MATRIX INCOME & GROWTH VCT PLC 2

A VENTURE CAPITAL TRUST

REPORT & ACCOUNTS

Annual Report and Accounts
for the year ended 30 April 2010

MATRIX

Matrix Income & Growth 2 VCT plc ("Matrix Income & Growth 2 VCT") is a Venture Capital Trust ("VCT") managed by Matrix Private Equity Partners LLP ("MPEP") investing primarily in established, profitable, unquoted companies.

Investment Objective

The Company's objective is to provide investors with a regular income stream, arising both from the income generated by the companies selected for the portfolio and from realising any growth in capital.

Venture Capital Trust Status

Matrix Income & Growth 2 VCT has satisfied the requirements as a Venture Capital Trust under section 274 of the Income Tax Act 2007 ("ITA") and the Directors intend to conduct the business of the Company so as to continue to comply with that section.

Contents

Financial Highlights

Ordinary Share Fund

- One new investment and one follow-on investment made in the year
- Increase in year of 3.20% in Shareholder total return (net asset value basis) to 98.89 pence per share

Dividends paid and declared

Ordinary Shares

Year ended	Dividends paid and proposed for each year (p) per share	Cumulative dividends paid and proposed since launch (p) per share
30 April 2010	nil	26.79
30 April 2009	nil	26.79
30 April 2008	6.00	26.79
30 April 2007	6.00	20.79
30 April 2006	12.00	14.79

Performance summary

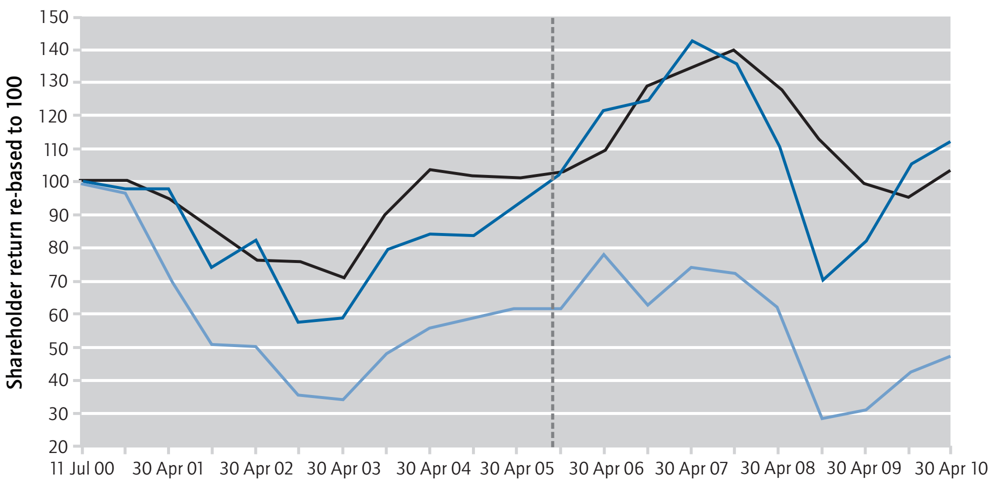
Ordinary Shares (listed on 11 July 2000)

Year ended	Net assets (£000s)	Net asset value per share (p)	Cumulative dividends paid per share (p)	Total return to shareholders since launch per share[1] (p)
30 April 2010	8,118	72.10	26.79	98.89
30 April 2009	7,772	69.03	26.79	95.82
30 April 2008	11,136	96.91	20.79	117.70
30 April 2007	12,912	107.24	20.79	122.03
30 April 2006	10,939	87.05	14.79	101.84

[1]Net asset value per share plus cumulative dividends per share. This compares to an original investment cost of 80 pence per share for the Ordinary Share Fund after allowing for income tax relief of 20 pence per share.

In the graph below, the total return figures have been re-based to 100 at 11 July 2000.

Ordinary Share Fund: Total shareholder return (net asset value)

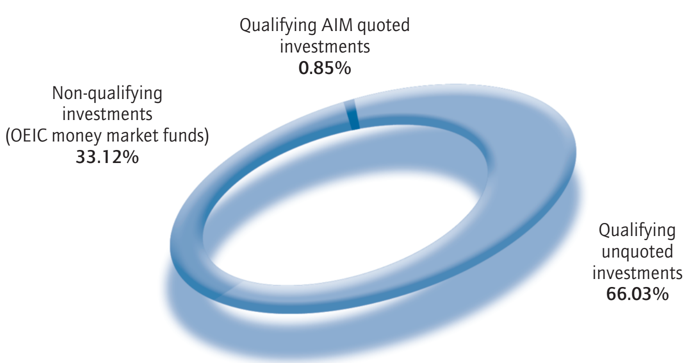


Net Asset Value per share (NAV) total return — FTSE SmallCap Index total return — FTSE AIM Index total return

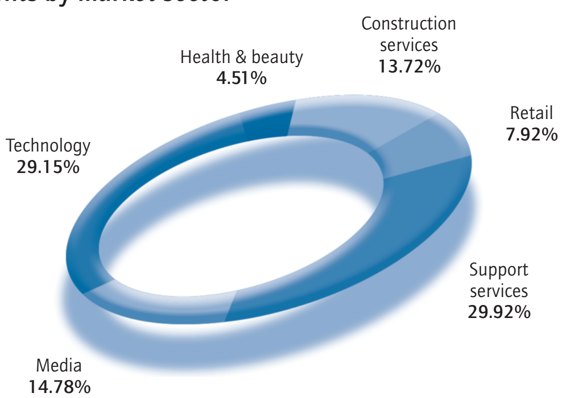
---- The Company's investment remit was changed to a generalist investment strategy with effect from 7 September 2005.

Investments at valuation as at 30 April 2010

Investments by asset class



Investments by market sector



Financial Highlights

C Share Fund

- Interim dividend of 1.00 penny per share to be paid on 13 August 2010 bringing cumulative dividends paid to 6.00 pence per share since launch
- Two new investments and one follow-on investment made in the year
- Increase of 2.72% in year in Shareholder total return (net asset value basis) to 92.47 pence per share

Dividends paid and declared

C Shares

Year ended	Dividends paid and proposed for each year (p) per share	Cumulative dividends paid and proposed since launch (p) per share
30 April 2010	1.00	6.00
30 April 2009	1.00	5.00
30 April 2008	2.50	4.00
30 April 2007	1.50	1.50
30 April 2006	0.00	0.00

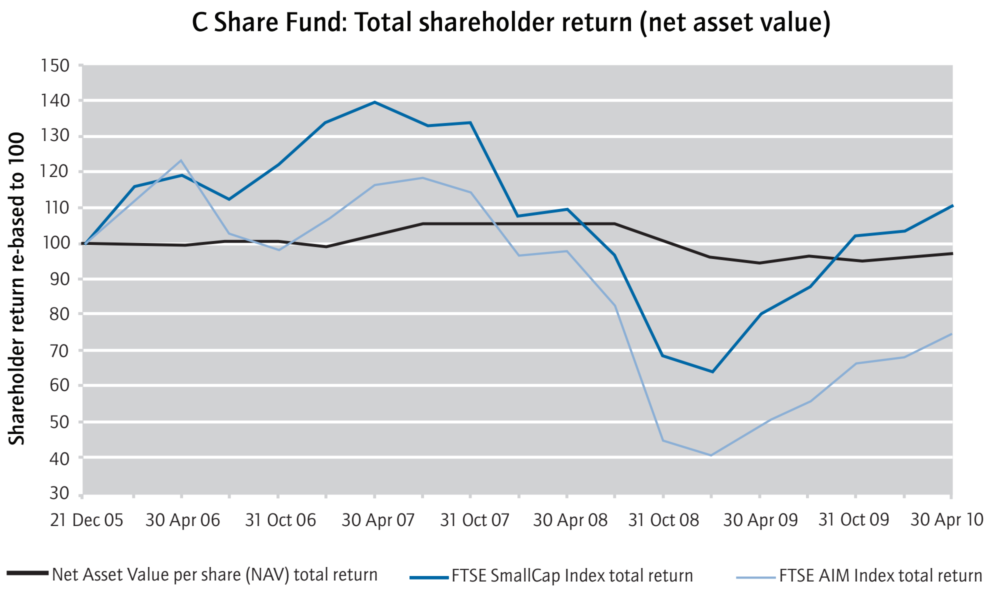
Performance summary

C Shares (listed on 21 December 2005)

Year ended	Net assets (£000s)	Net asset value per share (p)	Cumulative dividends paid per share (p)	Total return to shareholders since launch per share[1] (p)
30 April 2010	15,173	87.47	5.00	92.47
30 April 2009	14,547	86.02	4.00	90.02
30 April 2008	9,007	98.48	1.50	99.98
30 April 2007	8,885	97.15	1.50	97.15
30 April 2006	8,626	94.32	–	94.32

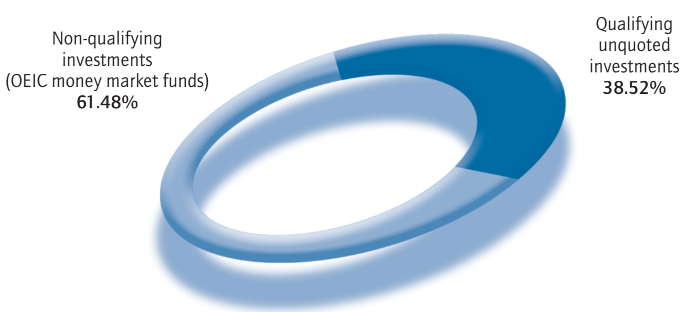
[1]Net asset value per share plus cumulative dividends per share. This compares to an original investment cost for investors in 2006 of 60 pence per share for the C Share Fund after allowing for income tax relief of 40 pence per share. For shareholders that invested in 2009, this compares to an investment cost of 64.7 pence per share after allowing for income tax relief of 27.7 pence per share.

In the graph below, the total return figures have been re-based to 100 at 21 December 2005.

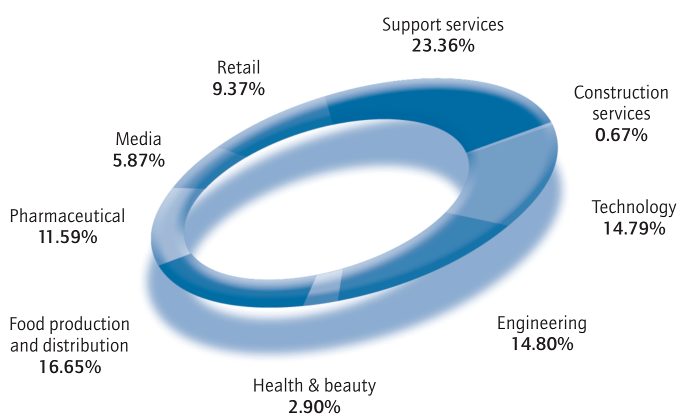


Investments at valuation as at 30 April 2010

Investments by asset class



Investments by market sector



Chairman's Statement

I am pleased to present the tenth Annual Report of the Company for the year ended 30 April 2010.

Overview of performance for the year ended 30 April 2010

Net asset values per share for both funds have increased over the year. Our Ordinary Shareholders have seen an increase in underlying net asset value ("NAV") per share of 4.45%. The Ordinary Share NAV total return since launch increased by 3.20% in the year, from 95.82 pence per share to 98.89 pence per share.

Our C shareholders have seen a smaller increase in underlying NAV per share of 1.69%, plus a further 1.16% due to the 1 penny per share dividend paid in the year, giving rise to a total increase in NAV per share of 2.85%. The C Share NAV total return since launch increased by 2.72%, from 90.02 pence per share to 92.47 pence per share.

Revenue and Capital returns for the year ended 30 April 2010

The results for the year ended 30 April 2010 are set out in the following pages. The total return (after tax) attributable to the Ordinary Shareholders for the year was a profit of £346,071 (2009: loss of £2,545,615) and the NAV per Ordinary Share at 30 April 2010 was 72.10 pence compared with 69.03 pence as at 30 April 2009. This increase is a result of unrealised increases in the valuation of investments. The after tax revenue loss before net capital gains was 0.35 pence per Ordinary Share for the year ended 30 April 2010 (2009: gain of 1.29 pence).

The total return (after tax) attributable to the C Shareholders for the year was a gain of £376,892 (2009: loss of £1,021,677) and the NAV per C Share at 30 April 2010 was 87.47 pence compared with 86.02 pence as at 30 April 2009. A final dividend of 1 penny per share was paid on 18 September 2009 in respect of the year ended 30 April 2009. Net assets increased as a result of unrealised increases in the valuation of investments and the further and final allotment of C Shares at the start of the year under the previous year's Offer for Subscription. The after tax revenue loss before net capital gains was 0.57 pence per C Share for the year ended 30 April 2010 (2009: gain of 1.27 pence).

Portfolio Activity

The Company has continued its cautious approach to new investment given the volatile and difficult trading environment for smaller companies. As reported in the Half-Yearly Report, both funds made an investment in Iglu.com Holidays Limited via Barnfield Management Investments Limited, as part of our operating partner programme. The Ordinary Share Fund invested £437,310 and the C Share Fund invested £562,691. Both funds made small follow-on investments in British International Holdings Limited (O fund: £133,252; C fund: £26,748).

The C Share Fund made a new investment into Backbarrow Limited in April 2010 as part of our operating partner programme.

