Annual Report and Accounts

for the year ended 30 September 2011

THE INCOME & GROWTH VCT PLC

Investment Objective

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

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

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Financial Highlights

The net assets of the 'O' and 'S' Share Funds were merged to form one share class of Ordinary Shares on 29 March 2010. At that date, the net assets of the merged VCT were £35.7 million, which have increased to £49.2 million at 30 September 2011.

The highlights during the year have been:-

- Increase of 25.9% in net asset value (NAV) total return to Shareholders
- Dividends totalling 4 pence per share were paid during the year and a special capital dividend of 20 pence per share has been declared since the year-end subsequent to the realisation of App-DNA. Further, a final dividend of 4 pence per share will be recommended to Shareholders at the AGM. These payments will bring cumulative dividends paid to date to 28.5 pence per share (43.7 pence per original Share invested for Shareholders who originally invested in the former 'O' Share Fund).
- Increase of 9.8% in share price total return to Shareholders
- Strong liquidity has been maintained in the context of continuing market volatility

Merger of the 'O' and 'S' share classes of the Company

The merger was effected by converting the relevant 'O' Shares into 'S' Shares using a conversion ratio of 0.7578. All the issued and unissued 'S' Shares were subsequently redesignated as Ordinary Shares on a 1 for 1 basis.

Performance Summary

The net asset value (NAV) per share at 30 September 2011 was 120.8 pence

To help Shareholders in each former share class understand the recent trend in performance of their investment, comparative data for each former share class is shown below:-

	Net assets (£m)	NAV per Share (p)	Cumulative dividends paid per Share (p)	NAV total return to Shareholders since launch per Share (p)	Share price (p)[2]	Share price total return to Shareholders (p)
Ordinary Shares ('S' Shares until 29 March 2010)						
As at 30 September 2011[1]	49.2	120.8	4.5	125.3	91.6	96.1
As at 30 September 2010	36.6	99.0	0.5	99.5	87.0	87.5
As at 30 September 2009	11.0	93.2	0.0	93.2	94.5	94.5
As at 30 September 2008	11.2	94.6	0.0	94.6	100.0	100.0
At close of Offer for subscription	11.2	94.5	0.0	94.5	100.0	100.0

[1] The data for all periods shows the return on an initial subscription price of 100p at the date of inception of each Fund. Data as at 30 September 2011 is supported by the table overleaf divided by £10,000.
[2] Source: London Stock Exchange

Former 'S' Shares – S ordinary shares of 1p raised during the 2007/08 tax year and admitted to trading on 8 February 2008.

	Net assets (£m)	NAV per Share (p)	Cumulative dividends paid per share (p)	NAV total return to Shareholders since launch per Share (p)	Share price (p)[2]	Share price total return to Shareholders (p)
Former 'O' Shares (until 29 March 2010)						
As at 30 September 2011[1]	–	91.5	25.5	117.0	–	–
As at 30 September 2010	–	75.0	22.5	97.5	–	–
As at 30 September 2009	24.9	71.5	20.5	92.0	54.8	75.3
As at 30 September 2008	29.6	83.6	16.5	100.1	79.5	96.0

[1] The data for all periods shows the return on an initial subscription price of 100p at the date of inception of each Fund. Data as at 30 September 2011 is supported by the table below divided by £10,000.
[2] Source: London Stock Exchange

Return before and after tax relief

The tables below show the NAV total returns at 30 September 2011 for a shareholder in each original class that invested **£10,000** at £1 a share at each Fund's inception.

		Ordinary Shares 2007/08[1]	Former 'O' Shares 2000/2001
Original investment (10,000 shares at £1 each)	(£)	10,000	10,000
Number of shares held post merger		10,000	7,578
Rate of income tax relief	%	30%	20%[2]
Cost net of income tax relief	(£)	7,000	8,000
NAV at 30 September 2011	(£)	12,079	9,154
Dividends paid to Shareholders since subscription	(£)	450	2,548
Total return (NAV basis) to Shareholders since subscription	(£)	12,529	11,702
Profit before income tax relief[3]	(£)	2,529	1,702
Profit after income tax relief[4]	(£)	5,529	3,702

[1] Formerly 'S' Shares
[2] Additional capital gains tax deferral relief of up to £4,000 available to qualifying shareholders
[3] NAV total return minus initial investment cost (before applicable income tax relief)
[4] NAV total return minus cost net of income tax relief

Discount

The Board's current intention is to continue with its existing buy-back policy with the objective of maintaining the discount to NAV at which the shares trade at 10% or less. The discount for the Company's Ordinary Shares at 30 September 2011 was 10.9% (2010: 9.6%) based on the NAV at 30 June 2011 of 102.8 pence. The Share price has however risen considerably since the year-end to 109 pence, subsequent to the announcement of the realisation of App-DNA, in anticipation of the increase in the net asset value shown in these accounts.

Former 'O' Shares – ordinary shares of 1p raised during the 2000/01 tax year and admitted to trading on 15 November 2000.

Financial Highlights

Dividends paid in each year since launch

Dividends paid include distributions from both income and capital

In respect of year ended	Payment date	Ordinary Shares (former 'S' Shares) (p) per share	Former 'O' Shares (dividends paid on original holding) (p) per share
30 September 2001	18 February 2002	–	1.20 pence
30 September 2002	12 February 2003	–	1.75 pence
30 September 2003	11 February 2004	–	1.25 pence
30 September 2004	04 February 2005	–	1.25 pence
30 September 2005	14 February 2006	–	0.75 pence
30 September 2006 (interim)	14 February 2006	–	2.50 pence
30 September 2006	15 February 2007	–	0.75 pence
30 September 2007 (interim)	15 February 2007	–	3.00 pence
30 September 2007 (interim)	24 October 2007	–	2.00 pence
30 September 2007	15 February 2008	–	2.00 pence
30 September 2008	16 February 2009	–	4.00 pence
30 September 2009	17 March 2010	0.50 pence	2.00 pence
30 September 2010	22 February 2011	2.00 pence	1.52 pence[1]
30 September 2010	28 March 2011	2.00 pence	1.52 pence[1]
Cumulative dividends paid		**4.50 pence**	**25.49 pence**

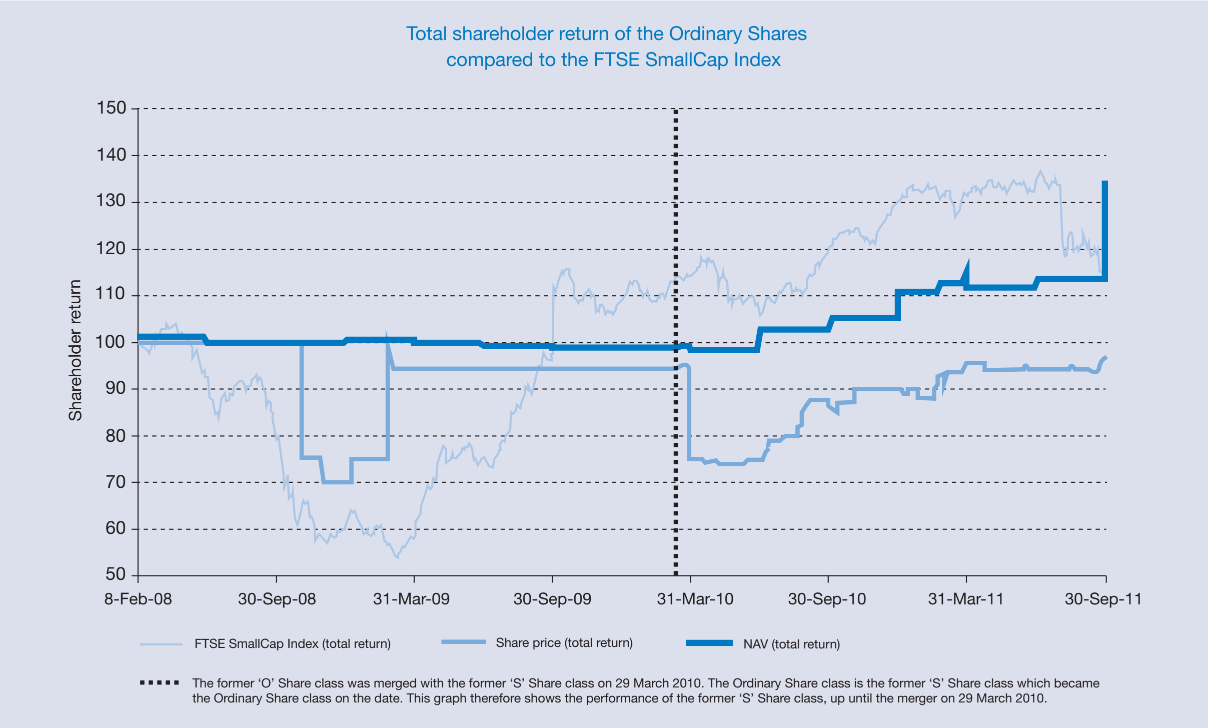
[1] The dividends paid after the Merger on the Ordinary Shares have also been shown in the data for the former 'O' Shares. Such dividends have been converted at the merger ratio, so that a former 'O' Fund Shareholder can see the total dividends received on their original holding.

Dividends proposed

In addition to the special capital dividend of 20 pence per share declared since the year-end, a final dividend of 4 pence per share comprising 2 pence from income and 2 pence from capital will be recommended to Shareholders at the Annual General Meeting of the Company to be held on 9 February 2012. The dividend will be paid on 15 February 2012 to Shareholders on the Register on 20 January 2012.

Performance graphs

In the graph below, the total return figures have been rebased to 100 at 8 February 2008, the date on which the Company's Ordinary Shares were first admitted to trading.



Source: Matrix Corporate Capital LLP

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

Chairman's Statement

I am pleased to present to Shareholders the eleventh Annual Report of the Company for the year ended 30 September 2011.

The persisting uncertainty in the UK and global economies has continued to impact on the Company during the year under review. The signs in the first half of the year of a possible return to comparative stability failed to materialise and we are now experiencing a resurgence of the earlier volatility, particularly as a result of debt problems in several of the Eurozone countries.

However, since the year-end, in early November I am delighted that the Company was able to announce that it had sold its investment in App-DNA to Citrix Systems Inc. App-DNA is a leading specialist in Application Migration and Compatibility Software including App-DNA™ and AppTitude™ which it distributes to blue chip companies around the world. Citrix Systems has acquired all of the equity in App-DNA for a headline consideration of some US$92 million. This delivered to the Company an initial consideration of £14.6 million and has resulted, therefore, in a material uplift in the NAV per share of the Company, a substantial portion of which was included in the fair value of this investment at 30 September 2011. In addition, approximately £1.8 million of further deferred consideration could be receivable over the next four years. The total consideration equates to a return of approximately 32 times the original investment. This outcome, of course, completely overshadows the performance of the remainder of the portfolio and has resulted in a special interim dividend being paid to all Shareholders – please see more information below. Shareholders should note that the Board anticipates that a performance incentive fee of up to an estimated £2.8 million could be payable for the current financial year ending 30 September 2012 in respect of this realisation.

Performance

As at 30 September 2011 the Company's NAV per Ordinary Share was 120.8 pence (30 September 2010: 99.0 pence). Adjusted for dividends paid to Shareholders during the year, this represents an increase of 26.0% over the twelve month period. This compares with an increase of 6.6% in the FTSE SmallCap Index and a rise of 10.5% in the FTSE AiM All-Share Index, both on a capital return basis.

Cumulative dividends paid, declared and proposed to date amount to 43.7 pence per original share invested for shareholders who originally invested in the former 'O' Share Fund (the 28 pence per share paid following the Merger has therefore been adjusted using the merger ratio of 0.7578) and 28.5 pence per Ordinary Share for shareholders who originally invested in the former 'S' Share Fund.

The portfolio

This has been a particularly active year for the portfolio as a whole. Overall, over the year the portfolio showed a net increase of £10.9 million in unrealised and £0.3 million in realised gains and it was valued at 125.5% of cost at the year-end. The valuation of the portfolio at the year-end was £37.1 million with the MPEP portfolio being valued at £23.9 million and the ex-Foresight portfolio at £13.2 million.

During the year a total of some £2.7 million was placed into new investments (excluding the £3 million already invested in each of the acquisition vehicles, Aust, Apricot and Fullfield). In October 2010 I&G made a further investment into the acquisition vehicle, Aust, of £441,667 to support the MBO of RDL Recruitment Corporation, a European recruitment provider within the pharmaceutical, business intelligence and IT sector. The VCT's investment in this company now stands at £1.4 million. In December 2010, a new investment of £487,744 was made into Faversham House, a broadly based publishing business. In the same month £279,996 was invested into Omega Diagnostics, an AiM listed company specialising in in-vitro diagnostics for food intolerance, autoimmune diseases and infectious diseases.

A further investment into the acquisition vehicle Apricot of £193,906 was made to support the MBO of Automated Systems Group plc, a provider of printer and copier services. This brought the VCT's investment in this company to £1.2 million. The company has since changed its name to ASL Technology Holdings Limited. A further investment was then made in March 2011 of £575,884 to support the acquisition of Transcribe Copier Systems Limited. In July 2011 a further investment of £718,189 was put into the acquisition vehicle Fullfield Limited to support the MBO of Motorclean Group Limited, a provider of vehicle cleaning and valet services to the car dealership market. This brought I&G's investment in this company to £1.7 million.

It is a measure of the success of the Manager's efforts that the portfolio has required only £42,560 of additional funding despite the challenges that investee companies have faced. An additional loan stock investment of £42,446 was made into Monsal in July and August 2011 as part of a facility of £1.75 million to support the turnaround of Monsal.

Following the year-end, a new investment of £1,383,314 was provided as mezzanine finance as part of a £7.8m transaction to support the acquisition of the international intellectual property and assets of Lowe Alpine Srl (from administration in Italy) by Equip Outdoor Technologies Limited, a company specialising in owning and distributing clothing brands focused on the outdoor sector. A further new investment of £1,878,124 (including £1 million from Vanir) has been made to support the MBO of EMaC Limited, the UK's leading provider of outsourced service plans to franchised dealers in the automotive sector.

Finally, a further investment in the form of a loan of up to £1.5 million was committed in December 2011 into Image Source to help support the resolution of a legal dispute with a former employee and shareholder in that company.

I am pleased to be able to advise you that there were numerous loan stock repayments, totalling some £2.5 million, during the year. A full breakdown of the payments received can be found in the Manager's Review on page 15 of this Annual Report.

During the year there were four disposals which realised a total of £3.0 million. In January 2011, Campden Media was fully realised for a cash consideration of £287,239, compared to the year-end valuation at 30 September 2010 of £125,921. Together with interest paid over the life of the investment the total cash return was marginally above cost. In February 2011, HWA was disposed of, resulting in a total cash return over the life of this investment of £5,070,682, compared to the £1,422,320 originally invested. In July 2011, Amaldis was sold to LDC for net proceeds of £2,304,000, including accrued interest of £426,713 and £537,948 of loan stock issued by the acquirer. This realisation contributed to total proceeds of £4,170,000 to the Company over the life of the investment, representing a 4.2 times return on the Company's original investment of £1 million. Finally, the Company sold a total of 270,000 shares in Tikit plc at prices ranging from £1.97 to £2.75, realising a net total of £625,485 and representing a 2 times return on the original investment of £310,500. The VCT continues to retain a residual holding in this company.

Following the year-end, as I have detailed above, the Company sold its interest in AppDNA to Citrix Systems resulting in a substantial return on investment and in a material uplift to I&G's NAV which is largely reflected in the balance sheet as at 30 September 2011.

Also following the year-end in December 2011, the VCT made a partial disposal of its investment in DiGiCo to ISIS Equity Partners. The VCT received cash proceeds of £1,405,642 which, including previous repayments of £581,373, generates a return of 3 times cash return on this investment to date. In addition, the VCT continues to hold a residual loan stock and equity (1.57%) investment with an assumed valuation of £874,497.

Finally, the portfolio has seen two of its investments demerge during the year. In November 2010 Camwood completed the demerger of its App-DNA business. Following the demerger, I&G had an investment in each of Camwood Enterprises Limited and App-DNA Group Limited, the latter since sold as above. This comprised a 31.5% equity stake and a secured loan of £333,334 in both companies. Both companies are leading specialists in Application Migration Software^{TM}. Then in March 2011, VSI also completed the demerger of its two operating subsidiary companies creating two separate companies, namely MachineWorks Software Limited and LightWorks Software Limited. Following the repayment of the VSI secured loan (which was transferred to MachineWorks Software on the demerger) in April 2011, I&G now has a 9.2% equity stake in both companies.

A number of the investee companies have continued to trade strongly, in particular, DiGiCo, Iglu.com Holidays, ATG Media and Original Additions.

Cash available for investment

During the economic turmoil, both the Board and the Manager have continued to work to ensure that our cash deposits continue to remain as secure as possible. We have for some time been spreading our significant cash deposits with a number of the leading global cash funds rather than depositing all liquidity directly with individual banks, thereby reducing our exposure to any one particular bank. However, the current low level of interest rates on cash deposits means that it will continue to be difficult for the Company to pay dividends out of interest income from cash held. The Board and Manager both strongly believe that at this time the security and protection of the Company's capital is more important than striving for a small increase in deposit rates at the cost of much higher risk.

Cash and liquidity fund balances as at 30 September 2011 amounted to £13.3 million.

Revenue Account
The revenue account has achieved a strong return this year, achieving a positive return of £864,072, compared to last year's loss of £50,860, an improvement of £914,932.

The strong increase in income over the year of £924,216 has been a significant factor in this turnaround. The main cause of this increase was a rise in loan stock interest of £770,663, £426,714 of which was due to interest recognised upon the disposal of Amaldis. The balance of the increase of £343,949 reflects the impact of a number of new investments made in the year, such as RDL Corporation, Faversham House, ASL Technology and Fullfield (Motorclean). In addition, Blaze Signs and Youngman re-commenced loan interest payments, with Youngman also reducing its interest arrears.

Dividend income also rose by £164,726, due to increased dividends from Brookerpaks, DiGiCo, ATG Media and VSI, as well as a maiden dividend from CB Imports.

Other expenses have fallen in the year to £375,837 (2010: £513,840). Last year's revenue account was depressed by £75,516 of costs relating to the merger, while the higher levels of loan stock income this year have increased the tax charge borne by the revenue account by £176,808. Due to the Company's ability to offset some capital costs against revenue profits, the Company has no charge to tax.

Dividends
Arising from the realisation of AppDNA, your Board declared a special interim capital dividend of 20 pence per share, for the year ending 30 September 2012, and this will be paid on 27 January 2012 to Shareholders on the Register on 30 December 2011.

A final dividend of 4 pence per new Ordinary Share, comprising 2 pence from income and 2 pence from capital, will be recommended to Shareholders at the Annual General Meeting of the Company to be held on 9 February 2012 for payment to shareholders on the register on 20 January 2012 on 15 February 2012.

