

# THE INCOME & GROWTH VCT

S Shares

SECURITIES NOTE  
WITH APPLICATION FORM



Sponsor  
Landsbanki Securities (UK) Limited  
Offer for Subscription of up to  
15 million S Shares



# Securities Note

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document you should consult your bank manager, solicitor, accountant or other independent financial adviser fully authorised pursuant to the Financial Services and Markets Act 2000, who specialises in advising upon investment in shares and other securities, without delay.

Copies of this securities note ("Securities Note") which together with a registration document ("Registration Document") and a summary note ("Summary Note") comprises a prospectus (the "Prospectus") relating to The Income & Growth VCT plc (the "Company"), which has been prepared in accordance with the Listing Rules and Prospectus Rules made under Part VI of the Financial Services and Markets Act 2000. In subscribing for S Shares you will be treated as subscribing solely on the basis of this Prospectus. **Your attention is drawn to the risk factors set out on page 2 and to the Terms and Conditions of Application set out on pages 28 to 31.**

Persons receiving this document should note that, in connection with this document, Landsbanki Securities (UK) Limited and Matrix-Securities Limited act for the Company and no-one else, and will not be responsible for anyone other than the Company for providing the protections afforded to customers of Landsbanki Securities (UK) Limited and Matrix-Securities Limited, or for providing advice in relation to this document. Both Landsbanki Securities (UK) Limited and Matrix-Securities Limited are authorised and regulated by the Financial Services Authority.

The Directors of the Company, whose names appear on page 14, and the Company accept responsibility for the information contained in the Prospectus. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in the Prospectus is in accordance with the facts and contains no omission likely to affect its import.

Application has been made to the UK Listing Authority for the S Shares issued to be admitted to the Official List and to the London Stock Exchange for the admission of such S Shares to trading on its market for listed securities. It is expected that admission will become effective and that dealings in the S Shares will commence within three Business Days of allotment.

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## The Income & Growth VCT plc

(Incorporated in England and Wales under the Companies Act 1985 with registered number 04069483)

Offer for Subscription  
of up to 15 million S Shares  
at an issue price of 100 pence per S Share payable in full on subscription

Sponsor

**Landsbanki Securities (UK) Limited**

Promoter

**Matrix-Securities Limited**

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The procedure for, and the terms and conditions of, application under this offer for subscription are set out at the end of this document together with an Application Form.

Completed Application Forms must be posted or delivered by hand to the Receiving Agents, The City Partnership (UK) Limited. This Offer for Subscription will open on 14 December 2007 and will close not later than 4 April 2008 or as soon as the Offer is fully subscribed. The Directors in their absolute discretion may decide to extend or increase the Offer.



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## Risk Factors

Investors should consider carefully the following risk factors in addition to the other information presented in this document. If any of the risks described below were to occur, it could have a material effect on the Company's business, financial condition or results of operations. The risks and uncertainties described below are not the only ones the Company and investors in the S Shares will face. While all material risks currently known to the Company are set out below, additional risks not currently known to the Company, or that the Company currently believes are not material, may also adversely affect its business, financial condition and result of operations. The value of the S Shares could decline due to any of these risk factors, and Investors could lose part or all of their investment.

An investment in the Company is suitable only for Investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment. Potential Investors are advised to take their own independent financial advice before investing.

Potential Investors should be aware that the value of S Shares in the S Share Fund can fluctuate and that they may not get back the amount they invested. There is a limited secondary market for VCTs and most trade at below their net asset value. In addition, there is no certainty that the market price of S Shares will fully reflect the underlying Net Asset Value of the S Share Fund or that any dividends will be paid. Nor should potential Investors expect that the share buyback policy will offer any certainty of selling their S Shares at a price that reflects or is close to the underlying Net Asset Value of the S Share Fund. Investors should be aware that an investment in the S Share Fund should be considered as a long-term investment.

The past performance of funds managed or advised by the Adviser is not a guide to the future performance of the S Share Fund.

A portfolio of investments in unquoted companies can offer good investment returns but by its nature is uncertain and consequently involves a higher degree of risk than a quoted portfolio.

VCTs invest in small companies usually with limited trading records which may not produce anticipated returns and Investors could get back less than they invested.

The value of the S Share Fund depends on the performance of the underlying assets. The value of the investment and the dividend stream can therefore rise and fall.

Valuations of unlisted companies are determined by the Directors within the IPEV CV. These valuation guidelines provide for discounts to reflect the non-marketability of unlisted investments. The valuation of the portfolio depends, to some extent, on stock market conditions.

The fact that a share is listed on AIM does not guarantee its liquidity. The spread between the buying and selling price of such shares may be wide and thus the price used for valuation may not be achievable. PLUS (formerly OFEX) is not regulated by the London Stock Exchange. AIM is an exchange-regulated market and is regulated by the London Stock Exchange. The Company may invest in AIM and/or PLUS traded companies.

If the S Share Fund fails to meet the full subscription amount under the Offer it may find it more difficult to achieve a spread of investments and so its portfolio might be less diverse, increasing the risk.

Although it is anticipated that the S Shares will be admitted to the Official List of the UK Listing Authority and traded on the London Stock Exchange's market for listed securities, it is expected that there will be an illiquid market and Shareholders may find it difficult to realise their investment.

Realisation of investments in unquoted companies can be difficult and may take a considerable time. There may also be constraints imposed on the realisation of investments in order to maintain the tax status of the Company.

There can be no guarantee that the Company's investment objectives will be achieved or that suitable investment opportunities will be identified.

Whilst it will be the intention of the Directors that the Company will be managed so as to continue to qualify as a Venture Capital Trust, there can be no guarantee that such status will be maintained. A failure to continue to meet the qualifying requirements could result in the Company losing the tax reliefs previously obtained, resulting in adverse tax consequences for Shareholders including a requirement to repay the income tax relief obtained. Furthermore, should the Company lose its Venture Capital Trust status, dividends and the proceeds of disposal of S Shares would become subject to tax.

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

To receive the tax advantages available to VCTs, Shareholders must be over the age of 18.

Any realised losses on the disposal of S Shares will not be allowable losses for the purpose of capital gains tax and will, therefore, not be available for set off against any capital gains.

The information in this Prospectus is based on existing legislation, including tax legislation. The tax rules or their interpretation in relation to an investment in the S Share Fund and/or the rates of tax may change during the life of the S Share Fund and any changes could be retrospective. The value of tax reliefs depends on the personal circumstances of Shareholders, who should consult their own tax advisors before making any investment. The current legislation provides for income tax relief of up to 30% of the amount subscribed (subject to overall limitations on the amount of tax relief that can be claimed by an individual through investment in a VCT).

If a Shareholder having subscribed for S Shares under the Offer disposes of those S Shares within five years the Shareholder will be subject to clawback by HM Revenue & Customs of the income tax relief originally claimed.

Whilst the S Share Fund and the Ordinary Share Fund will be managed separately, VCT tax requirements and financial/distribution requirements will be assessed at a Company level which may restrict the Company's ability to pay dividends.

## Offer Timetable

Offer opens	14 December 2007
Deadline for receipt of applications for final allotment in 2007/2008 tax year	4 April 2008
Offer closes	4 April 2008
Allotment	fortnightly
Effective date for the listing of S Shares and commencement of dealings	within 3 Business Days of allotment

There is no minimum amount to be raised under the Offer and the Directors expect to start making allotments of S Shares during the first week of February 2008. They reserve the right to amend the date at which S Shares will begin to be allotted. The Directors also reserve the right to extend the closing date of the Offer or the amount of the Offer at their discretion. The Offer will close earlier than the date stated above if it is fully subscribed by an earlier date.

## Offer Statistics

Offer price per S Share	£1.00
Initial NAV per S Share	£0.945
Minimum investment	£5,000

## Costs relating to the Offer

Offer costs as a percentage of the gross proceeds	5.5%
Initial commission to intermediaries (included in 5.5% Offer costs)	2.25%
Annual commission (subject to maximum cumulative payment of 2.25% of the NAV attributable to financial intermediaries' clients' holdings)	0.375%

# Definitions

The following definitions are used throughout this document, except where the context requires otherwise:

## **Acts**

Companies Act 1985 (as amended) and the Companies Act 2006 (as the context permits)

## **Adviser or MPEP or Matrix Private Equity Partners**

Matrix Private Equity Partners LLP, the Company's investment adviser, duly authorised and regulated by the Financial Services Authority

## **AIM**

the Alternative Investment Market

## **Business Day**

any day on which banks are generally open for business in London, other than a Saturday

## **Cash**

readily realisable interest-bearing investments and deposits

## **Company or Income & Growth VCT or I&G**

The Income & Growth VCT plc, originally named TriVest VCT plc

## **Directors or Board**

directors of The Income & Growth VCT plc

## **FVP**

Foresight Group LLP, the co-Adviser of the Company's O Share Fund

## **IPEVCV**

International Private Equity & Venture Capital Valuation guidelines

## **Investor**

an individual aged 18 or over who is resident in the United Kingdom

## **Issue**

the issue of S Shares pursuant to the Offer

## **London Stock Exchange**

London Stock Exchange plc

## **Matrix-Securities**

Matrix-Securities Limited, the Company's promoter, a wholly owned subsidiary of Matrix Group Limited. Matrix-Securities Limited is authorised and regulated by the Financial Services Authority

## **MIG**

Matrix Income & Growth VCT plc, a generalist VCT focusing on a range of industrial and commercial sectors

## **MIG 2**

Matrix Income & Growth 2 VCT plc, a generalist VCT focusing on a range of industrial and commercial sectors, originally named Matrix e-Ventures VCT plc

## **MIG 3**

Matrix Income & Growth 3 VCT plc, a generalist VCT focusing on a range of industrial and commercial sectors

## **MIG 4**

Matrix Income & Growth 4 VCT plc, a generalist VCT focusing on a range of industrial and commercial sectors, originally named TriVen VCT plc

## **MBO**

Management Buy Out

## **Net Asset Value or NAV**

the aggregate of the gross assets of the Company less its gross liabilities, calculated in accordance with the Company's accounting policies

## **Offer**

the offer for subscription of up to 15 million S Shares pursuant to the terms of the Prospectus