The Company realised its investment in PastaKing Holdings Limited in December, realising net proceeds of £736,918 for the Ordinary Share Fund and £514,393 for the C Share Fund. This realisation contributed to total proceeds over the life of the investment of £897,049 for the Ordinary Share Fund and £626,169 for the C Share Fund, representing a 3.27x return on the original investment cost of £274,624 and £191,720 respectively. During the year, DiGiCo Europe made two partial repayments of its loan stock, realising £275,103 for the Ordinary Fund and £192,057 for the C Fund in May and December 2009.

The Ordinary Share Fund held 15 investments at the year-end, which were valued at 72.92% of cost. The C Share Fund held investments in 13 companies, showing valuations which were 91.81% of cost.

Details of these investments are provided in the Investment Manager's Review on pages 12 to 19.

Income returns

Total income was negative for the year, generating a loss of £139,503 compared to gain of £270,417 in 2009. This is the result of three factors;

Firstly, income returns for both Funds have continued to be adversely affected by the low interest rates available on bank deposits and money-market funds. Total income from cash and money market funds was £82,397 (2009: £238,023). Secondly, loan stock interest from investee companies fell to £259,774 (2009: £391,124), as several investee companies were unable to pay their interest due. The annualised yield from loan stocks at valuation is now running at 3.09% (2009: 5.47%) and 4.53% (2009: 4.87%) to the Ordinary and C Share Funds respectively. Lastly, income from dividend receipts has also fallen to £25,173 (2009: £214,825). Income in 2009 was boosted by two exceptional dividends from PastaKing Holdings Limited.

Subject to a major improvement in economic conditions, it is likely that income returns will continue to remain low for the current financial year.

Dividends

The revenue account generated a net revenue loss for the year of £39,878 for the Ordinary Share Fund (2009: gain of £147,005) and a loss of £99,625 for the C Share Fund (2009: gain of £123,412). Your Board will not be recommending income dividends for Ordinary or C Shareholders. Following the proceeds from the sale of PastaKing Holdings and the partial loan stock repayments by DiGiCo Europe, your Board has declared the payment of an interim capital dividend of 1 penny per C Share in respect of the year ended 30 April 2010. The dividend will be paid on 13 August 2010 to C Shareholders on the register on 23 July 2010.

Continuation vote

Under the current Articles of Association, shareholders have the opportunity to consider the future of the Company at the forthcoming Annual General Meeting. Resolution 13 in the Annual General Meeting notice, included on pages 65-68 of this Report, proposes that the Company continue as a venture capital trust. Continuing as a venture capital trust will enable the Company to maintain its ability to distribute tax-free dividends and not pay capital gains on the sale of any of its investments. In addition, it will also mean that those shareholders who subscribed for new shares in 2009 will retain their tax reliefs. The Board believes that the Company is well placed to take advantage of future investment opportunities and recommends that shareholders vote in favour of this resolution.

Merger of the share classes

When the Offer for C Shares was originally launched in 2005, it was intended that the Company's two share classes would merge at some future point. The Board has decided that a merger of the two share classes is now desirable and proposals will be forwarded to Shareholders.

Outlook

The state of the economy and any recovery still remains uncertain, although there are tentative signs that recovery is underway. The effects of the downturn will continue to impact the investments held by your Company over the coming year. The Company maintains a significant cash position to support portfolio companies where merited and take advantage of attractive new investment opportunities that present themselves.

Conclusion

I would like to express my thanks to all Shareholders for your continuing support of the Company. I hope to have the opportunity of meeting you at the Annual General Meeting on 9 September 2010.

Nigel Melville
Chairman

30 June 2010

Investment Policy

The VCT's policy is to invest primarily in a diverse portfolio of UK established, profitable, unquoted companies in order to generate capital gains from trade sales and flotations.

Investments are structured as part loan and part equity in order to receive regular income and to provide downside protection in the event of under-performance.

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

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

UK Companies

The companies in which investments are made must have no more than £15 million of gross assets at the time of investment to be classed as a VCT qualifying holding. The additional £7.3 million funds raised by the Company after 6 April 2006 are subject to a £7 million gross assets test for an investment to be VCT qualifying.

VCT regulation

The investment policy is designed to ensure that the VCT continues to qualify and is approved as a VCT by HMRC. Amongst other conditions, the VCT may not invest more than 15% of its investments in a single company and must achieve at least 70% by value of its investments throughout the period in shares or securities in qualifying holdings, of which a minimum overall of 30% by value must be ordinary shares which carry no preferential rights. In addition, although the VCT 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 qualifying company in ordinary shares which carry no preferential rights.

Asset mix

The Investment Manager aims to hold approximately 80% by value of the VCT's investments in qualifying holdings. The balance of the portfolio is held in readily realisable interest bearing investments and deposits.

Risk diversification and maximum exposures

Risk is spread by investing in a number of different businesses across different industry sectors. To reduce the risk of high exposure to equities, each qualifying investment is structured using a significant proportion of loan stock (up to 70% of the total investment in each VCT qualifying company). Initial investments in VCT qualifying companies are generally made in amounts ranging from £200,000 to £1 million at cost. Ongoing monitoring of each investment is carried out by the Manager generally through taking a seat on the Board of each VCT qualifying company.

Co-investment

The VCT aims to invest alongside three other Income and Growth VCTs advised by the Manager with a similar investment policy. This enables the VCT to participate in combined investments by the Investment Manager of up to £5 million.

Borrowing

The VCT has no borrowing and does not have any current plans for future borrowings.

Management

The Board has overall responsibility for the Company's affairs including the determination of its investment policy. Investment and divestment proposals are originated, negotiated and recommended by the Manager and are then subject to formal approval by the Directors. Matrix Securities provides Company Secretarial and Accountancy services to the VCT.

Investment Portfolio Summary
as at 30 April 2010

Ordinary Share Fund

	Date of first investment / Sector	Total book cost at 30 April 2010 £	Valuation at 30 April 2009 £	Additions at cost £	Disposals at valuation £	Valuation at 30 April 2010 £	Change in valuation for year £	% of net assets by value
Qualifying investments								
AIM quoted investments								
Legion Group plc (formerly SectorGuard plc) Provision of manned guarding, mobile patrolling, and alarm response services	Aug 2005 Support services	150,000	75,000	–	–	64,286	(10,714)	0.8%
Vphase plc (formerly Flightstore Group plc) Development of energy saving devices for domestic use	March 2001 Electronic and electrical equipment	254,586	7,604	–	–	2,851	(4,753)	0.0%
		404,586	82,604	–	–	67,137	(15,467)	0.8%
Unquoted investments								
DiGiCo Europe Limited Design and manufacture of audio mixing desks	July 2007 Technology, hardware and equipment	332,849	827,897	–	(256,037)	962,655	390,795	11.9%
Youngman Group Limited Manufacturer of ladders and access towers	Oct 2005 Support services	1,000,052	689,583	–	–	699,966	10,383	8.6%
VSI Limited Software for CAD and CAM vendors	April 2006 Software and computer services	231,020	651,150	–	–	644,727	(6,423)	7.9%
British International Holdings Limited Helicopter service operators	June 2006 Support services	832,827	1,000,432	–	–	574,215	(426,217)	7.2%
ATG Media Holdings Limited Publisher and online auction platform operator	Oct 2008 Media	508,736	508,736	–	–	505,456	(3,280)	6.2%
Vectair Holdings Limited Design and sale of washroom products	Jan 2006 Support services	243,784	325,108	–	–	441,853	116,745	5.4%
Iglu.com Holidays Limited Online ski and cruise travel agent	Dec 2009 Retail	437,310	–	437,310	–	437,310	–	5.4%
Campden Media Limited Publishing and conferencing	Jan 2006 Media	975,000	214,044	–	–	310,775	96,731	3.8%
Blaze Signs Holdings Limited Manufacturing and installation of signs	April 2006 Support services	791,608	297,000	–	–	305,914	8,914	3.8%
Racoon International Holdings Limited Supplier of hair extensions, hair care products and training	Dec 2006 Personal goods	517,350	–	–	–	249,349	249,349	3.1%
The Plastic Surgeon Holdings Limited Snagging and finishing of domestic and commercial properties	April 2008 Support services	230,986	57,747	–	–	57,747	–	0.7%
PXP Holdings Limited (Pinewood Structures) Design, manufacture and supply of timber frames for buildings	Dec 2006 Construction	685,131	32,851	–	–	–	(32,851)	0.0%

Investment Portfolio Summary
as at 30 April 2010

Ordinary Share Fund

	Date of first investment Sector	Total book cost at 30 April 2010 £	Valuation at 30 April 2009 £	Additions at cost £	Disposals at valuation £	Valuation at 30 April 2010 £	Change in valuation for year £	% of net assets by value
PastaKing Holdings Limited Manufacture and supply of fresh pasta	June 2006 Food producers	–	783,243	–	(783,243)	–	–	0.0%
Award International Holdings plc Promotional goods and service agency	Mar 2004 N/A	250,000	–	–	–	–	–	0.0%
		7,036,653	5,387,791	437,310	(1,039,280)	5,189,967	404,146	64.0%
Total qualifying investments		7,441,239	5,470,395	437,310	(1,039,280)	5,257,104	388,679	64.8%[1]
Non-qualifying investments								
Money market funds[2]		2,293,042	2,061,939			2,293,042		28.2%
Cash		43,814	38,510			43,814		0.5%
British International Holdings Limited		133,252	–	133,252		266,504	133,252	3.3%
Legion Group plc (formerly SectorGuard plc)		106	44			37	(7)	0.0%
Total non-qualifying investments		2,470,214	2,100,493	133,252	–	2,603,397	133,245	32.0%
Debtors		342,925	277,484			342,925		4.3%
Creditors		(85,128)	(76,145)			(85,128)		(1.1%)
Net assets		10,169,250	7,772,227	570,562	(1,039,280)	8,118,298	521,924	100.0%

[1] As at 30 April 2010, the Company (comprising both share classes) held more than 70% of its total investments in qualifying holdings, and therefore complied with the VCT Investment test. For the purposes of the VCT Investment tests, the Company is permitted to disregard disposals of investments for 6 months from the date of disposal.

[2] Disclosed within Non-current assets as Monies held pending investment in the Balance Sheet.

C Share Fund

	Date of first investment Sector	Total book cost at 30 April 2010 £	Valuation at 30 April 2009 £	Additions at cost £	Disposals at valuation £	Valuation at 30 April 2010 £	Change in valuation for year £	% of net assets by value
Qualifying investments								
Unquoted investments								
Vanir Consultants Limited Company seeking to invest in data management, data mapping and management services	Oct 2008 Support services	1,000,000	1,000,000	–	–	1,000,000	–	6.6%
Backbarrow Limited Company seeking to invest in food manufacturing, distribution and brand management	April 2010 Food production	1,000,000	–	1,000,000	–	1,000,000	–	6.6%
Monsal Holdings Limited Engineering services to the water and waste sectors	Dec 2007 Support services	854,450	640,838	–	–	889,423	248,585	5.9%
Focus Pharma Holdings Limited Licensing and distribution of generic pharmaceuticals	Oct 2007 Pharmaceuticals and Biotechnology	660,238	599,780	–	–	696,474	96,694	4.6%

C Share Fund

	Date of first investment Sector	Total book cost at 30 April 2010 £	Valuation at 30 April 2009 £	Additions at cost £	Disposals at valuation £	Valuation at 30 April 2010 £	Change in valuation for year £	% of net assets by value
DiGiCo Europe Limited Design and manufacture of audio mixing desks	July 2007 Technology, hardware and equipment	232,368	577,972	–	(178,746)	672,049	272,823	4.4%
Iglu.com Holidays Limited (formerly Barnfield Management Investments Limited Online ski and cruise retailer	July 2008 Retail	562,691	1,000,000	–	(437,309)	562,691	–	3.7%
ATG Media Holdings Limited Publisher and online auction platform operator	Oct 2008 Media	355,159	355,159	–	–	352,870	(2,289)	2.3%
Blaze Signs Holdings Limited Manufacturing and installation of signs	April 2006 Support services	606,890	223,000	–	–	234,531	11,531	1.5%
VSI Limited Software for CAD and CAM vendors	April 2006 Software and computer services	77,623	218,788	–	–	216,630	(2,158)	1.4%
Racoon International Holdings Limited Supplier of hair extensions, hair care products and training	Dec 2006 Personal goods	361,177	–	–	–	174,076	174,076	1.1%
British International Holdings Limited Supplier of helicopter services	June 2006 Support services	167,173	200,868	–	–	115,262	(85,606)	0.8%
The Plastic Surgeon Holdings Limited Snagging and finishing of domestic and commercial properties	April 2008 Support services	161,278	40,320	–	–	40,320	–	0.3%
PXP Holdings Limited (Pinewood Structures) Design, manufacture and supply of timber frames for buildings	Dec 2006 Construction	478,305	22,942	–	–	–	(22,942)	0.0%
PastaKing Holdings Limited Manufacture and supply of fresh pasta meals	June 2006 Food producers	–	546,798	–	(546,798)	–	–	0.0%
Total qualifying investments		6,517,352	5,426,465	1,000,000	(1,162,853)	5,954,326	690,714	39.2%[1]
Non-qualifying investments								
Money market funds[2]		9,459,371	9,136,823			9,459,371		62.3%
Cash		44,610	22,836			44,610		0.3%
British International Holdings Limited		26,748	–	26,748	–	53,496	26,748	0.4%
Total non-qualifying investments		9,530,729	9,159,659	26,748	–	9,557,477	26,748	63.0%
Debtors		26,768	170,762			26,768		0.2%
Creditors		(365,920)	(209,969)			(365,920)		(2.4%)
Net assets		15,708,929	14,546,917	1,026,748	(1,162,853)	15,172,651	717,462	100.0%

[1] As at 30 April 2010, the Company (comprising both share classes) held more than 70% of its total investments in qualifying holdings, and therefore complied with the VCT Investment test. For the purposes of the VCT Investment tests, the Company is permitted to disregard disposals of investments for 6 months from the date of disposal.

