,000	305,000	44.0%	*
Camwood Limited	361,514	666,667	1,028,181	34.7%	*
B G Consulting Group Limited/Duncary 4 Limited	110,202	1,043,774	1,153,976	33.2%	*
Apricot Trading Limited	400,000	600,000	1,000,000	24.5%	
HWA Limited (trading as Holloway White Allom Limited)	34,553	-	34,553	21.1%	*

Significant interests (continued)

Company	Equity investment (ordinary shares)	Investment in loan stock and preference shares	Total investment (at cost)	Percentage of investee company's total equity	
The Hunter Rubber Company Limited (in administration)	436,047	500,000	936,047	17.9%	
FH Ingredients Limited (in administration)	83,811	319,492	403,303	17.6%	
Letraset Limited	150,000	500,000	650,000	17.4%	
Brookerpaks Limited	50,000	5,000	55,000	17.1%	*
Aquasium Technology Limited	166,667	533,333	700,000	16.7%	
Aust Construction Investors	400,000	600,000	1,000,000	16.3%	
Calisamo Management Limited	400,000	600,000	1,000,000	16.3%	
Inca Interiors Limited	50,000	300,000	350,000	14.8%	
Tottel Publishing Limited	128,700	386,100	514,800	13.7%	
Blaze Signs Holdings Limited	401,550	936,950	1,338,500	12.5%	
Oxonica plc	2,524,527	-	2,524,527	10.6%	
VSI Limited	38,895	206,701	245,596	10.0%	
Amaldis (2008) Limited (Original Additions)	13,167	67,146	80,313	9.2%	*
Youngman Group Limited	100,052	900,000	1,000,052	8.5%	
NexxtDrive Limited	487,014	325,000	812,014	8.4%	*
Alaric Systems Limited	565,156	30,647	595,803	8.1%	
Racoon International Holdings Limited	165,256	385,596	550,852	7.7%	
PXP Holdings Limited (Pinewood Structures)	227,783	563,129	790,912	6.8%	
Monsal Holdings Limited	143,597	280,850	424,447	6.6%	
Corero plc (formerly Mondas plc)	600,000	-	600,000	6.5%	
DCG Group Limited (formerly DCG Datapoint Group Limited)	83,324	228,750	312,074	6.3%	
Biomer Technology Limited	137,170	-	137,170	5.6%	
British International Holdings Limited	112,500	387,500	500,000	5.0%	
The Plastic Surgeon Holding Limited	40,610	365,472	406,082	4.6%	
Vectair Holdings Limited	53,207	162,707	215,914	4.6%	
PastaKing Holdings Limited	116,962	175,443	292,405	4.5%	
DiGiCo Europe Limited	253,906	402,994	656,900	4.3%	
Aigis Blast Protection Limited	272,120	-	272,120	4.2%	
Campden Media Limited	67,814	267,066	334,880	3.7%	
Sarantel plc	1,881,251	-	1,881,251	3.6%	
Tikit Group plc	500,000	-	500,000	3.0%	

* The percentage of equity held for these companies may be subject to further dilution of an additional 1% or more if, for example, management of the investee company exercise share options.

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

The Company owns certain investments that the Companies Act 1985 requires to be treated as associated undertakings and therefore accounted for using the equity method of accounting. These investments are held as part of an investment portfolio whose value to the Company derives from their marketable value. Therefore, the Directors believe that equity accounting for such investments would not give a true and fair view of the value generated from the investment activities of the Company. The Directors believe that directors' valuation provides a better indication of the Company's investment activities. This treatment represents a true and fair override of the requirements of the Companies Act but is in accordance with the provisions of Financial Reporting Standard 9 "Associates and Joint Ventures".

Foresight also advises Foresight VCT plc, Foresight 2 VCT plc, Foresight 3 VCT plc and Foresight 4 VCT plc in respect of their investments, who have made investments to 30 September 2008 in the following:-

	Foresight VCT plc at cost	Foresight 2 VCT plc at cost	Foresight 3 VCT plc at cost	Foresight 4 VCT plc at Cost	Total at cost	% of equity held by funds managed by Foresight
	£	£	£	£	£	%
Sarantel plc	3,640,167	568,002	893,000	-	5,101,169	13.1
Oxonica plc	2,804,473	1,181,473	-	-	3,985,946	14.7
Corero plc	1,903,116	-	318,601	-	2,221,717	14.4
Aquasium Technology Limited	1,400,000	-	-	-	1,400,000	33.3
Alaric Systems Limited	1,473,372	-	714,713	-	2,188,085	23.3
Ant plc	1,097,200	-	-	-	1,097,200	7.3
DCG Group Limited	938,220	-	-	-	938,220	31.8
Aigis Engineering Solutions Limited	645,188	1,000,000	-	275,000	1,920,188	26.2
Camwood Limited	514,090	-	-	-	514,090	17.4