## **Offer Price**

the offer price of the S Shares being £1.00

## **Offered Share(s)**

S Share(s) to be issued under the Offer

## **Ordinary Share(s) or O Share(s)**

ordinary share(s) of £0.01 each in the capital of the Company

## **Ordinary Shareholder(s)**

holder(s) of Ordinary Shares

**Ordinary Share Fund or O Share Fund**

the assets of the Company attributable to the Ordinary Shares

**PLUS**

Plus Markets plc formerly named OFEX, an unregulated UK share market

**Prospectus**

the combined Registration Document, Securities Note and Summary Note

**Share(s)**

Ordinary Share(s) or S Share(s) as the context permits

**Shareholder(s)**

holder(s) of Shares

**S Share(s)**

"S" ordinary share(s) of £0.01 each in the capital of the Company

**S Shareholder(s)**

holder(s) of S Shares

**S Share Fund**

the assets of the Company attributable to the S Shares

**Tax Act or ITA**

the Income Tax Act 2007

**Total Return**

the aggregate value of an investment or collection of investments valued in accordance with the IPEVCV, plus any capital repaid and income or dividends received

**UK Listing Authority**

the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000

**Venture Capital Trust or VCT**

a company which is, for the time being, approved as a Venture Capital Trust under Section 259 of the Tax Act

**VCT Qualifying Company or VCT Qualifying Investment**

an unquoted or AIM traded company which satisfies the requirements of Part 6, Chapter 4 of the Tax Act

# Key Features

- **Significant tax benefits for Investors**

An Investor can enjoy the following tax reliefs under the Offer:

- up-front 30% income tax relief
- tax free dividends
- gains on disposal of S Shares free from capital gains tax

- **Tax free dividends**

The S Share Fund seeks to provide Shareholders with a regular and growing income stream, by way of tax free dividends, and to generate capital growth through portfolio realisations, the profits of which can then be distributed by way of additional tax free dividends.

- **Incentive to pay dividends**

The Adviser is incentivised to produce high levels of income and will only receive its performance related incentive fee if it generates returns that enable the S Share Fund to pay out annual dividends to Shareholders of at least 6p.

- **Compelling investment strategy**

The S Share Fund will invest primarily in a diversified portfolio of established profitable unquoted companies which are cash-generative and therefore capable of producing income and capital repayments to the S Share Fund prior to their ultimate sale or flotation. The S Share Fund expects to co-invest with the other VCTs advised by the Adviser, thereby becoming able to invest in larger transactions and companies than other VCTs investing in isolation. The focus will be on investing in MBOs, a transaction type that the Directors believe offers particularly attractive investment attributes.

- **Experienced award winning investment adviser**

The Adviser, Matrix Private Equity Partners, is one of the most experienced, stable and successful teams engaged in managing VCTs with an executive team of eight advisers specialising in unquoted investments. The four executives who originally formed the investment team have worked together since 1998.

The Adviser was voted Venture Capital Trust Manager of the Year (Investor Allstars Venture Capital Awards 2005 and 2006); was short listed for House of the Year (BVCA/Real Deals Private Equity Awards 2006); and was short listed for Small Buy Out House of the Year (unquote" Private Equity Awards 2005, 2006 and 2007)

- **Proven track record**

MPEP has a proven record of investing successfully on behalf of the Company. From its first investment in December 2000 to 30 September 2007, MPEP has made investments in 25 VCT Qualifying Investments on behalf of the Company. This portfolio of £17.4 million at cost has achieved a total return of £36.9 million, showing an uplift of £19.5 million over cost i.e. an increase of 113%.

- **Lower costs of running the Company**

As a consequence of raising additional capital as a separate S Share class in one of the largest existing VCTs. The annual running costs of the Company will therefore be spread over a larger asset base enhancing the Company's capacity for profit and its ability to pay dividends to new Shareholders.

The total expense ratio will be capped at 3.25% of net assets which the Directors believe is highly competitive in the VCT sector.

- **No Minimum**

No minimum investment is required under the Offer. This means Investors can be certain that the Offer will proceed.

- **Share Buyback Policy**

The Directors currently pursue an active share buyback policy which seeks to manage the level of the discount to NAV at which the Shares trade in normal markets. The Directors operate this policy to try to ensure that Shareholders who wish to sell their holding in the Company should be able to do so while safeguarding the interests of all Shareholders.

## Chairman's Letter

### The Income & Growth VCT plc

(Registered no. 04069483)

One Jermyn Street  
London SW1Y 4UH

14 December 2007

Dear Investor,

Welcome to the new S Share Offer from The Income & Growth VCT plc which is aiming to raise up to £15 million for the Company.

I believe this I&G S Share issue offers one of the most attractive investment opportunities currently available to Investors. My reasons are as follows:

#### **VCT Tax Reliefs**

The Government continues to show its support for the VCT industry. Dividends remain tax-free, subject to investment limits, and the Chancellor has set the up-front income tax relief at 30% for the 2007/8 tax year, thereby continuing the status of VCTs as one of the most tax efficient investment products available to UK investors. An Investor will, therefore, be able to receive up to 30% of their initial investment back in the form of a cash income tax rebate as long as the investment is held for a minimum of five years and the Investor has paid at least the amount of the tax rebate in income tax for the year of subscription.

#### **Matrix Private Equity Partners (MPEP) – a Proven Track Record**

MPEP has been selected by the Board to manage the S Share Fund because it has proved over the last seven years that it is capable of investing very successfully on behalf of the Company. From its first investment in December 2000, MPEP has made investments in 25 VCT Qualifying Investments on behalf of the Company. This portfolio of £17.4 million at cost is showing currently a total return of £36.9 million. This represents an uplift of £19.5 million over cost or an increase of 113%. I believe that this is a very attractive record.

I am delighted to be able to inform you that MPEP was short listed for the third year running for the award for the Small Buyout House of the Year by unquote", the UK private equity journal of record, based, I am confident, in no small measure upon the performance of its portfolio within I&G.

#### **Compelling Investment Strategy**

MPEP has a value-driven investment approach which focuses on Management Buy Outs of unquoted profitable and cash generative companies which are capable of delivering both income and growth. This strategy should enable Shareholders to receive tax free dividends on a regular basis. These dividends comprise income as well as profits from the realisations of investments.

#### **Lower Running Costs**

With a current NAV of £36.8 million I&G is today one of the largest VCTs. As a consequence of raising additional capital by means of this new offering for S Shares, the running costs will be spread over a much larger asset base. This enhances the Company's capacity for profit and its ability to pay dividends to new Shareholders. I am pleased to state that the Company's total expense ratio will be capped at 3.25% of net assets. The Directors believe that this is highly competitive in today's VCT marketplace.

#### **Share Buy Back Policy**

In order to assist Shareholders who wish to sell their Shares in the future the Directors will continue to operate an active share buyback policy.

You can invest between £5,000 and £200,000 per tax year in this Income & Growth VCT S Share Offer. The Application Form can be found at the back of this Securities Note.

The Directors and MPEP have committed to invest a minimum aggregate amount of £160,000 in the Offer. We all look forward very much to welcoming you as a Shareholder.

Yours sincerely,



Colin Hook  
Chairman

## Part I: Why invest in The Income & Growth VCT S Share Fund?

The investment objective of the S Share Fund is to provide S Shareholders with a regular and growing income stream, by way of tax free dividends, and to generate capital growth through portfolio realisations, the profits of which can be distributed as additional tax free dividends. The Adviser intends to structure investments in unquoted companies as part loan and part equity, expecting to receive regular income and to generate capital gains from trade sales and flotations.

### Twin sources of tax free dividends

A particular feature of The Income & Growth VCT's approach will be to invest a high proportion of its assets in mature unquoted companies in the form of yield-bearing instruments such as preference shares or loan stock. The Adviser aims to use these instruments to construct a high yield portfolio of investments enabling the Company to pay regular tax free dividends.

Furthermore, as an overriding objective when making investments, the Adviser will endeavour to ensure that the companies in which the S Share Fund invests have the potential for further growth and ultimate capital realisation. Such realisations, which are expected to comprise primarily trade sales, are expected to enable the S Share Fund to pay significant additional tax free dividends.

### Matrix Private Equity Partners – The Investment Adviser

Matrix Private Equity Partners is one of the most experienced teams focused on VCT investment, currently advising over £110 million of funds on behalf of five VCTs. The Board believes that there are a number of features that make MPEP one of the most successful VCT investment advisers:

- **Experience** – MPEP has a team of eight private equity investment advisers, who together have a total of over 130 years' experience of relevant private equity transactions.
- **Stability** – The four executives who originally formed the investment team have worked together for nine years.
- **Commitment to VCTs** – MPEP is focused on VCT management and its business is jointly owned by the six senior executives in the investment team and the Matrix Group. MPEP allocates its deal flow exclusively to its VCTs.
- **Deal Flow** – MPEP secures a strong pipeline of attractive deals. In the past two years to 30 September 2007 MPEP has invested £32 million in qualifying investments in the MBOs of 11 companies on behalf of its advised VCTs.

- **Lower risk strategy** – Co-investing alongside four other VCTs enables the Company to invest in larger transactions and lower risk companies than many other VCTs. MPEP typically invests in MBOs of companies valued between £2 million and £20 million with annual turnovers between £5 million and £50 million.
- **Award winners** – MPEP was voted **Venture Capital Trust Manager of the Year** (Investor Allstars Venture Capital Awards 2005 and 2006); was short listed for **House of the Year** (BVCA/Real Deals Private Equity Awards 2006); and was short listed for **Small Buy Out House of the Year** (unquote" Private Equity Awards 2005, 2006 and 2007).

### The Team

The core of the investment team was formed in 1998 and has subsequently been increased to eight advisers.

**Mark Wignall** (50) heads the team. He is an economist and commenced his career in 1980 with MAI Plc. He joined GLE Development Capital in 1987 and became Managing Director in 1994. In March 2004 he led the management team that acquired GLE Development Capital to form Matrix Private Equity Partners. He has 20 years' experience of private equity investment.

**Ashley Broomberg** (37) joined Matrix Group Limited in 2001. He is a chartered accountant with a background in corporate finance and strategy consulting, having previously worked with Arthur D. Little and Arthur Andersen. He has 6 years' experience of private equity investment.

**Jonathan Gregory** (46) qualified as a chartered accountant with Baker Tilly and joined the Adviser in 1995. He has over 20 years' experience working with unquoted companies and he is a non-executive director of BBI Holdings Plc, a company quoted on AIM. He has 12 years' experience of private equity investment.