[2] Disclosed within Non-current assets as Monies held pending investment in the Balance Sheet.

Investment Manager's Review

Overview of Investment Activity

The difficult economic environment in the UK and worldwide has made this a challenging year for the Company. We have continued to remain cautious and selective when considering new deals. A large proportion of new deals that we have reviewed have been unattractive and we have frequently viewed vendors' price expectations as likely to be unsustainable in the medium term.

Our new investment activity continues to focus on management buyouts but our approach has been to capitalise companies conservatively at the time of investment so that they are well positioned to contend with difficult times.

No new investments were completed during the first half of the year. The rate of new deal activity has shown some signs of increase in the second half of the year. This can, in part, be attributed to vendors becoming more realistic in their price expectations to stimulate interest from buyers, but it is as yet unclear whether this will be sustained through the rest of 2010. During this period your Company completed two new investments and a follow-on investment, in addition to a successful disposal.

In December 2009, the Company invested in Iglu.com Holidays Limited via the acquisition company Barnfield Management Investments Limited, as part of our operating partner programme. The C Share Fund's original investment of £1 million was partially refunded and the Ordinary Share Fund invested £437,310 alongside £562,691 from the C Share Fund as part of the acquisition by Matrix-advised VCTs of Iglu.com Limited, a specialist provider of cruise and ski holidays. Based in Wimbledon, Iglu.com is a profitable and cash generative business with a strong management team that has a successful track record of building a profitable niche business. Since the investment was completed, Iglu.com has made a strong start and is trading ahead of plan. We have, however, continued to value the investment at cost for the time being.

Our Operating Partner programme continues to pursue an active search for investment opportunities and the C Share Fund completed a £1 million investment in Backbarrow Limited in April 2010. Backbarrow is searching for acquisition opportunities in the food manufacturing, distribution and brand management sectors and is currently pursuing a number of potential investments.

In November 2009, both share funds participated in a follow-on investment in British International Holdings Limited to provide additional working capital. The company has enjoyed a strong start to 2010 and is expected to exceed its budget for the year.

As evidence that high quality businesses remain in demand, your Company successfully realised its investment in PastaKing Holdings, the Newton Abbot-based supplier of fresh pasta meals, in November 2009 for proceeds of £736,918 for the Ordinary Share Fund and £514,393 for the C Share Fund. This realisation contributed to total proceeds over the life of the investment of £897,049 for the Ordinary Share Fund and £626,169 for the C Share Fund, representing a 3.27x return on the original investment cost of £274,624 and £191,720 respectively. The realised loss shown in the Income Statement in the accounts reflects the fall in the valuation of PastaKing from its valuation last year before its disposal, which as reported earlier was a successful investment overall.

The trading environment remains uncertain and has meant that some investee companies continue to be valued below cost. A number of investments have, however, increased in value during the year in response to increases in the valuations of comparable quoted companies or increased earnings during the year. We are confident that the valuations of many portfolio companies will begin to reflect their underlying value against a background of more stable macro-economic conditions.

Ordinary Share Fund Portfolio Highlights

The Ordinary Share Fund comprised investments in 15 companies at a cost of £7.58 million and a current valuation of £5.52 million; on a like-for-like basis the portfolio value shows an 11.14% increase compared with the valuations prevailing at 30 April 2009. The FTSE All-Share and FTSE Small Cap indices increased by 31.80% and 33.80% respectively over the same period.

Several companies in the portfolio continue to trade ahead of budget. Foremost amongst these is DiGiCo Europe, which made two partial loan stock repayments plus premium during the year of £137,552 each in May and December 2009. DiGiCo Europe continues to trade strongly and has made a good start to 2010. ATG Media has benefited from increased interest in its online auction technology, whilst its trade magazine has seen an increase in advertising revenues. Despite seeing a fall in licence income, VSI has benefited from the relative weakness of sterling and is developing a number of strategic relationships. VSI paid a participating preference dividend of £14,399 to the Ordinary Share Fund in April 2010.

The construction and house building sectors remain weak and Youngman, PXP and Plastic Surgeon continue to trade well below pre-economic downturn levels. Each business has reduced its costs and managed its cash resources effectively. Youngman has almost fully repaid its acquisition debt since investment and is well positioned to benefit from an upturn in its markets. PXP has moved away from its dependence on private sector house builds towards public sector funded housing associations. Plastic Surgeon has diversified into commercial property and insurance markets.

Blaze Signs has continued to suffer from delays in customers placing orders. It has, however, secured new contracts which should begin to contribute during its current financial year. Racoon has shown a significant improvement in profitability in its financial year to 31 March 2010.

Vectair continues to expand its export markets and is making significant inroads into the US market. Campden Media has made a strong start to 2010, following a better than expected year to December 2009. Legion Group continues to win new contracts following a period of growth by acquisition over the preceding two years. VPhase has successfully completed its product development cycle and is undertaking a number of trials with energy and social housing providers.

C Share Fund Portfolio Highlights

The C Share Fund now holds investments in 13 companies at a cost of £6.54 million and a current valuation of £6.07 million; on a like for like basis this represents an increase of 14.70% compared with the valuation prevailing at 30 April 2009, and compares with the 31.80% and 33.80% increases in the FTSE All-Share and FTSE Small Cap indices respectively over the same period.

As last year, most of the C Share Fund's investments are common to the Ordinary Share Fund; four investments are held solely by the C Share Fund. Backbarrow and Vanir Consultants continue to review a number of acquisition opportunities. Focus Pharma continues to trade well, comfortably exceeding its budget for the year to 31 December 2009 and continuing this trend in 2010. Monsal continues to progress a number of waste contracts, exploiting its acknowledged expertise in anaerobic digestion technology.

Outlook

The rise in valuations for the year is encouraging although the reduction in profitability of some portfolio companies has made some decreases inevitable. It is important to recognise that all of the falls in the year have been in unrealised valuations as opposed to realised investment losses. We believe the prospect of significant future recovery over the medium term is good as we continue to believe that the portfolio, taken as a whole, is resilient and of high quality.

Both Share Funds are well placed to support certain portfolio companies should the need arise and to capitalise on attractive new investment opportunities.

ATG Media Holdings Limited

	Ordinary Share Fund	C Share Fund
Cost:	£508,736	£355,159
Valuation:	£505,456	£352,870
Basis of valuation:	Earnings multiple	Earnings multiple
Equity % held:	4.5%	3.2%
Income receivable in year:	£27,076	£18,902
Business:	Publisher of the leading newspaper serving the UK antiques trade and online auction platform operator	
Location:	London	
History:	MBO from Daily Mail & General Trust plc	

Audited financial information:

Year ended	Turnover	Operating Profit	Net Assets
30 September 2009	£6,118,000	£873,000	£2,010,000

No comparative period available.

Award International Holdings plc

	Ordinary Share Fund
Cost:	£250,000
Valuation:	£Nil
Basis of valuation:	Cost less impairment
Equity % held:	1.9%
Income receivable in year:	£Nil
Business:	Promotional goods and services agency
Location:	Margate, Kent
History:	AIM flotation

Audited financial information:

Year ended	Turnover	Operating Loss	Net Assets
30 September 2009	£4,000	£13,000	£127,000
30 September 2008	£Nil	£48,000	£139,000

Investment Manager's Review

Backbarrow Limited

	C Share Fund
Cost:	£1,000,000
Valuation:	£1,000,000
Basis of valuation:	Cost
Equity % held:	25.0%
Income receivable in year:	£Nil
Business:	Food manufacturing, distribution and brand management sector acquisitions
Location:	Exeter, Devon
History:	Operating Partners Company

Audited financial information:

First accounts will be for the period ending 31 January 2011

Blaze Signs Holdings Limited

	Ordinary Share Fund	C Share Fund
Cost:	£791,608	£606,890
Valuation:	£305,914	£234,531
Basis of valuation:	Earnings multiple	Earnings multiple
Equity % held:	9.5%	4.0%
Income receivable in year:	£Nil	£Nil
Business:	Manufacturing and installation of signs	
Location:	Broadstairs, Kent	
History:	MBO from private ownership	

Audited financial information:

Year ended	Turnover	Operating Profit	Net Assets
31 March 2009	£19,213,000	£205,000	£3,787,000
31 March 2008	£22,214,000	£3,220,000	£4,567,000

British International Holdings Limited

	Ordinary Share Fund	C Share Fund
Cost:	£966,079	£193,921
Valuation:	£840,719	£168,758
Basis of valuation:	Earnings multiple	Earnings multiple
Equity % held:	8.3%	1.7%
Income receivable in year:	£Nil	£Nil
Business:	Helicopter service operator	
Location:	Sherbourne, Dorset	
History:	MBO from institutional investor	

Audited financial information:

Year ended	Turnover	Operating Profit	Net Assets
31 December 2008	£23,806,000	£2,000,000	£3,289,000
31 December 2007	£23,393,000	£2,917,000	£3,218,000

Campden Media Limited

	Ordinary Share Fund
Cost:	£975,000
Valuation:	£310,775
Basis of valuation:	Earnings multiple
Equity % held:	10.6%
Income receivable in year:	£Nil
Business:	Publishing and conferencing
Location:	London
History:	MBO from private ownership

Audited financial information:

Year ended	Turnover	Operating Profit	Net Liabilities
31 December 2009	£5,620,000	£175,000	£1,240,000
31 December 2008	£7,229,000	£(250,000)	£621,000

DiGiCo Europe Limited

	Ordinary Share Fund	C Share Fund
Cost:	£332,849	£232,368
Valuation:	£962,655	£672,049
Basis of valuation:	Earnings multiple	Earnings multiple
Equity % held:	3.8%	2.7%
Income receivable in year:	£14,583	£10,208
Business:	Manufacture of digital sound mixing consoles	
Location:	Chessington, Surrey	
History:	MBO from private ownership	

Audited financial information:

Year ended	Turnover	Operating Profit	Net Assets
31 December 2009	£12,922,000	£3,026,000	£5,660,000
31 December 2008	£10,061,000	£1,673,000	£3,707,000

Focus Pharma Holdings Limited

	C Share Fund
Cost:	£660,238
Valuation:	£696,474
Basis of valuation:	Earnings multiple
Equity % held:	2.7%
Income receivable in year:	£54,702
Business:	Licensing and distribution of generic pharmaceuticals
Location:	Burton upon Trent, Staffordshire
History:	MBO from private ownership

Audited financial information:

Year ended	Turnover	Operating Profit	Net Assets
31 December 2009	£16,997,000	£902,000	£2,917,000
31 December 2008	£13,205,000	£530,000	£99,000

Investment Manager's Review

Iglu.com Holidays Limited (formerly Barnfield Management Investments Limited)

	Ordinary Share Fund	C Share Fund
Cost:	£437,310	£562,691
Valuation:	£437,310	£562,691
Basis of valuation:	Price of recent investment	Price of recent investment
Equity % held:	3.6%	4.6%
Income receivable in year:	£10,887	£14,009
Business:	Online ski and cruise travel agent	
Location:	Wimbledon, London	
History:	MBO from private ownership	

Audited financial information:

First audited accounts will be for the year ending 31 May 2010

Legion Group plc (formerly SectorGuard plc)

	Ordinary Share Fund
Cost:	£150,106
Valuation:	£64,323
Basis of valuation:	Bid price (AIM-quoted)
Equity % held:	0.7%
Income receivable in year:	£Nil
Business:	Provision of manned guarding, mobile patrolling and alarm response services
Location:	Waltham Cross, Essex
History:	Expansion finance

Audited financial information:

Year ended	Turnover	Operating Profit	Net Assets
31 March 2009	£28,898,000	£(712,000)	£5,098,000
31 March 2008*	£26,844,000	£1,238,000	£10,803,000

*18 month period

Monsal Holdings Limited

	C Share Fund
Cost:	£854,450
Valuation:	£889,423
Basis of valuation:	Earnings multiple
Equity % held:	10.3%
Income receivable in year:	£50,695
Business:	Engineering services to water and waste sectors
Location:	Mansfield, Nottinghamshire
History:	MBO from private ownership

Audited financial information:

Year ended	Turnover	Operating Profit	Net Assets
30 September 2009	£6,743,000	£475,000	£1,864,000[1]
30 September 2008	£1,748,000	£(1,033,000)	£1,831,000[1]

[1] Unaudited figure taken from the consolidated group accounts of Monsal Holdings Limited

Plastic Surgeon Holdings Limited (The)

	Ordinary Share Fund	C Share Fund
Cost:	£230,986	£161,278
Valuation:	£57,747	£40,320
Basis of valuation:	Cost less impairment	Cost less impairment
Equity % held:	3.5%	2.4%
Income receivable in year:	£16,206	£11,315

Business: Snagging and finishing of domestic and commercial properties

Location: Bovey Tracey, Devon

History: MBO from private ownership

Audited financial information:

Year ended*	Turnover	Operating Loss	Net Assets
31 October 2008	£2,567,000	£134,000	£446,000

*Financial information relates to the operating subsidiary. No comparative period available.