MPEP also advises Matrix Income and Growth VCT plc, Matrix Income and Growth 2 VCT plc, Matrix Income and Growth 3 VCT plc and Matrix Income and Growth 4 VCT plc who have investments as at 30 September 2008 in the following:

	Matrix Income & Growth VCT plc at cost	Matrix Income & Growth 2 VCT plc at cost	Matrix Income & Growth 3 VCT plc at cost	Matrix Income & Growth 4 VCT plc at cost	Total	% of equity held by funds managed by MPEP
	£	£	£	£	£	%
Blaze Signs Holdings Limited	1,573,750	1,398,498	379,236	610,016	3,961,500	52.5
DiGiCo Europe Limited	1,000,000	1,000,000	943,100	1,000,000	3,943,100	30.0
PXP Holdings Limited	1,000,000	1,000,000	1,000,000	584,088	3,584,088	37.3
British International Holdings Limited	1,000,000	1,000,000	750,000	250,000	3,000,000	34.9
Racoon International Holdings Limited	874,199	878,527	789,617	406,805	2,949,148	49.0
Monsal Holdings Limited	615,918	769,000	556,339	634,296	2,575,553	46.5
Youngman Group Limited	1,000,000	1,000,000	-	500,000	2,500,000	29.7
Campden Media Limited	975,000	975,000	-	152,620	2,102,620	28.4
The Plastic Surgeon Holding Limited	390,289	392,264	352,528	458,837	1,593,918	30.0
PastaKing Holdings Limited	464,047	466,344	419,148	133,055	1,482,594	27.5
VSI Limited	390,349	308,628	143,514	111,924	954,415	48.9
Vectair Holdings Limited	560,302	243,784	-	100,000	904,086	24
Stortext FM Limited	-	-	-	561,806	561,806	5.8
Letraset Limited	-	-	-	500,000	500,000	34.7
SectorGuard plc	150,106	150,106	-	150,002	450,214	4.3

15 Called up share capital

Authorised:	2008 £	2007 £
Ordinary Shares of 1p each: 85,000,000	850,000	850,000
S Ordinary Shares of 1p each: 25,000,000	250,000	-
Total	**1,100,000**	**850,000**
Allotted, called-up and fully paid:		
Ordinary Shares of 1p each: 35,451,438 (2007: 36,589,479)	354,515	365,895
S Ordinary Shares of 1p each: 11,806,467	118,065	-
Total	**472,580**	**365,895**

Share capital of the ‘O’ Share Fund is 75% of the total, with 25% represented by ‘S’ Share Fund share capital.

Under the terms of the Dividend Investment Scheme, a total of 75,807 (2007: £68,881) ‘O’ Shares were allotted during the year for a total consideration of £77,226 (2007: £76,309).

During the year the Company purchased 1,213,848 (2007: 2,589,324) of its own ‘O’ Shares for cash (representing 3.4% of the ‘O’ Shares in issue at the year-end) at the prevailing market price for a total cost of £1,063,732 (2007: £2,202,103) as follows:

Purchased	Date of purchase		Nominal value £
322,068	14 December 2007		322
296,072	3 March 2008		296
299,429	23 June 2008		299
99,549	8 August 2008		100
196,730	4 September 2008		197
1,213,848		Nominal value	1,214

Under an offer for sale, the ‘S’ Share Fund was launched on 14 December 2007 which raised funds of £11,171,285 (net of expenses of £635,182). Share capital with a nominal value of £118,065 was issued through a series of allotments from 6 February 2008 to 18 June 2008.

16 Movement in reserves

Company	Called up share capital	Share premium account	Capital Redemption reserve	Capital reserve (unrealised) (non-distributable)	Special reserve	Profit and loss account
	£	£	£	£	£	£
At 1 October 2007	365,895	136,594	53,334	8,425,544	21,508,270	6,288,856
Shares bought back	(12,138)	-	12,138	-	(1,063,732)	-
Shares issued	118,065	11,053,220	-	-	-	-
Dividends re-invested into new shares	758	76,468	-	-	-	-
Dividends paid	-	-	-	-	-	(731,187)
Loss transferred between reserves	-	-	-	-	(2,274,739)	2,274,739
Other expenses net of taxation	-	-	-	-	-	(907,037)
Net unrealised losses on investments	-	-	-	(7,553,875)	-	-
Gains on disposal of investments (net of transaction costs)	-	-	-	-	-	2,053,510
Realisation of previously unrealised appreciation	-	-	-	(2,124,430)	-	2,124,430
Profit for the year	-	-	-	-	-	967,029
At 30 September 2008	472,580	11,266,282	65,472	(1,252,761)	18,169,799	12,070,340