**Bob Henry** (53) entered the private equity industry with County Bank in 1979 and established and ran HSBC Ventures from 1992, leaving to join the Adviser in 1998. He has over 25 years' experience of private equity investment.

**Eric Tung** (46) qualified as a chartered accountant with KPMG and joined Enterprise Ventures in 1990 becoming Head of Investment, leaving to join the Adviser in 2000. He has 16 years' experience of private equity investment.

**Mike Walker** (54) originally trained at 3i Plc and was a director of Gresham Trust Plc for seven years, becoming head of its Portfolio Management Unit. He joined the Adviser in 1998 and is a non-executive director of several of the Adviser's VCT investee companies. He has 30 years' experience of private equity investment.

**John Brandon** (63) is a qualified civil engineer and entered the venture capital industry in 1981 joining Midland Montagu Ventures. From 1992 – 2003 he was an investment director at HSBC Ventures, becoming Managing Director in 1998 following Bob Henry's departure. He joined the Adviser in 2004 and has over 25 years' experience of private equity investment.

**Guy Blackburn** (28) joined the Adviser as an investment manager in March 2007, having previously worked for 4 years in real estate for the Grosvenor Group. He has a degree in Engineering.

## MPEP's Track Record

MPEP manages over £110 million of funds at NAV across five VCTs. This includes investments made on behalf of the Company as shown below:

I&G Ordinary Share Fund Qualifying Investment Performance - MPEP advised Portfolio					
Investment Cost £ million	Income Received £million	Capital Returned £million	Residual Valuation £million	Total Return £million	Absolute Return %
17.4	3.2	11.4	22.3	36.9	+113%

The table above shows that the Adviser has achieved a 113% absolute return on its investment portfolio on behalf of the Company. The Directors believe that this is a very attractive record.

Further details of the O Share Fund's investment portfolio are shown in Part IV on page 15 of this Securities Note.

In addition to acting as Adviser to the Company, MPEP advises the VCTs shown below

Other MPEP advised VCTs			
	First investment made	Total funds advised at NAV <sup>(1)</sup> £million	Total return per share <sup>(2)</sup>
Matrix Income & Growth VCT	February 2005	24.7	115.0p
Matrix Income & Growth 2 VCT O Shares	August 2000	13.2	123.5p
Matrix Income & Growth 2 VCT C Shares	April 2006	9.1	99.0p
Matrix Income & Growth 3 VCT	April 2006	19.5	99.2p
Matrix Income & Growth 4 VCT	April 1999	24.5	129.4p

### Notes

(1) All net asset values as stated in latest publicly disclosed information.

- (i) Matrix Income & Growth 2 VCT was originally named Matrix e-Ventures VCT and raised £13.2 million in a fundraising that closed in April 2000. In August 2005, MPEP was appointed investment adviser and the VCT changed its name and strategy, becoming a generalist VCT. A further £9.1 million was raised through a C share fundraising that closed in April 2006.
- (ii) Matrix Income & Growth 4 VCT was originally named TriVen VCT and MPEP was one of three investment advisers. The VCT raised £19.1 million in a fundraising that closed in April 1999. In August 2006, MPEP was appointed sole investment adviser and the VCT changed its name and strategy becoming a generalist VCT. A further £15.4 million was raised in an Ordinary share top-up fundraising that closed in April 2007.

(2) Net Asset Value per share plus cumulative dividends per share as stated in latest publicly disclosed information.

Past performance is not a guide to future performance. The S Share Fund's returns and performance are likely to be different from those outlined above.

## Share Buyback Policy

In order to seek to ensure that Shareholders who wish to sell their holding in the Company should be able to do so, the Board intends to operate an active policy of purchasing Shares in the market. Subject to maintaining a level of liquidity in the Shares which the Directors consider appropriate, it is the Company's intention to buyback Shares at a discount of no greater than 10% of the most recently published NAV per Share.

This policy is subject to complying with all applicable laws and regulations, including the VCT Regulations and the rules of the UK Listing Authority and the Company having sufficient financial resources. Although the Directors' intention is that Shareholders who wish to sell their holding in the Company should be able to do so, potential Investors should be aware that from time to time there is a risk that this may not be possible.

The Directors reserve the right to change this Share Buyback Policy in the future at their absolute discretion.

## Tax Benefits

The Offer provides a tax efficient investment opportunity, with the following attractive tax reliefs available to Investors who can invest up to £200,000 per person per tax year:

- Up-front income tax relief of 30% of the amount invested can be deducted from the Investor's income tax liability (provided S Shares are held for at least five years)
- all dividends paid by I&G are tax free.
- capital gains on disposal of S Shares in I&G are tax free provided S Shares have been held for at least 5 years before disposal.

This is only a brief summary of the tax benefits of investing under the Offer. Further information appears on pages 19 and 20. Investors' attention is drawn to the risk factors relating to taxation referred to on page 2.

## Dividend Policy

The S Share Fund's dividend policy is to pay out income to Shareholders.

A privileged feature of a VCT, not available to a normal investment trust, is the ability to distribute net realised capital profits. Whenever the S Share Fund makes successful realisations for cash of portfolio investments, the Directors intend to take full advantage of this feature by paying out to Shareholders as much as is prudent of any net realised capital profit with the next dividend payment.

Generally, a VCT is required to distribute by way of dividend such amount as ensures that it retains not more than 15% of its income derived from shares and securities.

## Shareholder Communications

In order to allow Shareholders access to a flow of further additional information regarding new investments, developments in investee companies and portfolio performance, the Company intends to continue to produce a biannual newsletter on the Company's investment portfolio in addition to the normal statutory reports. The newsletter will be issued to Shareholders during the intervening quarters between the annual and interim reports.

## Part II: How will the S Share Fund be invested?

### Investment policy

The Directors believe that it is important to balance the safeguarding of the capital available for investment in VCT Qualifying Companies against the ability to provide good short term returns to Investors. Therefore in line with the Company's lower-risk strategy the net proceeds of the Offer will initially be invested in Cash or other low risk investments.

The Adviser will aim to invest approximately 80% of the net funds raised in the Offer; the remaining 20% will be invested in Cash or other low risk investments. The Adviser primarily seeks to invest in a diverse selection of established profitable unquoted companies. The Adviser also considers investment in AIM quoted and PLUS traded businesses but only where it has had an investment in that company prior to flotation, or where it believes there is a compelling investment opportunity. Investments in VCT Qualifying Companies will generally be made in amounts ranging from £200,000 to £1 million. Not more than 10% of the S Share Fund's investments, based on cost, will be invested in any one company.

The Adviser aims to make investments that in aggregate are structured up to 70% as loan stock or preference shares with attractive income terms so that a regular stream of income and capital distributions should be generated for the Company which can be distributed to Shareholders.

After the Company has reached its VCT qualifying targets of a minimum of 70% being invested in qualifying assets, the balance of the net assets will remain invested in low risk investments. These assets are expected to provide the capacity to support any future cash needs of investee companies, the operating needs of the Company, and to provide funds for any possible share buybacks, subject to distributable reserves being available.

### Investment Process

The Adviser focuses on unquoted investment opportunities, which it has consistently found to be more attractively priced than those presented by companies accessing public markets, such as AIM and PLUS. Unquoted companies also offer the opportunity for intensive appraisal, due diligence and negotiation of terms. Unquoted investment opportunities will originate from the Adviser's own extensive network of chartered accountants and corporate financiers who act as intermediaries on behalf of management teams looking to raise equity finance.

The Adviser typically looks for companies that fit the following criteria at the time of investment:

- are established and robust with credible business plans and solid profit growth prospects;
- are already profitable, cash generative and therefore able to sustain a stream of contractual payments of income and capital;
- make or supply the products and services that we see used around us in our daily lives; and
- are valued between £2 million and £20 million with annual turnovers between £5 million and £50 million.

Examples of investments that have previously been made by MPEP on behalf of the Company are set out on page 15.

Prior to an investment being made, each selected company is subject to a rigorous process of due diligence which concentrates on the following:

- the quality of the management team;
- the track record of profitability;
- evidence of the company's competitive advantage in its markets;
- a sufficiently attractive valuation at the time of investment;
- the opportunity to structure an investment that can deliver regular income for the S Share Fund; and
- the prospect of achieving an exit, usually by way of a trade sale, within an appropriate timescale.

The Adviser considers investments across a broad range of sectors and concentrates on investing to support incumbent management teams in acquiring the business they manage, but do not own. This type of transaction, commonly referred to as a Management Buy Out or MBO, forms a significant proportion of UK private equity financing activity and accounted for 59% of all activity by amount invested in 2006 (Source – BVCA Report On Investment Activity 2006 published in September 2007). The Adviser believes MBOs offer particularly attractive investment attributes for three reasons. These are the incumbent management's:

- unique and privileged understanding of the financial risks and opportunities within their business;
- preparedness to invest personal capital to purchase shares in their business at the same time as the S Share Fund; and

- alignment of interest with the S Share Fund in seeking to buy their company at the lowest possible price with the objective of crystallising value in their investment in the medium term.

## Post-investment management

Once an investment has been made, the Adviser seeks to add value to investee companies in a number of ways including:

- reviewing strategic plans;
- helping with the development of the business;
- assisting with acquisitions or mergers and additional fundraisings; and
- preparing companies for sale.

Normally, a member of the Adviser's team and an experienced individual well known to the Adviser will be appointed to the board of each investee company as a non-executive director and chairman respectively.

## Co-investment relationships

I&G expects to co-invest with the four other VCT funds advised by the Adviser. This typically enables the Adviser to participate in investment rounds of up to £5 million. The Directors believe that this enables the Company to invest in larger and more robust companies than many other VCTs.

Where more than one of the Adviser's VCT funds wishes to participate in an investment opportunity, the VCTs' allocations will be made in the ratio of the net funds raised and allocated to the Adviser for each VCT. This will be subject to the availability of funds to make the investment and other portfolio considerations such as sector exposure and the requirement to achieve or maintain a minimum of 70% of a VCT fund's portfolio in VCT Qualifying Investments.

Where a VCT is in its fundraising period, its net funds raised for the purpose of allocation will be assumed to be the value of shares allotted at the time the allocation calculation is made.

When a VCT has insufficient funds available to satisfy its allocation, the balance shall be offered to the remaining VCT clients who have funds available for new investments pro rata as between themselves.