PXP Holdings Limited

	Ordinary Share Fund	C Share Fund
Cost:	£685,131	£478,305
Valuation:	£Nil	£Nil
Basis of valuation:	Earnings multiple	Earnings multiple
Equity % held:	5.0%	3.5%
Income receivable in year:	£Nil	£Nil

Business: Designer, manufacturer and supplier of timber frames for buildings

Location: Sandy, Bedfordshire

History: MBO from private ownership

Audited financial information:

Year ended	Turnover	Operating Profit	Net Assets
31 December 2009	£24,231,000	£814,000	£581,000
31 December 2008	£25,443,000	£1,438,000*	£873,000

*stated after adding back acquisition costs of £1,401,000

Racoon International Holdings Limited

	Ordinary Share Fund	C Share Fund
Cost:	£517,350	£361,177
Valuation:	£249,349	£174,076
Basis of valuation:	Earnings multiple	Earnings multiple
Equity % held:	7.2%	5.1%
Income receivable in year:	£Nil	£Nil

Business: Supplier of hair extensions, hair care products and training

Location: Leamington Spa, Warwickshire

History: MBO from private ownership

Audited financial information:

Year ended	Turnover	Operating Profit	Net Assets
31 March 2009	£3,682,000	£(346,000)	£(460,000)
31 March 2008	£3,291,000	£236,000	£1,301,000

Investment Manager's Review

Vanir Consultants Limited

	C Share Fund
Cost:	£1,000,000
Valuation:	£1,000,000
Basis of valuation:	Cost
Equity % held:	24.5%
Income receivable in year:	£Nil
Business:	IT sector acquisitions
Location:	London
History:	Operating Partners Company

Audited financial information:

First accounts will be for the period ended 31 October 2009

Vectair Holdings Limited

	Ordinary Share Fund
Cost:	£243,784
Valuation:	£441,853
Basis of valuation:	Earnings multiple
Equity % held:	5.2%
Income receivable in year:	£19,264
Business:	Design and sale of washroom products
Location:	Basingstoke, Hampshire
History:	MBO from private ownership

Audited financial information:

Year ended	Turnover	Operating Profit	Net Assets
31 October 2009	£8,552,000	£529,000	£2,840,000
31 October 2008*	£8,812,000	£967,000	£1,136,000

*15 month period

VPhase plc (formerly Flightstore Group plc)

	Ordinary Share Fund
Cost:	£254,586
Valuation:	£2,851
Basis of valuation:	Bid Price (AIM-quoted)
Equity % held:	0.02%
Income receivable in year:	£Nil
Business:	Development of energy-saving devices for domestic use
Location:	Reigate, Surrey
History:	AIM flotation

Audited financial information:

Year ended	Turnover	Operating Loss	Net Assets
31 December 2009	£124,000	£992,000	£2,404,000
31 December 2008	£Nil	£853,000	£3,306,000

VSI Limited

	Ordinary Share Fund	C Share Fund
Cost:	£231,020	£77,623
Valuation:	£644,727	£216,630
Basis of valuation:	Earnings multiple	Earnings multiple
Equity % held:	8.7%	2.9%
Income receivable in year:	£33,650	£6,468
Business:	Software for CAD and CAM vendors	
Location:	Sheffield	
History:	MBO from private ownership	

Audited financial information:

Year ended	Turnover	Operating Profit	Net Assets
31 December 2009	£4,399,000	£216,000	£976,000
31 December 2008	£4,474,000	£824,000	£968,000

Youngman Group Limited

	Ordinary Share Fund
Cost:	£1,000,052
Valuation:	£699,966
Basis of valuation:	Net asset value basis
Equity % held:	8.5%
Income receivable in year:	£(6,188)*
Business:	Manufacturer of ladders and access towers
Location:	Maldon, Essex
History:	Management buy-in/buy-out from SGB Group

*being income recognised last year, now deemed not to be collectable at this stage.

Audited financial information:

Year ended	Turnover	Operating Profit	Net Assets
30 June 2009	£26,251,000	£188,000	£4,675,000
30 June 2008	£42,626,000	£3,603,000	£5,545,000

Operating profit is stated before charging amortisation of goodwill.

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

Board of Directors

Nigel Melville

Status: Independent, non-executive Chairman

Age: 65

Nigel was Chairman of Emtelle Holdings Limited, the UK's leading supplier of fibre-optic ducting systems, until 4 August 2008. He is a director of a number of other public and private companies. Between 1972 and 1995, he was an investment banker, latterly as a director of Barings responsible for international corporate finance. In 1995 he established Melville Partners to provide strategic consultancy to a range of international companies.

Last re-elected to the Board: September 2009. Standing for re-election at the forthcoming AGM on 9 September 2010.

Committee memberships: Nominations Committee (Chairman), Remuneration Committee (Chairman), Audit Committee.

Number of Board and Committee meetings attended 2009/10: 19/19

Remuneration 2009/10: £20,000.

Relevant relationships with the Investment Manager or other service providers: None.

Shareholding in the Company: Ordinary Shares 20,450 (including holdings of connected persons); C Shares 26,808.

Shareholding in investee companies: None

Adam Kingdon

Status: Independent, non-executive Director

Age: 52

Adam has over twenty years experience as a turnaround specialist and of restoring companies to profitability. He is also the founder and CEO of i2O Water Limited and a director of Kingdon Burrows Performance Aircraft Limited.

Last re-elected to the Board: September 2007. Standing for re-election at the forthcoming AGM on 9 September 2010.

Committee memberships: Audit Committee (Chairman), Nominations Committee, Remunerations Committee.

Number of Board and Committee meetings attended 2009/10: 18/19

Remuneration 2009/10: £17,500.

Relevant relationships with the Investment Manager or other service providers: None.

Shareholding in the Company: Ordinary Shares nil; C Shares 5,709.

Shareholding in investee companies: None.

Sally Duckworth

Status: Independent, non-executive Director

Age: 42

Sally has worked in the financial services sector since 1990 and in the private equity industry since 2000. An active angel investor, she sits on the board of several early stage companies. She is a qualified accountant, former investment banker and venture capitalist. From 2000 – 2004 she worked for Quester Capital Management Limited as part of the investment team for their VCTs.

Last re-elected to the Board: September 2007. Standing for re-election at the forthcoming AGM on 9 September 2010.

Committee memberships: Audit Committee, Nominations Committee, Remuneration Committee.

Number of Board and Committee meetings attended 2009/10: 12/19

Remuneration 2009/10: £15,000.

Relevant relationships with the Investment Manager or other service providers: None.

Shareholding in the Company: Ordinary Shares nil; C Shares nil.

Shareholding in investee companies: None.

Kenneth Vere Nicoll

Status: Non-Executive Director

Age: 67

Ken has over 35 years' corporate finance experience and retired as Deputy Chairman of Matrix Corporate Capital LLP ("MCC LLP") on 30 June 2009 and as a director of Matrix Group Limited on 30 November 2009. MCC LLP provides corporate finance advice and stockbroking services. He was a non-executive director of Unicorn AIM VCT II plc until March 2010 when it completed a merger with Unicorn AIM VCT plc.

Last re-elected to the Board: September 2009. Standing for re-election at the forthcoming AGM on 9 September 2010.

Committee memberships: Nominations Committee, Remuneration Committee.

Number of Board and Committee meetings attended 2009/10: 10/12

Remuneration 2009/10: £15,000

Relevant relationships with the Investment Manager or other service providers: Shareholder of Matrix Group Limited (for further details please see Note 23 on related party transactions on page 62).

Shareholding in the Company: Ordinary Shares 20,450; C Shares 37,793 (including holdings of connected persons).

Shareholding in investee companies: None.

Directors' Report

The Directors present their tenth annual report together with the audited financial statements of the Company for the year ended 30 April 2010.

Principal activity and status

The principal activity of the Company is the making of investments in unquoted or AIM-quoted companies in the UK. Matrix Income & Growth 2 VCT has satisfied the requirements as a Venture Capital Trust under section 274 of the Income Tax Act 2007 ("ITA"). The Directors have managed, and it is their intention to continue to manage, the Company's affairs in such a manner as to comply with this section of the ITA.

The Company revoked its status as an Investment Company as defined by section 266 of the Companies Act 1985 on 7 July 2005. This change was undertaken to enable the Company to distribute capital profits to Shareholders.

The Ordinary Shares were first admitted to the Official List of the UK Listing Authority on 11 July 2000.

The C Shares were first admitted to the Official List of the UK Listing Authority on 21 December 2005.

Business review and performance review

For a review of the Company's development and performance during the year, and a consideration of its future development please see the Chairman's Statement on pages 6 to 7 and the Investment Portfolio Summary and Investment Manager's Review on pages 9 to 19 of this Report. The Financial Highlights on pages 2 to 5 provide data on the Company's key performance indicators.

The Company's financial risk management objectives can be found on page 23.

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. The Company's NAV is calculated quarterly in accordance with the IPEVCV guidelines.

  The net assets of the Ordinary Share Fund increased during the year under review resulting in a rise in the NAV per Ordinary Share of 4.45%. The total return to Ordinary Shareholders since launch has increased by 3.20% during the year, from 95.82 pence per share to 98.89 pence per share.

  The net assets of the C Share Fund increased during the year under review resulting in a increase of 1.69% in NAV per C Share, plus a further 1.16% due to the 1.0 pence per share dividend paid in the year, giving rise to a total rise in NAV per share of 2.85%. The C Share NAV total return since launch increased by 2.72%, from 90.02 pence per share to 92.47 pence per share.

- **Total expense ratio (TER)**

  The TER of the Company for the year under review was 3.55% excluding VAT and 3.72% including VAT. Under the terms of the management agreement, the total management and administration expenses of the VCT, excluding any irrecoverable VAT and any management performance incentive fee, are limited to a maximum of 3.6% of the value of the VCT's closing net assets.

Results

	Ordinary Share Fund		C Share Fund	
	30 April 2010 £	30 April 2009 £	30 April 2010 £	30 April 2009 £
Capital return transferred (from)/ to reserves	385,949	(2,692,620)	476,517	(1,145,089)
Revenue return, before taxation	(39,878)	166,513	(99,625)	147,490
Taxation	Nil	(19,508)	Nil	(24,078)
Revenue return for the period	(39,878)	147,005	(99,625)	123,412

Dividends

As noted in the Chairman's Statement on pages 6-7, the Directors are not recommending final income dividends for Ordinary or C Shareholders. The Directors have, however, declared an interim capital dividend of 1 penny per C Share for the year ended 30 April 2010 . The dividend will be paid on 13 August 2010 to C Shareholders on the register on 23 July 2010.

Issue and buy-back of shares

On 5 May and 18 June 2009, the Company issued 573,702 new C Shares at 92.39 pence per share under the Offer for Subscription launched on 19 January 2009 ("the Offer"). As reported last year, a total of £7.7 million (before expenses) was raised in total.

The Company did not issue any Ordinary Shares during the year under review.

The cancellation of the share premium accounts attributable to the Ordinary Share Fund and the C Share Fund were approved by Orders of the Court dated 30 October 2002, 14 September 2006 and 28 October 2009 and the Court Orders were registered at Companies House on 2 November 2002, 18 September 2006 and 28 January 2010. The cancellation of the share premium accounts has created special reserves that can be used to, amongst other things, fund buy-backs of the Company's shares when the Directors consider that it is in the best interests of the Company to do so.

Directors' Report

Shareholders granted the Company the power to purchase its own shares at the Annual General Meeting held on 10 September 2009. A resolution to renew this authority will be proposed at the Annual General Meeting to be held on 9 September 2010 (see below).

During the year the Company purchased nil (2009: 231,675) Ordinary Shares for cancellation at a cost of £nil (2009: £127,306) (excluding expenses). 137,749 C Shares (2009: nil) were bought back during the year for cancellation (being £1,377 nominal value or 0.79% of the opening issued C Share capital) at a cost of £78,141 (2009: £nil) (excluding expenses).

As at 30 April 2010, the issued share capital and number of shares in issue of the Company was as follows:

Share class	Issued share capital	Number of shares in issue	% of total share capital
Ordinary Shares	£112,593	11,259,333	39.36%
C Shares	£173,464	17,346,339	60.64%
Total	**£286,057**	**28,605,672**	**100%**

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.

Directors

The Directors who held office throughout the year under review and their interests (including those of their connected persons) in the issued Ordinary Shares and C Shares of the Company were as follows:

	Ordinary Shares held on		C Shares held on	
	30 April 10	1 May 09	30 April 10	1 May 09
Nigel Melville	20,450	20,450	26,808	26,808
Sally Duckworth	–	–	–	–
Adam Kingdon	–	–	5,709	5,709
Kenneth Vere Nicoll	20,450	20,450	37,793	37,793

Nigel Melville was issued 2,854 new C Shares under the Offer on 5 May 2009 (as disclosed above) and this is included in his total shareholding in the above table. There have been no other changes to the Directors' share interests between the year-end and the date of this Annual Report.

Biographical notes on the Directors are given on page 20 of this Annual Report.

In accordance with the AIC Code, Sally Duckworth and Adam Kingdon will retire by rotation and offer themselves for re-election at the Annual General Meeting on 9 September 2010. The Board confirms that both Directors continue to make a substantial and very valuable contribution to its work and the business of the Company.

The AIC Code recommends that where directors have served the Company for nine or more years, they should be subject to annual re-election. Nigel Melville and Kenneth Vere Nicoll will therefore also offer themselves for re-election at the forthcoming Annual General Meeting on 9 September 2010. The Board confirms that, following a review of their performance, Nigel Melville remains independent of the Investment Manager and that he and Kenneth Vere Nicoll continue to make a substantial and very valuable contribution to its work and the business of the Company.

With the exception of Kenneth Vere Nicoll, all the Directors are considered to be independent of the Investment Manager.

The Company does not have any employees.