Dividend Investment Scheme
The Company's Dividend Investment Scheme ("the Scheme") will apply to both of these dividends. The Scheme is a convenient, easy and cost effective way to build up your shareholding in the Company. Instead of receiving cash dividends you can elect to receive new shares in the Company. By opting to receive your dividend in this manner, there are three benefits to you:

- The dividend is tax free to you;

- Shareholders are allotted new ordinary shares which will, subject to your particular circumstances, attract VCT tax reliefs applicable for the tax year in which the shares are allotted. The tax relief currently available to investors in new VCT shares is 30% for the 2011/12 tax year for investments up to £200,000 in any one tax year; and

- The Scheme also has one unique advantage. Under its terms, a member is able to re-invest at an advantageous price, being the average market price of the shares for the five business days prior to the dividend being paid. This price is likely to be at a discount of 10% to the underlying net asset value.

Elections under the Scheme should be received by the Scheme Administrator, Capita Registrars, by no later than 12 January 2012 in the case of the special dividend and 31 January 2012 in the case of the final dividend to ensure that you receive these dividends as shares.

Last year, 288 Shareholders, who between them held a total of 2,276,359 Ordinary Shares representing 5.9% of the Company were issued 52,473 Ordinary Shares on 22 February 2011 in respect of the Interim Dividend of 2 pence per share paid to Shareholders on 22 February 2011 at an issue price of 86.70 pence per share.

In addition, 419 Shareholders, who between them held a total of 3,590,904 Ordinary Shares representing 9.36% of the Company were issued 78,840 Ordinary Shares on 29 March 2011 in respect of the Final Dividend of 2.0 pence per share paid to Shareholders on 28 March 2011 at an issue price of 91.0 pence per share.

The issue price used for both dividends was equal to the average of the middle market price for the Shares taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the payment date.

Share buy-backs
During the year ended 30 September 2011, the Company bought back 1,649,765 Ordinary Shares (year to 30 September 2010: 1,407,758, of which 1,037,821 were bought–back following the Merger) representing 4.46% of the Shares in issue at the beginning of the year at a total cost of £1,475,019 (year to 30 September 2010: £966,118) net of expenses. These shares were subsequently cancelled by the Company.

The Board regularly reviews its buyback policy and, given the less volatile outlook for the valuation of the portfolio, has significantly reduced the discount to NAV at which the Company’s shares trade over the last year. At 22 December 2011, the mid-market price for the Company’s shares was 109 pence, representing a premium of 6% to the last published NAV which was at 30 June 2011 but a discount of 9.7% to the NAV shown by these results. The share price has appreciated since the year-end, after the initial announcement of the sale of App-DNA.

Fundraising
A Joint Offer was launched on 12 November 2010 to raise £21 million in aggregate for the Company together with Matrix Income & Growth VCT plc and Matrix Income & Growth 4 VCT plc. The Offer closed on 30 June 2011 having raised £16.2 million across the three VCTs. This resulted in £5.4 million being raised for I&G.

The Company is intending to participate in a similar linked fundraising with these VCTs in 2012. The funds raised will bolster the Company’s strong cash position to capitalise on new investment opportunities and spread our fixed running costs over a larger asset base.

Outlook

Uncertainty, interspersed with rushes of optimism, has characterised global financial markets in recent months. With EU leaders having met recently to finally come up with a realistic solution to the Eurozone crisis, the markets ratcheted up the pressure. If these financial measures prove to be successful, markets could yet be heralding the end of the 'double-bottom'.

Unfortunately, inflation in the UK is much higher than forecast and proving to be very stubborn despite the Bank of England's assertions that it will fall back sharply in the coming months. The inflation figures will have caused little surprise to householders who have had to cope with rising fuel and food bills and also having seen the value of their savings and pensions shrink. So the immediate outlook for investors may not be one of recession but of quite high inflation against a back drop of historically low interest rates.

Although this Fund seeks to invest in profitable companies, and is no longer investing in technology high risk start ups, companies which are in most cases at a relatively early stage in their growth will be challenged by the economic environment over the coming winter. On the other hand, it is highly encouraging to be able to report that the majority of companies within the portfolio continue to trade profitably.

The Company continues to retain a significant cash position, having correctly limited investment during the downturn. Moreover, the forthcoming Fundraising Offer, which I have referred to above, will strengthen this position further. The unquoted sector has seen a return to more active levels, and the Board and Manager expect that a number of attractive investment opportunities will continue to be identified in the near term.

In summary, your Board is encouraged greatly by the portfolio which shows resilience and promise in spite of these difficult economic conditions and, of course, is delighted to be able to distribute much of the proceeds from the disposal of AppDNA.

I&G website

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

Once again, I would like to take this opportunity to thank Shareholders for their continued support.

Colin Hook
Chairman
22 December 2011

Investment Policy

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

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

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

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

UK companies
The companies in which investments are made must have no more than £15 million, in the case of funds raised under the original prospectus in 2000/01, and £7 million, in the case of funds raised after 6 April 2006, (including the former 'S' Share Fund raised in 2007/08) of gross assets at the time of investment to be classed as a VCT qualifying holding.

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

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

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

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

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

Co-investment

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

Investment Manager's Review

Overview

We continue to be encouraged by the positive signs of improvement that we have seen in our investment market both in terms of making investments and in realisations. There has been a clear upward trend in dealflow during the latter half of the year under review and we have seen a higher number of better priced, profitable, well-positioned and cash generative businesses seeking investment. We believe that this is due to two important converging factors which have combined to make our level of investment over recent months the highest for several years, without compromising the criteria that we use to assess the quality of potential investments. Firstly, the lower level of activity in the economy has led to greater realism amongst vendors regarding the value of their companies, leading to more realistic pricing. Secondly, our ability to invest significant levels of capital in a market lacking bank funding means that management buy-out ("MBO") teams are increasingly turning to us as a source of finance. In addition to the recent investments referred to below, there are a number of investment opportunities nearing completion that we are currently taking forward.

Furthermore, we are finding that there is significant trade interest and enthusiasm from private equity investors in the type of businesses in which we have invested. App-DNA was sold to Citrix Systems Inc. shortly after the year-end in November 2011 for an initial consideration of £14.6 million (plus a further approximately £1.8 million of deferred consideration which could be receivable over the next four years). The total consideration equates to a return of approximately 32 times the original investment making it the most successful realisation in the history of the Company.

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

The volatility in the quoted markets which has continued after the year-end will inevitably have an effect on the valuations of those companies in our portfolio. The level of the FTSE All-Share index stood at 2,654 at 30 September 2011 when the investments were valued and since that date it has risen to 2,768. It is worth bearing in mind that many of the portfolio companies are valued partly by reference to the performance of companies trading in similar sectors within the FTSE All-Share index. However, as part of each investment is in loan stocks, the negative effect of any downward movement is mitigated to some degree.

New investment

Five new investments have been completed during the year under review totalling £5.7 million, three of which used the VCT's existing investments totalling £3 million in the acquisition vehicles Aust, Apricot Trading and Fullfield.

In the first of these in October last year, the Company used its existing investment of £1 million in the acquisition vehicle Aust to support the MBO of RDL Recruitment Corporation, a European recruitment provider within the pharmaceutical, business intelligence and IT sectors based in London and Woking. The VCT's total investment in this company following the MBO stands at £1.4 million.

Three new investments were made during December 2010. The first of these was to support the MBO of Faversham House Group Limited in which the VCT invested £487,744. Based in Croydon, this is an established media company providing magazines, exhibitions and online resources in the environment and sustainability, visual communications and building services sectors.

Again in December, the VCT invested £279,996 into the AiM-listed company Omega Diagnostics Group Plc. Based in Alva, Scotland this company provides high quality in vitro diagnostics products for use in hospitals, blood banks, clinics and laboratories in over 100 countries and specialises in the areas of food intolerance, autoimmune disease and infectious disease. The share price of Omega on AiM has risen since investment showing a 4% increase in value.

Finally in December, the VCT used its existing acquisition vehicle, Apricot Trading, to support the MBO of Automated Systems Group plc, a Cambridge-based printer and copier services business with a broad customer base of schools and SMEs. The VCT's total investment in this company, which changed its name to ASL Technology Holdings Limited, stood at £1.2 million following the MBO. The VCT made a follow-on investment of £575,884 in March 2011 to help fund the acquisition of Transcribe Copier Systems Limited bringing the VCT's current investment in this company to £1,769,790.

The final investment completed during the year under review was made in July 2011 when the VCT invested a further £718,189 into the acquisition vehicle Fullfield to enable it to support the MBO of Motorclean Group Limited, a provider of vehicle cleaning and valet services to the car dealership market, bringing the VCT's investment in this company to £1.7 million.

Two further new investments have been completed since the year-end in October and November to support the MBOs of Equip and EMaC.

In the first of these the VCT made an investment of £1,383,314 to provide mezzanine finance as part of a £7.8m transaction to support the acquisition of the international intellectual property and assets of Lowe Alpine Srl from administration in Italy by Equip Outdoor Technologies Limited, a company specialising in owning and distributing brands focused on the outdoor sector.

The second was a new investment of £1,878,124 to support the MBO of EMaC Limited, the UK's leading provider of outsourced Service Plans to franchised dealers in the automotive sector.

Our Operating Partner programme continues to pursue an active search for investment opportunities. The four remaining acquisition vehicles in which the Company invested in September 2010, Backbarrow, Bladon Castle Management, Rusland Management and Torvar are all seeking suitable investment opportunities in a variety of sectors including healthcare and wellbeing, food manufacturing and distribution, consumer products and retailing, brand management, database management, data mapping and management services. So far they have not found sufficiently attractive investment opportunities at the right price. Since the year-end, Bladon Castle Management has repaid its loan stock, and has been sold to a new acquisition vehicle, Watchgate Limited which has the intention of continuing to see similar opportunities, building on Bladon's work to date. Each of the acquisition vehicles is headed by an experienced Chairman, well-known to us, who is working closely with us in seeking to identify and complete investments in specific sectors relevant to their industry knowledge and experience. We have established these companies to provide time for us to identify and invest in suitable target companies at sufficiently attractive prices.

Follow-on investment

We have worked with our investee companies during the downturn in the economy to support and encourage them to make the necessary changes to ensure that they were in the best possible position to withstand the rigours of their situation. It is indicative of the success of these measures that Monsal is the only investment in the portfolio that has required further funding during the year under review. Earlier in the year, Monsal was experiencing completion delays on an existing contract and in the commissioning of new contracts. These delays led to a requirement for additional funding and following careful consideration, your Company approved a further loan stock investment of up to £106,000 as part of a £1.75 million fundraising alongside other Matrix VCTs and other shareholders. Three tranches of this new funding round totalling £42,446 have been drawn-down to date in separate tranches in July and August 2011 and these investments are held at cost. The terms of this new investment provided that it would rank ahead of the existing rounds of investment. With this additional funding, Monsal now has the ability to pursue a number of major contracts in the waste and water sector which will make the potential for recovery of value in the original investment a more realistic prospect. Since approval of this facility Monsal has materially advanced its negotiations on a number of new contracts.

Finally a further investment in the form of a loan of up to £1.5 million was committed in December 2011 into Image Source to help support the resolution of a legal dispute with a former employee and shareholder in that company. This company has continued to suffer from deteriorating trading conditions in a challenging market. It is now hoped that the company can improve its trading prospects.

Realisations

We are pleased to report that a number of companies in the portfolio continue to be strongly cash generative and have repaid a total of £2.5 million (including any premiums paid) of their loan stock during the year to 30 September 2011. The payments received were from ATG Media which made a partial repayment of £111,111 in October 2010; DCG Group which repaid its outstanding loan in full remitting £204,772 to the Company in November 2010; Westway which made a further repayment of £99,681; Iglu.com Holidays which repaid its loan stock in full in February 2011, realising £997,675 for the Company; Vectair which repaid its loan in full in March 2011 remitting £195,017 to the Company; App-DNA Group which repaid its secured loan of £333,334 in full in March and July; Camwood Enterprises which repaid its loan of £333,334 in full in March and April; and MachineWorks which made a payment of £255,818 in full settlement of its loan in April 2011.

In January 2011 the Company realised its entire investment in Campden Media for a cash consideration of £287,239, compared to the 2010 year-end valuation of £125,921. This represented 85.8% of the total investment cost of £334,880. Together with interest paid over the life of the investment the total cash return was £349,013, representing 104.2% of cost.

In February 2011, the Company realised its residual investment in HWA for a small cash consideration. The total cash return over the life of this investment was £5,070,682, compared to amounts originally invested of £1,422,320, being 3.6 times cost.

Amaldis, the holding company for the Original Additions Group, a market leading manufacturer and distributor of beauty brands for the retail and professional markets in the UK and worldwide, was sold to LDC, the mid-market private equity house that is a part of Lloyds Banking Group, in July 2011 for net proceeds of £2,304,042, including interest of £426,714 and £537,948 of loan stock in Original Additions Topco Limited issued by the acquirer. This realisation contributed to total proceeds of £4,170,000 to the Company over the life of the investment, representing a 4.2 times return on the Company's original investment of £1 million.

The Company sold a total of 270,000 shares in Tikit Group plc during the year to 30 September 2011 realising total net proceeds of £625,485 which represented a 2.0 times realised return on the VCT's original investment cost of £310,500. The VCT continues to retain a residual holding in this company, which had a value of £458,094 at the year-end.

Following the year-end in November 2011, the VCT realised in full its investment in AppDNA by way of a trade sale to Citrix Systems Inc. The total cash consideration from the sale of £14,542,468 contributed to total proceeds to the Company over the life of the investment of £15,054,113, which represented a 29 times return on the Company's original investment of £514,090. This figure increases to 32 times if approximately £1.8 million of anticipated deferred consideration is brought into the calculation.

Also following the year-end in December 2011, the VCT made a partial disposal of its investment in DiGiCo to ISIS Equity Partners. The VCT received cash proceeds of £1,405,642 representing a 3 times cash return on this investment to date. In addition, the VCT continues to hold a residual loan stock and equity (1.57%) investment with an assumed valuation of £874,497.

Portfolio review

The MPEP invested portfolio at 30 September 2011 comprised 33 investments with a cost of £21.2 million and valued at £23.9 million representing an uplift of 12.7% on cost.

The portfolio's performance as a whole continues to be robust. Some investee companies, of which DiGiCo, Iglu.com Holidays, ATG Media and Original Additions have been the most notable, have increased sales and profits despite the challenges of the economic environment.

The new investments made since last year, RDL Corporation, Faversham House, Omega Diagnostics Group plc, ASL Technology and Fullfield (Motorclean Group) are all progressing steadily. Fullfield and Faversham are held at cost and ASL and RDL have small write-downs.

Iglu.com Holidays continues to perform strongly and is now valued above cost following out-performance of its business plans at the time of investment. DiGiCo, BIH and ATG all experienced increased trading and profitability which has contributed to their higher unrealised valuations. Focus Pharma continues to trade well, although it ended its financial year slightly behind a stretching budget. It launched two new products during 2011 and expects to progress further with several further product launches planned for 2012.

Other companies are still endeavouring to recover from the effects of the continuing downturn. Recovery in the construction and house building sectors remains fragile and this continues to affect the performance of PXP and Plastic Surgeon although Youngman has now fully repaid its bank debt since investment and is well positioned to benefit from any upturn in its markets. Blaze Signs is starting to return improved results demonstrating a strong recovery from the recession.

In March 2011, VSI completed a 50:50 demerger into Lightworks Software Limited and Machineworks Software Limited. As part of the agreement Machineworks assumed all of VSI's loan stock which it repaid in April. The remaining investment in Machineworks in particular is valued considerably above cost.

Former Foresight investments

With effect from 1 October 2008, MPEP assumed responsibility from Foresight for all the investments it managed on behalf of the Company. This section of the portfolio which comprises largely technology and early-stage companies consists of 12 investments with a cost of £8.4 million and valued at £13.2 million as at 30 September 2011 representing 157% of cost (inclusive of the valuation uplift from App-DNA of £10.9 million).

Camwood completed the demerger of its AppDNA business in November 2010. As a result of the demerger, the VCT had two identical investments in each of Camwood Enterprises and App-DNA Group, comprising a 31.5% gross equity stake (28.4% fully diluted). (The original Camwood secured loan of £666,667 has since been repaid by both businesses). Both companies are leading specialists in Application Migration software™. Camwood, trading as Camwood Consulting, provides IT consultancy services to blue chip customers and AppDNA sells its software via third party consultancies. The demerger has established AppDNA as a profitable independent business. App-DNA was realised following the year-end as set out on page 13.

Investment outlook

Whilst we remain uncertain about the extent of UK economic recovery, we have been encouraged by developments in the year and we look forward to a productive new investment period. Although the coming months are likely to prove more testing as the public sector cuts begin to take effect and the economy struggles to stabilise its faltering growth, we consider that good quality companies of the calibre in which we seek to invest, capable of maintaining competitive advantage, have the potential to succeed in this environment.

Our caution during the past, challenging investment environment has meant that we now have the cash reserves to deploy on the attractive new investment opportunities that are emerging and support portfolio needs as they arise.

The volatility in the quoted market will inevitably continue to impact on the unrealised valuations of the companies in the portfolio. However, we believe that the portfolio overall is resilient and essentially of high value which will be released in the long-term when the markets return to more stable conditions. Our strategy of investing primarily in MBOs and structuring investments to include loan stock will continue to mitigate downside risk.

Details of the Company's ten largest investments by value as at 30 September 2011 (excluding the four acquisition vehicles in the portfolio which have yet to complete an investment and each have a current cost and valuation of £1 million) are set out on the following pages.

Ten Largest Investments*

App-DNA Group Limited

Cost: £180,757
Valuation: £11,633,974
Basis of valuation: Discounted realisation proceeds
Equity % held: 31.5%
Business: Provider of software packaging services
Location: London
History: Development capital
Income in year to I&G: £19,154
Audited financial information:

Year ended	Turnover	Operating profit	Net assets
31 March 2011	£7,584,000	£635,000	£629,000

App-DNA now part of Citrix Systems

www.app-dna.com

IDOX plc

Cost: £872,625
Valuation: £1,796,667
Basis of valuation: Bid price (AiM-quoted)
Equity % held: 2.4%
Business: Development and supply of knowledge management products
Location: London
History: AiM flotation
Income in year to I&G: £48,183
Audited financial information:

Year ended	Turnover	Operating profit	Net assets	Earnings per share
31 October 2010	£31,268,000	£7,504,000	£31,012	1.07p

IDOX PLC

www.idoxplc.com

Fullfield Limited (Motorclean)

Cost: £1,718,189
Valuation: £1,718,189
Basis of valuation: Cost
Equity % held: 11.7%
Business: Vehicle cleaning and valet services
Location: Laindon, Essex
History: Management buy-out
Income in year to I&G: £35,324
Audited financial information: First audited accounts since investment will be for the year ended 30 November 2011

MOTORCLEAN

www.motorclean.com

ATG Media Holdings Limited

Cost: £888,993
Valuation: £1,675,368
Basis of valuation: Earnings multiple
Equity % held: 8.5%
Business: Publisher and on-line auction platform operator
Location: London
History: Management buy-out
Income in year to I&G: £92,298
Audited financial information:

Year ended	Turnover	Operating profit	Net assets
30 September 2010	£7,215,000	£1,261,000	£2,506,000

atgmedia

www.antiquestradegazette.com

Operating profit is stated before charging amortisation of goodwill where appropriate for all investee companies.
* Excluding the four acquisition vehicles in the portfolio at 30 September 2011.