In the event that the Ordinary Share Fund has funds available for investment, any new investment made by the Company will be drawn pro rata from the Ordinary Share Fund and S Share Fund, based on initial net funds raised and allocated to MPEP. Notwithstanding the above, the Directors reserve the right to allocate investment opportunities on a different basis where considered appropriate, for example to protect the VCT status of the Company as a whole or to balance the portfolio of a particular Share Fund.

Any variation from this co-investment policy, insofar as it affects the Company or where the Company makes any investment not at the same time and on the same terms as that made by other VCT funds, may only be made with the prior approval of the Directors.

## Part III: The Board

### The Board

The Board comprises three non-executive Directors, all of whom are independent of the Adviser. The Board has overall responsibility for the S Share Fund's affairs including the determination of its investment policy. Investment proposals will be originated and recommended by the Adviser and then formally approved by the Directors, if appropriate, before the transaction finally takes place.

**Colin Hook (Chairman)**, aged 65, 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 the Chief Executive of Ivory & Sime plc. He is currently the non-executive Chairman of Matrix Income & 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.

**Christopher Moore**, aged 62, has considerable experience of the venture capital industry. After qualifying as a Chartered Accountant with Price Waterhouse, Christopher worked for Robert Fleming Inc., Lazards, 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 is Chairman of the Company's Audit Committee. His recent advisory roles included acting as senior adviser to the Chairman of Lloyds, the insurance group, for 4 years. He was also Chairman of Calderburn Plc from 1996 to 1999, and led a successful turnaround and sale of the group's businesses. Between January 2004 and September 2007 he was Chairman of Oxonica plc, part of the I&G O Share Portfolio. He is currently a non-executive director of Matrix Income & Growth VCT plc, Matrix Income & Growth 3 VCT plc and Matrix Income & Growth 4 VCT plc.

**Helen Sinclair**, aged 41, 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 a MBA at INSEAD business school, Helen worked from 1991 to 1998 at 3i plc based in their London office. She was a founding director of Matrix Private Equity Limited when it was established in early 2000 and has since raised two funds, Matrix Income & Growth 2 VCT plc (formerly Matrix e-Ventures VCT plc) and Matrix Enterprise Fund. She is Chairman of the Company's Investment Committee. Helen is currently a non-executive director of Matrix Income & Growth 4 VCT plc and Hotbed Fund Managers Limited and provides consultancy services in the venture capital and residential property sectors.

The Board and members of the management team of MPEP intend to invest £160,000 in aggregate in the Offer.

### Corporate governance

The Board recognises the importance of sound corporate governance. The Board has adopted the 2006 FRC Combined Code (the "Combined Code") in respect of the year ended 30 September 2007. It has considered the principles detailed in the Combined Code and believes that the Company complies with the provisions of the Combined Code.

## Part IV: MPEP advised I&G Investment Portfolio

The Company was launched in October 2000 as TriVest VCT, a multi-manager VCT that employed three different investment advisors. As at 30 September 2007 the Company's NAV per Ordinary Share was 100.5p which, with accumulated dividends paid of 14.5p per Ordinary Share since launch, gives a total return per Ordinary Share of 115.0p. The Company has net assets of £36.8 million as at 30 September 2007.

The Company has achieved a superior performance in comparison with other VCTs launched in the same year, ranking 5 out of 16 (source: Allenbridge Tax Shelter Report 20 Nov 2007). The Company's O Share Fund has recently moved to being a dual-managed fund under the existing management of FVP and MPEP. This change was made in order to seek to further improve performance and increase Shareholder value. At the same time, the Company changed its name to more closely reflect its strategy and created an S Share Fund to facilitate this issue. MPEP has been selected and appointed to solely manage the new funds raised and, therefore, an entirely separate S Share Fund has been created.

**MPEP has a proven track record of success in investing in VCT Qualifying Companies and raising new VCT funds and is the best performing of the Company's investment advisers. Whilst all three advisers were originally allocated an equal third of the Company's assets, MPEP's performance to date has been significantly more successful.**

From its first investment in December 2000 to 30 September 2007, MPEP has made investments in 25 VCT Qualifying Companies on behalf of the Company. At 30 September 2007, MPEP had invested £17.4 million at cost, showing currently a total return of £36.9 million, an uplift of £19.5 million over cost i.e. an increase of 113%. This performance is derived from a proven investment strategy that generates high income, produces attractive growth in capital and realises value. The Directors believe that this is a very attractive record and this is shown in summary in the table below.

### I&G Ordinary Share Fund Qualifying Investment Performance - MPEP advised Portfolio

Investment Cost £ million	Income Received £million	Capital Returned £million	Residual Valuation £million	Total Return £million	Absolute Return %
17.4	3.2	11.4	22.3	36.9	+113%

Past investment portfolio performance is not a guide to future performance. The Company's returns and performance are likely to be different from those outlined above.

The Company's 10 largest investments advised by MPEP as at 30 September 2007 are set out below ranked by current value and illustrate the type, size and diversity of investee companies.

#### HWA (trading as HOLLOWAY WHITE ALLOM) - High value property restoration, refurbishment and construction

	Cost	£69,105	First Investment	November 2002
	Valuation	£4,691,649	Transaction type	MBO
	Valuation basis	Discounted earnings		

#### YOUNGMAN GROUP - Manufacture of ladders and access towers

	Cost	£1,000,052	First Investment	October 2005
	Valuation	£2,930,234	Transaction type	MBO
	Valuation basis	Discounted earnings		

#### IMAGE SOURCE GROUP - Royalty-free picture library

	Cost	£305,000	First Investment	June 2003
	Valuation	£2,850,171	Transaction type	MBO
	Valuation basis	Discounted earnings		

#### BLAZE SIGNS HOLDINGS - Manufacture, installation and maintenance of signs

	Cost	£1,338,500	First Investment	April 2006
	Valuation	£1,704,695	Transaction type	MBO
	Valuation basis	Price of recent investment		

**BBI HOLDINGS** - Development and manufacture of diagnostic tests for the Point of Care market


Cost	£496,119	First Investment	April 2004
Valuation	£1,430,231	Transaction type	AiM Flotation
Valuation basis	AiM Bid Price		

**MINISTRY OF CAKE<sup>1</sup>** - Manufacture of frozen cakes and desserts


Cost	£721,280	First Investment	September 2005
Valuation	£1,039,709	Transaction type	MBO
Valuation basis	Discounted earnings		

**AMALDIS (formerly ORIGINAL ADDITIONS)** - Design, production and distribution of beauty products


Cost	£80,313	First Investment	September 2004
Valuation	£967,438	Transaction type	MBO
Valuation basis	Discounted earnings		

**TOTTTEL PUBLISHING** - Publisher of legal and tax titles


Cost	£514,800	First Investment	October 2004
Valuation	£809,221	Transaction type	MBO
Valuation basis	Discounted earnings		

**PXP HOLDINGS (trading as PINWOOD STRUCTURES)** - Supply and installation of timber frames for buildings


Cost	£790,912	First Investment	December 2006
Valuation	£790,912	Transaction type	MBO
Valuation basis	Cost		

**VSI** - Software for computer-aided design and computer-aided manufacture vendors


Cost	£388,853	First Investment	April 2006
Valuation	£730,900	Transaction type	MBO
Valuation basis	Discounted earnings		

Source: The valuation data in the table have been derived from the audited accounts of the Company as at 30 September 2007. Valuations of the individual investments have been carried out in accordance with the IPEVCV.

The following are the only material changes that the Directors are aware of as at the date of this document when compared to valuation data in the table above derived from the audited accounts of the Company as at 30 September 2007:

<sup>(1)</sup> On 10 December 2007 the Company's holding in Ministry of Cake was sold and the Company's share of the proceeds was £1,752,877.

## Part V: Management, Expenses and Administration

### The Adviser

The Adviser will be appointed as investment adviser to the S Share Fund under a new management agreement which will come into effect on 14 December 2007. The Adviser's appointment is for a period of three years and can be terminated by not less than twelve months' notice given at any time after the second anniversary of this agreement. The Adviser's appointment may also be terminated in circumstances of material breach or insolvency by either party.

### Issue Costs

The Promoter has agreed to indemnify the S Share Fund to the extent of any excess of initial costs over 5.5% of the initial funds subscribed. Accordingly, on the basis that the Offer is fully subscribed total costs will be £0.825 million and net proceeds will be £14.175 million which will be used in the furtherance of the investment policy described on page 12.

### Fees

The Adviser 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.

As is customary in the private equity industry, the Adviser may retain for its own benefit and without liability to account to the S Share Fund, subject to full disclosure having been made to the Board, arrangement fees which it receives in connection with any unquoted investment made by the S Share Fund up to a maximum of 2.5% of the amount invested by the S Share Fund in the relevant investee company. It may also receive all monitoring fees or directors' fees. Costs incurred on abortive investment proposals will be the responsibility of the Adviser.

A maximum of 75% of the Company's management fees is capable of being charged against capital reserves with the balance being charged against revenue.

Matrix-Securities provides Company Secretarial and Accountancy services to the existing Ordinary Share Fund, under the terms of a letter of engagement dated 13 October 2000 and updated on 12 September 2007. The appointment can be terminated by not less than twelve months' notice or if the appointment of Matrix-Securities to provide Company Secretarial and Accountancy services to the S Share Fund is terminated from the date of such termination. Matrix-Securities receives annual fees (plus value added tax where

applicable) of 0.25% of the net assets of the existing O Share Fund as at the end of each quarter, subject to a minimum fee of £35,000 and a maximum fee of £85,000 (£80,000 of such maximum figure to be increased annually in line with the Retail Prices Index (All Items)).

In respect of the S Share Fund, Matrix-Securities will provide Company Secretarial and Accountancy services to the S Share Fund, under the terms of a letter of engagement dated 14 December 2007. The initial appointment will be for an initial period of three years until terminated by not less than one year's notice to expire at any time after the third anniversary of the agreement. Matrix-Securities will receive annual fees (plus value added tax where applicable) of 0.3% per annum of the gross funds raised (number of shares allotted times £1) under the Offer, such figure to be increased annually in line with the Retail Prices Index (All Items).

Both fees are paid quarterly in arrears.

### Annual expenses

The annual running costs of the Company are currently 3.34% and will be capped at 3.25% per annum (including any irrecoverable VAT but excluding any annual trail commission and any performance related incentive fee) of the Company's NAV as at the end of each quarter. This figure covers the annual costs incurred by the Company in the ordinary course of its business and includes the management fees mentioned above, Directors' remuneration and fees payable to the Company's registrar, stockbroker, auditor, tax and legal advisers. Any costs above the capped level will be shared between FVP, MPEP and Matrix-Securities.