'O' Share Fund	Called up share capital	Share premium account	Capital Redemption reserve	Capital reserve (unrealised) (non-distributable)	Special reserve	Profit and loss account
	£	£	£	£	£	£
At 1 October 2007	365,895	136,594	53,334	8,425,544	21,508,270	6,288,856
Shares bought back	(12,138)	-	12,138	-	(1,063,732)	-
Shares issued	-	-	-	-	-	-
Dividends re-invested into new shares	758	76,468	-	-	-	-
Dividends paid	-	-	-	-	-	(731,187)
Loss transferred between reserves	-	-	-	-	(2,274,739)	2,274,739
Other expenses net of taxation	-	-	-	-	-	(835,390)
Net unrealised losses on investments	-	-	-	(7,504,370)	-	-
Gains on disposal of investments (net of transaction costs)	-	-	-	-	-	2,053,510
Realisation of previous unrealised appreciation	-	-	-	(2,124,430)	-	2,124,430
Profit for the year	-	-	-	-	-	849,670
At 30 September 2008	354,515	213,062	65,472	(1,203,256)	18,169,799	12,024,628

'S' Share Fund	Called up share capital	Share premium account	Capital Redemption reserve	Capital reserve (unrealised) (non-distributable)	Special reserve	Profit and loss account
	£	£	£	£	£	£
At 1 October 2007	-	-	-	-	-	-
Shares issued	118,065	11,053,220	-	-	-	-
Other expenses net of taxation	-	-	-	-	-	(71,647)
Net unrealised losses on investments	-	-	-	(49,505)	-	-
Profit for the year	-	-	-	-	-	117,359
At 30 September 2008	118,065	11,053,220	-	(49,505)	-	45,712

Note a – the realised capital reserve and the revenue reserve together comprise the Profit and Loss Account reserve of the Company shown in the balance sheet.

Note b – the cancellation of the share premium account (as approved at the Annual General Meeting held on 13 February 2002 and Order of the Court dated 1 May 2002) has provided the Company with a special reserve out of which it can fund buy-backs of ‘O’ Shares as and when it is considered by the Board to be in the interests of the Shareholders, and to absorb any existing and future realised losses. The transfer of £2,274,739 to the special reserve from the realised capital reserve above is the total of realised losses incurred by the Company in the year. Shareholders approved the cancellation of the Share Premium Account to be attributable to the ‘S’ Share Fund at the Extraordinary General Meeting of the Company held on 9 October 2007. It is the Directors’ intention to proceed with this in 2009.

The Shareholders authorised the Company to purchase its own shares pursuant to section 166 of the Companies Act 1985 at the Annual General Meeting held on 6 February 2008. The authority is limited to a maximum number of 5,490,163 ‘O’ Shares and 2,248,500 ‘S’ Shares (this being approximately 14.99% of the issued ‘O’ Share capital at the date of the Notice of the meeting and the anticipated issued ‘S’ Share capital of the Company immediately following the issue of shares pursuant to the proposed ‘S’ Share Offer. The authority will, unless previously revoked or renewed, expire on the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2009. The maximum price that may be paid for an ‘O’ Share or an ‘S’ Share will be an amount that is not more than 5% above the average of the middle market quotations of the shares as derived from the Daily Official

List of the London Stock Exchange for the five business days preceding such purchase. The authority provides that the Company may make a contract or contracts to purchase its own shares prior to the expiry of the authority which may be executed in whole or part after the expiry of such authority, and may purchase its shares in pursuance of any such contract. A resolution to renew this authority will be proposed at the Annual General Meeting to be held on 6 February 2009.

17 Net asset value per share

	2008 'O' Share Fund £	**2008 'S' Share Fund £**	**2007 'O' Share Fund £**	**2007 'S' Share Fund £**
Net assets	29,624,220	11,167,492	36,778,493	-
Number of shares in issue	35,451,438	11,806,467	36,589,479	-
Basic net asset value per share	83.56p	94.59p	100.52p	-
Diluted net asset value per share	82.39p	94.59p	100.52p	

Diluted NAV per share assumes that the Investment Manager's incentive fee is satisfied by the issue of 505,887 additional shares. For the 'S' Share Fund, the incentive agreement is unlikely to trigger an increase in the number of shares in issue in the foreseeable future.