Ten Largest Investments

ASL Technology Holdings Limited (formerly Apricot Trading Limited)

www.asl-group.co.uk

Cost:	£1,769,790
Valuation:	£1,674,630
Basis of valuation:	Earnings multiple
Equity % held:	9.6% (fully diluted)
Business:	Provider of printer and photocopier services
Location:	Cambridge
History:	Management buy-out
Income in year to I&G:	£91,216
Audited financial information:	First audited accounts since investment will be for the year ended 30 September 2011

RDL Corporation Limited (formerly Aust Recruitment Group Limited and Aust Construction Investors Limited)

www.rdlcorp.com

Cost:	£1,441,667
Valuation:	£1,383,792
Basis of valuation:	Earnings multiple
Equity % held:	13.0% (fully diluted)
Business:	Recruitment consultants for the pharmaceutical, business intelligence and IT industries
Location:	Woking, Surrey
History:	Management buy-out
Income in year to I&G:	£110,148

Audited financial information:

Year ended	Turnover	Operating profit	Net assets
31 December 2010*	£19,999,000	£1,111,000	£2,130,000

* Accounts are for the operating subsidiary RDL Recruitment Limited (formerly RDL Corporation Limited

Blaze Signs Holdings Limited

www.blaze-signs.com

Cost:	£1,338,500
Valuation:	£1,354,238
Basis of valuation:	Earnings multiple
Equity % held:	12.5%
Business:	Manufacturer and installer of signs
Location:	Broadstairs, Kent
History:	Management buy-out
Income in year to I&G:	£97,291

Unaudited financial information:

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

Operating profit is stated before charging amortisation of goodwill where appropriate for all investee companies.

DiGiCo Europe Limited

www.digico.org

Cost:	£325,594
Valuation:	£1,258,330
Basis of valuation:	Earnings multiple
Equity % held:	4.3%
Business:	Designer and manufacturer of digital audio mixing desks
Location:	Chessington, Surrey
History:	Management buy-out
Income in year to I&G:	£94,308

Audited financial information:

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

CB Imports Group Limited

CB Imports plc

www.countrybaskets.co.uk

Cost:	£1,000,000
Valuation:	£1,025,448
Basis of valuation:	Earnings multiple
Equity % held:	6.0%
Business:	Importer and distributor of artificial flowers, floral sundries and home décor products
Location:	East Ardsley, West Yorkshire
History:	Management buy-out
Income in year to I&G:	£81,535

Unaudited financial information:

Year ended	Turnover	Operating profit	Net assets
31 December 2010	£21,197,000	£2,139,000	£4,259,000

Westway Services Holdings (2010) Limited

WESTWAY
delivering your environment

www.westwaycooling.com

Cost:	£353,589
Valuation:	£928,577
Basis of valuation:	Earnings multiple
Equity % held:	4.7%
Business:	Installation, service and maintenance of air conditioning systems
Location:	Greenford, Middlesex
History:	Management buy-out
Income in year to I&G:	£34,995

Audited financial information:

Year ended	Turnover	Operating profit	Net assets
28 February 2011	£27,521,000	£3,942,000	£3,769,000

The remaining 35 investments in the portfolio (including the four acquisition vehicles in the portfolio at 30 September 2011) had a current cost of £19.7 million and were valued at 30 September 2011 at £12.7 million.

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

Operating profit is stated before charging amortisation of goodwill where appropriate for all investee companies.

Investment Portfolio Summary
as at 30 September 2011

	Ordinary Shares		Other Investments [1]		Total	Total		Total	Interest	Dividends	Unrealised	Realised	Gross	% of	% of	Description of loan
	Cost at 30-Sep-11	Valuation at 30-Sep-11	Cost at 30-Sep-11	Valuation at 30-Sep-11	Cost at 30-Sep-11	Valuation at 30-Sep-10	Additional investments	Valuation at 30-Sep-11	receivable in period	receivable in period	gains/(losses) in period	gains in period	proceeds	equity held [2 3]	portfolio by value	stock
	£	£	£	£	£	£	£	£	£	£	£	£	£			
App-DNA Group Limited [4] Provider of software repackaging services	166,667	11,619,884	14,090	14,090	180,757	1,091,346	-	11,633,974	19,154	-	10,875,962	-	333,334	31.5%	31.31%	
I-Dox plc [5] Developer and supplier of knowledge management products	872,625	1,796,667	-	-	872,625	939,167	-	1,796,667	-	48,183	857,500	-	-	2.4%	4.83%	-
Fullfield Limited (trading as Motorclean) Vehicle cleaning and valet services	544,093	544,093	1,174,096	1,174,096	1,718,189	1,000,000	718,189	1,718,189	35,324	-	-	-	-	11.7%	4.61%	Secured variable loan 2016
ATG Media Holdings Limited Publisher and online auction platform operator	355,660	1,035,591	533,333	639,777	888,993	1,377,208	104	1,675,368	53,222	39,076	409,167	-	111,111	8.5%	4.51%	Secured loan stock 2013 at 10.0%
ASL Technology Holdings Limited (formerly Apricot Trading Limited) Printer and photocopier services	418,321	-	1,351,469	1,674,630	1,769,790	1,000,000	769,790	1,674,630	91,216	-	(95,160)	-	-	9.6%	4.51%	Secured loan at 10% 2015 and 2016
RDL Corporation Limited (formerly Aust Recruitment Group Limited) Recruitment provider within the pharmaceutical, business intelligence and IT sectors	250,752	147,820	1,190,915	1,235,972	1,441,667	1,000,000	441,667	1,383,792	110,148	-	(57,875)	-	-	13.0%	3.72%	Secured variable loan 2012
Blaze Signs Holdings Limited Manufacturer and installer of signs	401,550	141,222	936,950	1,213,016	1,338,500	242,090	-	1,354,238	97,291	-	1,112,148	-	-	12.5%	3.64%	Secured loan stock 2011 and 2012 at 10%
DiGiCo Europe Limited Designer and manufacturer of digital audio mixing desks	253,906	1,181,325	71,688	77,005	325,594	1,201,553	-	1,258,330	5,441	88,867	56,777	-	-	4.3%	3.39%	Secured loan stock 2012 at 10.75%
CB Imports Group Limited (trading as Country Baskets) Importer and distributor of artificial flowers, floral sundries and home decor products	175,000	25,448	825,000	1,000,000	1,000,000	1,199,310	-	1,025,448	72,023	9,512	(173,862)	-	-	6.0%	2.76%	Secured loan stock 2014 at 8.73%
Backbarrow Limited Company seeking to acquire businesses in the food manufacturing, distribution and brand management sectors	400,000	400,000	600,000	600,000	1,000,000	1,000,000	-	1,000,000	-	-	-	-	-	16.7%	2.70%	Secured variable loan 2013
Bladon Castle Management Limited Company seeking to acquire businesses in the brand management, consumer products and retail sectors	400,000	400,000	600,000	600,000	1,000,000	1,000,000	-	1,000,000	-	-	-	-	-	16.7%	2.70%	Secured variable loan 2013
Rusland Management Limited Company seeking to acquire businesses in the brand management, consumer products and retail sectors	400,000	400,000	600,000	600,000	1,000,000	1,000,000	-	1,000,000	-	-	-	-	-	16.3%	2.70%	Secured variable loan 2013
Torvar Limited Company seeking to acquire businesses in the database management, mapping, data mapping and management services sectors	400,000	400,000	600,000	600,000	1,000,000	1,000,000	-	1,000,000	-	-	-	-	-	16.3%	2.70%	Secured variable loan 2013
Westway Services Holdings (2010) Limited Installation, service and maintenance of air conditioning systems	57,941	498,619	295,648	429,958	353,589	884,557	-	928,577	34,995	-	143,701	-	99,681	4.7%	2.50%	Secured loan stock 2014 at 10.7%
Iglu.com Holidays Limited Online ski and cruise travel agency	150,000	886,331	2,326	2,326	152,326	1,616,116	-	888,657	24,153	-	270,215	1	997,675	8.1%	2.39%	
Youngman Group Limited Manufacturer of ladders and access towers	100,052	-	900,000	682,203	1,000,052	700,992	-	682,203	59,175	1,429	(18,789)	-	-	8.5%	1.84%	Secured loan stock 2010 at 8.5%
British International Holdings Limited Helicopter service operator	112,500	-	478,409	646,718	590,909	796,381	-	646,718	10,939	-	(149,663)	-	-	5.0%	1.74%	Secured loan stock 2011 at 9% and 2014 at 12%
Focus Pharma Holdings Limited Licensor and distributor of generic pharmaceuticals	180,914	142,292	335,986	486,414	516,900	707,569	-	628,706	36,769	6,057	(78,863)	-	-	2.1%	1.69%	Secured loan stock 2012 at 10.97%
Brookerpaks Limited Importer and distributor of garlic and vacuum-packed vegetables	50,000	571,042	5,000	5,000	55,000	498,095	-	576,042	-	132,957	77,947	-	-	18.2%	1.55%	-
Original Additions Topco Limited [10] Sale of false nails, nail accessories, false eyelashes, depilatory products, hair lightening and perming products	-	-	25,696	537,948	25,696	-	-	537,948	8,725	-	-	-	-	0.0%	1.45%	Unsecured loan stock 2018 at 8%
Duncary 8 Limited Technical training business	126,590	27,366	508,333	508,333	634,923	683,746	-	535,699	10,028	-	(148,047)	-	-	25.5%	1.44%	Secured loan stock 2015 at 2%
Camwood Enterprises Limited [4] Provider of software repackaging services	166,667	485,092	14,090	14,090	180,757	1,091,346	-	499,182	12,881	-	(258,831)	-	333,334	31.5%	1.34%	
Faversham House Holdings Limited Publisher, exhibition organiser and operator of websites for the environmental, visual communications and building services	185,060	185,060	302,684	302,684	487,744	-	487,744	487,744	30,683	-	-	-	-	8.8%	1.31%	Secured loan stock 2015 at 12.50%
Aquasium Technology Limited [6] Manufacturing and marketing of bespoke electron beam welding and vacuum furnace equipment	166,667	-	533,333	486,319	700,000	396,581	-	486,319	-	-	89,738	-	-	16.7%	1.31%	Secured loans at 8.25% 2006 and at 7% 2008 and 2010
Tikit Group plc [5] Supplier of IT solutions and support services to legal and accounting businesses	189,500	458,094	-	-	189,500	839,129	-	458,094	-	13,356	140,064	106,901	628,000	1.1%	1.23%	-
Machineworks Software Limited [7] Provider of software for CAD and CAM vendors	20,471	407,310	-	-	20,471	583,453	-	407,310	10,429	12,947	8,557	10,234	255,818	9.2%	1.10%	-
Omega Diagnostics Group plc In-vitro diagnostics for food intolerance, autoimmune diseases and infectious diseases	279,996	291,663	-	-	279,996	-	279,996	291,663	-	-	11,667	-	-	2.7%	0.78%	-

	Ordinary Shares Cost at 30-Sep-11 £	Ordinary Shares Valuation at 30-Sep-11 £	Other Investments [1] Cost at 30-Sep-11 £	Other Investments [1] Valuation at 30-Sep-11 £	Total Cost at 30-Sep-11 £	Total Valuation at 30-Sep-10 £	Additional investments £	Total Valuation at 30-Sep-11 £	Interest receivable in period £	Dividends receivable in period £	Unrealised gains/(losses) in period £	Realised gains in period £	Proceeds £	% of equity held [2 3]	% of portfolio by value	Description of loan stock
Image Source Group Limited Royalty free picture library	300,000	233,977	5,000	5,000	305,000	1,399,114	-	238,977	-	-	(1,160,137)	-	-	44.0%	0.64%	-
Letraset Limited Manufacturer and worldwide distributor of graphic art products	450,010	34,385	200,000	200,000	650,010	213,859	10	234,385	-	-	20,516	-	-	5.3%	0.63%	Unsecured subordinated loan stock 2009 at 8%
Alaric Systems Limited [6] Software developer and provider of support services for retail credit card payment systems	565,156	136,467	30,646	30,647	595,802	30,647	-	167,114	-	-	136,467	-	-	6.9%	0.44%	Secured variable rate loan stock 2009
NexxtDrive Limited [8] Developer and exploiter of mechanical transmission technologies	487,014	-	325,000	162,500	812,014	162,500	-	162,500	-	-	(7,901)	-	-	6.2%	0.43%	Secured convertible loan stock at 10% 2011
Racoon International Holdings Limited Supplier of hair extensions, hair care products and training	165,256	-	385,596	157,755	550,852	243,664	-	157,755		-	(85,909)	-	-	7.7%	0.42%	Secured loan stock 2011 at 12%
ANT plc [6] Provider of embedded browser/email software for consumer electronics and Internet appliances	462,816	144,451	-	-	462,816	160,866	-	144,451	-	-	(16,415)	-	-	2.7%	0.39%	-
Vectair Holdings Limited Designer and distributor of washroom products	53,207	138,932	193	193	53,400	366,575	-	139,125	9,257	-	(32,433)	-	195,017	4.6%	0.37%	
The Plastic Surgeon Holdings Limited Supplier of snagging and finishing services to the property sector	40,610	-	365,472	101,521	406,082	101,521	-	101,521	28,491	-	-	-	-	6.1%	0.27%	Secured loan stock 2013 at 8.62%
Oxonica Limited (formerly Oxonica plc) [6] International nanomaterials group	2,524,527	69,624	-	-	2,524,527	-	-	69,624	-	-	69,624	69,624	69,624	10.6%	0.19%	-
Lightworks Software Limited [7] Provider of software for CAD and CAM vendors	20,471	54,138	-	-	20,471	194,484	-	54,138	-	12,947	(79,462)	-	-	9.2%	0.15%	-
Monsal Holdings Limited Supplier of engineering services to the water and waste sectors	145,314	-	323,296	42,446	468,610	768,505	42,446	42,446	6,102	-	(768,505)	-	-	5.6%	0.11%	Secured loan stock 2012 at 8.62% and variable loans 2016
Sarantel Group plc [6] Developer and manufacturer of antennae for mobile phones and other wireless devices	1,881,252	39,485	-	-	1,881,252	102,117	-	39,485	-	-	(62,632)	-	-	0.8%	0.11%	-
Corero Network Security plc [6] (Formerly Corero plc) Provider of e-business technologies	600,000	35,363	-	-	600,000	24,558	-	35,363	-	-	10,805	-	-	0.2%	0.10%	-
PXP Holdings Limited (Pinewood Structures) Designer, manufacturer and supplier of timber frames for buildings	227,783	-	692,393	-	920,176	-	-	-	-	-	-	-	-	6.8%	-	Secured loan stock 2012 and 2013 at 8%
Aigis Blast Protection Limited [6] Specialist blast containment materials company	272,120	-	-	-	272,120	-	-	-	-	-	-	-	-	0.4%	-	-
Legion Group plc (in administration) Provider of manned guarding, mobile patrols and alarm response services	150,000	-	-	-	150,000	-	-	-	-	-	-	-	-	0.7%	-	-
Biomer Technology Limited [8] Developer of biomaterials for medical devices	137,170	-	-	-	137,170	226,152	-	-	-	-	(226,152)	-	-	4.4%	-	-
DCG Group Limited [6] Design, supply and integration of data storage solutions	83,324	-	-	-	83,324	181,771	-	-	19,636	-	-	30,902	204,772	10.7%	-	
Other investments in the portfolio [9]	-	-	-	-	-	-	-	-	-	-	-	6,839	6,839	-	-	
Disposed in year																
Amaldis (2008) Limited (Original Additions) [10] Manufacturer and distributor of beauty products	-	-	-	-	-	1,965,586	-	-	426,713	-	-	38,047	1,465,685	0.0%	-	
Campden Media Limited Magazine publisher and conference organiser	-	-	-	-	-	125,921	-	-	-	-	-	161,318	287,239	0.0%	-	
HWA Group Limited (Holloway White Allom) (in administration) High value property restoration and refurbishment	-	-	-	-	-	-	-	-	-	-	-	49,341	49,340	0.0%	-	-
Total	**15,390,962**	**22,931,741**	**14,226,642**	**14,230,641**	**29,617,604**	**28,116,479**	**2,739,946**	**37,162,382**	**1,212,795**	**365,331**	**10,870,219**	**473,207**	**5,037,469**		**100.00%**	

Notes

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

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

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

[4] On 28 March 2011, Camwood Limited was demerged resulting in a 50:50 split holding in App-DNA Group Limited and Camwood Enterprises Limited

[5] Investment formerly managed by Nova Capital Management Limited until 31 August 2007.

[6] Investment formerly managed by Foresight Group up to various dates ending on or before 10 March 2009.

[7] On 31 March 2011, VSI Limited (VSI) undertook a demerger, such that the Company now holds separate investments in Machineworks Software Limited (Machineworks) and Lightworks Software Limited (Lightworks). On the demerger date, the cost of the ordinary shares and the cost and valuation of the preference share investments were split equally between Machineworks and Lightworks. However the valuation of the ordinary share investments at the merger date was split 75:25 between Machineworks and Lightworks respectively. The former loan investment in VSI of £255,818 was wholly transferred to Machineworks at the date of the Merger. It was repaid in full on 4 April 2011.

[8] Investment formerly managed by Nova Capital Management Limited until 31 August 2007 and by Foresight Group until various dates ending on or before 10 March 2009.

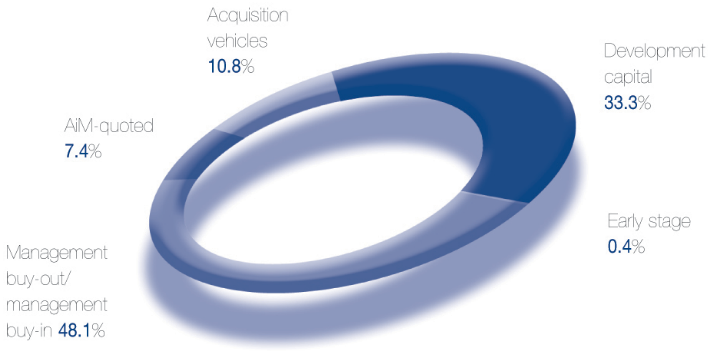
[9] 'Other investments in the portfolio' comprises Stortext-FM Limited/Stortext (DO) Limited which was sold during the year and Frozen Herbs Limited (a subsidiary of FH Ingredients Limited which was dissolved in 2008).

[10] As part of the consideration on the disposal of Amaldis (2008) Limited, £537,948 of Original Additions Topco Limited loan stock was issued to the Company.