### Performance related incentive fee

As is customary in the private equity industry, the Adviser will receive a performance related incentive fee to reward exceptional performance. The Adviser will be entitled to receive a performance fee equivalent to 20% of the excess above 6p, of the annual dividends paid to S 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.

## Reporting to Shareholders

The annual report and accounts of the Company are made up to 30 September each year and are normally circulated to Shareholders by the following January. Shareholders also receive unaudited interim half yearly reports made up to 31 March each year, which are normally circulated to shareholders in the following July. The next report is expected to be sent to Shareholders in January 2008 and will be the annual report and accounts for the year ended 30 September 2007. In addition, Shareholders will receive a twice yearly newsletter on the Company's investment portfolio. The newsletter will be issued to Shareholders during the intervening quarters between the annual and interim report.

## Life of the Company

The life of the Company was extended in October 2007 until the AGM falling after the fifth anniversary of the then latest allotment of shares made by the Company, likely to be the AGM held in 2013, at which point Shareholders will have the opportunity to re-consider the future of the Company.

## VCT status monitoring

PricewaterhouseCoopers LLP is retained by the Company to advise on compliance with the legislative requirements relating to VCTs. PricewaterhouseCoopers LLP also reviews the qualifying status of new investment opportunities and carries out regular reviews of I&G's investment portfolio.

PricewaterhouseCoopers LLP will work closely with the Adviser and the Company's accountant but will report directly to the Board.

## Adviser commission

Authorised financial intermediaries will normally be paid commission of 2.25% on successful applications.

In addition, provided they continue to act for their client and the client continues to hold their S Shares, financial advisers will normally be paid, in respect of their clients' holdings, an annual trail commission of 0.375% of the NAV (as determined from the audited annual accounts of the S Share Fund) attributable to their clients' holdings as at the time of calculation of the annual year end NAV.

The annual trail commission will normally be paid in June each year. It is anticipated that the first such payment will be paid in June 2009 in respect of the accounting period ending 30 September 2008.

The S Share Fund shall be entitled to rely on a notification from a client that he has changed his adviser. No payment of trail commission shall be made to the extent that the cumulative trail commission would exceed 2.25% of the issue price of each Offered Share.

Financial intermediaries may agree to waive their initial commission. If so an Investor's application will attract an additional allotment of S Shares amounting to the equivalent value of the waived commission at no greater cost.

## CREST

The S Share Fund will apply for permission for the S Shares to be admitted to the CREST system and Shareholders will be able to hold their S Shares in certified and uncertified form.

## Part VI: Tax considerations for VCT shareholders

The following information is only a summary of the law concerning the tax position of individual Investors in VCTs. Potential Investors (including existing Shareholders who wish to apply for S Shares) are recommended to consult a professional adviser as to the taxation consequences of an investment in a VCT.

### Tax reliefs for Investors in the Offer

Below is a summary of the current reliefs for VCT investment made on or after 6 April 2007.

The tax reliefs set out below are available to UK residents aged 18 or over who subscribe under the Offer. Whilst there is no specific limit on the amount of an individual's acquisitions of shares in a VCT, **tax reliefs will only be given to the extent that the total of an individual's subscriptions or other acquisitions of shares in VCTs in any tax year do not exceed £200,000**. Investors who intend to invest more than £200,000 in VCTs in any one tax year should consult their professional advisers as to the tax implications.

#### 1. Income tax

##### a) Relief from income tax on investment

An investor subscribing for S Shares in the S Share Fund will be entitled to claim income tax relief on amounts up to a maximum of £200,000 in any tax year. To obtain relief an investor must subscribe on his own behalf. Relief is given at the rate of 30% on the amount subscribed, provided that the relief is limited to the amount which reduces the investor's income tax liability to nil. Investments to be used as security for or financed by loans may not qualify for relief, depending on the circumstances.

	Effective cost	Income tax relief
VCT investment by an individual claiming no tax reliefs	£10,000	
VCT investment by an individual claiming full 30% income tax relief	£7,000	£3,000

##### b) Dividend relief

An investor who acquires under the Offer, in any tax year, S Shares having a value of up to a maximum of £200,000 will not be liable to income tax on dividends paid by the S Share Fund on those S Shares and no income tax will be withheld therefrom.

##### c) Purchasers in the market

An individual purchaser of existing Shares in the market will be entitled to claim dividend relief (as described in paragraph b) above) but not relief from income tax on investment (as described in paragraph a) above).

##### d) Withdrawal of relief

Relief from income tax on subscription for shares in a VCT is withdrawn if the shares, or an interest in them or right over them, are disposed of (other than between spouses or on death) within five years of issue, or if the VCT loses its VCT approval within this period.

Where an investor has acquired shares in the same VCT on more than one occasion, he will be treated as disposing of the shares which he acquired at an earlier date, in priority to those he acquired on a later date. Where he has acquired shares on the same occasion, some of which qualify for relief and some of which do not, he will be treated as disposing of the shares which do not qualify for relief in priority to those which qualify.

#### 2. Capital gains tax

##### a) Relief from capital gains tax on the disposal of Shares

A disposal by an Investor of Shares in the Company will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. The relief is limited to the disposal of Shares acquired within the limit of £200,000 for any tax year and is only available if the VCT retains its VCT status throughout the Investor's period of ownership of the Shares.

##### b) Purchasers in the market

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

**Loss of VCT status**

If a VCT which has been granted approval subsequently fails to comply with the conditions for approval, approval as a VCT may be withdrawn. Where approval is withdrawn:

*a) Relief from income tax on investment*

Income tax relief on investment is repayable where the shares have been held for less than five years (for an investment made before 6 April 2006 the period is three years);

*b) Dividend relief*

Dividends paid at any time in an accounting period during which approval is lost will be subject to income tax;

*c) Relief from capital gains tax on the disposal of Shares*

The Investor will be treated as having disposed of his shares immediately before the VCT ceased to be approved, and as having immediately re-acquired them at that value (thus, any capital gain up to that date will be exempt from tax, but any gains arising after that will be taxable in the ordinary way);

*d) Capital gains tax deferral relief*

Any chargeable gain on which tax has been deferred will be brought into charge. This will only apply where the investment was made before 6 April 2004.

**Tax reliefs for existing Shareholders**

Existing investors in the Company (unless they wish to make a further investment under the Offer) will remain unaffected by the Offer and the tax treatment of their investments will continue to be the same as at the time of their original investment, namely that they will have received 20% income tax relief, and where applicable capital gains tax deferral relief for the year of their investment and have had to have held their original Ordinary Shares for a minimum period of three years from issue.

**Obtaining tax reliefs**

The S Share Fund will provide a certificate to each investor which the investor may use to claim income tax relief, either by obtaining from HM Revenue & Customs an adjustment to his tax coding under the PAYE system or by waiting until the end of the tax year and using his self-assessment return to claim relief. Dividends received in respect of S Shares acquired under the Offer up to the qualifying maximum of £200,000 per tax year need not be shown in an investor's self-assessment tax return.

**Investors not resident in the UK**

Investors not resident in the UK should seek their own professional advice as to the consequences of making an investment in the S Share Fund as they may be subject to tax in other jurisdictions as well as in the UK.

## Part VII: Tax position of the Company

**The Company has to satisfy a number of tests in order to qualify as a VCT and therefore to obtain the tax benefits available to VCTs and their individual shareholders. A summary of those tests relevant on or after 6 April 2007 is set out below.**

### Qualifying as a VCT

In order to qualify as a VCT, the Company must satisfy the following conditions in each accounting period:

- (a) it must be approved as a VCT by HM Revenue & Customs;
- (b) it must not be a close company;
- (c) throughout the period each class of its equity share capital must be quoted on the Official List of the London Stock Exchange;
- (d) it must derive its income in that period wholly or mainly from shares or securities;
- (e) it must have at least 70% by value of its investments throughout the period in newly issued shares or securities (where the securities are not redeemable within 5 years of issue) comprised in holdings in unquoted or AIM quoted companies which satisfy the requirements of chapter 4 of part 6 of the Tax Act ("Qualifying Holdings"), of which 30% by value must be ordinary shares which carry no preferential rights to dividends or assets on winding up and no rights to be redeemed;
- (f) it must have at least 10% by value of its Qualifying Holdings in each single company or group in ordinary shares which carry no preferential rights to dividends or assets on winding up and no rights to be redeemed;
- (g) it must have not more than 15% by value of its investments throughout that period in a single company or group (other than a VCT, or other similar company); and
- (h) it must generally not retain more than 15% of the income which it derives from shares and securities in that period.

Value for the purposes of the above conditions means as set out in section 278 of the Tax Act.

In order, however, to facilitate the launch of S Share Fund, there is a relaxation of some of these tests (see below under heading "Approval as a VCT"). A further relaxation of test (e) applies to the use of any money derived from any further issues of shares by the VCT for up to three years after the shares are issued.

### Qualifying Holdings

In order for an investment to qualify as an investment in a Qualifying Holding, not more than £1 million may be invested in the same company in any tax year. Where investments are made in two consecutive tax years up to this limit, there must be at least a six month gap between them. The £1 million limit is restricted further if the trade in which the money invested is applied is carried on through a partnership or joint venture.

In addition, to qualify as a Qualifying Holding, each company in which the Company makes an investment must satisfy the following tests:

- (a) it must be unquoted (which will, in the case of a company which was unquoted at the time of the VCT's investment, be deemed to be the case for a further five years after the company ceases to be unquoted). Companies whose shares are traded on AIM are treated for this purpose as unquoted;
- (b) it must be a VCT Qualifying Company (see below under the heading "Qualifying companies and qualifying subsidiaries");
- (c) it must have gross assets of £7 million or less immediately pre-investment and £8 million or less immediately post-investment. For funds raised before 6 April 2006 the limits were £15 million and £16 million respectively. In the case of companies which have qualifying subsidiaries (see below), the test is applied on a group basis;
- (d) it (or a relevant qualifying subsidiary of the VCT Qualifying Company) must apply the money invested for the purposes of a qualifying trade, which is carried out wholly or mainly in the UK, (see below under the heading, "Qualifying companies and qualifying subsidiaries") within certain time periods;
- (e) it must not be able to control (whether on its own or together with a connected person) any company which is not a qualifying subsidiary;
- (f) it must not be controlled by another company (on its own or together with a connected person);
- (g) It must not have any property managing subsidiaries which do not fall into the definition of relevant qualifying subsidiaries (see below);

- (h) It must have fewer than 50 full-time employees (or their equivalents) at the date on which the relevant shares or securities are issued; and
- (i) It must have raised no more than £2 million under the VCT, Enterprise Investment, or Corporate Venturing schemes in the 12 months ending on the date of the relevant investment.