18 Reconciliation of loss on ordinary activities before taxation to net cash inflow from operating activities

	2008 £	**2007 as restated £**
Loss before taxation	(5,440,373)	(3,047,580)
Unrealised losses on investments	7,553,875	3,150,761
Realised gains on investments	(2,053,510)	(87,325)
(Increase)/decrease in debtors	(406,071)	217,985
Increase in creditors and accruals	433,984	17,430
Net cash inflow from operating activities	87,905	251,271

19 Analysis of changes in net funds

	Cash £	**Liquid resources £**	**Total £**
At beginning of year	46,862	6,581,497	6,628,359
Cash flows	18,828	9,754,517	9,773,345
At 30 September 2008	65,690	16,336,014	16,401,704

20 Financial Instruments

The Company's financial instruments in both years comprise:

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

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

Classification of financial instruments
The Company held the following categories of financial instruments at 30 September 2008:

	2008 (Book value) £	2008 (Fair value) £	2007 (Book value) £	2007 (Fair value) £
Assets at fair value through profit and loss:				
Investment portfolio	23,139,395	23,139,395	30,917,064	30,917,064
Current investments	16,336,014	16,336,014	6,581,497	6,581,497
Cash at bank	65,690	65,690	46,862	46,862
Loans and receivables				
Accrued income	174,210	174,210	154,576	154,576
Other debtors	1,657,079	1,657,079	414,741	414,741
Other creditors	(593,164)	(593,164)	(1,485,717)	(1,485,717)
Total for financial instruments	40,779,224	40,779,224	36,629,023	36,629,023
Non financial instruments	12,488	12,488	149,470	149,470
Total net assets	40,791,712	40,791,712	36,778,493	36,778,493

The investment portfolio principally consists of unquoted investments (86.0%; 30 September 2007; 79.4%) and AiM quoted stocks (14.0%; 30 September 2007: 20.6%). The investment portfolio has a 100% (30 September 2007:100%) concentration of risk towards small UK based, £ denominated companies, and represents 56.7% (30 September 2007: 84.1%) of net assets at the year-end.

Current investments are money market funds, discussed under credit risk below, which represent 40.0% (30 September 2007:17.9%) of net assets at the year-end.

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

Market price risk
Market price risk arises from uncertainty about the future valuations of financial instruments held in accordance with the Company's investment objectives. These future valuations are determined by many factors but include the operational and financial performance of the underlying investee companies, as well as market perceptions of the future performance of the UK economy and its impact upon the economic environment in which these companies operate. This risk represents the potential loss that the Company might suffer through holding its investment portfolio in the face of market movements, which was a maximum of £23,139,395 at the year-end. It represents the potential gain or loss that the Company might benefit or suffer from through holding its investment portfolio in the face of market movements.

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

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

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

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

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

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

	2008 **£** **Profit and net assets**	**2007** **£** **Profit and net assets**
If overall share prices fell by 20%, with all other variables held constant – decrease	(4,627,879)	(6,183,413)
Decrease in earnings, and net asset value, per 'O' Share (in pence)	(13.03)p	(16.90)p
Decrease in earnings, and net asset value, per 'S' Share (in pence)	(0.08)p	-

	2008 **£** **Profit and net assets**	**2007** **£** **Profit and net assets**
If overall share prices increase by 20%, with all other variables held constant – increase	4,627,879	6,183,413
Increase in earnings, and net asset value, per 'O' Share (in pence)	13.03 p	16.90 p
Increase in earnings, and net asset value, per 'S' Share (in pence)	0.08 p	-

The impact of a change of 20% has been selected as this is considered reasonable given the current level of volatility observed both on a historical basis and market expectations for future movement. The range in equity prices is considered reasonable given the historic changes that have been observed.

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

The Company's maximum exposure to credit risk is:

	2008	2007
	£	£
Loan stock investments	9,408,620	7,584,925
Money market funds	16,336,014	6,581,497
Accrued income and other debtor	354,210	149,470
VAT recoverable	464,702	-
Amounts held with solicitors	1,000,000	-
Cash at bank	65,690	46,862
	27,629,236	14,362,754

The Company has an exposure to credit risk in respect of the loan stock investments it has made into investee companies, most of which have no security attached to them, and where they do, such security ranks beneath any bank debt that an investee company may owe.

The accrued income and other debtor shown above was all due within 2 months of the year-end, except for £100,000 due within 4 months.

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

	2008	2007
Repayable within	**£**	**£**
0 to 1 year	-	629,801
1 to 2 years	2,314,801	-
2 to 3 years	3,060,650	379,236
3 to 4 years	1,926,234	3,401,674
4 to 5 years	2,106,935	3,174,214
Total	9,408,620	7,584,925

Included within loan stock investments are loans at a carrying value of £81,250 (2007: £nil) which have been past due but have been re-negotiated. Loans which are past due but which have not been renegotiated have a carrying value of £805,380 (2007: £758,333). These loan stock investments are made as part of the qualifying investments within the investment portfolio, and the risk management processes applied to the loan stock investments have already been set out under market price risk above.