Management

Matrix Private Equity Partners Limited was appointed as Investment Manager in respect of the venture capital investments on 20 September 2005. On 20 October 2006 Matrix Private Equity Partners Limited transferred its business to Matrix Private Equity Partners LLP and the Company novated the existing Investment Adviser's Agreement and Incentive Agreement to Matrix Private Equity Partners LLP. For further information please see Note 4 to the financial statements on page 44.

The Directors regularly monitor and annually review the performance of the Investment Manager. The Directors believe that the continuing appointment of Matrix Private Equity Partners LLP (MPEP) on the terms agreed is in the interests of the Shareholders as a whole because they expect MPEP to continue to deliver performance in line with the Company's strategy.

Matrix-Securities Limited acts as Company Secretary and Accountant to the Company pursuant to agreements dated 20 September 2005 which superseded previous agreements dated 10 December 2002 and 10 May 2000 respectively.

VCT status monitoring

The Company has retained PricewaterhouseCoopers LLP as VCT status tax advisers. 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 LLP. Matrix Private Equity Partners LLP 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.

Auditors

PKF (UK) LLP ("PKF") was reappointed as auditor to the Company during the year and has expressed its willingness to continue in office. Resolutions to re-appoint PKF and to authorise the Directors to determine its remuneration will be proposed at the forthcoming Annual General Meeting.

Auditors' right to information

So far as the Directors in office at 30 April 2010 are aware, there is no relevant audit information of which the auditors are unaware. They have individually taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Principal risks, management and regulatory environment

The Board believes that the principal risks faced by the VCT 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 VCT's qualifying investments.
- **Loss of approval as a Venture Capital Trust** – the VCT must comply with section 274 of the Income Tax Act 2007 which allows it to be exempted from capital gains tax on investment gains. Any breach of these rules may lead to the VCT losing its approval as a 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 VCT becoming subject to tax. The VCT would also lose its exemption from corporation tax on capital gains.
- **Investment and strategic** – inappropriate strategy or consistently weak VCT qualifying investment recommendations might lead to under performance 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** – the VCT is required to comply with the Companies Act 2006, the rules of the UK Listing Authority and United Kingdom Accounting Standards. Breach of any of these might lead to suspension of the VCT's Stock Exchange listing, financial penalties or a qualified audit report.
- **Financial and operating risk** – inadequate controls might lead to misappropriation of assets. Inappropriate accounting policies might lead to misreporting or breaches of regulations. Failure of the 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 VCT'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.
- **Credit/counterparty risk** – A counterparty may fail to discharge an obligation or commitment that it has entered into with the Company.

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 Manager and Administrator on a six monthly basis. In the mitigation and management of these risks, the Board applies rigorously the principles detailed in the AIC Code of Corporate Governance. The Board also has a share buyback policy to try to mitigate the Market Liquidity risk. This policy is reviewed at each quarterly Board Meeting.

Environmental, social and community matters

The Board seeks to conduct the Company's affairs responsibly and considers relevant environmental, social and community matters where 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 Annual and Half-Yearly Reports.

Substantial shareholdings

As far as the Directors are aware, there were no individual shareholdings representing 3% or more of the Company's issued share capital at the date of this Annual Report.

Related party transactions

Details of related party transactions can be found in Note 23 on page 62.

Directors' Report

Policy of paying creditors

The Company does not subscribe to a particular code but follows a policy whereby suppliers are paid by the due date and investment purchases are settled in accordance with the stated terms. At 30 April 2010, the average credit period for trade creditors and accruals was 2 days (2009: 9 days).

Directors and officers liability insurance

The Company maintains a Directors' and Officers' liability insurance policy.

Annual General Meeting

Formal notice convening the Annual General Meeting of the Company on 9 September 2010 is set out on pages 65 to 68 of this Annual Report. The Directors believe that the resolutions proposed are in the interests of all Shareholders and, accordingly, recommend Shareholders vote in favour of each resolution.

Special business

The following denotes the Special Business to be proposed at the meeting:

Resolution 9: Allotment of shares

This resolution will authorise the Directors to allot shares or grant rights to subscribe for or to invest in shares in the Company generally, in accordance with section 551 of the Companies Act 2006 (as amended) ("the Act"), up to a nominal amount of £95,352 being approximately one third of the issued share capital of the Company at the date hereof and, the issue of a further £95,352 of shares in connection with a fully pre-emptive rights issue. This authority, unless previously renewed or revoked, will expire on the conclusion of the Annual General Meeting of the Company to be held in 2011.

Resolution 9 is proposed as an ordinary resolution requiring the approval of more than 50% of the votes cast at the meeting.

Resolution 10: Disapplication of pre-emption rights

Under section 561 of the Act, if the Directors wish to allot any new shares or sell treasury shares for cash they must first offer such shares to existing shareholders in proportion to their current holdings. Resolution 10 will enable the Directors to allot equity securities for cash or sell treasury shares without first offering the securities to existing Shareholders in connection with:

(i) the performance warrant rights as set out in the Carried Interest Agreement dated 10 May 2000;

(ii) a fully pre-emptive rights issue pursuant to the authority given by Resolution 9;

(iii) any dividend reinvestment or similar scheme that may be operated by the Company up to but not exceeding an aggregate nominal value of 10 per cent of the issued Ordinary Share capital and/or the issued C Share capital of the Company;

(iv) the allotment of equity securities up to an aggregate nominal value of up to but not exceeding 10% of the issued Ordinary Share capital and/or the issued C Share capital of the Company where the proceeds of the issue may in part be used to purchase the Company's Ordinary and, as the case may be, C Shares in the market; and

(v) generally the allotment from time to time of up to but not exceeding 5% of the issued share capital of both classes.

This resolution is proposed as a special resolution and will require the approval of at least 75% of the votes cast at the meeting. The authority conferred under this resolution, unless previously renewed or revoked, will expire on the conclusion of the Annual General Meeting of the Company to be held in 2011.

Resolution 11: Authority for the Company to purchase its own shares

It is proposed by Resolution 11 that the Directors be given authority to make market purchases of the Company's own shares. The authority is limited to an aggregate of 1,687,774 Ordinary Shares and 2,600,216 C Shares representing approximately 14.99% of the Company's issued Ordinary Share capital and C Share capital respectively 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 of that class 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 penny, being the nominal value of the shares.

Purchases of shares will only be made on the London Stock Exchange and only in circumstances where the Board believes that they are in the best interests of the shareholders generally. Furthermore, purchases will only be made if the Board believes that they would result in an increase in earnings per share. If the Company makes any purchases of its own shares the Board currently intends to cancel those shares.

This resolution is proposed as a special resolution and will require the approval of at least 75% of the votes cast at the meeting. The authority will expire on the conclusion of the Annual General Meeting of the Company to be held in 2011.

Resolution 12: Adoption of new articles of association

It is proposed that new articles of association of the Company ("New Articles") will be adopted in substitution of the current articles of association of the Company ("Current Articles") to reflect the changes in company law brought in by the Companies Act 2006. The key changes reflected in the New Articles are set out below.

1. Articles which duplicate statutory provisions

Provisions in the Current Articles, which replicate provisions contained in the Companies Act 2006, are in the main amended to bring them into line with the Companies Act 2006.

2. Form of resolution

The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being amended, as the concept of extraordinary resolutions has not been retained under the Companies Act 2006.

The Current Articles enable members to act by written resolution. Under the Companies Act 2006 public companies can no longer pass written resolutions. These provisions are therefore being removed in the New Articles.

3. Variation of class rights

The Current Articles contain provisions regarding the variation of class rights. The proceedings and specific quorum requirements for a meeting convened to vary class rights are contained in the Companies Act 2006. The relevant provisions are therefore being amended in the New Articles.

4. Convening extraordinary and annual general meetings

The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform to new provisions in the Companies Act 2006. In particular an extraordinary general meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

5. Notice of board meetings

Under the Current Articles, it is not required to give notice to a director if he is abroad. This provision is being removed, as modern communications mean that there may be no particular obstacle to giving notice to a director who is abroad. It is being replaced with a more general provision that a director is treated as having waived his entitlement to notice, unless he supplies the Company with the information necessary to ensure that he receives notice of a meeting before it takes place.

6. Records to be kept

The provision in the Current Articles requiring the Board to keep accounting records is being removed as this requirement is now contained in the Companies Act 2006.

7. Distribution of assets otherwise than in cash

The Current Articles contain provisions dealing with the distribution of assets in kind in the event of the Company going into liquidation. These provisions are being removed in the New Articles on the grounds that a provision about the powers of liquidators is a matter for insolvency law rather than the articles and that the Insolvency Act 1986 confers powers on the liquidator which would enable it to do what is envisaged by the Current Articles.

8. Electronic and web communications

Provisions of the Companies Act 2006 came into force in January 2007 to enable companies to communicate with members by electronic and/or website communications. The New Articles will continue to allow communications to members in electronic form and, in addition, they will also permit the Company to take advantage of the new provisions relating to website communications. Before the Company can communicate with a member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.

9. Directors' indemnities and loans to fund expenditure

The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. The existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies. The New Articles will also provide that a director can vote and form part of the quorum when the board is considering whether to indemnify him or fund his expenditure pursuant to the powers in the New Articles.

10. The Company's objects

The provisions regulating the operations of the Company are currently set out in the Company's memorandum and articles of association. The Company's memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

Directors' Report

The Companies Act 2006 significantly reduces the constitutional significance of a company's memorandum. The Companies Act 2006 provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Companies Act 2006 the objects clause and all other provisions which are contained in a company's memorandum, for existing companies at 1 October 2009, are deemed to be contained in the company's articles of association but the company can remove these provisions by special resolution.

Further the Companies Act 2006 states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the Companies Act 2006, are treated as forming part of the Company's articles of association as of 1 October 2009. Resolution 12 will confirm the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's memorandum of association regarding limited liability, the New Articles will also contain an express statement regarding the limited liability of shareholders.

11. Change of name

Under the Companies Act 1985, a company could only change its name by special resolution. Under the Companies Act 2006 a company will be able to change its name by other means provided for by its articles. To take advantage of this provision, the New Articles will enable the directors to pass a resolution to change the Company's name.

12. Authorised share capital and unissued shares

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital and the New Articles will reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006, save in respect of employee share schemes.

13. Redeemable shares

Under the Companies Act 1985, if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The Companies Act 2006 enables directors to determine such matters instead provided they are so authorised by the articles. The New Articles will contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the directors would need shareholders' authority to issue new shares in the usual way.

14. Use of seals

Under the Companies Act 1985, a company required authority in its articles to have an official seal for use abroad. Under the Companies Act 2006, such authority will no longer be required. Accordingly, the relevant authorisation is being removed in the New Articles.

The New Articles will provide an alternative option for execution of documents (other than share certificates). Under the New Articles, when the seal is affixed to a document it may be signed by one authorised person in the presence of a witness, whereas previously the requirement was for signature by either a director and the secretary or two directors or such other person or persons as the directors may approve.

15. Suspension of registration of share transfers

The Current Articles permit the directors to suspend the registration of transfers. Under the Companies Act 2006 share transfers must be registered as soon as practicable. The power in the Current Articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly, this power is being removed in the New Articles.

16. Vacation of office by directors

The Current Articles specify the circumstances in which a director must vacate office. The New Articles are updating these provisions to reflect the approach taken on mental and physical incapacity in the model articles for public companies produced by the Department for Business, Innovation and Skills.

17. Voting by proxies on a show of hands

The Shareholders' Rights Regulations have amended the Companies Act 2006 so that it now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The Current Articles are being amended to reflect these changes.

18. Voting by corporate representatives

The Shareholders' Rights Regulations have amended the Companies Act 2006 in order to enable multiple representatives appointed by the same corporate member to vote in different ways on a show of hands and a poll. The New Articles will contain provisions that reflect these amendments.

19. Electronic conduct of meetings

Amendments made to the Companies Act 2006 by the Shareholders' Rights Regulations specifically provide for the holding and conducting of electronic meetings. The Current

Articles are being amended to reflect more closely the relevant provisions.

20. Chairman's casting vote

The New Articles will remove the provision giving the chairman a casting vote in the event of an equality of votes as this is no longer permitted under the Companies Act 2006.

21. Notice of general meetings

The Shareholders' Rights Regulations amend the Companies Act 2006 to require the company to give 21 clear days' notice of general meetings unless the company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than 14 days has been passed. Annual general meetings must be held on 21 clear days' notice. The New Articles will amend the provisions of the Current Articles to be consistent with the new requirements.

22. Adjournments for lack of quorum

Under the Companies Act 2006 as amended by the Shareholders' Rights Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. The Current Articles are being changed to reflect this requirement.

23. Voting record date

Under the Companies Act 2006 as amended by the Shareholders' Rights Regulations the company must determine the right of members to vote at a general meeting by reference to the register not more than 48 hours before the time for the holding of the meeting, not taking account of days which are not working days. The Current Articles are being amended to reflect this requirement.

24. Life of the Company

Members are being asked to review the continuation of the Company under Resolution 13. In order to provide the Company with flexibility to be able to raise further funds in the future, the Directors propose that any such further review should take place at the annual general meeting falling after the latter of the fifth anniversary of either i) the then latest allotment of Shares made by the Company or, ii) the last continuation vote held (and thereafter at five yearly intervals). This will provide the Company sufficient time to invest any such new funds raised by the Company. It will also provide potential investors with the ability to hold their Shares for the holding period required to maintain VCT tax reliefs obtainable on investment.

25. General

Generally the opportunity is being taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Innovation and Skills.

This resolution is proposed as a special resolution and will require the approval of at least 75% of the votes cast at the meeting.