In certain circumstances, a holding can be split into part-Qualifying Holdings and part non-Qualifying Holdings.

### Qualifying companies and qualifying subsidiaries

A VCT Qualifying Company is a company which exists to carry on one or more qualifying trades (see below) or is the parent of a trading group, where all of its subsidiaries are qualifying subsidiaries and the group as a whole is not engaged in non-qualifying activities (see below).

For the purposes of the Qualifying Holdings test in (d) above, a subsidiary will be a relevant qualifying subsidiary if at least 90% of its issued share capital and its voting power is owned by the VCT Qualifying Company. Certain other tests as to the distribution of the subsidiary's profits and assets on a winding-up must also be satisfied.

In the case of Qualifying Holdings test in (e) above, a subsidiary will be a qualifying subsidiary if more than 50% of its issued share capital is owned by the VCT Qualifying Company and the other tests are also satisfied.

A trade will be a qualifying trade only if it does not to a substantial extent include non-qualifying activities (non-qualifying activities include dealing in land or shares, property development, providing financial services or activities which are largely land-based, such as farming, hotels and nursing homes). In the case of a company which is preparing to carry on a qualifying trade, the qualifying trade must begin within two years of the issue to the VCT of the shares or securities, and must continue thereafter.

### Approval as a VCT

A VCT must be approved as such at all times by HM Revenue & Customs. Approval has effect from the time specified in the approval, which cannot be earlier than the time at which the application for approval is made.

A VCT cannot be approved until the relevant tests (see above under the heading, "Qualifying as a VCT") have

been satisfied throughout the most recent complete accounting period of the VCT and HM Revenue & Customs is satisfied that the tests will be satisfied in relation to the accounting period of the VCT which is current at the time the application is made.

However, in order to facilitate the launch of VCTs, HM Revenue & Customs may grant provisional approval to a VCT, notwithstanding that not all the relevant tests are satisfied at the time of the application, provided that HM Revenue & Customs is satisfied that the tests will be satisfied within a certain period. In particular, HM Revenue & Customs may grant provisional approval if it is satisfied that:

- (a) the relevant tests in (c), (d), (g) and (h) under the heading, "Qualifying as a VCT" above will either be satisfied in the accounting period current when the application for approval is made or in the following accounting period;
- (b) the relevant test in (e) under the heading, "Qualifying as a VCT" above, will be satisfied in relation to any accounting period beginning not more than three years after the time when approval is given, or if earlier, when it has effect; and
- (c) the relevant tests in (c), (d), (e), (g) and (h) under the heading, "Qualifying as a VCT" above, will continue to be satisfied in all subsequent accounting periods.

HMRC have confirmed that the issue of new S Shares by the Company will not affect the provisional approval already issued to the Company for the purposes of Section 275 of the Tax Act and that the Shares will be "eligible shares" under S285(3) of the Tax Act.

### Withdrawal of approval

Approval as a VCT may be withdrawn by HM Revenue & Customs if the relevant tests (see above under the heading, "Qualifying as a VCT") are not satisfied. Withdrawal of approval generally has effect from the time when notice of withdrawal is given to the VCT but, in relation to capital gains of the VCT only, can be backdated to not earlier than the first day of the accounting period commencing immediately after the last accounting period of the VCT in which all the tests were satisfied.

The above is only a summary of the conditions to be satisfied under current law and practice for a company to be treated as a VCT. For comprehensive clarification, prospective investors are recommended to consult a professional adviser.

## Part VIII: Directors and Advisers

### Directors

Colin Hook  
Christopher Moore  
Helen Sinclair

all of:

One Jermyn Street  
London  
SW1Y 4UH

### Secretary

Matrix-Securities Limited  
One Jermyn Street  
London  
SW1Y 4UH

### Sponsor and Stockbroker

Landsbanki Securities (UK) Limited  
Beaufort House  
15 St Botolph Street  
London  
EC3A 7QR

### Promoter

Matrix-Securities Limited  
One Jermyn Street  
London  
SW1Y 4UH

### Company's Registered Office

One Jermyn Street  
London  
SW1Y 4UH  
Tel: 020 7925 3300  
Email: [iandg@matrixgroup.co.uk](mailto:iandg@matrixgroup.co.uk)

### Registrar

Capita Registrars  
Northern Woodsome  
Fennay Bridge  
Huddersfield  
West Yorkshire  
HD8 0LA

### Solicitors to the Company

Martineau Johnson  
No 1 Colmore Square  
Birmingham  
B4 6AA

### Investment Adviser

Matrix Private Equity Partners LLP  
One Jermyn Street  
London  
SW1Y 4UH

### Independent Auditors

PKF (UK) LLP  
Farringdon Place  
20 Farringdon Road  
London  
EC1M 3AP

### VCT Status Adviser

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RN

### Bankers

National Westminster Bank Plc  
City of London Office  
PO Box 122658  
1 Princes Street  
London  
EC2R 8PA

### Solicitors to the Offer

CMS Cameron McKenna LLP  
Mitre House  
160 Aldersgate Street  
London  
EC1A 4DD

### Receiving Agent

The City Partnership (UK) Limited  
Box 41  
196 Rose Street  
Edinburgh  
EH2 4AT

## Part IX: General

### Capitalisation and Indebtedness

The following table shows the capitalisation of the Company as at 30 September 2007, the most recent date in respect of which audited financial information on the Company has been published.

	£'000
<b>Shareholder's equity</b>	
Share capital	366
Share premium	137
Other reserves	36,276

There has been no material change in the capitalisation of the Company since 30 September 2007.

The following table shows the Company's audited gross indebtedness as at 30 September 2007 (extracted without material adjustments from the Company's annual report and accounts for the period ended 30 September 2007).

	£'000
<b>Total current debt</b>	
Guaranteed	–
Secured	–
Unguaranteed/unsecured	1,486
<b>Total non-current debt</b>	
Guaranteed	–
Secured	–
Unguaranteed/unsecured	–

As at 30 September 2007 the Company had audited net liquid assets (excluding its unlisted and AIM portfolio) of £6,629,000 (extracted without material adjustments from the Company's annual report and accounts for the period ended 30 September 2007).

	£'000
A Cash	47
B Cash equivalents	–
C Trading Securities	6,582
<b>D Liquidity (A+B+C)</b>	<b>6,629</b>
<b>E Current financial receivables</b>	<b>719</b>
F Current bank debt	–
G Current position of non current debt	–
H Other current financial debt	1,486
<b>I Current financial debt (F+G+H)</b>	<b>1,486</b>
<b>J Net current assets (I-E-D)</b>	<b>5,862</b>
K Non-current bank loans	–
L Bonds issued	–
M Other non-current loans	–
<b>N Non-current financial indebtedness (K+L+M)</b>	<b>–</b>
<b>O Net current assets less non current indebtedness (J+N)</b>	<b>5,862</b>

As at 30 September 2007 I&G has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptance or acceptance credits, mortgages, charges, convertible debt securities, debt securities with warrants attached or guarantees of other contingent liabilities.

### Working Capital Statement

I&G is of the opinion that its working capital is sufficient for its present requirements, meaning for the twelve month period following the date of this document.

## Part X: The S Shares

The S Shares will comprise a separate class of Share and will have no rights for conversion into Ordinary Shares. The capital raised by the issue of S Shares will create a separate fund, the S Share Fund, which will be managed separately from the Ordinary Share Fund.

The creation and issue of the S Shares was approved at an extraordinary general meeting ("EGM") of the Company on 9 October 2007. The S Shares will rank *pari passu* with the existing Ordinary Shares of the Company. A full description of the rights attached to each of the Shares is contained in the new articles of association (the "Articles") adopted at the EGM which contain, *inter alia*, provisions to the following effect:

Definitions used in Part X

**"S Share Surplus"** means the net assets of the Company attributable to the S Shares (including, for the avoidance of doubt, any income and/or revenue arising from or relating to such assets) less such proportion of the Company's liabilities including the fees and expenses of liquidation or return of capital (as the case may be) as the Directors or the liquidator (as the case may be) shall reasonably allocate to the assets of the Company attributable to the S Shareholders;

**"Issue Date"** means the day on which the Company receives the net proceeds of the first issue of S Shares;

**"Ordinary Share Surplus"** means the net assets of the Company (including, for the avoidance of doubt, any income and/or revenue arising from or relating to such assets) less the Company's liabilities (including the fees and expenses of liquidation or return of capital, as the case may be) less the S Share Surplus;

**"Statutes"** or **"Acts"** means the Companies Act 1985 as amended and supplemented by the Companies Act 1989 and the Companies Act 2006, and every other statute for the time being in force concerning companies affecting the Company.

For the purposes of the Articles, assets attributable to the S Shareholders or the S Shares shall mean the net cash proceeds (after all expenses relating thereto) of the issue of the S Shares as invested in or represented by investments or cash or other assets from time to time less such proportion of the expenses and liabilities of the Company incurred or accrued following the Issue Date as the Directors fairly consider to be allocable to the S Shares.

### Undertakings

Without prejudice to its obligations under the Statutes, the Company shall, without prejudice to its obligations under the Statutes (i) procure that the Company's records and bank accounts shall be operated so that the assets attributable to the S Shareholders can, at all times, be separately identified and, in particular but without prejudice to the generality of the foregoing, the Company shall procure that a separate income and expenditure account (or if applicable, profit and loss account) balance sheet and cash flow account and such other separate accounts as may, in the opinion of the Board, be desirable to ensure compliance by the Company with the provisions of section 259 of the Tax Act, shall be created and maintained in the books of the Company for the assets attributable to the S Shareholders, (ii) allocate to the assets attributable to the S Shareholders such proportion of the expenses and liabilities of the Company incurred or accrued following the Issue Date as the Directors fairly consider to be allocable to the S Shares and (iii) give appropriate instructions to the Company's investment managers and advisers to manage the Company's assets so that such undertakings can be complied with by the Company.