There is a risk of default by the money market funds above, which could suffer defaults within their underlying portfolios that could affect the values at which the Company could sell its holdings. The Board manages credit risk in respect of these money market funds and cash by ensuring a spread of such investments such that none should exceed 15% of the Company's total investment assets. These money market funds are triple A rated funds, except for one double A rated fund, and so credit risk is considered to be low.

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

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

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

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

The interest rate profile of the Company's financial net assets at 30 September 2008 was:

	Financial net assets on which no interest paid	Fixed rate financial assets	Variable rate financial assets	Total	Weighted average interest rate	Average period to maturity
		£	£	£	%	(years)
Equity shares	13,660,302			13,660,302		
Preference shares		70,473		70,473	2.03	2.17
Loan stocks		6,844,531	2,564,089	9,408,620	5.95	2.85
Money market funds			16,336,014	16,336,014	5.41	
Cash	24,071	41,619		65,690		
Debtors	1,843,777			1,843,777		
Creditors	(593,164)			(593,164)		
Total	14,934,986	6,956,623	18,900,103	40,791,712		

The interest rate profile of the Company's financial net assets at 30 September 2007 was

	Financial net assets on which no interest paid	Fixed rate financial assets	Variable rate financial assets	Total	Weighted average interest rate	Average period to maturity
	£	£	£	£	%	(years)
Equity shares	23,256,324			23,256,324		
Preference shares		75,815		75,815	1.88	1.20
Loan stocks		6,721,688	863,237	7,584,925	7.56	3.55
Money market funds			6,581,497	6,581,497	6.06	
Cash	46,862			46,862		
Debtors	718,787			718,787		
Creditors	(1,485,717)			(1,485,717)		
Total	22,536,256	6,797,503	7,444,734	36,778,493		

Floating rate cash earns interest based on LIBOR rates.

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

Cash flow interest rate sensitivity

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

	2008 £ Profit and net assets	2007 £ Profit and net assets
If interest rates were 1% lower, with all other variables held constant – decrease	(150,256)	(59,930)
Decrease in earnings, and net asset value, per 'O' Share (in pence)	(0.18)p	(0.16)p
Decrease in earnings, and net asset value, per 'S' Share (in pence)	(0.72)p	-

	2008 £ Profit and net assets	2007 £ Profit and net assets
If interest rates were 1% higher, with all other variables held constant – increase	150,256	59,930
Increase in earnings, and net asset value, per 'O' Share (in pence)	0.18p	0.16 p
Increase in earnings, and net asset value, per 'S' Share (in pence)	0.72p	-

Liquidity risk
The investments in equity and fixed interest stocks of unquoted companies that the Company holds are not traded, they are not readily realiseable. The ability of the Company to realise the investments at their carrying value may at times not be possible if there are no willing purchasers. The Company's ability to sell investments may also be constrained by the requirements set down for VCTs. The maturity profile of the Company's loan stock investments disclosed within the consideration of credit risk above indicates that these assets are also not readily realiseable until dates up to five years from the year-end.

To counter these risks to the Company's liquidity, the Investment Manager maintains sufficient cash and money market funds to meet running costs and other commitments. The Company invests its surplus funds in high quality money market funds which are, as reported in Note 12, nearly all accessible on an immediate basis.

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

21 Management of capital

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

By its nature, the Company has an amount of capital, at least 70% (as measured under the tax legislation) of which is and must be, and remain, invested in the relatively high risk asset class of small UK companies within three years of that capital being subscribed. The Company accordingly has limited scope to manage its capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. Subject to this overall constraint upon changing the capital structure, the Company may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares, or sell assets if so required to maintain a level of liquidity to remain a going concern.

Although, as the Investment Policy implies, the Board would consider levels of gearing, there are no current plans to do so. It regards the net assets of the Company as the Company's capital, as the level of liabilities are small and the management of them is not directly related to managing the return to Shareholders. There has been no change in this approach from the previous year.

22 Segmental analysis

There is only one class of business and the operations of the Company are wholly in the United Kingdom.

23 Related party transactions

Up until 28 September 2007, Christopher Moore was Chairman of, but remains a shareholder in, Oxonica plc ("Oxonica") in which the Company has invested a further £387,764 in the current year (total carrying value: £1,113,991). He owns 0.21% of the equity of Oxonica.

Additionally, it has been agreed that Christopher Moore will cede 128,972 options into ordinary shares of Oxonica out of his options pool. These options are subject to performance conditions and lock in restrictions. The exercise price of the options is 45p. The bid market price of Oxonica ordinary shares as at 30 September 2008 was 16p.

24 Post balance sheet events

On 3 October 2008, the Company invested £1 million in ATG Media Holdings Limited. On 26 November 2008, the company invested an additional £129,264 in PXP Holdings Limited loan stock.