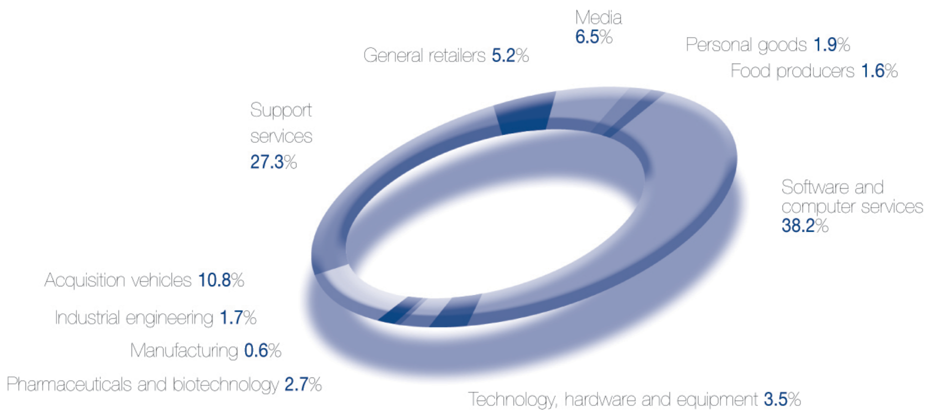
Investments at valuation at 30 September 2011

By investment manager

By stage of development



By market sector



Board of Directors

Colin Hook
Status: Independent Non-Executive Chairman
Age: 69
Date of appointment: 13 October 2000
Qualifications: MA
Experience: Colin has wide financial and commercial experience. He has worked in the City for more than thirty years. During this time he directed fund management operations for more than ten years. His City involvement includes mergers and acquisitions and flotations. From 1994 to 1997 he was Chief Executive of Ivory and Sime plc. He is currently the Chief Executive 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. Until September 2010, he was the non-executive chairman and a director of Matrix Income and Growth 4 VCT plc.
Last re-elected to the Board: February 2011. Standing for re-election at the AGM in 2012.
Committee memberships: Nominations and Remuneration Committee (Chairman to 5 December 2011), Audit Committee, Investment Committee.
Number of Board and Committee meetings attended 2010/11: 13/13.
Remuneration 2010/11: £41,000.
Relevant relationships with the Investment Manager or other service providers: None
Shared directorships with other I&G Directors: None
Shareholding in the Company: 38,997 Ordinary Shares.

Jonathan Cartwright
Status: Independent Non-Executive Director
Age: 58
Date of appointment: 1 August 2010
Qualifications: Fellow of the Institute of Chartered Accountants in England and Wales
BSc (Engineering Sciences)
Experience: Jonathan qualified as a Chartered Accountant. He has significant experience of the investment trust sector and of serving on the boards of both public and private companies in executive and non-executive roles. Jonathan joined Caledonia Investments plc in 1989, serving as Finance Director from 1991 to December 2009. Prior to this he was Group Financial Controller at Hanson plc 1984 - 1989. He was a non-executive Director of Bristow Group Inc. (1996 – 2009) and has been a non-executive director of Serica Energy plc (from 2008 to date), British Portfolio Trust plc (from September 2010) and Aberforth Geared Income Trust plc (from March 2010). Jonathan has served on the Self-Managed Investment Trust Committee of the Association of Investment Companies (to December 2009).
Elected to the Board: February 2011.
Committee memberships: Audit Committee (Chairman), Investment Committee, Nominations and Remuneration Committee.
Number of Board and Committee meetings attended 2010/11: 12/12
Remuneration 2010/11: £31,000.
Relevant relationships with the Investment Manager or other service providers: None.
Relevant relationships with investee companies: None.
Shared directorships with other I&G Directors: None.
Shareholding in the Company: 7,016 Ordinary Shares.

Helen Sinclair

Status: Non-Executive Director

Age: 45

Date of appointment: 29 January 2003

Qualifications: MA, MBA

Experience: Helen has extensive experience of investing in a wide range of small and medium sized businesses. She graduated in economics from Cambridge University and began her career in banking. After an MBA at INSEAD business school, Helen worked from 1991 to 1998 at 3i plc based in their London office. She was a founding director of Matrix Private Equity Limited when it was established in early 2000 and has since raised two funds, Matrix Income & Growth 2 VCT plc and Matrix Enterprise Fund. After leaving Matrix in 2005, she was a non-executive director of Hotbed Fund Managers Limited from 2006-08. She is Chairman of British Smaller Companies VCT plc, a non-executive director of Matrix Income & Growth 4 VCT plc, Framlington AIM VCT plc, Octopus Eclipse VCT 3 PLC and Spark Ventures plc.

Last re-elected to the Board: February 2011. Standing for re-election at the AGM in 2012

Committee memberships: Investment Committee (Chairman), Audit Committee, Nominations and Remuneration Committee (Chairman from 5 December 2011).

Number of Board and Committee meetings attended 2010/11: 12/12.

Remuneration *2010/11*: £31,000.

Relevant relationships with the Investment Manager or other service providers: Matrix Income & Growth 4 VCT plc is also managed by MPEP.

Shared directorships with other I&G Directors: None

Shareholding in the Company: 15,883 Ordinary Shares.

Directors' Report

The Directors present the eleventh Annual Report and Accounts of the Company for the year ended 30 September 2011.

Principal activity and status as a Venture Capital Trust ("VCT")

The principal activity of the Company during the year under review was investment in unquoted or AiM-quoted companies in the United Kingdom. Details of the principal investments made by the Company are given in the Investment Manager's Review and Investment Portfolio Summary on pages 13 - 24 of this Annual Report.

The ordinary shares ("formerly 'S' Shares") were first admitted to the Official List of the UK Listing Authority ("UKLA") and to trading 8 February 2008. Following the merger of the former classes of 'O' (first admitted to the Official List of the UKLA and to trading on 15 November 2000) and 'S' Shares, detailed below, the listing of the 'S' Shares was amended on the Official List to ordinary shares of 1p in the capital of the Company ("Ordinary Shares") on 30 March 2010 and the 'O' Share listing was cancelled.

The Company has satisfied the requirements for full approval as a Venture Capital Trust under section 274 of the Income Tax Act 2007 ("the ITA"). It is the Directors' intention to continue to manage the Company's affairs in such a manner as to comply with section 274 of the ITA.

The Company revoked its status as an investment company on 30 November 2005 as defined by section 266 of the Companies Act 1985 ("the 1985 Act") subsequently superseded by section 833 of the Companies Act 2006 ("the 2006 Act") and does not intend to re-apply for such status.

Future developments

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

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

Business review

For a review of the Company's development and performance during the year and future prospects, please see the Chairman's Statement on pages 5 - 10 and the Investment Manager's Review and Investment Portfolio Summary on pages 13 - 24 of this Report. The Financial Highlights on pages 1 - 3 provides data on the Company's key performance indicators.

The Company's Investment Policy on pages 11 - 12 provides information on the Company's financial risk management objectives and exposure to risks.

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

- **Total return**
  The total return per share is the key measure of performance for the Company which comprises NAV plus cumulative dividends paid per share. NAV is calculated quarterly in accordance with the International Private Equity Venture Capital Valuation (IPEVCV) guidelines. The VCT's net assets increased during the year under review resulting in a 25.9% rise in total return per share.

  For further information on the relative performances of the two former Share Funds please see the Financial Highlights on pages 1 - 3.

- **Total expense ratio (TER)**
  The TER of the Company for the year under review was 2.7%. Under the terms of the Investment Advisers' Agreement, annual expenses, excluding any exceptional items, Investment Manager's performance fee and trail commission, are capped at 3.25% of closing net assets. Any expenses in excess of the 3.25% cap are borne by the Investment Manager and the Promoter. Removing these exceptional items and trail commission from the TER reduces the figure to 2.5% and therefore £nil was repayable this year (2010: £nil). The above figures exclude the litigation costs disclosed in Note 5.

Principal risks, management and regulatory environment
The Board believes that the principal risks faced by the Company are:

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

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

- **Investment and strategic risk** – inappropriate strategy or consistently weak VCT qualifying investment recommendations might lead to underperformance and poor returns to shareholders. Investment in unquoted small companies by its nature involves a higher degree of risk than investment in companies traded on the London Stock Exchange main market. Smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals. This may make them more risk-prone and volatile investments.

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

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

- **Market risk** – movements in the valuations of the VCT's investments will, inter alia, be connected to movements in UK Stock Market indices.

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

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

- **Counterparty risk** - A counterparty may fail to discharge an obligation or commitment that it has entered into with the Company. For further information, please see page 7 of the Chairman's Statement under 'Cash available for investment' and the discussion on 'credit risk' in Note 20 to the accounts on pages 69 - 71.

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

Issue and buy-back of shares

During the year under review, the Company issued a total of 5,370,922 ordinary shares. Of this total 5,239,609 (2010: nil) ordinary shares were issued under the Matrix VCT Linked Offer for Subscription launched on 12 November 2010 and 131,313 ordinary shares (2010: 112,768 former 'O' Shares; 6,674 former 'S' Shares) were issued under the Company's Dividend Investment Scheme.

The Board believes that it is in the best interests of the Company and its Shareholders for the Company to make market purchases of its shares to seek both to enhance net asset value and to discourage excessive discounts to market prices quoted. An Authority for the Company to purchase its own shares pursuant to section 701 of the Companies Act was in place throughout the year under review. For further details please see Note 16 to the accounts on pages 66 - 67 of this Annual Report. A resolution to renew this authority will be proposed at the Annual General Meeting to be held on 9 February 2012.

During the year the Company bought back 1,649,765 of its own Ordinary Shares (2010: 1,037,821 Ordinary Shares plus 369,937 former 'O' Shares bought-back prior to the Merger on 29 March 2010) representing 4.5% of the Ordinary Shares in issue at the beginning of the year (2010: Ordinary shares in the six months following the merger: 2.7% of the shares in issue on the date of Merger; former 'O' Shares in the six months up until the date of the Merger: 1.1% of the 'O' Shares in issue at 1 October 2010) at a cost of £1,475,019 (2010: £966,118).

The shares bought back were subsequently cancelled by the Company.

The issued Ordinary Share capital of the Company as at 30 September 2011 was £406,920 (2010: £369,709) and the number of Ordinary Shares in issue as at this date was 40,692,048 (2010: 36,970,891).

Results and dividend

The basic revenue return after taxation attributable to Shareholders for the period was £864,072 (2010: loss of £50,860).

An interim capital dividend of 20 pence per Ordinary Share will be paid in respect of the year ending 30 September 2012 on 27 January 2012 to Shareholders on the Register on 30 December 2011.

The Directors are recommending a final dividend of 4 pence per Ordinary Share comprising 2 pence from capital and 2 pence from income in respect of the year ended 30 September 2011. The dividend will be proposed to Shareholders at the Annual General Meeting of the Company to be held on 9 February 2012 and paid to Shareholders on the Register on 20 January 2012, on 15 February 2012.

An interim capital dividend of 2 pence per share and a final dividend of 2 pence per shares were paid to shareholders during the year in respect of the year ended 30 September 2010.

Dividend Investment Scheme

The Company's Dividend Investment Scheme ("the Scheme") will apply to the special interim dividend and the final dividends and elections under the Scheme should be received by the Scheme Administrator, Capita Registrars, no later than 12 January 2012 in the case of the special dividend and 31 January 2012 in the case of the final dividends.

Directors and their interests

The names of the Directors appear below and on pages 25 - 26 of this Annual Report.

The Directors' interests in the issued Ordinary Shares of the Company as at 30 September 2011 were:

Director	***Ordinary Shares held on 30 September 2011***	***Ordinary Shares held on 30 September 2010***
Colin Hook	38,997	30,587
Jonathan Cartwright	7,016	-
Helen Sinclair	15,883	10,605

During the year under review, each of the Directors were allotted the following shares under the Matrix VCTs Linked Offer and the Company's Dividend Investment Scheme:

	Shares allotted under the Matrix VCTs Linked Offer	***Shares allotted under the Company's Dividend Investment Scheme***	***Total shares allotted to each Director during the year***
Director			
Colin Hook	6,711	1,699	8,410
Jonathan Cartwright	6,711	305	7,016
Helen Sinclair	5,033	245	5,278

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

In accordance with the AIC Code, Colin Hook, who has served on the Board for 11 years, has agreed to retire annually from the Board and, being eligible, offers himself for re-election at the forthcoming Annual General Meeting. The Board confirms that, following a review of his performance, Colin Hook continues to make a substantial contribution to the Board as its Chairman and that his length of service is an asset to the Company. The remaining directors have no hesitation in recommending his re-election to Shareholders.

With the exception of Helen Sinclair, all the Directors are considered to be independent of the Investment Manager. Helen Sinclair also sits on the Board of Matrix Income & Growth 4 VCT plc, which is also managed by Matrix Private Equity Partners, and as such she is not considered to be independent of the Manager and has agreed to retire annually from the Board. In accordance with the AIC Code, and being eligible, she will offer herself for re-election at the forthcoming Annual General Meeting. The Board confirms that, following a review of her performance, Helen Sinclair has considerable experience both of making investments in the types of companies in which the VCT invests and of being a VCT director. She has shown herself to be a committed and independent director who continues to make a substantial contribution to the Board as Chairman of the Investment Committee. The remaining directors have no hesitation in recommending her re-election to Shareholders.

Biographical notes on these Directors are given on pages 25 - 26 of this Annual Report.

Copies of the Directors' appointment letters shall be available for inspection at the place of the Annual General Meeting for at least fifteen minutes prior to and during the meeting. The Directors do not have any service contracts with the Company.

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

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

Investment management

Matrix Private Equity Partners LLP (MPEP) acts as Investment Manager and provides administrative and company secretarial services to the Company.

The Board reviews annually, and at other times as and when necessary, the Investment Management Agreement and the performance of the Investment Manager, and the other service providers including the auditors, VCT status adviser, solicitors, bankers and registrars. Particular emphasis is placed on reviewing the Investment Manager, in terms of investment performance, quality of information provided to the Board and remuneration. This work forms part of the Board's overall internal control procedures as discussed elsewhere. As part of this review the Board considers the quality and continuity of the investment management team, the investment process and the results achieved to date. The Board places significant emphasis on the Company's performance against benchmarks and is satisfied that the VCT's performance remained ahead of the benchmark used on a consistent basis. The Board further considered the Manager's commitment to the promotion of the Company and was satisfied that this was prioritised highly by the Manager as evidenced by the Matrix Linked VCT fundraisings in 2010/11 and 2011/12 with other MPEP managed VCTs.

The principal terms of the Company's Investment Manager's Agreement with the Manager dated 29 March 2010 and the previous contractual arrangements prior to this date are set out in Note 3 to the Accounts on pages 57 - 58 of this Annual Report. Having considered the terms of this agreement, and where relevant those of companies in the same peer group, the Board considers that the terms of this agreement represents an appropriate balance between cost and incentivisation of the Manager.

The continued appointment of Matrix Private Equity Partners on the existing terms was approved by the Board on 27 September 2011. The Directors believe that the continuing appointment of MPEP as the Investment Manager on the terms currently agreed is in the interests of its Shareholders.

MPEP also acts as both Company Administrator and Company Secretary under the terms of the agreement.

Voting rights of Shareholders

Each shareholder has one vote on a show of hands, and on a poll one vote per share held, at a general meeting of the Company. No member shall be entitled to vote or exercise any rights at a general meeting unless all shares have been paid up in full. Any instrument of proxy must be deposited at the place specified by the directors no later than 48 hours before the time for holding the meeting.

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

VCT status monitoring

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

Independent auditor

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

Auditor's right to information

So far as the Directors in office at 30 September 2011 are aware, there is no relevant audit information of which the auditors are unaware. They have individually taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Substantial interests

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

Financial Instruments

The main risks arising from the Company's financial instruments are due to fluctuations in the market price and interest rates, credit risk and liquidity risk. The Board regularly reviews and agrees policies for managing these risks and full details can be found in Note 20 to the Accounts on pages 67 - 74 of this Annual Report.

Anti-bribery policy

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

- I&G VCT will not tolerate bribery under any circumstances in any transaction in which it is involved.
- I&G VCT values its reputation for ethical behaviour and for financial probity and reliability. The Directors are committed to working to the highest ethical standards throughout the business.
- I&G VCT expects and requires each of its service providers to work to the same standard.

Creditors' payment policy

The Company's policy is to pay all creditors' invoices within 30 days of the invoice date unless otherwise agreed. At the year-end trade creditors were £22,704 (2010: £33,262). At 30 September 2011 the average credit period for trade creditors was 4 days (2010: 7 days).

Environmental and social responsibility

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

Directors and officers liability insurance

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

Annual General Meeting

Notice of the Annual General Meeting to be held on 9 February 2012 is set out on pages 76 - 78 of this Annual Report.

The following is an explanation of resolutions 8 to 10, which together with resolutions 1 to 7 form the business to be proposed at the meeting. Resolutions 1 to 8 will be proposed as ordinary resolutions requiring more than 50% of the votes cast at the meeting to be in favour and resolutions 9 and 10 will be proposed as special resolutions requiring the approval of 75% of the votes cast at the meeting.

The Directors believe that the proposed resolutions are in the interests of Shareholders and accordingly recommend Shareholders to vote in favour of each resolution.

Authorities for the Directors to allot shares (Resolution 8) and disapply pre-emption rights of members (Resolution 9)

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

Resolution 8 will enable the Directors to allot new shares up to an aggregate nominal amount not exceeding £380,000 representing approximately 93.3% of the issued share capital of the Company as at the date of the notice of the meeting. The authority granted by this resolution will expire on the fifth anniversary of the date of the passing of this resolution.

Under section 561(1) of the 2006 Act, if the Directors wish to allot new shares or sell treasury shares for cash they must first offer such shares to existing Shareholders in proportion to their current holdings. It is proposed by Resolution 9 to sanction the disapplication of such pre-emption rights in respect of the allotment of equity securities (i) with an aggregate nominal value of £300,000 in connection with offer(s) for subscription; (ii) with a nominal value of up to 10% of the issued share capital of the Company from time to time pursuant to any dividend investment scheme operated by the Company; and (iii) with a nominal value of up to 10% of the issued share capital of the Company from time to time. The proceeds of these allotments may be used in whole or part to purchase the Company's Shares.

Resolution 9 will expire on the conclusion of the Annual General Meeting of the Company to be held in 2013.

In accordance with an authority approved by Shareholders at the Annual General Meeting of the Company held on 16 February 2011, the Directors are authorised to allot shares pursuant to the Company's Dividend Investment Scheme at their mid market price, even if this is less than net asset value per share.

The Directors may allot securities after the expiry dates given above in pursuance of offers or agreements made prior to the expiration of these authorities. Both resolutions generally renew previous authorities approved at the annual general meeting of the Company held on 16 February 2011.

The Directors intend to launch a joint Offer for Subscription with Matrix Income & Growth VCT plc and Matrix Income & Growth 4 VCT plc in January 2012 to raise up to £7 million for each VCT and it is the Directors' intention that new shares may be issued pursuant to the Offer under this authority (to the extent that existing authorities do not apply). It is further intended to allot shares under the Dividend Investment Scheme in respect of the declared special capital interim dividend and the proposed final dividends to be paid to Shareholders on 27 January 2012 and 15 February 2012 respectively. The Directors have no further immediate intention of exercising the above powers.