### Voting Rights

Subject to as provided below and subject to any special terms as to voting on which any shares may be issued, on a show of hands, every member present in person (or being a corporation, represented by an authorised representative) shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every share of which he is the holder. The Ordinary Shares and the S Shares shall rank *pari passu* as to rights to attend and vote at any general meeting of the Company.

### Dividends

The rights of members to receive dividends are as follows:

- (i) the Ordinary Shareholders shall be entitled to receive, in that capacity, any dividends paid out of the net income derived from the assets attributable to the Ordinary Shares; and
- (ii) the S Shareholders shall be entitled to receive in that capacity, any dividends paid out of the net income derived from the assets attributable to the S Shares.

The Company may in general meeting by ordinary resolution declare dividends in accordance with the

respective rights of the members, provided that no dividend shall be payable in excess of the amount recommended by the Directors. The Directors may pay such interim dividends as appear to them to be justified. No dividend or other monies payable in respect of a share shall bear interest as against the Company. There are no fixed dates on which entitlements to dividend arises.

All dividends unclaimed for a period of twelve years after being declared or becoming due for payment shall be forfeited and shall revert to the Company.

#### **Distribution of assets on liquidation**

The capital and assets of the Company shall on a winding up or on a return of capital prior, in each case, to conversion be applied as follows:

- (i) the Ordinary Share Surplus shall be divided amongst the holders of the Ordinary Shares pro rata according to their holdings of Ordinary Shares; and
- (ii) the S Share Surplus shall be divided amongst the holders of S Shares pro rata according to their holdings of S Shares.

The Articles provide that the liquidator may, with the sanction of an extraordinary resolution and any other sanctions required by the Acts, divide amongst the members in specie the whole or any part of the assets of the Company in such manner as he may determine.

#### **Class Consents and Variation of Rights**

The holders of S Shares as a class and the holders of the Ordinary Shares as a class shall be required to approve and, accordingly, without such approval, the special rights attached to the S Shares and the Ordinary Shares shall be deemed to be varied, *inter alia*, by:

- (i) any alteration to the Memorandum or Articles of Association; or
- (ii) any consolidation, division, sub-division, cancellation, reduction or purchase by the Company of any issued or authorised share capital of the Company; or
- (iii) any allotment or issue of any security convertible into or carrying a right to subscribe for any share capital of the Company or any other right to subscribe or acquire share capital of the Company other than pursuant to the exercise of subscription rights in accordance with the terms of the share options granted or to be granted in relation to performance related incentive payments to the investment manager(s) of the Company from time to time; or

- (iv) the selection of any accounting reference date other than 30 September.

Whenever the capital of the Company is divided into different classes of shares, the rights attaching to any class may (unless otherwise provided by the terms of that class) be varied or abrogated either with the consent in writing of the holders of three-fourths of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate meeting of such holders.

#### **Transfer of Shares**

The instrument of transfer of a share may be in any usual form or in such other form as the Board may approve. The instrument of transfer shall be executed by or on behalf of the transferor and (in the case of a partly paid share) by or on behalf of the transferee. The Board may, in its absolute discretion and without assigning any reason therefore, refuse to register any transfer of shares, all or any of which are not fully paid provided that, where any such shares are admitted to the Official List of the London Stock Exchange, such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis. The Board may also refuse to register the transfer of any shares unless:

- (i) the transfer instrument is lodged with the Company, accompanied by the relevant share certificate(s) and such other evidence of the right of the transferor to make the transfer as the Board may reasonably require;
- (ii) the transfer instrument is in respect of only one class of share; and
- (iii) the transfer is not in favour of more than four transferees. If any of the above conditions is not complied with, the Board may refuse to register the transfer in question. There are no other restrictions on the registration of a transfer of shares.

#### **Variation of Rights**

Whenever the capital of the Company is divided into different classes of shares, the rights attached to any class may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated, whether or not the Company is being wound up, either with the written consent of the holders of three-quarters in nominal amount of the issued shares of the affected class, or with the sanction of an extraordinary resolution passed at a separate general meeting of such holders, but not otherwise. The quorum at any such general

meeting is two persons holding or representing by proxy at least one-third in nominal amount of the issued shares of the class in question or, at an adjourned meeting, one person holding shares of the class in question or his proxy.

Any holder of shares of the class in question present in person or by proxy may demand a poll. Holders of shares of the class in question shall, on a poll, have one vote for every share of the class held by them respectively. The rights or privileges attaching to any class of shares shall not, subject to the terms on which such shares may be issued, be deemed to be varied or abrogated by the creation or issue of new shares ranking *pari passu* with or subsequent to those already issued.

#### **Share Capital, Changes in Capital and Purchase of Own Shares**

(i) Without prejudice to any special rights previously conferred on the holders of any existing shares, any share may be issued with such rights or restrictions as the Company may from time to time determine by ordinary resolution. Subject to the Acts and to any

rights conferred on the holders of any other shares, the Company may issue redeemable shares. Subject to the Articles of Association and the Acts, the power of the Company to allot and issue shares shall be exercised by the Board at such time, for such consideration and upon such terms and conditions as the Board may determine.

- (ii) The Company may, by ordinary resolution, increase its share capital, consolidate and divide its share capital into shares of larger amount and, subject to the Acts, subdivide its shares or any of them into shares of smaller amount, and cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.
- (iii) Subject to the Acts, the Company may, by special resolution, reduce its share capital, any capital redemption reserve and any share premium account in any way.
- (iv) Subject to the Acts, the Company may purchase all or any of its own shares of any class (including any redeemable shares).

## Part XI: Terms and Conditions of Application

The words and expressions defined in the Prospectus, save where the context requires otherwise, have the same meanings when used in the Application Form and explanatory notes in relation thereto. The section headed "Application Procedure" forms part of these terms and conditions of application.

### A Terms and Conditions

1. The contract created by the acceptance of applications in the manner herein set out will be conditional on the Offer Agreement between Matrix-Securities, Landsbanki Securities (UK) Limited, the Company and the Directors becoming unconditional in all respects and not being terminated in accordance with its terms before the first allotment of S Shares. If any application is not accepted, or if any contract created by acceptance does not become unconditional, or if any application is accepted for fewer S Shares than the number applied for, the application monies or the balance of the amount paid on application will be returned without interest by post at the risk of the applicant. However, if any balance of funds from an application is lower than the cost of an Offered Share and £1, the monies will be donated to a registered charity. In the meantime application monies will be retained by the Company in a separate account.
2. The Company reserves the right to present all cheques and banker's drafts for payment on receipt and to retain documents of title and surplus application monies pending clearance of the successful applicants' cheques and banker's drafts.
3. By completing and delivering an Application Form you (as the applicant):
  - (a) irrevocably offer to subscribe for the number of S Shares specified in your Application Form (or any smaller number for which the application is accepted) at the prevailing Offer Price, subject to the provisions of this Prospectus, these terms and conditions and the Memorandum and Articles of Association of the Company;
  - (b) authorise Capita Registrars to send definitive documents of title for the number of S Shares for which your application is accepted, and/or a crossed cheque for any monies returnable, by post to your address as set out in your Application Form and to procure that your name is placed on the register of members of the Company in respect of such S Shares;
  - (c) in consideration of the Company agreeing that it will not, prior to the closing date of the Offer, offer any S Shares to any persons other than by means of the procedures set out or referred to in this document, agree that your application may not be revoked until the closing date of the Offer, and that this paragraph constitutes a collateral contract between you and the Company which will become binding upon despatch by post or delivery by hand of your Application Form duly completed to The City Partnership (UK) Limited;
  - (d) agree and warrant that your cheque or banker's draft will be presented for payment on receipt and will be honoured on first presentation and agree that, if such remittance is not so honoured, you will not be entitled to receive certificates for the S Shares applied for or to enjoy or receive any rights or distributions in respect of such S Shares unless and until you make payment in cleared funds for such S Shares and such payment is accepted by the Company (which acceptance shall be in its absolute discretion and may be on the basis that you indemnify it against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and that at any time prior to unconditional acceptance by the Company of such late payment in respect of such S Shares, the Company may (without prejudice to its other rights) treat the agreement to allot such S Shares as void and may allot such S Shares to some other person in which case you will not be entitled to any refund or payment in respect of such S Shares (other than return of such late payment);
  - (e) agree that any documents of title and any monies returnable to you may be retained pending clearance of your remittance and that such monies will not bear interest;
  - (f) agree that all applications, acceptances of applications and contracts resulting therefrom will be governed by, and construed in accordance with, English law and that you submit to the jurisdiction of the English courts and agree that nothing shall limit the right of the Company to bring any action, suit or proceeding arising out of or in connection with any such applications, acceptances of applications and

- contracts in any other manner permitted by law or in any court of competent jurisdiction;
- (g) agree that, in respect of those S Shares for which your application has been received and processed and not refused, acceptance of your application shall be constituted by notification of acceptance thereof by The City Partnership (UK) Limited;
- (h) agree that all documents in connection with the Offer and any returned monies will be sent at your risk and may be sent by post to you at your address as set out in the Application Form;
- (i) agree that, having had the opportunity to read the Prospectus, you shall be deemed to have had notice of all information and representations concerning the Company contained herein;
- (j) confirm that in making such application you are not relying on any information or representation in relation to the Company other than those contained in the Prospectus and you accordingly agree that no person responsible solely or jointly for this document and the Prospectus or any part thereof or involved in the preparation thereof shall have any liability for any such information or representation;
- (k) confirm that you have reviewed the restrictions contained in paragraphs 4 and 5 below and warrant as provided therein;
- (l) warrant that you are not under the age of 18 years;
- (m) agree that such Application Form is deemed to be addressed to the Company, Landsbanki Securities (UK) Limited, The City Partnership (UK) Limited and Matrix-Securities;
- (n) agree to provide the Company with any information which it may request in connection with your application or to comply with the VCT or other relevant legislation (as the same may be amended from time to time);
- (o) warrant that, in connection with your application, you have observed the laws of all relevant territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory and that you have not taken any action which will or may result in the Company, Landsbanki Securities (UK) Limited, The City Partnership (UK) Limited or Matrix-Securities acting in breach of the regulatory or legal requirements of any territory in connection with the Offer or your application;
- (p) agree that Landsbanki Securities (UK) Limited, The City Partnership (UK) Limited and Matrix-Securities will not regard you as its customer by virtue of your having made an application for S Shares or by virtue of such application being accepted; and
- (q) declare that a loan has not been made to you or any associate, which would not have been made or not have been made on the same terms, but for you offering to subscribe for, or acquiring S Shares and that the S Shares are being acquired for bona fide commercial purposes and not as part of a scheme or arrangement the main purpose of which, or one of the main purposes of which, is the avoidance of tax.
4. No action has been or will be taken in any jurisdiction by, or on behalf of, the Company which would permit a public offer of S Shares in any jurisdiction where action for that purpose is required, other than the United Kingdom, nor has any such action been taken with respect to the possession or distribution of this document other than in the United Kingdom. No person receiving a copy of this document or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or, such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application for S Shares to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
5. The basis of allocation will be determined by the Company (after consultation, if applicable, with Landsbanki Securities (UK) Limited, The City Partnership (UK) Limited and Matrix-Securities) in its absolute discretion. It is intended that applications will be accepted in the order in which they are