Resolution 13: continuation of the Company as a venture capital trust

Under the current Articles of Association, in order for members to consider the future of the Company a resolution must be put to them at the tenth Annual General Meeting of the Company. The resolution proposes that the Company continue as a venture capital trust, enabling members and the Company to retain tax reliefs. This resolution is proposed as an ordinary resolution requiring the approval of more than 50% of the votes cast at the meeting.

Separate Meetings of the Ordinary Shareholders and C Shareholders

The Annual General Meeting will be followed on 9 September 2010 by separate class meetings of the Ordinary Shareholders and C Shareholders and formal notice of these meetings is included on pages 69 to 72 of this Annual Report. An extraordinary resolution will be proposed at both meetings to approve the passing of the ordinary and special resolutions numbered 9 to 12 to be proposed at the Annual General Meeting and will sanction any modification of the rights of the Ordinary Shareholders and C Shareholders resulting therefrom.

By order of the Board

Matrix-Securities Limited

Company Secretary

30 June 2010

Directors' Remuneration Report

The remuneration policy is set by the Board and is described below. The Remuneration Committee makes recommendations to the Board on the remuneration of individual Directors within the framework of this policy. The Committee comprises Nigel Melville (Chairman), Sally Duckworth, Adam Kingdon and Kenneth Vere Nicoll. The Committee meets at least once a year and is responsible for considering the levels and composition of remuneration payable to the Directors, severance payments and the resolution of disputes involving any member of the Board, and any actual or potential conflicts of interest which may arise as a result of outside business activities of Board members. The Committee has access to independent advice where it considers it appropriate. However, no such advice was taken during the year under review.

Remuneration policy

The Directors' remuneration is reviewed annually by the Remuneration Committee. When considering the level of Directors' remuneration, the Committee takes account of remuneration levels elsewhere in the Venture Capital Trust industry and considers the time commitment involved and responsibilities of the roles and other relevant information. No portion of the remuneration paid to any of the Directors is related to performance. Details of the Directors' remuneration are disclosed below and in the Notes to the Accounts.

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. Directors retiring by rotation are then eligible for re-election. Subject to the provisions of the Company's Articles of Association and the AIC Code such number of the Directors shall retire from office by rotation at each Annual General Meeting of the Company as will ensure that each Director retires once every three years. As required by the AIC Code, after nine years' service, a Director will be subject to annual re-election by Shareholders.

All of the Directors are non-executive and none of the Directors has a service contract with the Company. All Directors receive a formal letter of appointment setting out the terms of their appointment, the powers and duties of Directors and the remuneration pertaining to the appointment. Appointment letters for new Directors will in future contain an assessment of the anticipated time commitment of the appointment. New Directors will be asked to undertake that they will have sufficient time to meet what is expected of them and to disclose their other significant time commitments to the Board before appointment. Copies of the letters appointing the Directors are made available for inspection at each General Meeting of the Company and on application to the Company Secretary. A Director's appointment may be terminated on three months' notice being given by the Company and in certain other circumstances. No arrangements have been entered into between the Company and the Directors to entitle any of the Directors to compensation for loss of office.

Pensions

All the Directors are non-executive and the Company does not provide pension benefits to any of the Directors.

Share options and long-term incentive schemes

The Company entered into an Incentive Agreement dated 10 May 2000 under which four former Board members are entitled to be issued with conditional performance warrants. The Board has agreed that it will seek Shareholder approval on the introduction of any future long-term incentive schemes in accordance with the provisions of the 2008 FRC Combined Code. It has no intention of introducing any such schemes at the current time.

Details of individual emoluments and compensation *(Audited information)*

The annual emoluments in respect of qualifying services of each person who served as a Director during the year are set out in the table below. There are no schemes in place to pay any of the Directors bonuses or benefits in addition to their emoluments. No expenses were paid to the Directors during the year (2009: nil).

	Total emoluments	
	30 April 2010 £	30 April 2009 £
Nigel Melville	20,000	20,000
Adam Kingdon	17,500	17,500
Sally Duckworth	15,000	15,000
Kenneth Vere Nicoll	15,000	15,000

Aggregate emoluments in respect of qualifying services amounted to £67,500 (2009: £67,500) net of VAT and NIC.

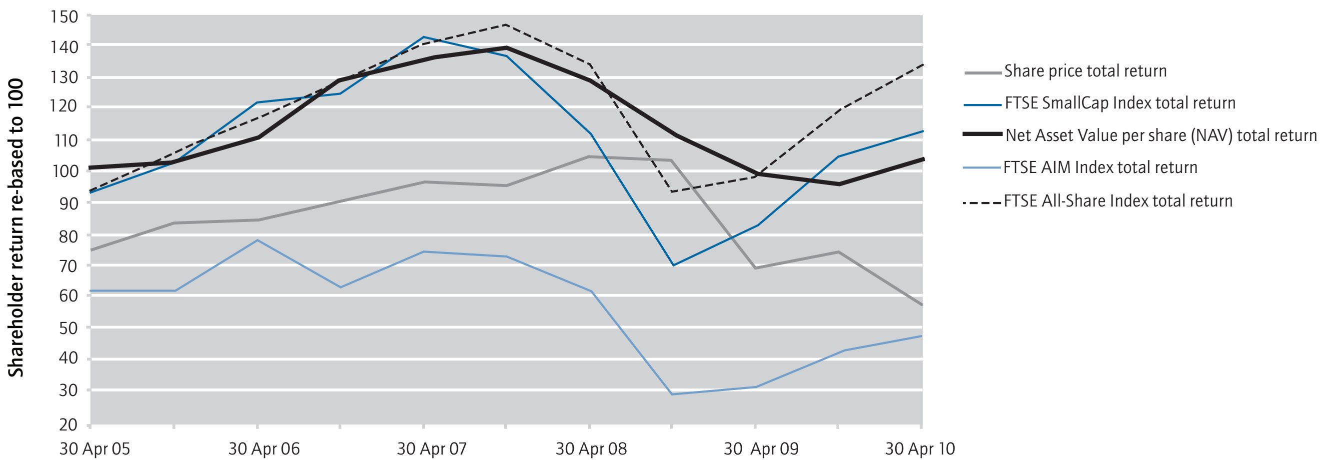
Total shareholder return

The graphs below shows the total cumulative shareholder return of the Ordinary Share Fund over the past five year and of the C Share Fund since its shares were first admitted to the Official List of the UKLA. For each Fund, the total cumulative shareholder return (assuming all dividends have been re-invested) is compared with the total shareholder return of the FTSE All-Share, SmallCap and AIM indices. These indices represent broad equity market indices against which investors can measure the performance of the Funds and are appropriate indices against which to measure their performance over the medium to long term. Total shareholder return has been re-based to 100p as at the date on which the shares were first admitted to trading.

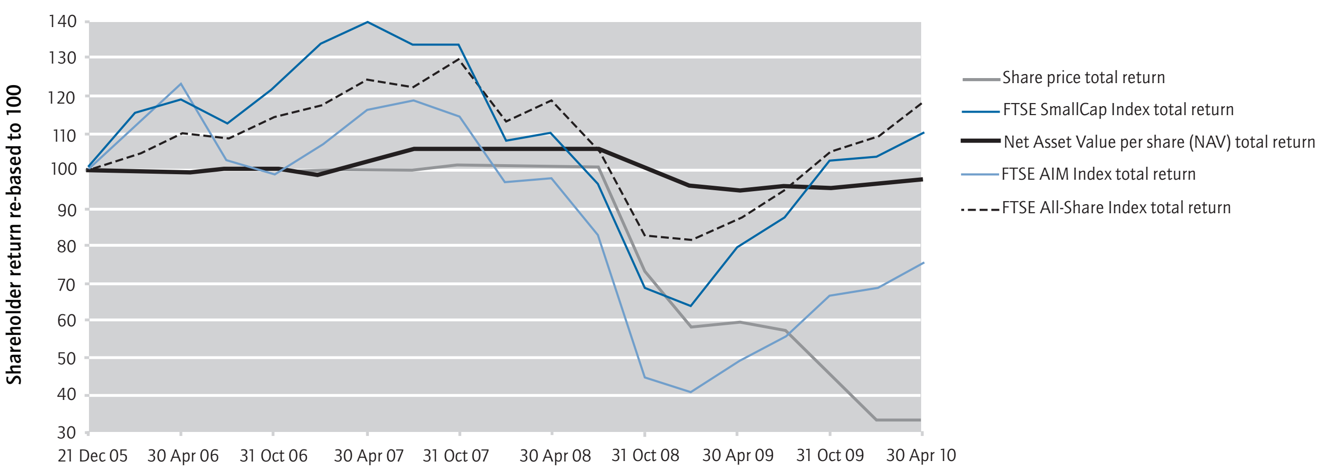
The NAV per share total return has been shown separately on the graphs because the Directors believe it provides a more accurate reflection of the Company's performance than the share price.

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

Ordinary Share Fund: Total shareholder return



C Share Fund : Total shareholder return



Source: Matrix Corporate Capital LLP

Signed on behalf of the Board by:

Nigel Melville
Chairman
30 June 2010

Corporate Governance Statement

The Company is a member of the Association of Investment Companies (AIC) and the Directors have continued to adopt the AIC Code of Corporate Governance ("the AIC Code") for the financial year ended 30 April 2010. The AIC Code addresses all the principles set out in section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The Financial Reporting Council (FRC) has confirmed that in complying with the AIC Code the Company will meet its obligations in relation to the Combined Code and paragraph 9.8.6 of the Listing Rules.

The Board considers that reporting against the principles and recommendations of the AIC Code will provide more relevant information to shareholders. The AIC Code can be found on the AIC's website, www.theaic.co.uk.

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

Compliance with the Combined Code

There are certain areas of the Combined Code that the AIC feels are not relevant to investment companies, and with which the Company does not specifically comply, and for which the AIC Code provides dispensation. These areas are: the role of the chief executive; executive directors' remuneration; and the need for an internal audit function.

As an externally managed investment company, the Company does not employ a chief executive nor any executive directors. The systems and procedures of the Investment Manager and the Administrator, the provision of VCT monitoring services by PricewaterhouseCoopers LLP, as well as the size of the Company's operations, give the Board full confidence that an internal audit function is not necessary. The Company is therefore not reporting further in respect of these areas.

The Board

The Company has a Board of four non-executive Directors. The Directors regularly review the size and composition of the Board and have agreed that a Board of four is the most appropriate for the Company given its current size and the nature of its business. The Board meets regularly on at least four occasions during the year and it is in frequent contact with the Investment Manager between these meetings.

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. With regard to tenure, the Board does not believe that length of service, by itself, leads to a closer relationship with the Investment Manager nor necessarily affects a Director's independence of character or judgement. Indeed the AIC expresses cogent arguments that investment companies are more likely than most to benefit from having Directors with lengthy service. Nigel Melville has now served the Company for nine years and the Directors believe that Mr Melville continues to be independent of the Investment Manager as he continues to offer independent, professional judgement and constructive challenge of the Investment Manager. Kenneth Vere Nicoll has also served the Company for nine years but is not regarded as independent of the Investment Manager, the Promoter or Company Secretary/Administrator or the Corporate Broker due to his relationship to Matrix Group Limited and its related companies (for further information please see Related Party Transactions in Note 23 on page 62 of this Report).

Sally Duckworth and Adam Kingdon are considered to be independent, having served the Company for less than nine years and having no relationships that may compromise their independence.

Directors are not appointed for fixed terms, but are subject to re-election by Shareholders at approximate intervals of three years, and each Director's appointment may be terminated on three months notice being given by the Company. In accordance with the AIC Code, Mr Melville and Mr Vere Nicoll will offer themselves for re-election annually.

The independence of Directors will continue to be assessed on a case by case basis.

The Board has reviewed any actual or potential conflicts of interests in accordance with the procedures under the Articles of Association and applicable rules and regulations. The conflicts identified above have been authorised by the Board in accordance with these procedures. 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 Committee reviews authorisations given on behalf of the Board annually and if there is a material change in an authorised conflict.

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

Details of the Chairman's other significant time commitments are disclosed on page 20 of this Annual Report.

The Board is responsible to Shareholders for the proper management of the Company. It has formally adopted a schedule of matters that are required to be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues. These include compliance with the requirements of the Companies Act, 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 Committee and terms of reference of committees; material contracts of the Company and contracts of the Company not in the ordinary course of business. With effect from 20 September 2005 the Board is also now responsible for those matters which previously fell within the remit of the Investment Committee. It considers investment proposals submitted by Matrix Private Equity Partners LLP and decides which of these should be accepted by the Company and is responsible for the ongoing monitoring of investee companies and the Company's investments therein. Kenneth Vere Nicoll does not participate in any decisions involving investment proposals submitted by Matrix Private Equity Partners LLP.

A procedure by which individual Directors can seek independent professional advice in the furtherance of their duties at the expense of the Company is in place. Where individual Directors have concerns about the running of the Company or a proposed action, which cannot be resolved, 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.

All the Directors have access to the advice and services of the Company Secretary. Both the appointment and removal of the Company Secretary are matters for the Board as a whole.

Board committees

The Board has adopted formal terms of reference for three standing committees which make recommendations to the Board in specific areas. Given the size of the Board, each Committee comprises the full Board, with the exception of the Audit Committee, which comprises only the independent directors.

The Audit Committee comprises three Directors, Adam Kingdon (Chairman), Nigel Melville and Sally Duckworth. The Audit Committee, which meets at least twice a year, is responsible for reviewing the half-year and annual financial statements before their submission to the Board and for monitoring the effectiveness of the Company's internal control systems. The Board has satisfied itself that at least one member of the Committee has recent and relevant accounting experience. The Audit Committee has reviewed arrangements by which staff of the service providers may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and satisfied itself that the appropriate channels of communication are in place at the service providers to ensure proportionate and independent investigation of any matters raised. The Company's external auditors and Kenneth Vere Nicoll are invited to attend meetings as appropriate.