Authority to make market purchases of the Company's own shares (Resolution 10)
This resolution authorises the Company to purchase its own shares pursuant to section 701 of the 2006 Act. The authority is limited to an aggregate of 6,100,000 shares representing approximately 14.99% of the issued share capital of the Company as at the date of the notice of the meeting. The maximum price that may be paid for a share will be the higher of (i) an amount that is not more than five per cent above the average of the middle market quotations of the shares as derived from the Daily Official List of the UK Listing Authority for the five business days preceding such purchase and (ii) the price stipulated by Article 5(i) of the Buy Back and Stabilisation Regulations. The minimum price that may be paid for a share is 1 pence, being the nominal value thereof.

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

Shareholders should note that the Directors will not exercise this authority unless they believe to do so would result in an increase in net assets per share and would be in the interests of Shareholders generally. The Directors currently intend to cancel all shares purchased under this authority. This resolution, will expire on the conclusion of the Company's Annual General Meeting to be held in 2013.

Post Balance Sheet Events

(1) On 21 October 2011, the Company made a new investment £1,383,314 into EOTH Limited (Equip).

(2) On 1 November 2011 the Company made a new investment of £1,878,124 into Ingleby (1879) Limited to support the MBO of EmAC Limited.

(3) On 9 November 2011, the Company sold its investment in App-DNA Group Limited to Citrix Systems Inc, for an initial consideration of approximately £14.6 million plus a further approximately £1.8 million of deferred consideration which could be receivable over the next four years.

(4) On 29 November 2011, Bladon Castle Management Limited redeemed its loan stock, realising proceeds of £999,000 for the Company. On 29 November 2011, the Company exchanged its shares in Bladon Castle Management Limited for shares in Watchgate Limited.

(5) On 9 December 2011, the Company's investment in DiGiCo Europe Limited was sold to ISIS LLP for net cash proceeds of £1,405,642. In addition, the Company continues to hold a residual loan stock and equity (1.57%) investment with an assumed valuation of £874,497.

(6) On 15 December 2011 the Company approved a commitment to invest a further £45,195 in PXP Holdings Limited.

By order of the Board

Matrix Private Equity Partners LLP
Secretary
22 December 2011

Directors' Remuneration Report

This report has been prepared by the Directors in accordance with the requirements of Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. A resolution to approve the report will be proposed at the Annual General Meeting to be held on 9 February 2012. The Company's independent auditors are required to give their opinion on the information provided on Directors' emoluments on page 38 of this report and this is explained further in their report to Shareholders on pages 49 - 50.

Remuneration Committee

The remuneration of individual Directors is determined by the Nominations and Remuneration Committee within the framework set by the Board. The Committee comprises the full Board and is chaired by Helen Sinclair (Colin Hook until 5 December 2011). The Committee meets at least once a year and is responsible for reviewing the remuneration of the Directors. The Committee has access to independent advice where and when it considers it appropriate. However, it was not considered necessary to take any such advice during the year under review. The Directors fees have remained at £35,000 (Chairman) and £25,000 (Director) per annum since 1 January 2006. The supplement paid to members of the Investment Committee was increased from £5,000 to £6,000 per annum with effect from 1 October 2008. After the year-end in December 2011, each of the Directors received a one-off payment of £10,000 in respect of additional work carried out on specific projects for the Company.

Remuneration policy

The remuneration policy is set by the Board. The Directors' fees are reviewed annually by the Nominations and Remuneration Committee which determines the amount of fees to be paid to the Directors. No director is involved in determining his or her own remuneration. When considering the level of Directors' fees, the Committee takes account of remuneration levels elsewhere in the Venture Capital Trust industry and other relevant information. Since all the Directors are non-executive, the Company is not required to comply with the provisions of the UK Corporate Governance Code in respect of Directors' remuneration, except in so far as they relate specifically to non-executive directors. No portion of the fees paid to any of the Directors is related to performance. Details of the Directors' remuneration are disclosed on page 38 and in Note 6 to the Accounts on page 59. All the Directors are non-executive and the Company does not provide pension benefits to any of the Directors. The Company has not granted any Director any options over the share capital of the Company and the Company does not operate any long-term incentive plans for the Directors.

Terms of appointment

The Articles of Association provide that Directors may be appointed either by an ordinary resolution of the Company or by the Board provided that a person appointed by the Board shall be subject to re-election at the first Annual General Meeting following their appointment. One-third of the Directors retire from office by rotation at each Annual General Meeting and the retiring Directors then become eligible for re-election in accordance with the Articles of Association. All Directors receive a formal letter of appointment setting out the terms of their appointment and their specific duties and responsibilities. A Director's appointment may be terminated on three months' notice being given by the Company and in certain other circumstances. All of the Directors are non-executive and none of the Directors has a service contract with the Company. No arrangements have been entered into between the Company and the Directors to entitle any of the Directors to compensation for loss of office.

Details of individual emoluments and compensation (audited information)

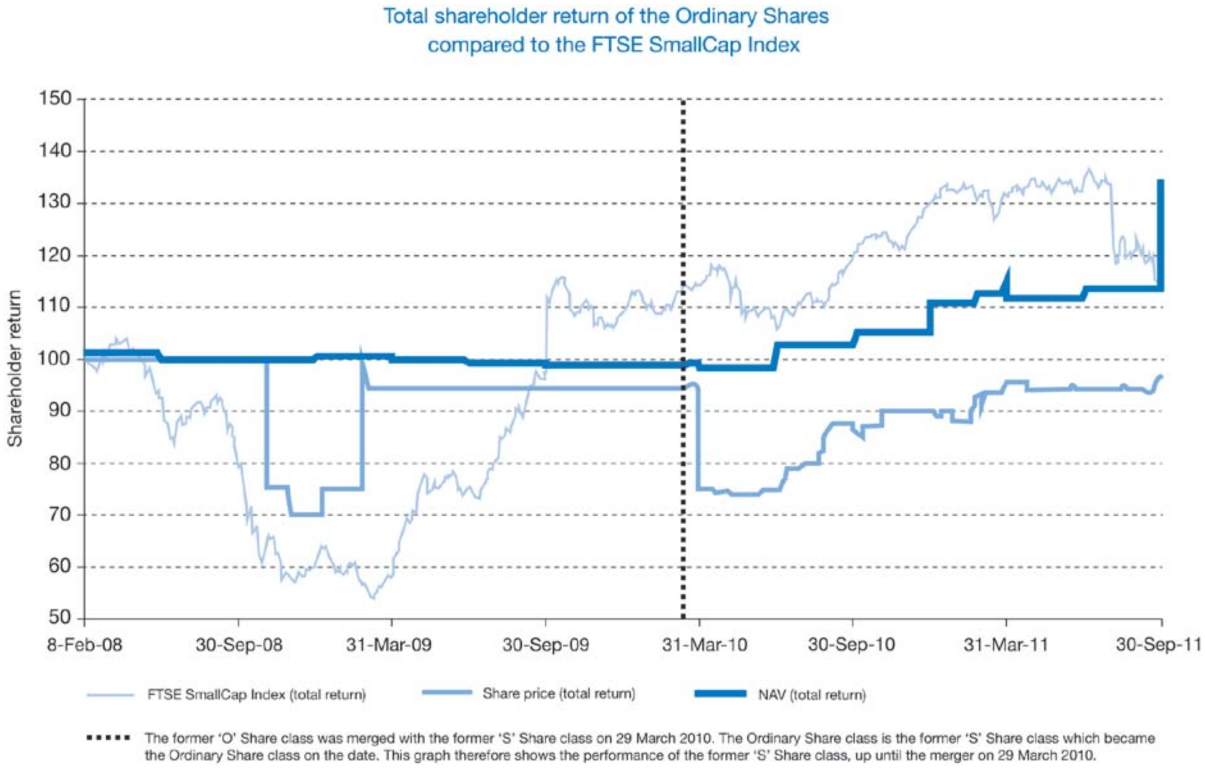
The emoluments in respect of qualifying services of each person who served as a Director during the year were as set out in the table below. The Company does not have any schemes in place to pay to any of the Directors bonuses, benefits, share options or compensation for loss of office in addition to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

	Total emoluments year to:	
	30 September 2011	**30 September 2010**
	£	**£**
Colin Hook	41,000	41,000
Jonathan Cartwright	31,000	5,167
Helen Sinclair	31,000	31,000
Christopher Moore	-	30,647

Aggregate emoluments in respect of qualifying services amounted to £103,000 (2010: £107,814). No sums were paid to third parties in respect of any of the Directors' services during the year under review.

Total shareholder return

The graph below charts the total cumulative shareholder return of the Ordinary Shares (assuming all dividends have been re-invested and excluding the tax reliefs available to Shareholders) since the Shares were first admitted to trading on 8 February 2008 compared to the FTSE SmallCap Index. The FTSE SmallCap is an industry recognised index of listed companies. Some consider it to be an appropriate index against which to measure the Company's performance. The total shareholder return has been re-based to 100 as at the beginning of the period shown. The Net Asset Value (NAV) total return has been shown separately on the graphs because the Directors believe it is a more accurate reflection of the Company's performance.



An explanation of the performance of the Company is given in the Chairman's Statement on pages 5 - 10 and in the Investment Manager's Review and Investment Portfolio Summary on pages 13 - 24.

By order of the Board

Matrix Private Equity Partners LLP
Secretary

22 December 2011

Corporate Governance Statement

The Directors have adopted the Association of Investment Companies (AIC) Code of Corporate Governance 2010 ("the AIC Code") for the financial year ended 30 September 2011. The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Corporate Governance Guide for investment companies ("AIC Guide"). The AIC Code as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code ("the UK Code"), as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Code), will provide the most appropriate information to Shareholders.

The AIC Code was endorsed by the Financial Reporting Council (FRC) on 3 February 2006, and 30 September 2010 in respect of the 2010 edition. The FRC has confirmed that in complying with the AIC Code, the Company will meet its obligations in relation to the UK Code and paragraph 9.8.6 of the Listing Rules. The AIC Code is available online at:

www.theaic.co.uk/Documents/Technical/AICCodeofCorporateGovernance2010.pdf

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

The Board considers that the Company has fully complied with the AIC Code and the relevant provisions of the UK Code, as set out below.

Compliance with the UK Code
The UK Code includes provisions relating to:

- The role of the chief executive
- Executive directors' remuneration
- The need for an internal audit function.

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers these provisions are not relevant to the Company, being an externally managed VCT. The Company has therefore not reported further in respect of these provisions.

The Board has further considered the principles detailed in the UK Code and believes that, insofar as they are relevant to the Company's business, the Company has complied with the provisions of the Combined Code throughout the financial year ended 30 September 2011 with the following exceptions:

The Board has not appointed a Senior Independent Director, as it does not believe that such an appointment is necessary when the Board is comprised solely of non-executive directors. As recommended in the AIC Code, this role is fulfilled, as appropriate, by the Chairman of the Audit Committee.

As is common practice among Venture Capital Trusts, the Directors are not appointed for specific terms. A Director's appointment may be terminated on three months' notice being given by the Company. For further information please see the Directors' Remuneration Report on pages 37 - 39.

The Board

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

The Board has considered whether each Director is independent in character and judgement and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement. It has concluded that all three Directors are independent except in respect of the contracts or investee companies in which they have declared an interest. It is the policy of the Directors not to participate in decisions concerning investee companies in which they hold an interest.

Helen Sinclair remains a Director of Matrix Income & Growth 4 plc and is therefore not considered to be independent of the Manager.

For the reasons described above, as well as in terms of their professional and personal integrity and experience, the Board has no hesitation in emphasising to Shareholders the independent nature of each individual director in terms of both their character and judgement. Full biographical detail on each director as recommended in the AIC are included on pages 25 - 26.

The Board assessed the independence of the Chairman on appointment and concluded that he fully met the independence criteria as identified in the UK Code, as re-stated in principle 1 of the AIC Code. As recommended by the AIC Code, the remaining Directors monitor the continuing independence of the Chairman, and inform the Chairman of their discussions. The significant directorships and time commitments of the Chairman and the other Directors are considered by the Board and are disclosed on pages 25 - 26.

The Directors have declared any existing or potential conflicts of interest and these are reviewed and authorised by the Board as appropriate in accordance with the procedures under the Articles of Association and applicable rules and regulations. The Articles allow the Directors not to disclose information relating to a conflict where to do so would amount to a breach of confidence. The Nominations & Remuneration Committee undertakes an annual review of the authorisations given by the Board.

The Directors were subject to election by Shareholders at the first Annual General Meeting after their appointment, and retire by rotation thereafter. For further details please see the Directors' Remuneration Report on pages 37 - 39. The Directors are therefore not appointed for specific terms.

Colin Hook has served on the Board for eleven years and Helen Sinclair is considered to be a non-independent director as a result of her directorship of Matrix Income & Growth 4 VCT plc. Both of these Directors have therefore agreed to offer themselves for re-election annually.

The Board has considered a policy on tenure and agreed that for a Company of this size and structure, it is not appropriate to insist on a director's period of service being limited to a set number of years or to set an age limit for the retirement of directors. The AIC Code does not explicitly make recommendations on the overall length of tenure for directors and has stated that it does not believe that there is any evidence that an individual director's lengthy service on a board may compromise his independence in the case of investment companies. It has specifically stated that investment company boards are perhaps more likely than most to benefit from having at least one director with considerably longer than nine years' experience. As part of its annual performance review, the Board has come to the conclusion that the length of service, experience and ability of its Directors enhances its performance. It does not believe that the length of service of any of the Directors has a negative effect on their independence and is satisfied with the balance of experience on the current Board. In particular, the Board considers that the Chairman's service of eleven years as a Director of Company is an asset that he brings to the Board.

Appointment letters for new directors include an assessment of the expected time commitment for each Board position and new directors are asked to give an indication of their other significant time commitments. The Board has adopted a formal process of recruitment for the appointment of new directors including, as appropriate, the use of advertising and recruitment consultants as well as drawing on Board members' extensive range of business contacts to attract the optimum number of high quality candidates. The Board will consider diversity, including gender, in making future appointments. The selection process involves interviews with the Board and meetings with representatives of members of the manager. New directors are provided with an induction pack and an induction session is arranged in conjunction with the Board, the Manager and the Administrator.

The effectiveness of the Board and the Chairman is reviewed regularly as part of the internal control process led by the Audit Committee. The Board has carried out an annual performance evaluation review during the year ended 30 September 2011.

A formal training programme has not been required during the year under review as all the Directors were experienced directors of listed companies. All of the Directors regularly attend conferences and workshops relevant to the VCT industry.

Board committees

The Investment Committee comprises all three Directors, Helen Sinclair (Chairman), Colin Hook and Jonathan Cartwright. The Committee meets as necessary to consider the investment proposals put forward by the Manager. Investment guidelines have been issued to the Manager and the Committee ensures that these guidelines are adhered to. New investments and divestments are approved by written resolution of the Committee following discussion between committee members and are subsequently ratified by the Board. Investment matters are discussed extensively at Board meetings. During the year the Committee formally approved 24 investment/divestment approvals and met informally on numerous occasions.

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

The Nominations and Remuneration Committee comprises the full Board and was chaired by Colin Hook until 5 December 2011. Following the year-end, Helen Sinclair has been appointed to chair the Committee with effect from this date. The Committee meets at least once a year and comprises a majority of independent directors. In considering nominations, it is responsible for making recommendations to the Board concerning new appointments of Directors to the Board and its Committees; the periodic review of the composition of the Board and its Committees; and the annual performance review of the Board, the Directors and the Chairman including the ongoing review of each Director's actual or potential conflicts of interest which may arise as a result of the external business activities of Board members. In considering remuneration, it is responsible for reviewing the remuneration of the Directors and the Company's remuneration policy to ensure that it reflects the duties, responsibilities and value of time spent by the Directors on the business of the Company and makes recommendations to the Board accordingly. The Committee held one formal meeting during the year, which was fully attended by all the Directors, and met informally on other occasions.

The Board has satisfied itself that each of its Committees has sufficient resources to undertake their duties. All of the above Committees have written terms of reference, which detail their authority and duties. Shareholders may obtain copies of these by making a written request to the Company Secretary or via the Company's website:

www.incomeandgrowthvct.co.uk.

Board meetings and the relationship with the Manager

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

The Board and the Manager aim to work together in a supportive, cooperative and open manner. The Board has overall responsibility for the Company's affairs including the determination of its investment policy. The Manager takes the initiative on most aspects of the Company's operations, under the guidance and formal approval of the Board and the Board has agreed policies with the Manager covering key operational issues. All investment, divestment and variation decisions are made by the Board having considered formal recommendations from the Manager. The Manager up-dates the Board on developments at each of the investee companies, including decisions and discussions at Board meetings, if appropriate, through quarterly valuation reports, presentations to quarterly Board meetings of the VCT and otherwise when specific issues requiring the Board's attention emerge. The Board has delegated to the Manager authority to attend and vote at General Meetings of each of the investee companies in the portfolio as its Corporate Representative. The Manager consults the Board concerning extraordinary agenda items particularly when a proposed resolution concerns an issue that may impact on the Company's economic interest. It is however authorised to vote as it thinks appropriate on standard agenda items.

The primary focus at Board meetings is the review of investment performance and associated matters as well as the monitoring of financial and other internal controls including maintenance of VCT status and the level of share price discount or premium. The Board regularly considers overall strategy. The Board monitors the investments made by the Manager to ensure that the overall investment portfolio is in line with the Company's Investment Policy. The Board also considers peer group performance, asset allocation and wider industry and economic issues in reviewing investment performance and strategy.

The Board has agreed a schedule of matters specifically reserved for decision by the Board. These include compliance with the requirements of the Companies Act 2006 and the Income Tax Act 2007, the UK Listing Authority and the London Stock Exchange; changes relating to the Company's capital structure or its status as a plc; board and committee appointments as recommended by the Nominations and Remuneration Committee and terms of reference of committees; material contracts of the Company and contracts of the Company not in the ordinary course of business.

A procedure has been adopted for individual Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company. The Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring board procedures are followed. Both the appointment and removal of the Company Secretary is a matter for the Board as a whole. Where Directors have concerns, which cannot be resolved about the running of the Company or a proposed action, they are asked to ensure that their concerns are recorded in the Board minutes. On resignation, a Director who has any such concerns should provide a written statement to the Chairman, for circulation to the Board.

The Board reviews annually, and at other times as and when necessary, the Investment Services Agreement and the performance of the Manager, as well as service providers including the administrator, auditors, VCT status adviser, solicitors, bankers and registrars. Particular emphasis is placed on reviewing the Manager, in terms of investment performance, quality of information provided to the Board and remuneration. This work forms part of the Board's overall internal control procedures as discussed elsewhere.

The Board has considered the appointment of a management engagement committee and has concluded that this is not necessary because the Board is comprised entirely of non-executive directors.

Internal control

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

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

The Board has put in place ongoing procedures for identifying, evaluating and managing the significant risks faced by the Company. As part of this process an annual review of the control systems is carried out in accordance with the Turnbull guidelines for internal control. The review covers a consideration of the key business, operational, compliance and financial risks facing the Company and includes a review of the risks in relation to the financial reporting process. Each risk is considered with regard to: the controls exercised at Board level; reporting by service providers; controls relied upon by the Board; exceptions for consideration by the Board; responsibilities for each risk and its review period; and risk rating. As part of this process, investment risk is spread by means of a diverse investment portfolio, as more fully described in the Investment Manager's Review and Investment Portfolio Summary on pages 13 - 24). The Board reviews a schedule of key risks at each Board meeting which identifies the risk, controls, any deficiencies that have arisen in the quarter and action to be taken. Each Board meeting reviews the management accounts, and annual or half-yearly reports arising therefrom, prepared by the administrator.