The Company announced the appointment of Matrix Corporate Capital LLP (MCC) as Corporate Broker to the Company on 3 December 2008 in succession to Landsbanki Securities (UK) Limited (Landsbanki). The team at MCC includes the core Investment Funds team who were formerly at Landsbanki.

The Income & Growth VCT PLC
(Registered in England and Wales No. 4069483)

NOTICE of the ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the seventh Annual General Meeting of The Income & Growth VCT plc ("the Company") will be held at 11.00 am on Friday, 6 February 2009 at Matrix Group Limited, One Vine Street, London, W1J 0AH for the purposes of considering and, if thought fit, passing the following resolutions of which resolutions 1 to 7 will be proposed as ordinary resolutions and resolutions 8 to 10 will be proposed as special resolutions:-

ORDINARY BUSINESS

Ordinary Resolutions

1. To receive and adopt the Annual Report and Accounts of the Company for the year ended 30 September 2008, together with the auditors' report thereon.

2. To approve the Directors' Remuneration Report for the year ended 30 September 2008 which is set out in the Annual Report and Accounts of the Company for the year ended 30 September 2008.

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

4. To authorise the Directors to determine the remuneration of the auditors.

5. To re-elect Colin Hook as a Director of the Company.

6. To approve the payment of a final dividend of 4 pence per ordinary share of 1 penny each (" 'O' Share") for the year ended 30 September 2008.

SPECIAL BUSINESS

Ordinary Resolution

7. That (i) subject to the passing of the resolutions to be proposed at the separate meeting of the holders of 'O' Shares and the separate meeting of the holders of 'S' Shares convened for 11.20 am and 11.30 am respectively on 6 February 2009 ("Separate Class Meetings") and (ii) in substitution for any existing authorities pursuant to section n 80 of the Companies Act 1985 ("the 1985 Act"), the Directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (which expression shall have the meaning ascribed to it in section 80 of the 1985 Act) up to an aggregate nominal amount of £627,420 provided that this authority shall expire on the fifth anniversary of the date of the passing of this resolution unless renewed, revoked or varied by the Company in general meeting (except that the Company may, before such expiry, make offers or agreements which would or might require

equity securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot equity securities in pursuance of such offers or agreements).

Special Resolutions

8. That (i) subject to the passing of the resolutions to be proposed at the Separate Class Meetings and (ii) in substitution for any existing authorities pursuant to section 95 (1) of the 1985 Act, the Directors be and are hereby empowered in accordance with section 95 (1) of the 1985 Act to allot or make offers or agreements to allot equity securities (as defined in section 94(2) of the 1985 Act) for cash, pursuant to the authority given in accordance with section 80 of the 1985 Act by Resolution 7 set out in this notice of Annual General Meeting as if section 89(1) of the 1985 Act did not apply to the allotment provided that this power shall expire on the conclusion of the Annual General Meeting to be held in 2010, and provided further that this power shall be limited to:-

   (i) the allotment of equity securities with an aggregate nominal value of up to but not exceeding 10 per cent. of the issued ‘O’ Share capital of the Company and/or 10 per cent. of the issued ‘S’ Share capital of the Company, in each case, pursuant to any dividend investment scheme operated from time to time by the Company;

   (ii) the allotment, otherwise than pursuant to sub-paragraph (i) above, of equity securities with an aggregate nominal value of up to but not exceeding 10 per cent. of the issued ‘O’ Share capital of the Company and/or 10 per cent. of the issued ‘S’ Share capital of the Company, in each case where the proceeds of the allotment may be used in whole or in part to purchase the Company's ‘O’ Shares or, as the case may be, ‘S’ Shares in the market; and

   (iii) the allotment, otherwise than pursuant to sub-paragraphs (i) and (ii) above, of equity securities from time to time with an aggregate nominal value of up to but not exceeding 5 per cent. of the issued ‘O’ Share capital of the Company and/or 5 per cent. of the issued ‘S’ Share capital of the Company, in each case.