The Remuneration Committee comprises all of the Directors, Nigel Melville (Chairman), Adam Kingdon, Sally Duckworth and Kenneth Vere Nicoll. The Committee meets at least once a year and is responsible for considering the levels and composition of remuneration payable to the Directors.

The Nomination Committee comprises all of the Directors, Nigel Melville (Chairman), Adam Kingdon, Sally Duckworth and Kenneth Vere Nicoll. The Committee meets at least once a year and is responsible for making recommendations to the Board concerning new appointments of Directors to the Board and Board Committees. It carries out a periodic review of the composition of the Board and its Committees and considers actual or potential conflicts of interest which may arise as a result of the outside business activities of Board members. It is intended that job descriptions will be prepared for new vacancies as they arise. Appointment letters 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. An induction procedure, including appropriate training for new Directors, has been introduced and will continue for future appointments. Letters of appointment are available for inspection on written request to the Company Secretary. The effectiveness of the Board and the Chairman is reviewed regularly as part of the internal control process led by the Board. The Committee also carried out a performance evaluation of the Directors and the Chairman on 29 June 2010 in respect of the year under review and considered performance in relation to specific headings. It concluded that the composition and performance of the Board was effective.

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 at www.mig2vct.co.uk.

The Board has satisfied itself that each of its Committees has sufficient resources to undertake their duties.

Relations with Shareholders

The Company communicates with Shareholders through the circulation of two newsletters each year in addition to the Half-Yearly Reports and Annual Reports, and solicits their views where it is appropriate to do so. Individual Shareholders are made welcome at the Annual General Meeting where they have the opportunity to ask questions of the Directors and representatives of the Investment Manager, all of whom attend the Meeting.

Shareholders wishing to contact the Board should direct their communications to the Company Secretary and any queries will be passed to the relevant Director or the Board as a whole.

Internal controls

The Directors have overall responsibility for the Company's system of internal control. Internal control systems are designed to meet the particular needs of the company concerned and the risks to which it is exposed and by their nature can provide reasonable but not absolute assurance against misstatement or loss.

The main aspects of the internal controls which have been in place throughout the year in relation to financial reporting are:

- the valuations prepared by the Investment Manager are entered into the accounting system and reconciled by the Administrator. Controls are in place to ensure the effective segregation of these two tasks;
- independent reviews of the valuations of investments within

Corporate Governance Statement

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 Board has procedures in place for the approval of expenses and payments to third parties;
- the Directors review quarterly management accounts and underlying notes to those accounts, and other announcements as necessary;
- 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.

The Board's appointment of Matrix-Securities Limited as accountant and Company Secretary has enabled the financial administration to be delegated. Matrix-Securities Limited has an established system of financial controls, allowing proper accounting records to be maintained and ensuring that financial information for use within the business and for reporting to Shareholders is accurate and reliable and that the Company's assets are safeguarded.

Both the Administrator and Investment Manager report by exception on matters that may be of relevance to financial reporting and on other matters as appropriate on a quarterly basis. The auditors review the accounting processes in place at the Administrator and Investment Manager as part of the annual audit and report any concerns to the Audit Committee. The Audit Committee reviews the independence of the auditors each year.

The Company Secretary is responsible to the Board for ensuring that Board procedures and applicable rules and regulations are complied with.

Matrix Private Equity Partners LLP as Investment Manager seeks professional advice in relation to the application of the VCT legislation to any company in which the Company is proposing to invest. PricewaterhouseCoopers LLP provides legal advice and assistance in relation to the maintenance of VCT tax status for the Company on the basis of information provided by Matrix Private Equity Partners LLP, and the operation of the agreements entered into with Matrix Private Equity Partners LLP.

Pursuant to the terms of its appointment, Matrix Private Equity Partners LLP advises the Company on venture capital investments. The Company's share and loan stock certificates arising from its investments are held at a safe custody unit of National Westminster Bank plc.

Following publication of "Internal Control: Guidance for Directors on the Combined Code" (the Turnbull guidance), the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company, that has been in place for the year under review and up to the date of approval of the Annual Report and Accounts, and that this process is regularly reviewed by the Board and accords with the guidance.

The Audit Committee has carried out a review of the effectiveness of the system of internal control, together with a review of the operational and compliance controls and risk management, as it operated during the year and reported its conclusions to the Board, which was satisfied with the outcome of the review. The Board has not identified any issues with the Company's internal control mechanisms that warrant disclosure in the Annual Report.

Accountability and audit

The Statement of Directors' Responsibilities in respect of the accounts is set out on page 33 of this Annual Report.

The report of the independent auditors is set out on page 37 of this Annual Report.

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

Directors' remuneration and appointment

A Directors' Remuneration Report, prepared in compliance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI2008/410) and the Companies Act 2006, is contained on pages 28-29 of this Annual Report and provides details on the appointment and replacement of the Directors.

Share capital

Details of the Company's share capital and substantial shareholdings can be found in the Directors' Report on pages 21-23.

Powers of the Directors

In addition to the powers granted to the Directors by Company law and the Articles of Association, the Directors maintain shareholder authorities to issue a limited number of shares, disapply pre-emption rights and purchase the Company's own shares. Further details can be found in the Directors' Report.

Going concern

After due consideration, the Directors believe that the Company has adequate resources for the foreseeable future and that it is appropriate to apply the going concern basis in preparing the financial statements. As at 30 April 2010, the Company held cash balances and investments in money market funds with a combined value of £11,840,837. Cash flow projections have been reviewed and show that each share fund has sufficient funds to meet both contracted expenditure and any discretionary cash outflows from share buybacks and dividends. The Company has no external loan finance in place and is therefore not exposed to any gearing covenants.

By order of the Board

Matrix-Securities Limited

Company Secretary

30 June 2010

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 period. In preparing these financial statements the Directors are required to:

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

The Directors are responsible for keeping 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, 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 or loss of the Company.

(b) the management report, comprising 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 page 20.

For and on behalf of the Board:

Nigel Melville

Chairman

30 June 2010

Non-Statutory Analysis between the Ordinary Share and C Share Funds

Income Statements for the year ended 30 April 2010

	Notes	Ordinary Share Fund Revenue £	Ordinary Share Fund Capital £	Ordinary Share Fund Total £	C Share Fund Revenue £	C Share Fund Capital £	C Share Fund Total £
Unrealised gains on investments		–	521,924	521,924	–	717,462	717,462
Realised losses on investments		–	(27,258)	(27,258)	–	(19,094)	(19,094)
Income		149,401	–	149,401	234,110	–	234,110
Recoverable VAT		2,174	6,523	8,697	1,225	3,674	4,899
Investment management fees		(38,413)	(115,240)	(153,653)	(75,175)	(225,525)	(300,700)
Other expenses		(153,040)	–	(153,040)	(259,785)	–	(259,785)
(Loss)/profit on ordinary activities before taxation		**(39,878)**	**385,949**	**346,071**	**(99,625)**	**476,517**	**376,892**
Tax on (loss)/profit on ordinary activities		–	–	–	–	–	–
(Loss)/profit for the year		**(39,878)**	**385,949**	**346,071**	**(99,625)**	**476,517**	**376,892**
Basic and diluted earnings per share	**9**	**(0.35)p**	**3.43p**	**3.08p**	**(0.57)p**	**2.74p**	**2.17p**
Weighted average number of shares in issue				11,259,333			17,411,523

	Revenue £	Total Capital £	Total £
	–	1,239,386	1,239,386
	–	(46,352)	(46,352)
	383,511	–	383,511
	3,399	10,197	13,596
	(113,588)	(340,765)	(454,353)
	(412,825)	–	(412,825)
	(139,503)	862,466	722,963
	–	–	–
	(139,503)	862,466	722,963

Non-Statutory Analysis between the Ordinary Share and C Share Funds

Balance Sheets as at 30 April 2010

	Notes	Ordinary Share Fund £	£	C Share Fund £	£	Adjustments (see note below) £	£	Total £
Fixed assets								
Investments at fair value	10		5,523,645		6,007,822			11,531,467
Current assets								
Debtors and prepayments	12	342,925		26,768		(308,686)	61,007	
Current investments	13,19	2,293,042		9,459,371			11,752,413	
Cash at bank	19	43,814		44,610			88,424	
		2,679,781		9,530,749		(308,686)	11,901,844	
Creditors: amounts falling due within one year	14	(85,128)		(365,920)		308,686	(142,362)	
Net current assets/(liabilities)			2,594,653		9,164,829			11,759,482
Net assets			8,118,298		15,172,651			23,290,949
Capital								
Called up share capital	15		112,593		173,464			286,057
Capital redemption reserve	16		19,213		1,377			20,590
Share premium account	16		–		–			–
Revaluation reserve	16		(1,800,952)		(536,278)			(2,337,230)
Special distributable reserve	16		2,300,179		15,111,058			17,411,237
Profit and loss account	16		7,487,265		423,030			7,910,295
Equity shareholders' funds	16		8,118,298		15,172,651			23,290,949
Number of shares in issue:	17		**11,259,333**		**17,346,339**			
Net asset value per share – basic and diluted	17		**72.10p**		**87.47p**			

Note: The adjustment above nets off the inter-fund debtor and creditor balances, so that the "Total of both funds" balance sheet agrees to the Statutory Balance Sheet on page 39.

Reconciliation of Movements in Shareholders' Funds

	Notes	Ordinary Share Fund £	C Share Fund £	Total £
Opening shareholders' funds		7,772,227	14,546,917	22,319,144
Net share capital issued/(bought back) in the year (net of expenses)	16	–	423,683	423,683
Profit for the year		346,071	376,892	722,963
Dividends paid in year	8	–	(174,841)	(174,841)
Closing shareholders' funds		**8,118,298**	**15,172,651**	**23,290,949**

Independent Auditors' Report to the Members of Matrix Income & Growth 2 VCT plc

We have audited the financial statements of Matrix Income & Growth 2 VCT Plc for the year ended 30 April 2010 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Reconciliation of Movements in Shareholders' Funds 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

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 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

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.

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 April 2010 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 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.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 32, 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 June 2008 Combined Code specified for our review.

Rosemary Clarke (Senior Statutory auditor)
for and on behalf of PKF (UK) LLP, Statutory auditors
London, UK
30 June 2010

Profit and Loss Account

for the year ended 30 April 2010

	Notes	Year ended 30 April 2010 Revenue £	Capital £	Total £	Year ended 30 April 2009 Revenue £	Capital £	Total £
Unrealised gains/(losses) on investments	10	–	1,239,386	1,239,386	–	(3,778,380)	(3,778,380)
Realised losses on investments	10	–	(46,352)	(46,352)	–	(29)	(29)
Income	2	383,511	–	383,511	735,597	108,375	843,972
Recoverable VAT	3	3,399	10,197	13,596	22,618	67,854	90,472
Investment management fees	4	(113,588)	(340,765)	(454,353)	(93,039)	(279,115)	(372,154)
Other expenses	5	(412,825)	–	(412,825)	(351,173)	–	(351,173)
(Loss)/profit on ordinary activities before taxation		(139,503)	862,466	722,963	314,003	(3,881,295)	(3,567,292)
Taxation on (loss)/profit on ordinary activities	7	–	–	–	(43,586)	43,586	–
(Loss)/profit on ordinary activities after taxation		**(139,503)**	**862,466**	**722,963**	**270,417**	**(3,837,709)**	**(3,567,292)**
Basic and diluted earnings per share:							
Ordinary Shares	9	(0.35)p	3.43p	3.08p	1.29p	(23.63)p	(22.34)p
C Shares	9	(0.57)p	2.74p	2.17p	1.27p	(11.83)p	(10.56)p

All the items in the above statement derive from continuing operations.

There were no other gains or losses in the year.

The total column of this statement is the profit and loss account of the Company.

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

The notes on pages 41 to 62 form part of these financial statements.

Balance Sheet
as at 30 April 2010

Company number: 3946235

	Notes	30 April 2010 £	30 April 2009 £
Fixed assets			
Investments at fair value	10	11,531,467	10,896,904
Current assets			
Debtors and prepayments	12	61,007	273,662
Current investments	13, 19	11,752,413	11,198,762
Cash at bank	19	88,424	61,346
		11,901,844	11,533,770
Creditors: amounts falling due within one year	14	(142,362)	(111,530)
Net current assets		11,759,482	11,422,240
Net assets		**23,290,949**	**22,319,144**
Capital and reserves			
Called up share capital	15	286,057	281,697
Capital redemption reserve	16	20,590	19,213
Share premium account	16	–	6,712,239
Revaluation reserve	16	(2,337,230)	(2,712,919)
Special distributable reserve	16	17,411,237	10,611,920
Profit and loss account	16	7,910,295	7,406,994
Equity shareholders' funds		**23,290,949**	**22,319,144**
Net asset value per share – basic and diluted			
Ordinary Shares	17	**72.10p**	**69.03p**
C Shares	17	**87.47p**	**86.02p**

The financial statements were approved and authorised for issue by the Board of Directors on 30 June 2010 and are signed on their behalf by:

Nigel Melville
Director

Adam Kingdon
Director

The notes on pages 41 to 62 form part of these financial statements.