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

The Board, assisted by the Audit Committee, carries out separate assessments in respect of the Annual and Half-Yearly Reports and other published financial information. As part of these reviews, the Board appraises all the relevant risks ensuing from the internal control process referred to above. The main aspects of the internal controls which have been in place throughout the year in relation to financial reporting are:

- Full internal controls are in place for the preparation and reconciliation of the valuations prepared by the Manager;
- Independent reviews of the valuations of investments within the portfolio are undertaken quarterly by the Board and annually by the external auditors;
- Bank and money-market fund reconciliations are carried out monthly by the Administrator;
- The information contained in the Annual Report and other financial reports is reviewed separately by the Audit Committee prior to consideration by the Board; and
- The Board reviews all financial information prior to publication.

This system of internal control and the procedure for the review of control systems referred to above has been in place and operational throughout the year under review and up to the date of this Report. The assessment of the effectiveness of internal controls in managing risk was conducted on the basis of reports from the relevant service providers. The last review took place on 5 December 2011. The Board has identified no significant problems with the Company's internal control mechanisms.

Shareholder communications

The Company communicates with Shareholders and solicits their views where it is appropriate to do so. The Manager publishes a twice-yearly VCT shareholder newsletter which contains information on the portfolio and recent investment and corporate activity. Shareholders are welcome at the Annual General Meeting which provides a forum for Shareholders to ask questions of the Directors and the Manager and to discuss issues affecting the Company with them. Shareholders may contact the Chairman of the Audit Committee if they have concerns which contact through the Chairman or Manager has failed to resolve or for which such contact is inappropriate.

The Board as a whole approves the Annual Report to Shareholders. The Directors aim to ensure that the Chairman's Statement, Financial Highlights and the Investment Manager's Review and Investment Portfolio Summary (which comprises a full list of all the VCT investments in the Company's portfolio) present a balanced and understandable assessment of the Company's position and future prospects and that Shareholders are provided with sufficient information to enable them to understand the risk:reward balance to which they exposed by investing in the Company.

The Board normally has a direct involvement in the content of communications regarding major corporate events even if the Manager is asked to act as spokesman.

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

Directors' remuneration

The Directors' Remuneration Report, prepared in compliance with the Directors' Remuneration Report Regulations 2002, is contained on pages 37 - 39 of this Annual Report. The Report includes an explanation of the procedure for developing policy and determining the remuneration for individual directors.

Accountability and audit

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

The report of the independent auditor is set out on pages 49 - 50 of this Annual Report.

The Board regularly reviews and monitors the external auditor's independence and objectivity. As part of this it reviews the nature and extent of services supplied by the auditor to ensure that independence is maintained. The Audit Committee has concluded that it is in the interests of the Company to purchase tax services from the auditor due to its greater knowledge of the Company which improves efficiency. The Committee believes that audit independence has been maintained as the fees involved are relatively small compared to those for the audit, the work isundertaken by separate teams and does not involve undertaking any management role in preparing the information reported in the accounts.

Substantial interests

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

Share capital

Details of the Company's share capital can be found in the Directors' Report on pages 29 - 30.

Restrictions on voting rights
There are no restrictions on voting rights.

Appointment and replacement of directors
The rules concerning the election of directors are set out in the paragraph headed ‘Terms of appointment’ on page 37 of the Directors’ Remuneration Report.

Amendment of the Company’s Articles of Association
The Company may amend its articles of association (“the Articles”) by special resolution in accordance with section 21 of the Companies Act.

Powers of the directors
The powers of the Directors have been granted by company law, the Company’s articles and resolutions passed by the Company’s members in general meeting. Resolutions are proposed annually at each annual general meeting of the Company to authorise the Directors to allot shares, disapply the pre-emption rights of members and buy-back the Company’s own shares on behalf of the Company. These authorities are currently in place and resolutions to renew them will be proposed at the next AGM of the Company to be held on 9 February 2011.

Going concern
The Board has assessed the Company’s operation as a going concern. The Company’s business activities, together with the factors likely to affect its future development, performance and position are set out in the Management Report which is included within the Chairman’s Statement, the Investment Portfolio Summary, the Investment Manager’s Review and the Directors’ Report. The Directors have satisfied themselves that the Company continues to maintain a significant cash position and is currently raising additional funds. The majority of companies in the portfolio continue to trade profitably and the portfolio taken as a whole remains resilient and well diversified. The major cash outflows of the Company (namely investments, buy-backs and dividends) are within the Company’s control. The Board’s assessment of liquidity risk and details of the Company’s policies for managing its capital and financial risks are shown in note 20 on pages 67 - 74. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

By order of the Board

Matrix Private Equity Partners LLP
Secretary
22 December 2011

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors confirm to the best of their knowledge that:

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

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

The names and functions of the Directors are stated on pages 25 - 26.

For and on behalf of the Board:

Colin Hook
Chairman
22 December 2011

Independent auditor's report to the members of

The Income & Growth VCT plc

We have audited the financial statements of The Income & Growth VCT plc for the year ended 30 September 2011 which comprise the Income Statement, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 40 – 47 in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook issued by the Financial Services Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures) is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 47 in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to the shareholders by the board on directors' remuneration.

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

London, UK
22 December 2011

Income Statement

For the year ended 30 September 2011

	Notes	30 September 2011 Revenue £	Capital £	Total £	30 September 2010 Revenue £	Capital £	Total £
Net unrealised gains on investments	10	-	10,870,219	10,870,219	-	2,986,059	2,986,059
Net gains on realisation of investments	10	-	343,231	343,231	-	15,412	15,412
Income	2	1,654,663	-	1,654,663	730,447	-	730,447
Recoverable VAT		-	-	-	12,295	36,886	49,181
Investment management fees	3	(237,946)	(713,837)	(951,783)	(204,246)	(612,738)	(816,984)
Other expenses	4	(375,837)	-	(375,837)	(513,840)	-	(513,840)
Litigation costs	5	-	(1,337,456)	(1,337,456)	-	-	-
Merger costs		-	-	-	(75,516)	-	(75,516)
Profit/(loss) on ordinary activities before taxation		1,040,880	9,162,157	10,203,037	(50,860)	2,425,619	2,374,759
Tax on profit/(loss) on ordinary activities	7	(176,808)	176,808	-	-	-	-
Profit/(loss) on ordinary activities after taxation for the financial year		864,072	9,338,965	10,203,037	(50,860)	2,425,619	2,374,759
Basic and diluted earnings per Ordinary Share:	9	2.21p	23.83p	26.04p	(0.20)p	9.75p	9.55p

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

Other than the revaluation movements arising in investments held at fair value through profit and loss, there were no differences between the profit/(loss) as stated above and at historical cost.

The notes on pages 55 - 75 form part of these financial statements.

Balance Sheet

as at 30 September 2011
Company number: 4069483

	Notes	as at 30 September 2011			as at 30 September 2010		
		£	£	£	£	£	£
Fixed assets							
Investments at fair value	10			**37,162,382**			**28,116,479**
Current assets							
Debtors and prepayments	11	**280,709**			**162,076**		
Current investments	12	**11,682,461**			**8,708,573**		
Cash at bank	19	**1,577,420**			**106,536**		
			13,540,590			**8,977,185**	
Creditors: amounts falling due within one year	13		**(212,717)**			**(488,968)**	
Net current assets				**13,327,873**			**8,488,217**
Provision for liabilities and charges	5			**(1,337,456)**			**-**
Net assets				**49,152,799**			**36,604,696**
Capital and reserves							
Called up share capital	15			**406,920**			**369,709**
Share premium account	16			**5,669,141**			**369,141**
Capital redemption reserve	16			**187,309**			**170,811**
Capital reserve - unrealised	16			**12,350,858**			**422,183**
Special reserve	16			**17,139,273**			**23,105,248**
Profit and loss account	16			**13,399,298**			**12,167,604**
Equity Shareholders' funds				**49,152,799**			**36,604,696**
Basic and diluted net asset value per share							
Ordinary Shares	17			**120.79p**			**99.01p**

The notes on pages 55 - 75 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 22 December 2011 and were signed on its behalf by:

Director

Reconciliation of Movements in Shareholders' Funds

For the year ended 30 September 2011

	Notes	Year ended 30 September 2011 £	Year ended 30 September 2010 £
Opening shareholders' funds		**36,604,696**	35,883,097
Net share capital bought back in the year	**15**	**(1,475,019)**	(966,118)
Net share capital subscribed for in the year	**15**	**5,353,709**	61,721
Profit for the year		**10,203,037**	2,374,759
Dividends paid in the year	**8**	**(1,533,624)**	(748,763)
Closing shareholders' funds		**49,152,799**	36,604,696

The notes on pages 55 - 75 form part of these financial statements.

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Cash Flow Statement

For the year ended 30 September 2011

	Notes	Year ended 30 September 2011		Year ended 30 September 2010	
Operating activities		**£**	**£**	**£**	**£**
Investment income received		**1,571,454**		687,327	
VAT received and interest thereon		**34,370**		144,206	
Other income		**3,647**		4,053	
Investment management fees paid		**(1,160,893)**		(595,053)	
Other cash payments		**(480,615)**		(508,610)	
Merger costs paid by the company		**-**		(75,516)	
Net cash outflow from operating activities	18		**(32,037)**		(343,593)
Investing activities					
Acquisition of investments	10	**(2,739,946)**		(6,514,315)	
Disposal of investments	10	**4,907,493**		1,289,635	
Net cash inflow/(outflow) from investing activities			**2,167,547**		(5,224,680)
Equity Dividends					
Payment of equity dividends	8		**(1,533,624)**		(748,763)
Net cash inflow/(outflow) before liquid resource management and financing			**601,886**		(6,317,036)
Management of liquid resources					
(Increase)/decrease in monies held pending investment	19		**(2,973,888)**		7,253,497
Financing					
Issue of Ordinary Shares	15	**5,353,709**		61,721	
Purchase of own shares		**(1,510,823)**		(947,284)	
			3,842,886		(885,563)
Increase in cash for the year	19		**1,470,884**		50,898

The notes on pages 55 - 75 form part of these financial statements.

Notes to the Accounts

For the year ended 30 September 2011

1 Accounting policies

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

a) Basis of accounting

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

The results for the year to 30 September 2010 reflect the activities of what were previously the 'O' Share Fund and the 'S' Share Fund of the Company up until the funds were merged on 29 March 2010, after which they reflected the activity of the merged funds.

b) Presentation of the Income Statement

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

c) Investments

All investments held by the Company are classified as "fair value through profit and loss", in accordance with the International Private Equity and Venture Capital Valuation ("IPEVCV") guidelines, as updated in September 2009, which have not materially changed the results reported last year. This classification is followed as the Company's business is to invest in financial assets with a view to profiting from their total return in the form of capital growth and income.

For investments actively traded on organised financial markets, fair value is generally determined by reference to Stock Exchange market quoted bid prices at the close of business on the balance sheet date. Purchases and sales of quoted investments are recognised on the trade date where a contract of sale exists whose terms require delivery within a time frame determined by the relevant market. Purchases and sales of unlisted investments are recognised when the contract for acquisition or sale becomes unconditional.

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

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

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

(ii) In the absence of i), and depending upon both the subsequent trading performance and investment structure of an investee company, the valuation basis will usually move to either:-

a) an earnings multiple basis. The shares may be valued by applying a suitable price-earnings ratio to that company's historic, current or forecast post-tax earnings before interest and amortisation (the ratio used being based on a comparable sector but the resulting value being adjusted to reflect points of difference identified by the Investment Manager compared to the sector including, inter alia, a lack of marketability).

or:-

b) where a company's underperformance against plan indicates a diminution in the value of the investment, provision against cost is made, as appropriate. Where the value of an investment has fallen permanently below cost, the loss is treated as a permanent impairment and as a realised loss, even though the investment is still held. The Board assesses the portfolio for such investments and, after agreement with the Investment Manager, will agree the values that represent the extent to which an investment loss has become realised. This is based upon an assessment of objective evidence of that investment's future prospects, to determine whether there is potential for the investment to recover in value.

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

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

d) Current investments

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

e) Income

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

Interest income on loan stock and dividends on preference shares are accrued on a daily basis. Provision is made against this income where recovery is doubtful. Where the loan stocks only require interest or a redemption premium to be paid on redemption, the interest and redemption premium is recognised as income once redemption is reasonably certain. Until such date interest is accrued daily and included within the valuation of the investment.

f) Capital reserves

(i) Realised (included within the Profit and Loss Account reserve)

The following are accounted for in this reserve:

- Gains and losses on realisation of investments;
- Permanent diminution in value of investments;
- Transaction costs incurred in the acquisition of investments; and
- 75% of management fee expense, together with the related tax effect to this reserve in accordance with the policies.

(ii) Revaluation reserve (Unrealised capital reserve)

Increases and decreases in the valuation of investments held at the year-end are accounted for in this reserve, except to the extent that the diminution is deemed permanent.

In accordance with stating all investments at fair value through profit and loss, all such movements through both revaluation and realised capital reserves are now shown within the Income Statement for the year.

(iii) Special distributable reserve

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

g) Expenses

All expenses are accounted for on an accruals basis.

25% of the Investment Manager's fees are charged to the revenue column of the Income Statement, while 75% is charged against the capital column of the Income Statement. This is in line with the Board's expected long-term split of returns from the investment portfolio of the Company.

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

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

In the case of litigation costs (see note 5), all costs have been incurred to preserve the value of the investment in an investee company and as a result are 100% chargeable to the capital column of the Income Statement.

h) Taxation

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

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

A deferred tax asset is recognised only to the extent that it is more likely than not that future taxable profits will be available against which the asset can be utilised.

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

2 Income

	2011	2010
	£	£
Income from investments		
– from equities	365,331	200,605
– from OEIC funds	56,580	73,446
– from loan stock	1,212,795	442,132
– from bank deposits	16,309	664
– from VAT recoverable	-	9,547
	1,651,015	726,394
Other income	3,648	4,053
Total income	1,654,663	730,447
Total income comprises		
Revenue dividends received	421,911	274,051
Interest	1,229,104	452,343
Other income	3,648	4,053
Total Income	1,654,663	730,447
Income from investments comprises		
Listed UK securities	61,539	16,863
Listed overseas securities	56,580	73,446
Unlisted UK securities	1,516,587	625,874
Total Income	1,634,706	716,183

Loan stock interest above is stated after deducting an amount of £nil (2010: £216), being a provision made against loan stock interest regarded as collectable in previous years.

Total loan stock interest due but not recognised in the year was £428,557 (2010: £538,899).

3 Investment Manager's fees

	Revenue 2011	Capital 2011	Total 2011	Revenue 2010	Capital 2010	Total 2010
	£	£	£	£	£	£
Matrix Private Equity Partners LLP	237,946	713,837	951,783	204,246	612,738	816,984

Under the terms of a revised investment management agreement dated 29 March 2010, Matrix Private Equity Partners LLP (“MPEP”) provides investment advisory, administrative and company secretarial services to the Company, for a fee of 2.4% per annum of closing net assets, calculated on a quarterly basis by reference to the net assets at the end of the preceding quarter. One sixth of this fee is subject to minimum and maximum limits of £150,000 (2010: £130,000) and £170,000 (2010: £150,000) per annum respectively.

This agreement replaced the previous agreements with MPEP and with Matrix-Securities Limited dated 13 October 2000 (but amended by a deed of variation dated 12 September 2007), which were all terminated on 29 March 2010.

The investment management expense disclosed above is stated after applying a cap on expenses excluding IFA trail commission and exceptional items set at 3.25% of closing net assets at the year-end at the company level. In accordance with the investment management agreement any excess expenses are wholly borne by the Investment manager. The excess expenses during the year attributable to the Investment Manager amounted to £nil (2010: £nil).

Under a Deed of Termination and Variation relating to Performance Incentive Agreements dated 29 March 2010, the Investment Manager's Incentive Agreement for the former 'O' Share Fund has been continued while the former 'S' Share Fund's Incentive Agreement has been terminated. Under the terms of the pre-merger 'O' Share Fund Incentive Agreement, each of the ongoing Investment Manager, Matrix Private Equity Partners LLP ("MPEP") and a former Investment Manager, Foresight Group LLP ("Foresight") are entitled to a performance fee equal to 20% of the excess of the value of any realisation of an investment made after 30 June 2007, over the value of that investment in an Investment Manager's portfolio at that date ("the Embedded Value"), which value is itself uplifted at the rate of 6% per annum subject to a High Watermark test.

However, two amendments were made to this agreement for MPEP, the ongoing Investment Manager. Firstly, the High Watermark was increased by £811,430, being the 'S' Share Fund's shortfall in total net assets from net asset value of £1 per 'S' Share, at 31 December 2009. Secondly, only 70% of any new investment made by MPEP after the Merger will be added to the calculation of the Embedded Value, the value of the Investment Manager's portfolio and the value of any realisations, for the purposes of assessing any excess.

Under the above agreements, the Investment Manager is not entitled to an Incentive fee for the year ended 30 September 2011 (2010: £nil).

4 Other expenses

		2011	2010
		£	£
Directors’ remuneration (including NIC) (see note 6)		113,701	118,758
IFA trail commission		114,121	138,907
Administration fees - see note		-	77,662
Broker’s fees		11,938	11,687
Auditors’ fees	– Audit of company	27,440	24,455
	– Audit related assurance services	4,980	4,242
	– Tax compliance services	2,223	2,099
VCT monitoring fees		9,875	12,227
Registrar's fees		29,652	26,774
Printing		26,551	32,032
Legal & professional fees		(1,819)	25,693
Directors' insurance		8,681	8,925
Listing and regulatory fees		26,721	20,930
Sundry		1,773	9,449
		375,837	513,840

The Administration fees in 2010 above arose from the Agreement with Matrix-Securities Limited referred to in Note 3 above, which was terminated on 29 March 2010.

5 Litigation costs

	2011	2010
	£	£
Provision at the year-end and charge in the year	1,337,456	-

Since the financial year end the Company, one of its investee companies Image Source Group Limited "IMSG" and another shareholder in IMSG reached agreement to settle an action brought by a former director and shareholder in IMSG. Under an agreement between the Company and IMSG dated 6 December 2011, IMSG has met the costs of the settlement including the Company's pro rata share of the legal fees incurred in defending the action up to 30 September 2011 and all the legal costs incurred since. To facilitate the settlement, the Company has lent approximately £1.5 million to IMSG on commercial terms and repayable in 5 years. The plaintiff to the action will also be entitled to a small percentage share of the net proceeds over and above £5 million attributable to the ordinary shareholders from any sale of IMSG up to 31 December 2016, after all loans and any outstanding interest costs and prior charges have been repaid. The loan has been reflected in the financial records of the Company since the financial year-end with a full provision against the carrying value.