9. That (i) subject to the passing of the resolutions to be proposed at the Separate Class Meetings and (ii) in substitution for any existing authorities pursuant to section 166 of the 1985 Act, that the Company generally be and is hereby authorised for the purpose of section 166 of the 1985 Act to make market purchases (as defined in section 163 of the 1985 Act) of its own ‘O’ Shares and ‘S’ Shares provided that:-

   (i) the aggregate number of ‘O’ Shares and ‘S’ Shares hereby authorised to be purchased shall not exceed 5,314,170 and 1,769,790 respectively;

   (ii) the minimum price which may be paid for such ‘O’ Shares and ‘S’ Shares is 1 penny per share, the nominal amount thereof;

   (iii) the maximum price (exclusive of expenses) which may be paid for an ‘O’ Share or, as the case may be, an ‘S’ Share shall be five per cent. above the average of the middle market price taken from the London Stock Exchange

Daily Official List for the five business days immediately preceding the day on which the purchase is made;

(iv) the authority hereby conferred shall (unless previously renewed or revoked) expire on the conclusion of the annual general meeting of the Company to be held in 2010; and

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

10. That each of the directors of the Company be and hereby are authorised to hold office and continue to hold office as a director of Matrix Income & Growth 4 VCT plc notwithstanding that, by holding such office, a director has, or may have, a direct or indirect interest, duty or duties that conflict or possibly may conflict with the interests of the Company, and in particular, but without limitation, the provisions of article 24.6(e) of the Articles of Association of the Company shall apply as if this authority had been given by the board of directors in accordance with article 24.6 and any breach of duty by the directors or any of them arising from their holding office as directors of Matrix Income & Growth 4 VCT plc prior to the date of the passing of this resolution be and hereby is ratified and approved for all purposes.

BY ORDER OF THE BOARD

Matrix-Securities Limited
Secretary
Registered Office
One Vine Street
London W1J 0AH

16 December 2008

Notes:

1. To be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the votes they may cast), members must be registered in the Register of Members of the Company at 6.00 pm on 4 February 2009 (or, in the event of any adjournment, 6.00 pm on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak, with the permission of the Chairman, and vote on his or her behalf. A proxy need not also be a member but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your

proxy using the form of proxy are set out in the notes on the form of proxy. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.

3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional form(s) of proxy may be obtained by contacting Capita Registrars on 020 8639 2000. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given.

4. The statement of the rights of members in relation to the appointment of proxies in paragraphs 1 to 3 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.

5. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 ("the 2006 Act") to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.

6. A reply paid form of proxy is enclosed with this document. To be valid, it should be lodged with the Company's registrar, Capita Registrars, so as to be received not later than 11.00 am on 4 February 2009 or 48 hours before the time appointed for any adjourned meeting or, in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll.

7. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should he or she subsequently decide to do so. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.

8. As at 16 December 2008 (being the last business day prior to the publication of this notice), the Company's issued share capital consisted of 35,451,438 'O' Shares and 11,806,467 'S' Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 16 December 2008 were 47,257,905.

9. The Register of Directors' Interests will be available for inspection at the meeting.

10. Each director has an appointment letter with the Company which will be available for inspection at the meeting.

THE INCOME & GROWTH VCT PLC
(Registered in England and Wales with registered number 4069483)

NOTICE CONVENING A SEPARATE CLASS MEETING OF THE HOLDERS OF ‘O’ SHARES

Notice is hereby given that a meeting of the holders of Ordinary Shares of 1 penny each (‘O’ Shares) in the capital of The Income & Growth VCT plc ("the Company") will be held at 11.20 am on Friday, 6 February 2009 at Matrix Group Limited, One Vine Street, London, W1J OAH (or as soon thereafter as the Annual General Meeting of the Company to be held at 11.00 am on that date shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolution as an extraordinary resolution.

Extraordinary Resolution

That the holders of ‘O’ Shares in the capital of the Company hereby sanction, approve and consent to:

(a) the passing and carrying into effect as ordinary and special resolutions of the Company, resolutions 7 to 9 set out in the notice of annual general meeting of the Company convened for 11.00 am on 6 February 2009 (a copy of which is produced to the meeting and signed by the chairman for the purposes of identification); and

(b) any effect on, variation, abrogation, dealing with and/or deemed variation or abrogation of the rights and privileges attached to the ‘O’ Shares which will, or may, result from the passing and carrying into effect of the resolution referred to in paragraph (a) above, notwithstanding that the passing and carrying into effect such resolution may affect the rights and privileges attached to such ‘O’ Shares.

BY ORDER OF THE BOARD

Matrix-Securities Limited
Secretary
Registered Office
One Vine Street
London W1J 0AH

16 December 2008

Notes:

