

# THE INCOME & GROWTH VCT PLC



## I&G VCT UPDATE AUGUST 2010

**SHARE PRICE 81.5p**      **NET ASSET VALUE 96.3p**

Welcome to the latest Newsletter from The Income & Growth VCT plc (I&G VCT), providing an update of activity since the Half-Yearly Report for the six months ended 31 March 2010.

As at 30 June 2010, the total return (NAV basis) was 96.8p comprising NAV of 96.3p plus cumulative dividends paid of 0.5p. On a comparable basis, this represents an increase of 2.2% in total shareholder return from 94.7p in the three month period since 31 March 2010.

### LINKED MATRIX FUNDRAISING

The Company intends to launch a joint fundraising with Matrix Income & Growth VCT plc and Matrix Income & Growth 4 VCT plc later in the year. The funds raised should further increase market liquidity and spread fixed costs over a larger asset base. Details of the Offer will be posted to shareholders in the next two months.

### HIGHLIGHTS IN THE PORTFOLIO

#### MONSAL

A highlight in July was the closing of a second investment round into Monsal that brought in a new investor, FourWinds Capital. The specialist investor Waste Resources Fund (managed by FourWinds) has invested £4 million in Monsal as part of a total commitment of £14 million, at a valuation significantly greater than our original cost and previous valuation. Monsal also repaid £47,158 of our loan stock to the Company as part of this investment round.



A Monsal installation

Based in Mansfield, Monsal is a leading renewable energy company, with expertise in turning waste into energy. This investment, which has been in the I&G VCT portfolio since December 2007, is held at a current cost of £426k.

We believe that this additional investment will be a catalyst in securing growth for Monsal.

It will be used to expand Monsal's core anaerobic digestion solutions business in the UK wastewater industry and provide infrastructure funding for bio-gas energy from waste projects.

The Investment will also enable the company to expand and build its sales, technical and engineering teams over the next year.

It is intended that the additional £10 million committed by FourWinds will provide finance to fund further business opportunities for the Monsal group.

#### DiGiCo EUROPE

DiGiCo Europe repaid another tranche of loan stock to the Company at the end of June. This thriving company has to date repaid £331,306 of I&G's July 2007 total loan stock investment of £402,708. The company's sustained strong profit growth since investment has been largely driven by product development as evidenced by a series of successful launches.



DiGiCo consoles are used the world over at major live events

DiGiCo's range of digital consoles continues to raise the bar for live sound engineering expertise. The combination of its impressive knowledge base and extensive experience in technical innovation has made it a market leader in its field. Its sound mixing consoles are in demand at corporate and sporting events and live theatre and shows including The Killers' maiden appearance at the White House on 4 July of this year.

### FUND BREAKDOWN AT 30 JUNE 2010

	30-Jun-10	31-Mar-10
	£	£
Unquoted loan stock	11,423,739	10,894,855
Unquoted equities	8,756,452	8,633,384
AiM quoted investments	2,011,665	2,006,443
Money market funds	13,752,681	14,385,083
Cash	272,095	20,385
Net other assets/(liabilities)	(161,483)	(210,000)
<b>Net assets</b>	<b>36,055,149</b>	<b>35,730,150</b>
Number of shares in issue	37,453,635	37,929,970
<b>Net asset value per share</b>	<b>96.3p</b>	<b>94.2p</b>

### CONTACT MATRIX

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# MATRIX

SIX MONTHLY UPDATE AUGUST 2010  
ASSET MANAGEMENT

TEN LARGEST INVESTMENTS IN THE QUALIFYING INVESTMENT PORTFOLIO AS AT 30 JUNE 2010 \*

COMPANY	BUSINESS	INVESTMENT COST £	INVESTMENT VALUATION £	% OF THE INVESTMENT PORTFOLIO
Camwood	Software repackaging services	1,028,181	2,094,001	9.4%
Image Source	Royalty free images	305,000	1,893,785	8.6%
Amaldis 2008 (Original Additions)	Beauty products	80,313	1,691,051	7.6%
ATG Media	Publisher and online auction operator	1,000,000	1,229,616	5.6%
Digico Europe	Audio mixing desks	325,594	1,052,838	4.7%
CB Imports (Country Baskets)	Artificial flowers and floral sundries	1,000,000	1,000,000	4.5%
Iglu.com Holidays	Online ski and cruise travel agency	1,000,000	1,000,000	4.5%
Westway	Air conditioning systems	490,654	931,880	4.2%
IDOX	Document storage systems	872,625	898,333	4.0%
Monsal	Engineering in water & waste sectors	471,605	813,946	3.7%
<b>Top ten investments</b>		<b>6,573,972</b>	<b>12,605,450</b>	<b>56.8%</b>
Other investments		19,158,823	9,586,406	43.2%
<b>Total</b>		<b>25,732,795</b>	<b>22,191,856</b>	<b>100.0%</b>

\* Excluding investment acquisition vehicles Apricot Trading and Aust Construction Investors, both of which have an investment cost and valuation of £1 million.

MANAGER'S COMMENTARY

We have continued to contend with challenging conditions both in relation to completing new investments and achieving exits. Faced until recently with the uncertainties of the political environment in the UK, unstable slow recovery from recession and a lack of clarity in the immediate aftermath of the election, companies have generally been reluctant to market their businesses for sale or raise new capital for expansion. We are hopeful however, that now that the new coalition government has laid out its plans for reducing the budget deficit, this will provide business owners with the clarity they need to plan for the future and generate a greater number of more attractively priced opportunities for us to consider. We believe that our cautious approach to new investment has been an important factor in maintaining value in the Company.

The valuations over the portfolio as a whole have shown a slight increase over the quarter. The performance of three companies in particular has improved during the period. ATG Media is experiencing an excellent market response to its online auction facility and as a result of this, the company is forecasting higher than budgeted profits for the current year. British International has returned to historic levels of profitability after a disappointing year in 2009. It is supplying helicopter support to the drilling rig stationed in Falklands Islands' waters. Racoon has also shown material profit growth as a result of more focussed marketing expenditure.

The three new investments completed over the last twelve months, CB Imports (Country Baskets), Iglu and Westway have all made strong starts and are performing ahead of their investment plans. The Camwood Group is making positive progress and has won some major accounts.

Whilst the building and construction sector continues to suffer from sluggish demand, a factor which has affected HWA in particular over the past year, the other portfolio companies which are directly exposed to this sector, Plastic Surgeon, Youngman, Blaze and PXP, are now all performing steadily. We have worked particularly closely over recent months with existing businesses in the portfolio encouraging them to make the changes that were necessary to ensure that they were in the best possible position to withstand the recent period of economic uncertainty.

It is a measure of the success of this effort that the investment portfolio has required hardly any additional funding despite the extreme challenges of the past two years.

The UK economic environment continues to hold uncertainty but there are no current signs of further threats to the financial health of our portfolio companies. Overall, we expect to continue to be able to unlock additional value over time. Smaller companies and the entrepreneurs that run them now have a stable political and economic regime in which to plan for the future and this should increase our dealflow. We are hopeful that many more investment opportunities will become available at more attractive prices over the coming months. Having retained strong cash reserves, the VCT is very well-placed to take advantage of opportunities that arise at this point in the cycle.

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