As at the year-end, and therefore prior to the settlement described above, the Company had a prima facie obligation to meet potential costs arising from the action, as a co-respondent in the claim, the cost of which has been clarified after the year-end, as explained above. Accordingly, in these financial statements for the year ended 30 September 2011, the Company has made a provision of £1,337,456, being the £1.5 million total liability less costs not yet incurred by the year-end. In the Directors' opinion, this reliably quantifies the prima facie obligation that existed at the year-end.

6 Directors' remuneration

	2011	2010
Directors' emoluments	£	£
Colin Hook	41,000	41,000
Helen Sinclair	31,000	31,000
Jonathan Cartwright (appointed 1 August 2010)	31,000	5,167
Christopher Moore (resigned 24 September 2010)	-	30,647
	103,000	107,814
Employer's NIC and VAT	10,701	10,944
	113,701	118,758

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

7 Tax on ordinary activities

	2011 Revenue	2011 Capital	2011 Total	2010 Revenue	2010 Capital	2010 Total
	£	£	£	£	£	£
a) Analysis of tax charge:						
UK Corporation tax on profits/(losses) for the year	176,808	(176,808)	-	-	-	-
Total current tax charge/(credit)	176,808	(176,808)	-	-	-	-

Corporation tax is based on a rate of 20.5% (2010: 21%)

	2011 Revenue	2011 Capital	2011 Total	2010 Revenue	2010 Capital	2010 Total
b) Profit/(loss) on ordinary activities before tax	1,040,880	9,162,157	10,203,037	(50,860)	2,425,619	2,374,759
Profit/(loss) on ordinary activities multiplied by small company rate of corporation tax in the UK of 20.5% (2010: 21%)	213,380	1,878,242	2,091,622	(10,681)	509,380	498,699

Effect of:						
UK dividends	(74,893)	-	(74,893)	(42,121)	-	(42,121)
Unrealised gains not taxable	-	(2,228,395)	(2,228,395)	-	(627,072)	(627,072)
Realised gains not taxable	-	(70,362)	(70,362)	-	(3,237)	(3,237)
Litigation costs		274,178	274,178	-	-	-
Income not yet taxable	(552)		(552)	450	-	450
Unrelieved expenditure	-	8,402	8,402	36,494	120,929	157,423
Impact of marginal rate	38,873	(38,873)	-	-	-	-
Expenses not deductible	-	-	-	15,858	-	15,858
Actual current tax charge	176,808	(176,808)	-	-	-	-

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

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

There is no potential liability to deferred tax (2010: £nil). There is an unrecognised deferred tax asset of £450,000 (2010: £464,000).

8 Dividends paid and payable

	2011 Revenue £	2011 Capital £	2011 Total £	2010 Revenue £	2010 Capital £	2010 Total £
Dividends on equity shares						
Ordinary Shares (formerly 'S' Shares) - Interim - year ended 30 September 2010 - 2p capital paid in February 2011 (2010: £nil)	-	765,916	765,916	-	-	-
Ordinary Shares (formerly 'S' Shares) - final - year ended 30 September 2010 - 2p capital paid in March 2011 (2010 - 0.5p revenue).	-	767,708	767,708	52,668	-	52,668
'O' shares - final paid of £nil (2010: 0.5p revenue and 1.5p capital) per share:	-	-	-	178,754	517,341	696,095
Total paid in year		1,533,624	1,533,624	231,422	517,341	748,763

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

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

	2011 £	2010 £
Revenue available by way of dividends for the year	864,072	(50,860)
Proposed final income dividend for the year - 2p (2010: nil p)	813,841	N/A

9 Basic and diluted earnings per share

	2011	2010
	£	**£**
Total earnings after taxation:	10,203,037	2,374,759
Basic and diluted earnings per share (note a)	**26.04p**	**9.55p**
Revenue profit/(loss) from ordinary activities after taxation	864,072	(50,860)
Basic and diluted revenue earnings per share (note b)	**2.21p**	**(0.20)p**
Net unrealised capital gains on investments	10,870,219	2,986,059
Net realised capital gains on investments	343,231	15,412
Litigation costs	(1,337,456)	-
Recoverable VAT	-	36,886
Capitalised management fees less taxation	(537,029)	(612,738)
Total capital return	9,338,965	2,425,619
Basic and diluted capital earnings per share (note c)	**23.83p**	**9.75p**
Weighted average number of shares in issue in the year	39,182,112	24,854,456

Notes

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

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

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

d) Diluted earnings per share in each case are the same as basic earnings per share as no investment manager's incentive fee is payable in respect of the current year.

10 Investments

	2011	2010
	£	**£**
Traded on AiM	2,765,723	2,065,837
Unquoted equity shares	20,166,018	11,867,127
Unquoted preference shares	70,045	35,738
Loan stock	14,160,596	14,147,777
Total	37,162,382	28,116,479
Brought forward net unrealised losses now realised	(1,058,456)	(2,869,899)
Realised gains during the year	473,207	25,500
Transaction costs	(129,976)	(10,088)
Total realised losses for the year	(715,225)	(2,854,487)
Unrealised gains for the year	10,870,219	2,986,059
Total gains for the year	10,154,994	131,572

Summary of movement on investments during the period

	Traded on AiM or OFEX	Unquoted Ordinary shares	Preference shares	Qualifying loans	Total
	£	£	£	£	£
Cost at 30 September 2010	4,466,693	10,990,243	169,191	14,992,695	30,618,822
Impairment	(450,000)	(2,474,526)	-	-	(2,924,526)
Unrealised (losses)/gains	(1,950,856)	3,351,410	(133,453)	(844,918)	422,183
Valuation at 30 September 2010	2,065,837	11,867,127	35,738	14,147,777	28,116,479
					-
Purchases at cost	279,996	347,588	-	2,112,362	2,739,946
Sales - proceeds	(628,000)	(893,893)	(10,000)	(3,505,576)	(5,037,469)
Reclassification	-	(175,383)	27,576	147,807	-
Realised gains	106,901	134,683	-	231,623	473,207
Unrealised gains	940,989	8,885,896	16,731	1,026,603	10,870,219
Valuation at 30 September 2011	2,765,723	20,166,018	70,045	14,160,596	37,162,382
Cost at 30 September 2011	4,286,189	11,104,773	86,766	14,139,876	29,617,604
Impairment	(940,626)	(3,865,454)	-	-	(4,806,080)
Unrealised (losses)/gains at 30 September 2011	(579,840)	12,926,699	(16,721)	20,720	12,350,858
Valuation at 30 September 2011	2,765,723	20,166,018	70,045	14,160,596	37,162,382

Transaction costs on the purchase and disposal of investments of £129,976 were incurred in the year. These are excluded from realised gains shown above of £473,207, but were included in arriving at gains on realisation of investments in the Income Statement of £343,231.

Reconciliation of cash movements in investment transactions
The difference between disposals in the investments note above of £5,037,469 and the disposals figure per the Cash Flow Statement of £4,907,493 is £129,976 relating to transaction costs.

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

	Total Provisions at end of year	Write-offs/(write-backs) in year
Financial Year	£	£
2011	11,206,678	1,881,554
2010	11,575,422	2,524,527
2009	10,537,427	300,000
2008	8,588,728	1,439,350
2007	6,690,435	592,011
2006	6,268,991	5,522,339
2005	8,665,187	523,651

Details of the movements in unrealised gains and losses in the year are disclosed within the Investment Portfolio Summary on pages 22 - 24.

Amaldis (2008) Limited was disposed of during the year realising net proceeds of £1,465,328 plus a loan stock valued at £537,948, totalling £2,003,633. The carrying value at 30 September 2010 was £1,965,586. There was a full realisation of Campden Media Limited, generating proceeds of £287,239 and a realised loss against cost of £47,641. IGLU.com Holidays Limited prepaid their loan stock in full realising £997,675 and a premium of £150,000. Three part disposals of Tikit Group plc occurred during the year generating net proceeds of £625,485 and a realised gain over cost totalling £317,500.

Unrealised gains of £10,870,219 include a valuation uplift of £10,875,962 relating to App-DNA Group Limited which was sold shortly after the year end.
During the year, the Company treated five investments as wholly or partly permanently impaired, totalling £1,981,554. An investment previously impaired for £100,000 was dissolved so this impairment has been removed, the net movement of which explains the write-off of £1,881,554 above.

11 Debtors and prepayments

	2011	2010
	£	£
Accrued income	191,592	112,032
Prepayments	15,044	15,674
Other debtors	74,073	34,370
	280,709	162,076

12 Current Investments

	2011	2010
	£	£
Money-market liquidity funds:-		
Royal Bank of Scotland Sterling Liquidity Fund	2,881,254	1,080,206
Blackrock Investment Management (UK) Institutional Sterling Fund	2,102,821	966,062
Fidelity Institutional Cash Fund	2,696,550	4,182,636
Scottish Widows Investment Partnership Sterling Liquidity Fund	1,434,069	1,424,000
Prime Rate Capital Management	2,567,767	1,055,669
Monies held pending investment	11,682,461	8,708,573

This comprises cash invested in four Dublin based and one UK based OEIC money market funds as shown in the table above. All of these sums are subject to immediate access. These sums are regarded as monies held pending investment. The manager of Prime Rate Capital Management liquidity fund is a member of Matrix Group Limited, as is MPEP. There are no arrangements in place to prevent duplicated management fees from these two different parts of the Matrix Group in view of the small amount of fees paid. Since the year-end these funds have been withdrawn from Prime Rate and redeployed across the other funds.

13 Creditors: amounts falling due within one year

	2011	2010
	£	£
Trade creditors	22,705	33,262
Other creditors	16,489	62,819
Accruals	173,523	392,887
	212,717	488,968

14 Significant interests

At 30 September 2011 the Company held significant investments, amounting to 3% or more of the equity capital of an undertaking, in the following companies:

	Total investment (at value) £	Percentage of investee company's total equity £	
App-DNA Group Limited	11,633,974	31.54%	
Fullfield Limited (Motorclean)	1,718,189	11.74%	
ATG Media Holdings Limited	1,675,368	8.53%	
ASL Technology Holdings Limited (formerly Apricot Trading limited)	1,674,630	9.55%	
RDL Corporation Limited (formerly Aust Recruitment Group Limited)	1,383,792	13.04%	
Blaze Signs Holdings Limited	1,354,238	12.50%	
DiGiCo Europe Limited	1,258,330	4.28%	
CB Imports Group limited	1,025,448	6.00%	
Backbarrow Limited	1,000,000	16.67%	
Bladon Castle Management Limited	1,000,000	16.67%	
Rusland Management Limited	1,000,000	16.33%	
Torvar Limited	1,000,000	16.33%	
Westway Services (2010) Holdings Limited	928,577	4.72%	
IGLU.com Holidays Limited	888,657	8.14%	
Youngman Group Limited	682,203	8.49%	
British International Holdings Limited	646,718	4.99%	
Brookerpaks Limited	576,042	17.07%	*
Duncary 8 Limited	535,699	25.49%	
Camwood Enterprises Limited	499,182	31.54%	
Faversham House Holdings Limited	487,744	8.81%	
Aquasium Technology Limited	486,319	16.67%	
Machineworks Software Limited	407,310	9.21%	
Image Source Group Limited	238,977	44.00%	*
Letraset Limited	234,385	5.26%	
Alaric Systems Limited	167,114	6.93%	
NexxtDrive Limited	162,500	6.22%	*
Racoon International Holdings Limited	157,755	7.71%	
Vectair Holdings Limited	139,125	4.63%	
The Plastic Surgeon Holdings Limited	101,521	6.09%	
Oxonica Limited	69,624	10.62%	
Lightworks Software Limited	54,138	9.21%	
Monsal Holdings Limited	42,446	5.59%	*
DCG Group Limited	-	10.73%	
PXP Holdings Limited	-	6.75%	
Biomer Technology Limited	-	4.40%	

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

It is considered that, as permitted by FRS9, “Associates and Joint Ventures”, the above investments are held as part of an investment portfolio, and that, accordingly, their value to the Company lies in their marketable value as part of that portfolio. In view of this, it is not considered that any of the above represent investments in associated undertakings.

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

MPEP also advises Matrix Income and Growth VCT plc, Matrix Income and Growth 2 VCT plc and Matrix Income and Growth 4 VCT plc who have investments as at 30 September 2011 in the following:

	Matrix Income and Growth VCT plc *	**Matrix Income and Growth 2 VCT plc**	**Matrix Income and Growth 4 VCT plc**	**Total**	**% of equity held by funds managed by MPEP**
	at cost	**at cost**	**at cost**	**at cost**	
	£	**£**	**£**	**£**	**%**
Blaze Signs Holdings Limited	1,952,986	1,398,498	610,016	3,961,500	52.5
Backbarrow Limited	-	1,000,000	1,000,000	2,000,000	50.0
Bladon Castle Management Limited	1,000,000		1,000,000	2,000,000	50.0
Racoon International Limited	1,663,816	878,527	406,805	2,949,148	49.0
Torvar Limited	-	-	1,000,000	1,000,000	49.0
Rusland Management Limited	-	-	1,000,000	1,000,000	49.0
RDL Corporation Limited (formerly Aust Recruitment Group Limited)	1,558,333	1,000,000	1,000,000	3,558,333	45.2
Machineworks Software Limited (formerly VSI Limited)	44,501	25,727	9,329	79,557	45.0
Lightworks Software Limited (formerly VSI Limited)	44,501	25,727	9,329	79,557	45.0
Fullfield Limited	1,840,383	1,160,549	1,280,879	4,281,811	41.0
ATG Media Holdings Limited	1,454,419	768,011	888,993	3,111,423	38.4
PXP Holdings Limited	2,326,872	1,163,436	679,549	4,169,857	37.3
Iglu.com Holidays Limited	216,569	152,326	133,779	502,674	35.0
British International Limited	2,068,182	1,160,000	295,455	3,523,637	34.9
Letraset Limited	-	-	150,000	150,000	34.7
ASL Technology Holdings Limited (formerly Apricot Trading Limited)	1,912,945	1,360,130	1,257,135	4,530,210	34.0
Faversham House Holdings Limited	527,214	374,870	346,488	1,248,572	31.4
Duncary 8 Limited	-	-	126,995	126,995	30.6
DiGiCo Europe Limited	963,102	495,651	495,652	1,954,405	30.0
The Plastic Surgeon Holdings Limited	742,817	392,264	458,837	1,593,918	30.0
Youngman Group Limited	1,000,052	1,000,052	500,026	2,500,130	29.7
Monsal Holdings Limited	1,291,200	845,897	697,727	2,834,824	27.7
CB Imports Group Limited	2,000,000	-	1,000,000	3,000,000	24.0
Vectair Holdings Limited	138,574	60,293	24,732	223,599	24.0
Focus Pharma Holdings Limited	1,250,411	660,238	772,451	2,683,100	13.0
Westway Services Holdings (2010) Limited	382,201	-	236,096	618,297	13.0
Omega Diagnostics Group plc	305,000	214,998	199,998	719,996	9.8
Legion Group plc	150,106	150,106	150,102	450,314	3.9

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

15 Called up share capital

	2011	**2010**
	£	**£**
Allotted, called-up and fully paid:		
Ordinary Shares of 1p each: 40,692,048 (2010: 36,970,891)	406,920	369,709
	406,920	369,709

Under the Joint VCT Offer for Subscription launched on 12 November 2010 and which closed on 30 June 2011, 5,239,609 ordinary shares were allotted at an average issue price of 1.056 pence per share, raising net proceeds of £5,236,340.

Under the terms of the Dividend Investment Scheme, a total of 131,313 (2010: 112,768 - ‘O’ Shares; 6,674 - ‘S’ Shares) were allotted during the year for a total consideration of £117,369 (2010: £55,414 – ‘O’ Shares; £6,307 – ‘S’ Shares).

During the year the Company purchased 1,649,765 (2010: 1,407,758) of its own ordinary shares for cash (representing 4.1% (2010: 3.8%) of the ordinary shares in issue at the year-end) at the prevailing market price for a total cost of £1,475,019 (2010: £966,118).

16 Movement in share capital and reserves

	Called up share capital	Share premium account	Capital redemption reserve	Capital reserve (unrealised) (non-distributable)	Special reserve* (note a)	Profit and loss account* (note b)
	£	£	£	£	£	£
At 1 October 2010	369,709	369,141	170,811	422,183	23,105,248	12,167,604
Shares bought back	(16,498)	-	16,498	-	(1,475,019)	-
Shares issued	52,396	5,183,944	-	-	-	-
Dividends re-invested into new shares	1,313	116,056	-	-	-	-
Dividends paid	-	-	-	-	-	(1,533,624)
Transfer between reserves (note a)	-	-	-	-	(4,490,956)	4,490,956
Other expenses net of taxation	-	-	-	-	-	(537,029)
Net unrealised gains on investments	-	-	-	10,870,219	-	-
Provision for settlement of litigation costs	-	-	-	-	-	(1,337,456)
Gains on disposal of investments (net of transaction costs)	-	-	-	-	-	343,231
Realisation of previously unrealised losses	-	-	-	1,058,456	-	(1,058,456)
Profit for the year	-	-	-	-	-	864,072
At 30 September 2011	406,920	5,669,141	187,309	12,350,858	17,139,273	13,399,298

* - Included within these reserves is an amount of £30,538,571 (2010: £35,272,852) which is considered distributable. The Special reserve has been treated as distributable in determining the amounts available for distribution.

Note a – the cancellation of the ‘O’ Share Fund Share Premium Account (as approved at the Annual General Meeting held on 13 February 2002 and Order of the Court dated 1 May 2002) and the cancellation of the ‘S’ Share Fund Share Premium Account (as approved at the Extraordinary General Meeting of the Company held on 9 October 2007 and Order of the Court dated 16 September 2009) and the subsequent merger of these reserves via the merger of the ‘O’ Share fund and ‘S’ Share fund on 29 March 2010 has provided the Company with a special reserve out of which it can fund buy-backs of shares as and when it is considered by the Board to be in the interests of the Shareholders, and to absorb any existing and future realised losses. As a result, the Company has a special reserve of £17,139,273. The transfer of £4,490,956 to the special reserve from the realised capital reserve above is the total of realised losses incurred by the Company this year.

Note b – the realised capital reserve and the revenue reserve together comprise the Profit and Loss Account of the Company shown in the Balance Sheet.

The Shareholders authorised the Company to purchase its own shares pursuant to section 701 of the Companies Act 2006 at the Annual General Meeting held on 16 February 2011. The authority was limited to a maximum number of 5,541,937 Ordinary Shares (this being approximately 14.99% of the issued Share capital at the date of the Notice of the meeting). This authority will, unless previously revoked or renewed, expire on the conclusion of the Annual General Meeting of the Company to be held in 2012. The minimum price which may be paid for an Ordinary Share is 1 penny per share, the nominal value thereof. The maximum price that may be paid for an Ordinary Share is an amount that is not more than 5% above the average of the middle market quotations of the shares as derived from the Daily Official List of the London Stock Exchange for the five business days preceding such purchase. The authorities provide that the Company may make a contract or contracts to purchase its own shares prior to the expiry of the authority which may be executed in whole or part after the expiry of such authority, and may purchase its shares in pursuance of any such contract. A resolution to renew these authorities will be proposed at the Annual General Meeting to be held on 9 February 2012.