1. To be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the votes they may cast), members must be registered in the Register of Members of the Company at 6.00 pm on 4 February 2009 (or, in the event of any adjournment, 6.00 pm on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak, with the permission of the Chairman, and vote on his or her behalf. A proxy need not also be a member but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the form of proxy are set out in the notes on the form of proxy. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.
3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional form(s) of proxy may be obtained by contacting Capita Registrars on 020 8639 2000. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given.
4. The statement of the rights of members in relation to the appointment of proxies in paragraphs 1 to 3 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.
5. Any person to whom this notice is sent who is a person nominated under section 146 of the 2006 Act to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.
6. A reply paid form of proxy is enclosed with this document. To be valid, it should be lodged with the Company's registrar, Capita Registrars, so as to be received not later than 11.20 am on 4 February 2009 or 48 hours before the time appointed for any adjourned meeting or, in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll.
7. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should he or she subsequently decide to do so. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.
8. As at 16 December 2008 (being the last business day prior to the publication of this notice), the Company's issued 'O' Share capital consisted of 35,451,438 'O' Shares carrying one vote each. Therefore, the total voting rights attached to the 'O' Shares as at 16 December 2008 were 35,451,438.
9. The Register of Directors' Interests will be available for inspection at the meeting.
10. Each director has an appointment letter with the Company which will be available for inspection at the meeting.
11. Notice is hereby further given that the necessary quorum for the above meeting shall be holders of 'O' Shares present in person or by proxy holding not less than one-third of the paid up 'O' Share capital and that if within half an hour from the time appointed for the above meeting a quorum is not present it shall be adjourned to 11.20 am on 9 February 2009 at Matrix Group Limited, One Vine Street, London, W1J 0AH and at such adjourned meeting the holders of 'O' Shares present in person or by proxy shall be quorum regardless of the number of 'O' Shares held.

THE INCOME & GROWTH VCT PLC
(Registered in England and Wales with registered number 4069483)

NOTICE CONVENING A SEPARATE CLASS MEETING OF THE HOLDERS OF 'S' SHARES

Notice is hereby given that a meeting of the holders of 'S' ordinary shares of 1 penny each ('S' Shares) in the capital of The Income & Growth VCT plc ("the Company") will be held at 11.30 am on 6 February 2009 at Matrix Group Limited, One Vine Street, London, W1J OAH (or as soon thereafter as the class meeting of the holders of ordinary shares of 1 penny each in the capital of the Company to be held at 11.20 am on that date shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolution as an extraordinary resolution.

Extraordinary Resolution

That the holders of 'S' Shares hereby sanction, approve and consent to:

(a) the passing and carrying into effect as ordinary and special resolutions of the Company, resolutions 7 to 9 set out in the notice of annual general meeting of the Company convened for 11.00 am on 6 February 2009 (a copy of which is produced to the meeting and signed by the chairman for the purposes of identification); and

(b) any effect on, variation, abrogation, dealing with and/or deemed variation or abrogation of the rights and privileges attached to the 'S' Shares which will, or may, result from the passing and carrying into effect of the resolution referred to in paragraph (a) above, notwithstanding that the passing and carrying into effect such resolution may affect the rights and privileges attached to such 'S' Shares.

BY ORDER OF THE BOARD

Matrix-Securities Limited
Secretary
Registered Office
One Vine Street
London W1J 0AH

16 December 2008

Notes:

1. To be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the votes they may cast), members must be registered in the Register of Members of the Company at 6.00 pm on 4 February 2009 (or, in the event of any adjournment, 6.00 pm on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak, with the permission of the Chairman, and vote on his or her behalf. A proxy need not also be a member but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the form of proxy are set out in the notes on the form of proxy. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.

3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional form(s) of proxy may be obtained by contacting Capita Registrars on 020 8639 2000. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given.

4. The statement of the rights of members in relation to the appointment of proxies in paragraphs 1 to 3 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.

5. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.

6. A reply paid form of proxy is enclosed with this document. To be valid, it should be lodged with the Company's registrar, Capita Registrars, so as to be received not later than 11.30 am on 4 February 2009 or 48 hours before the time appointed for any adjourned meeting or, in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll.

7. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should he or she subsequently decide to do so. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.

8. As at 16 December 2008 (being the last business day prior to the publication of this notice), the Company's issued 'S' Share capital consisted of 11,806,467 'S' Shares carrying one vote each. Therefore, the total voting rights as at 16 December 2008 were 11,806,467.

9. The Register of Directors' Interests will be available for inspection at the meeting.

10. Each director has an appointment letter with the Company which will be available for inspection at the meeting.

11. Notice is hereby further given that the necessary quorum for the above meeting shall be holders of 'S' Shares present in person or by proxy holding not less than one-third of the paid up 'S' Share capital and that if within half an hour from the time appointed for the above meeting a quorum is not present it shall be adjourned to 11.30 am on 9 February 2009 at Matrix Group Limited, One Vine Street, London, W1J OAH and at such adjourned meeting the holders of 'S' Shares present in person or by proxy shall be quorum regardless of the number of 'S' Shares held.

Corporate Information

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Colin Hook
Christopher Moore
Helen Sinclair

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W1J 0AH

Company Secretary
Matrix-Securities Limited
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W1J 0AH

Investment Manager
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W1J 0AH

Company Registration Number: 4069483

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