received subject to any prior booking of allocations which may be agreed with Matrix-Securities to give authorised financial intermediaries time to consult with their clients. The Offer will be closed as soon as full subscription is reached unless the size of the Offer is extended at the absolute discretion of the Directors. The right is reserved, notwithstanding the basis so determined, to reject in whole or in part and/or scale down any application, in particular multiple and suspected multiple applications, which may otherwise be admitted. The right is also reserved to treat as valid any application not complying fully with these Terms and conditions of application or not in all respects complying with the Application Procedure set out on page 32. In particular, but without limitation, the Company (after consultation with Landsbanki Securities (UK) Limited, The City Partnership (UK) Limited and Matrix-Securities) may accept applications made otherwise than by completion of an Application Form where the applicant has agreed in some other manner to apply in accordance with these terms and conditions.

The Directors expect to start making allotments of S Shares during January 2008 but they reserve the right to amend the date at which S Shares will begin to be allotted. Interest will not be paid on valid applications. The Offer is not underwritten.

6. Save where the context requires otherwise, terms defined in this document bear the same meaning when used in these Terms and Conditions of Application and in the Application Form.
7. Authorised financial intermediaries who, acting on behalf of their clients, return valid Application Forms bearing their stamp and FSA number will normally be paid 2.25% commission on the amount payable in respect of the S Shares allocated for each such Application Form. In addition, provided they continue to act for their client and the client continues to hold S Shares, such intermediaries will be paid, in respect of their clients' holdings, an annual trail commission of 0.375% of the NAV (as determined from the audited annual accounts of the Company) attributable to their clients' holdings at the end of the preceding financial year. The annual trail commission will normally be paid in June each year. It is anticipated that the first payment will be paid in March 2009 in respect of the accounting period ended 30 September 2008. The administration of annual trail commission will be managed on behalf of the Company by Matrix Registrars Limited which will maintain a register of

intermediaries entitled to trail commission. The Company shall be entitled to rely on a notification from a client that he has changed his adviser in which case the trail commission will cease to be payable. No payment of trail commission shall be made to the extent that the cumulative trail commission would exceed 2.25% of the issue price of each such Share. Financial intermediaries should keep a record of Application Forms submitted bearing their stamp to substantiate any claim for selling commission. The City Partnership (UK) Limited will collate the Application Forms bearing the financial intermediaries' stamps and calculate the selling commission payable which will be paid within 14 days of each allotment.

8. Financial Intermediaries may agree to waive initial commission in respect of your application.

If this is the case then your application will be treated as an application to apply for the amount stated in box number 2 of the Application Form plus a number of additional S Shares equivalent to the amount of commission waived at the prevailing Offer Price.

## **B Lodging of Application Forms and Dealing**

Completed Application Forms with the appropriate remittance must be posted or delivered by hand to The City Partnership (UK) Limited at the address detailed on page 31 of this document. The Offer opens on 14 December 2007 and will be closed on full subscription or, if earlier, at the discretion of the Directors but in any event not later than 4 April 2008, save that the amount and the closing of the Offer may be extended by the Directors. Successful applications will be notified as soon as possible. If you post your Application Form, you are recommended to use first class post and to allow at least three Business Days for delivery.

It is expected that dealings in the S Shares will commence within three Business Days following their allotment (such allotments together with the related Offer Price being announced on a Regulatory Information Service) and that share certificates will be dispatched within seven days of allotment. The S Shares will be in registered form. Dealings prior to receipt of share certificates will be at the risk of applicants. A person so dealing must recognise the risk that an application may not have been accepted to the extent anticipated or at all. To the extent that any application is not accepted, the monies in excess of any payment will be returned without interest by the applicant's cheque

or banker's draft or by sending a crossed cheque in favour of the applicant through the post, at the risk of the person entitled thereto.

The ISIN code for the S Shares is GB00B29BN198.

### **C Availability of Prospectus and Application Forms**

Copies of the Securities Note, Registration Document, Summary Note and Application Forms will be available free of charge on request, until the Offer closes, from the following addresses:

#### **Matrix-Securities Limited**

One Jermyn Street  
London SW1Y 4UH  
Tel: 020 7925 3377  
Fax: 020 7925 3286

#### **Landsbanki**

#### **Securities (UK) Limited**

Beaufort House  
15 St Botolph Street  
London EC3A 7QR  
Tel: 020 7426 3269  
Fax: 020 7247 0075

#### **The City Partnership (UK) Limited**

Box 41  
196 Rose Street  
Edinburgh  
EH2 4AT  
Tel: 0131 220 8226  
Fax: 0131 777 8086

Copies of the Securities Note, Registration Document, Summary Note and Application Forms will also be available to the public for inspection at the Document Viewing Facility, at the Financial Services Authority, 25 North Colonnade, Canary Wharf, London E14 5HS.

Dated 14 December 2007

## Part XII: Application Procedure

Before making any application to acquire S Shares you are strongly recommended to consult an independent financial adviser authorised under the Financial Services and Markets Act 2000. To complete the Application Form;

### BOX 1

Insert your full name and address in BLOCK CAPITALS. Individuals can only apply on their own behalf and in their own name. You must be the beneficial owner of the S Shares issued to you pursuant to the Offer. You must not use a nominee name as this will jeopardise your entitlement to tax reliefs. You must also give your own address and full postcode and telephone number. Telephone numbers will only be used in case of a query with regard to your application.

### BOX 2

Insert (in figures) the total amount payable for the S Shares for which you are applying. Your application must be for a minimum of £5,000.

### PAYMENT

If you are paying by Cheque please make it payable to "The Income & Growth VCT PLC". Attach your cheque to the Application Form. Cheques must be honoured on first presentation. A separate cheque must accompany

each application. The cheque or banker's draft must be drawn in sterling on an account at a bank branch or building society in the United Kingdom or the Channel Islands and bear a bank sort code number in the top right hand corner. You may, if you wish, use a personal cheque drawn by someone else, in which case your full name and address should be written on the back of the other person's cheque (please take note of Money Laundering Notice section below). Any money not accepted will be returned by the applicant's cheque or banker's draft or by sending a cheque crossed "Account Payee Only" in favour of the applicant. If you would like to send your money by electronic transfer please give your bank the following account details:

Account Name: **The Income & Growth VCT Plc**  
Sort Code: **20-97-78**  
Account Number: **40013358**

### BOX 3

Sign and date the form. If the form is signed on your behalf by an attorney or other agent, that person should state on the form the capacity in which they are signing and the original power(s) of attorney or a copy thereof duly certified by a solicitor must be enclosed for inspection and will be returned in due course.

### Money Laundering Notice

Important procedures for Applications of £10,000 (€15,000) or more. The verification of identity requirements of the Money Laundering Regulations 2007 will apply and verification of the identity and address of the applicant may be required. Failure to provide the necessary evidences may result in your application being treated as invalid or in a delay in confirmation. If we have previously received the appropriate documents, you will not need to provide them again. If the application is for more than £10,000 (€15,000) (or is one of a series linked applications which exceeds that amount):

- verification of the applicant's identity should be provided by means of a "Letter of Introduction", from an IFA or other regulated person (such as a solicitor or accountant), who is a member of a

regulatory authority and who is required to comply with the Money Laundering Regulations 2007, or a UK or EC financial institution (such as a bank). Matrix-Securities Limited will supply specimen wording on request; or

- if an application is made direct (not through an IFA) you must ensure that the following documents are enclosed with the form: a certified copy of your passport or driving license; and a recent (no more than 3 months old) original bank or building society statement or utility bill in your name. Copies should be certified by a solicitor or bank. Original documents will be returned by post at your risk. If a cheque is drawn by a third party, the above will be required from that third party as well as the applicant.

# Application Form

The Income & Growth VCT plc S Shares of £0.01 each at the Offer Price of £1.00 each.

Before completing this Application Form you should read the Terms and Conditions of Application and the Application Procedure notes. Please send the completed Application Form with your cheque or banker's draft to:

**The City Partnership (UK) Limited, Box 41, 196 Rose Street, Edinburgh EH2 4AT.**

The Offer opens on 14 December 2007 and the closing date for applications will be 4.00 pm 4 April 2008. The final closing date may be determined by the Directors in their absolute discretion.

<b>1</b>	Title      Dr/Mr/Mrs/Miss/Other									
	Forename(s)									
	Surname									
	Residential Address									
	Postcode									
	National Insurance Number					Date of Birth				
	Telephone (work)					Telephone (home)				
	Email address									

I offer to subscribe on the Terms and Conditions of Application set out in the Prospectus dated 14 December 2007. Applications must be for a minimum of £5,000.

I have made payment by electronic transfer (see page 32 for account details)

I have enclosed a cheque/banker's draft made payable to "The Income & Growth VCT PLC"

Documents enclosed to comply with anti-money laundering legislation

<b>2</b>	I offer to subscribe for <input type="text"/> S Shares at £1.00 per S Share totaling £ <input type="text"/>
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<b>3</b>	Signature of applicant	Date
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<b>Intermediaries to complete. FSA No. must be quoted</b>	
<i>Name of Financial Adviser</i>	
Title    Mr/Mrs/Miss    Forename	Surname
Email address	Telephone
<i>Name of Administrator/Support Staff</i>	
Title    Mr/Mrs/Miss    Forename	Surname
Email address	Telephone
Stamp of Financial Intermediary firm or full address details:	If commission is to be paid to a network or head office, please give details.
Please state the commission % which you wish to be paid	<input type="text"/> %
and which you wish to be waived and invested in additional S Shares for your client	<input type="text"/> %
The commission % should total a maximum of 2.25%	