17 Net asset value per share

	2011	**2010**
	£	**£**
Net assets	49,152,799	36,604,696
Number of shares in issue	40,692,048	36,970,891
Basic and diluted net asset value per share	120.79p	99.01p

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

	2011	**2010**
	£	£
Profit on ordinary activities before taxation	10,203,037	2,374,759
Net unrealised gains on investments	(10,870,219)	(2,986,059)
Net gains on realisation of investments	(343,231)	(15,412)
(Increase)/decrease in debtors	(118,633)	23,800
Increase in creditors and accruals	1,097,009	259,319
Net cash outflow from operating activities	(32,037)	(343,593)

19 Analysis of changes in net funds

	Cash	**Liquid resources**	**Total**
	£	**£**	**£**
At beginning of year	106,536	8,708,573	8,815,109
Cash flows	1,470,884	2,973,888	4,444,772
At 30 September 2011	1,577,420	11,682,461	13,259,881

20 Financial Instruments

The Company's financial instruments in both years comprise:

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

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

Classification of financial instruments

The Company held the following categories of financial instruments at 30 September 2011:

	2011 (Book value) £	2011 (Fair value) £	2010 (Book value) £	2010 (Fair value) £
Assets at fair value through profit and loss:				
Investment portfolio	37,162,382	37,162,382	28,116,479	28,116,479
Current investments	11,682,461	11,682,461	8,708,573	8,708,573
Cash at bank	1,577,420	1,577,420	106,536	106,536
Loans and receivables				
Accrued income	191,592	191,592	112,032	112,032
Other debtors	74,073	74,073	34,370	34,370
Liabilities at amortised cost or equivalent				
Other creditors	(212,717)	(212,717)	(488,968)	(488,968)
Total for financial instruments	50,475,211	50,475,211	36,589,022	36,589,022
Non financial instruments	(1,322,412)	(1,322,412)	15,674	15,674
Total net assets	49,152,799	49,152,799	36,604,696	36,604,696

The investment portfolio principally consists of unquoted investments (92.6%; 2010: 92.7%) and AiM quoted stocks (7.4%; 2010: 7.3%). The investment portfolio has a 100% (2010:100%) concentration of risk towards small UK based, sterling denominated companies, and represents 75.6% (2010: 76.8%) of net assets at the year-end.

Current investments are money market funds, discussed under credit risk below, which represent 23.8% (2010: 23.8%) of net assets at the year-end.

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

Market price risk

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

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

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

Market price risk sensitivity

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

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

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

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

	2011	**2010**
	£	**£**
		(as restated)
	Profit and net assets	**Profit and net assets**
If overall share prices fell by 20% (2010: 20%), with all other variables held constant – decrease	(7,432,476)	(5,904,461)
Decrease in earnings, and net asset value, per Ordinary share (in pence)	18.27p	15.97p

	2011	2010
	£	**£**
	Profit and net assets	**Profit and net assets**
If overall share prices increase by 20% (2010:20%), with all other variables held constant – increase	7,432,476	5,904,461
Increase in earnings, and net asset value, per Ordinary share (formerly S share) (in pence)	(18.27)p	(15.97)p

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

Credit risk

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

The Company's maximum exposure to credit risk is:

	2011	2010
	£	£
Loan stock investments	14,160,596	14,147,777
Money market funds	11,682,461	8,708,573
Accrued income and other debtors	265,665	112,032
VAT recoverable	-	34,370
Cash at bank	1,577,420	106,536
	27,686,142	23,109,288

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

The accrued income and other debtor shown above was all due within two months of the year-end.

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

	2011	2010
Repayable within	£	£
0 to 1 year	950,388	1,871,459
1 to 2 years	4,649,493	548,170
2 to 3 years	1,754,808	5,972,794
3 to 4 years	1,839,573	3,075,862
4 to 5 years	4,428,386	2,679,492
> 5 years	537,948	-
Total	14,160,596	14,147,777

Included within loan stock investments above are loans at a carrying value of £648,819 (2010: £695,833) which are past their repayment date but have been re-negotiated. Loans which are past their repayment date but which have not been renegotiated have a carrying value of £1,499,866 (2010: £1,572,176). These loan stock investments are made as part of the qualifying investments within the investment portfolio, and the risk management processes applied to the loan stock investments have already been set out under market price risk above.

An aged analysis of the loan stock investments included above, which are past due but not individually impaired, is set out below. For this purpose, these loans are considered to be past due when any payment due under the loan's contractual terms (such as payment of interest) is received late or missed. The loans in the table below are all considered to be past due only because interest on the loan is outstanding. We are required to report in this format and include the full value of the loan even though it is only in respect of interest that they are in default.

				2011
	0-6 months	**6-12 months**	**over 12 months**	**Total**
	£	**£**	**£**	**£**
Loans to investee companies past due	429,823	-	2,506,440	2,936,263

				2010
	0-6 months	**6-12 months**	**over 12 months**	**Total**
	£	**£**	**£**	**£**
Loans to investee companies past due	1,391,392	173,870	2,677,906	4,243,168

There is a risk of default by the money market funds above, which could suffer defaults within their underlying portfolios that could affect the values at which the Company could sell its holdings. The Board manages credit risk in respect of these money market funds and cash by ensuring a spread of such investments such that none should exceed 15% of the Company's total investment assets. These money market funds are triple A rated funds, and so credit risk is considered to be relatively low in recent circumstances. The cash at bank figure of £1,577,420 is held with NatWest Bank plc, where the risk of default is considered to be low.

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

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

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

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

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

	Financial net assets on which no interest paid	**Fixed rate financial assets**	**Variable rate financial assets**	**Total**	**Weighted average interest rate**	**Average period to maturity**
	£'000	**£'000**	**£'000**	**£'000**	**%**	**(years)**
Equity shares	22,931,741	-	-	22,931,741		
Preference shares	-	70,045	-	70,045	2.04	2.59
Loan stocks	-	11,702,857	2,457,739	14,160,596	6.39	3.26
Money market funds	-	-	11,682,461	11,682,461	0.74	-
Cash	-	-	1,577,420	1,577,420		
Debtors	265,665	-	-	265,665		
Creditors	(212,717)	-	-	(212,717)		
Total for financial instruments	22,984,689	11,772,902	15,717,620	50,475,211		
Other non financial assets	(1,322,412)	-	-	(1,322,412)		
Total net assets	21,662,277	11,772,902	15,717,620	49,152,799		

The interest rate profile of the Company's financial net assets at 30 September 2010 was:

	Financial net assets on which no interest paid £'000	Fixed rate financial assets £'000	Variable rate financial assets £'000	Total £'000	Weighted average interest rate %	Average period to maturity (years)
Equity shares	13,932,964	-	-	13,932,964		
Preference shares	-	35,738	-	35,738	4.00	1.27
Loan stocks	-	9,653,006	4,494,771	14,147,777	3.12	3.11
Money market funds	-	-	8,708,573	8,708,573	0.57	-
Cash	-	-	106,536	106,536		
Debtors	146,402	-	-	146,402		
Creditors	(488,968)	-	-	(488,968)		
Total for financial instruments	13,590,398	9,688,744	13,309,880	36,589,022		
Other non financial assets	15,674	-	-	15,674		
Total net assets	13,606,072	9,688,744	13,309,880	36,604,696		

Floating rate cash earns interest based on LIBOR rates.

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

Cash flow interest rate sensitivity

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

	2011 £ Profit and net assets	2010 £ Profit and net assets
If interest rates fell by 1%, with all other variables held constant – decrease	(125,741)	(105,148)
Decrease in earnings, and net asset value, per Ordinary share (in pence)	(0.31)p	(0.28)p

	2011 £ Profit and net assets	2010 £ Profit and net assets
If interest rates rose by 1%, with all other variables held constant – increase	125,741	105,148
Increase in earnings, and net asset value, per Ordinary share (in pence)	0.31p	0.28p

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

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

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

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

Financial assets at fair value through profit and loss
At 30 September 2011

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	2,765,723	-	20,166,018	22,931,741
Preference shares	-	-	70,045	70,045
Loan stock investments	-	-	14,160,596	14,160,596
Money market funds	11,682,461	-	-	11,682,461
Total	14,448,184	-	34,396,659	48,844,843

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

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

Level 1 – valued using quoted prices in active markets for identical assets
Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1.
Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

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

There have been no transfers during the year between Levels 1 and 2. A reconciliation of fair value measurements in Level 3 is set out below:

	Equity investments £'000	Preference shares £'000	Loan stock investments £'000	Total £'000
Opening balance at 1 October 2010	11,867,127	35,738	14,147,777	26,050,642
Purchases	347,588	-	2,112,362	2,459,950
Sales	(893,893)	(10,000)	(3,505,576)	(4,409,469)
Transfers into Level 3	-	-	-	-
Reclassification	(175,383)	27,576	147,807	-
Total gains/(losses) included in gains/(losses) on investments in the Income Statement:				-
- on assets sold	134,683	-	231,623	366,306
- on assets held at the year end	8,885,896	16,731	1,026,603	9,929,230
Closing balance at 30 September 2011	20,166,018	70,045	14,160,596	34,396,659

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

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

	30 September 2011 £	30 September 2010 £
Investment methodology		
Cost (reviewed for impairment)	6,512,400	7,294,668
Asset value supporting security held	-	700,992
Recent investment price	-	994,657
Earnings multiple	16,180,661	17,060,325
Realisation proceeds	11,703,598	-
	34,396,659	26,050,642

The unquoted equity investments had the following movements between valuation methodologies between 30 September 2011 and 30 September 2010:

Change in investment methodology (2010 to 2011)	Carrying value as at 30 September 2011 £	Explanatory note
Cost (reviewed for impairment) to recent investment price	-	More appropriate basis for determining fair value
Cost (reviewed for impairment) to earnings multiple	167,114	More appropriate basis for determining fair value
Asset value supporting security held to earnings multiple	682,203	More appropriate basis for determining fair value
Recent investment price to Cost (reviewed for impairment)	42,446	More appropriate basis for determining fair value
Earnings multiple to discounted realisation proceeds	11,633,974	More appropriate basis for determining fair value

The valuation will be the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the September 2009 IPEVCV guidelines. The directors believe that, within these parameters, there are no other possible methods of valuation which would be reasonable as at 30 September 2011.

FRS 29 requires disclosure, by class of financial instruments, if the effect of changing one or more inputs to reasonably possible alternative assumptions would result in a significant change to the fair value measurement. The information used in determination of the fair value of Level 3 investments is chosen with reference to the specific underlying circumstances and position of the investee company. The portfolio has been reviewed and both downside and upside reasonable possible alternative assumptions have been identified and applied to the valuation of each of the unquoted investments. Applying the downside alternatives, the value of the unquoted investments would be £2,611k or 7.6% lower. Using the upside alternatives the value would be increased by £1,869k or 5.4%. In arriving at both these figures, a 5% change to earnings multiples was applied, the earnings of five investee companies were increased and one was decreased where it was considered reasonable to do so and finally, the fair value of one investment was adjusted so that the impairment applied was reduced.

21 Management of capital

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

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

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

22 Segmental analysis

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

23 Commitments

The Company has committed to invest a further £63,669 in further loan stock, to be issued by Monsal Holdings Limited.

On 15 December 2011, the Company approved a commitment to invest a further £45,195 in PXP Holdings Limited.

24 Post balance sheet events

On 21 October 2011, £1,383,314 was invested into EOTH Limited (trading as Equip Outdoor Clothing Limited).

On 1 November 2011, £1,878,124 was invested in EMaC Limited.

On 10 November 2011, App DNA Group Limited was sold realising net proceeds of £14,542,468. As a result of this realisation, an incentive fee may be payable in respect of the year ended 30 September 2012. The final figure will not be known until after the calculation date of 30 September 2012, but the current estimated maximum payment is approximately £2.86m.

On 29 November 2011, Bladon Castle Management Limited redeemed its loan stock, realising proceeds of £999,000 for the Company. On 29 November 2011, the Company exchanged its shares in Bladon Castle Management Limited for shares in Watchgate Limited.

On 9 December 2011, the Company's investment in DiGiCo Europe Limited was sold to ISIS LLP for net cash proceeds of £1,405,642. In addition, the Company continues to hold a residual loan stock and equity (1.57%) investment.

NOTICE of the ANNUAL GENERAL MEETING of The Income & Growth VCT plc

(Registered in England and Wales No. 4069483)

NOTICE IS HEREBY GIVEN that the eleventh annual general meeting of The Income & Growth VCT plc ("the Company") will be held at 11.00 am on Thursday, 9 February 2012 at the offices of Matrix Group Limited, One Vine Street, London, W1J 0AH for the purposes of considering and, if thought fit, passing the following resolutions of which resolutions 1 to 8 will be proposed as ordinary resolutions and resolutions 9 and 10 will be proposed as special resolutions:-

1. To receive and adopt the annual report and accounts of the Company for the year ended 30 September 2011 ("Annual Report"), including the auditors' report thereon.
2. To approve the directors' remuneration report for the year ended 30 September 2011 which is set out in the Annual Report.
3. To appoint PKF (UK) LLP of Farringdon Place, 20 Farringdon Road, London EC1M 3AP as auditors to the Company until the conclusion of the next annual general meeting of the Company.
4. To authorise the directors to determine the remuneration of PKF (UK) LLP as auditors to the Company.
5. To re-elect Colin Hook as a director of the Company.
6. To re-elect Helen Sinclair as a director of the Company.
7. To approve the payment of a final dividend in respect of the year ended 30 September 2011 of 4 pence per ordinary share of 1 penny each.
8. That, in substitution for any existing authorities, the directors of the Company be and hereby are generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £380,000, provided that this authority shall expire on the fifth anniversary of the date of the passing of this resolution unless renewed, revoked or varied by the Company in general meeting (except that the Company may, before such expiry, make offers or agreements which would or might require shares in the Company to be allotted or rights to be granted after such expiry and notwithstanding such expiry the directors of the Compnay may allot shares in the Company or grant rights in pursuance of such offers or agreements).
9. That, in substitution for any existing authorities, the directors of the Company be and hereby are empowered in accordance with section 570(1) and section 573 of the Act to allot or make offers or agreements to allot equity securities (as defined in section 560(1) of the Act) for cash, pursuant to the authority given in accordance with section 551 of the Act by Resolution 8 set out in this notice of annual general meeting, or by way of sale of treasury shares, as if section 561(1) of the Act did not apply to the allotment or sale provided that this power shall expire (unless renewed, varied or revoked by the Company in a general meeting) on the conclusion of the annual general meeting to be held in 2013, and provided further that this power shall be limited to:-
   (i) the allotment of equity securities with an aggregate nominal value of up to, but not exceeding, £300,000 in connection with offer(s) for subscription;
   (ii) the allotment of equity securities with an aggregate nominal value of up to, but not exceeding, 10% of the issued share capital of the Company from time to time pursuant to any dividend investment scheme operated by the Company; and
   (iii) the allotment, otherwise than pursuant to sub-paragraphs (i) and (ii) above, of equity securities with an aggregate nominal value of up to, but not exceeding, 10% of the issued share capital of the Company from time to time;

   where the proceeds of the allotment may be used in whole or in part to purchase the Company's shares in the market.
10. That, in substitution for any existing authorities, the Company be and hereby is generally authorised pursuant to section 701 of the Act to make market purchases (as defined in section 693(4) of the Act) of its own shares provided that:-
   (i) the aggregate number of shares hereby authorised to be purchased shall not exceed 6,100,000;
   (ii) the minimum price which may be paid for such shares is 1 penny per share, the nominal amount thereof;
   (iii) the maximum price which may be paid for a share shall be the higher of (i) 5% above the average of the middle market quotation for a share in the Company taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made; and (ii) the amount stipulated by Article 5(1) of the Buy Back and Stabilisation Regulation (EC2273/2003).

(iv) the authority hereby conferred shall (unless previously renewed or revoked) expire on the conclusion of the annual general meeting of the Company to be held in 2013; and

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

BY ORDER OF THE BOARD

Matrix Private Equity Partners LLP
Secretary
Registered Office
One Vine Street
London W1J 0AH

22 December 2011

Notes:

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact Matrix Private Equity Partners LLP, the Company Secretary at One Vine Street, London W1J 0AH or by email to: iandg@matrixgroup.co.uk or telephone on 020 3206 7000.
2. To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received not later than 11.00 am on Tuesday, 7 February 2012 or 48 hours before the time appointed for any adjourned meeting or, in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll.
3. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in paragraph 8 below) will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.
4. Any person to whom this notice is sent who is a person nominated under section 146 of the Act to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
5. If you have been nominated to receive general shareholder communications directly from the Company, it is important to remember that your main contact in terms of your investment remains as it was (ie the registered shareholder, or perhaps custodian or broker, who administers the investment on your behalf). Therefore any changes or queries relating to your personal details and holding (including any administration thereof) must continue to be directed to your existing contact at your investment manager or custodian. The Company cannot guarantee dealing with matters that are directed to it in error. The only exception to this is where the Company, in exercising one of its powers under the Act, writes to you directly for a response.
6. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
7. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), Shareholders must be registered in the Register of Members of the Company at 11.00 am on Tuesday, 7 February 2012 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
9. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by 11.00 am on Tuesday, 7 February 2012. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
10. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

12. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

13. Any member attending the meeting has the right to ask questions relating to the business being dealt with at the meeting and the Company is obliged to answer such questions under section 319A of the Act. However, no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on the Company's website www.incomeandgrowthvct.co.uk in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

14. Under section 527 of the Act (i) Members representing at least 5% of the total voting rights of all the Members or (ii) at least 100 members who have a relevant right to vote and hold shares in the company on which there has been paid up an average sum, per member, of at least £100 (in accordance with section 525 of the Act) can require the Company to publish a statement on its website setting out any matter relating to (a) the audit of the Company's accounts (including the Auditor's Report and the conduct of the audit) that are to be laid before the meeting; or (b) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act, that the Members propose to raise at the meeting. The Company cannot require the Members requesting the publication to pay its expenses. Any statement required to be placed on the Company's website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the Meeting includes any statement that the Company has been required to publish on its website under section 527.

15. By attending the meeting, Members and their proxies and representatives are understood by the Company to have agreed to receive any communications relating to the shares of the Company made at the Meeting.

16 As at 22 December 2011 (being the last business day prior to the publication of this Notice) the Company's issued share capital consisted of 40,692,048 Ordinary Shares, each carrying one vote. Therefore, the total voting rights in the Company as at 22 December 2011 were 40,692,048.

17 The Register of Directors' Interests and Directors' appointment letters shall be available for inspection at the Company's registered office during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) and at the place of the meeting for at least fifteen minutes prior to and during the meeting. The Directors do not have any service contracts with the Company.

18 A copy of this notice, and other information required by s311A of the Companies Act 2006, can be found at www.incomeandgrowthvct.co.uk.

Corporate Information

Directors
Colin Hook
Jonathan Cartwright
Helen Sinclair

Company's Registered Office
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Investment Manager, Company Secretary, Administrator and Promoter
Matrix Private Equity Partners LLP
One Vine Street
London
W1J 0AH

Company Registration Number: 4069483

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