Reconciliation of Movements in Shareholders' Funds
for the year ended 30 April 2010

	Notes	Year ended 30 April 2010 £	Year ended 30 April 2009 £
Opening shareholders' funds		22,319,144	20,142,891
Net share capital issued in the year (net of expenses)	16	501,824	6,789,883
Share capital bought back	16	(78,141)	(128,228)
Profit/(loss) for the year		722,963	(3,567,292)
Dividends paid in year	8	(174,841)	(918,110)
Closing shareholders' funds		**23,290,949**	**22,319,144**

Cash Flow Statement
for the year ended 30 April 2010

	Notes	Year ended 30 April 2010 £	Year ended 30 April 2009 £
Interest income received		262,213	449,574
Dividend income		104,824	485,537
VAT recovered and interest thereon		136,235	–
Investment management fees paid		(457,011)	(373,826)
Cash payments for other expenses		(364,709)	(377,434)
Net cash (outflow)/inflow from operating activities	18	(318,448)	183,851
Investing activities			
Purchase of investments	10	(1,597,310)	(3,758,017)
Disposals of investments	10	2,155,781	757,966
Net cash inflow/(outflow) from investing activities		558,471	(3,000,051)
Dividends			
Equity dividends paid	8	(174,841)	(918,110)
Cash inflow/(outflow) before financing and liquid resource management		65,182	(3,734,310)
Financing			
Purchase of own shares		(78,141)	(151,530)
Share capital raised (net of expenses)		593,688	6,698,020
Net cash inflow from financing		515,547	6,546,490
Management of liquid resources			
Increase in monies held in current investments	19	(553,651)	(2,840,588)
Increase/(decrease) in cash for the year	19	27,078	(28,408)

Notes to the Accounts
for the year ended 30 April 2010

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.

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.

Notes to the Accounts
for the year ended 30 April 2010

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.

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 buybacks 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 Managers' 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.

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

	2010 £	2009 £
Income from bank deposits	516	1,731
Income from investments		
– from equities	25,173	214,825
– from overseas based OEICs	57,036	191,677
– from UK based OEICs	24,845	44,615
– from loan stock	259,774	391,124
– from VAT recoverable	16,167	–
	382,995	842,241
Total income	383,511	843,972
Total income comprises		
Dividends	107,054	451,117
Interest	276,457	392,855
	383,511	843,972
Income from investments comprises		
Listed overseas securities	57,036	191,677
Unlisted UK securities	50,018	259,440
Loan stock interest	259,774	391,124
	366,828	842,241

Loan stock interest above is stated after deducting an amount of £6,188 (2009: £38,611), 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 £467,081 (2009: £303,168).

3 Recoverable VAT

	Revenue 2010 £	Capital 2010 £	Total 2010 £	Revenue 2009 £	Capital 2009 £	Total 2009 £
Recoverable VAT	3,399	10,197	13,596	22,618	67,854	90,472

As at 30 April 2009, the Directors considered it reasonably certain that the Company would obtain a repayment of VAT of not less than £112,000. Last year's accounts recognised this amount as income of £90,472 above, and £21,528 deducted from last year's Investment Manager's fees, in note 4 below. This estimate was based upon information supplied by the Company's Investment Manager, and discussions with the Company's professional advisors as a result of the European Court of Justice ruling and subsequent HMRC briefing that management fees be exempt for VAT purposes. During the year, a total of £125,596 of VAT recoverable has been received. The excess of £13,596 over the £112,000 recognised in 2009's accounts has been further credited to the Income Statement, allocated 25% to revenue and 75% to capital return and is in the same proportion as that in which the irrecoverable VAT was originally charged.

The £120,068 of income recognised in both the 2009 and current year accounts, together with related interest of £16,167 shown in note 2, equals the sum of £136,235 shown in the cash flow statement as part of cash flow from operating activities.

Notes to the Accounts
for the year ended 30 April 2010

4 Investment management fees

	Revenue 2010 £	Capital 2010 £	Total 2010 £	Revenue 2009 £	Capital 2009 £	Total 2009 £
Matrix Private Equity Partners LLP	113,588	340,765	454,353	93,039	279,115	372,154

Ordinary Share Fund

Matrix Private Equity Limited advised the Company on investments in qualifying companies under an agreement dated 10 May 2000 made between the Company and Matrix Private Equity (Managers) Limited, which was then a subsidiary of the Company.

This agreement was novated to Matrix Private Equity Limited on 3 July 2001, a subsidiary of Matrix Group Limited which had previously provided the services of Mark Burgess and Helen Sinclair to Matrix Private Equity (Managers) Limited. This agreement was further novated to Matrix Private Equity Partners Limited (MPEP) on 20 September 2005. The annual fee payable to MPEP was decreased from 2.5% to 2% of the net assets attributable to the Ordinary Share Fund, with effect from 21 December 2005 by this Novation Agreement. The Investment Manager's fee is reduced by an amount equivalent to the excess total annual expenses (excluding VAT (previously included) and exceptional costs) over 3.6% (previously 3.75%) of closing net assets at the end of the year, being the agreed cap on the management fee. For the year ended 30 April 2010, the expense cap hasn't been breached (2009: £nil), for the Ordinary Share Fund. Matrix Private Equity Partners Limited transferred its business to Matrix Private Equity Partners LLP on 20 October 2006 and therefore the agreement was again novated to Matrix Private Equity Partners LLP on 20 October 2006.

This appointment now runs until the appointment is terminated by not less than one year's notice in writing to expire at any time after the initial period.

Mark Burgess resigned from Matrix Private Equity Limited on 14 February 2003; Ashley Broomberg was appointed a Director on 5 March 2003; and Helen Sinclair resigned on 16 May 2005.

Matrix Private Equity Partners Limited, Mark Burgess, Helen Sinclair and the former members of the Investment Committee are entitled to be issued with performance warrants granting the right to subscribe for Ordinary Shares at par which represent 16.67% of the sum of (i) the number of Ordinary Shares allotted pursuant to the Company's prospectus dated 10 May 2000 ("the Offer") plus (ii) the number of Ordinary Shares allotted pursuant to the exercise of performance warrants. The condition for the issue of performance warrants is that cumulative dividend payments are declared or paid amounting to the equivalent of not less than 80p for each Ordinary Share in issue ("the hurdle") at any time before the seventh anniversary of the launch of the Offer. If the hurdle is not reached until after the seventh anniversary of the launch of the Fund the entitlement to subscribe for a lesser number of shares is reduced at a rate of 1.5% per annum until the twelfth anniversary, after which, if the hurdle has not been reached, the performance warrants lapse. The proportion of the conditional warrant rights payable to past Directors and past directors of the Investment Manager is restricted to the portion of the Capital of the Company which was invested in Venture Capital Investments as at the date of their resignation.

C Share Fund

A Supplemental Investment Adviser's Agreement commenced on 20 September 2005, for an initial period of three years from 20 September 2005 and thereafter until the appointment is terminated by not less than one year's notice in writing to expire at any time after the initial period.

Matrix Private Equity Partners LLP is entitled to an annual advisory fee of 2% of the net assets attributable to the C Share Fund. The annual management fees are calculated and payable quarterly in advance, together with any applicable VAT. The agreement was novated to Matrix Private Equity Partners LLP on 20 October 2006. For the year ended 30 April 2010, the expense cap hasn't been breached (2009: £nil), for the C Share Fund.

The Investment Manager will be entitled to receive a performance related incentive fee of 20% of the excess above 6 pence per share of the annual dividends paid to Shareholders. After the Company's third annual reporting period, this 6 pence hurdle will rise in line with the Retail Price Index. The performance fee will only be payable if the mean net asset value per share over the period relating to payment has remained at or above 100 pence. The performance fee will be payable annually, with any cumulative shortfalls below the 6 pence per share hurdle having to be made up in later years.

For both Funds, the Company is responsible for external costs such as legal and accounting fees, incurred on transactions that do not proceed to completion ("abort expenses") subject to the cap on total annual expenses referred to above. In line with common practice, Matrix Private Equity Partners LLP retain the right to charge arrangement and syndication fees and Directors' or monitoring fees ("deal fees") to companies in which the Company invests.

5 Other expenses

	2010 £	2009 £
Directors' remuneration (including NIC) (see note 6)	73,139	73,289
IFA trail commission	76,584	50,778
Administration fees	121,501	95,318
Broker's fees	11,526	3,352
Auditors' fees – audit	24,678	23,038
– other services supplied relating to taxation	2,081	2,402
– other services supplied pursuant to legislation	5,699	9,833
Registrar's fees	19,229	11,711
Printing	22,898	19,694
Legal & professional fees	18,560	22,901
VCT monitoring fees	9,085	8,578
Director's insurance	7,350	7,963
Listing and regulatory fees	19,181	19,883
Sundry	1,314	2,433
	412,825	351,173

The Directors consider the auditors were best placed to provide the other services disclosed above. The Audit Committee reviews the nature and extent of these services to ensure that auditor independence is maintained.

6 Directors' remuneration

	2010 £	2009 £
Directors' emoluments		
Nigel Melville	20,000	20,000
Adam Kingdon	17,500	17,500
Kenneth Vere Nicoll	15,000	15,000
Sally Duckworth	15,000	15,000
	67,500	67,500
Employer's NIC and VAT	5,639	5,789
	73,139	73,289

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.

Notes to the Accounts
for the year ended 30 April 2010

7 Taxation on ordinary activities

	2010 £	2009 £
a) Analysis of tax charge:		
– revenue charge	–	43,586
– credited to capital return	–	(43,586)
– current and total tax charge (note 7b)	–	–
b) Factors affecting tax charge for the year:		
Profit/(loss) on ordinary activities before tax	722,963	(3,567,292)
Add: non-taxable realised losses	46,352	29
Add: unrealised (gains)/losses	(1,239,386)	3,778,380
Add: transaction costs and investment management expense charged to capital	340,765	279,115
Less: Income treated as capital return	(10,197)	(176,229)
(Loss)/profit on ordinary activities before taxation	(139,503)	314,003
Corporation tax @ 21% (2009: 21%)	(29,296)	65,941
Non-taxable UK dividends	(5,286)	(22,355)
Unrelieved expenditure	34,582	–
Taxation on revenue return	–	43,586
Taxation on allowable expenditure charged to capital return	(71,561)	(58,614)
Capital losses carried forward	69,420	779
Capital element of VAT recoverable	2,141	14,249
Credited to capital return	–	(43,586)
Tax charge for period (note 7a)	–	–

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 (2009: nil). There is an unrecognised deferred tax asset of £238,625 (2009: £134,623).

8 Dividends paid and payable

	2010 £	2009 £
Amounts recognised as distributions to equity holders in the year:		
Ordinary Share Fund		
Interim income dividend for the year ended 30 April 2009 paid of nil p (2008: 1.5p) per share	–	172,365
Interim capital dividend for the year ended 30 April 2009 paid of nil p (2008: 4.5p) per share	–	517,095
	–	689,460
C Share Fund		
Interim income dividend paid for the year ended 30 April 2009 of nil p (2008: 2.5p) per share	–	228,650
Final income dividend paid for the year ended 30 April 2009 of 1p (2008: nil p) per share	174,841	–
Total paid	174,841	918,110

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 274 of the Income Tax Act 2007 are considered.

	2010 £	2009 £
Proposed distributions to equity holders at the year-end:		
Ordinary Share Fund		
Revenue available for distribution by way of dividends for the year	–	147,005
Interim income dividend for the year ended 30 April 2010 paid of nil p (2009: nil p) per share	–	–
Proposed final income dividend for the year ended 30 April 2010 of nil p (2009: nil p) per share	–	–
C Share Fund		
Revenue available for distribution by way of dividends for the year	–	123,412
Interim income dividend paid for the year ended 30 April 2010 of nil p (2009: nil p) per share	–	–
Proposed final income dividend for the year ended 30 April 2010 of nil p (2009: 1p) per share	–	174,834

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for the year ended 30 April 2010

9 Basic and diluted earnings and return per share

	2010 Ordinary Share Fund £	2010 C Share Fund £	2010 £	2009 Ordinary Share Fund £	2009 C Share Fund £	2009 £
Total earnings after taxation:	346,071	376,892	722,963	(2,545,615)	(1,021,677)	(3,567,292)
Basic and diluted earnings per share (note a)	**3.08p**	**2.17p**		**(22.34)p**	**(10.56)p**	
Net revenue from ordinary activities after taxation	(39,878)	(99,625)		147,005	123,412	
Basic and diluted revenue earnings per share (note b)	**(0.35)p**	**(0.57)p**		**1.29p**	**1.27p**	
Net realised capital losses	(27,258)	(19,094)		(29)	–	
Net unrealised capital gains/(losses)	521,924	717,462		(2,671,234)	(1,107,146)	
Dividends treated as capital	–	–		63,825	44,550	
VAT recoverable	6,523	3,674		37,650	30,204	
Capital expenses (net of taxation)	(115,240)	(225,525)		(122,832)	(112,697)	
Total capital return	385,949	476,517		(2,692,620)	(1,145,089)	
Basic and diluted capital earnings per share (note c)	**3.43p**	**2.74p**		**(23.63)p**	**(11.83)p**	
Weighted average number of shares in issue in the year	11,259,333	17,411,523		11,394,390	9,677,798	

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 return 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) There are no instruments that will increase the number of shares in issue in future. Accordingly, the above figures currently represent both basic and diluted returns.

The Board consider that the likelihood of the issue of performance warrants by the Ordinary Share Fund, as referred to in Note 4 above, is low. Accordingly, the potential impact of the issue of these warrants upon diluted earnings per share has been ignored for this purpose.

10 Investments at fair value

Movements in investments during the year are summarised as follows:

Company	Traded on AIM £	Unquoted equity shares £	Unquoted preference shares £	Loan stock £	Total £
Cost at 30 April 2009	654,692	4,813,279	42,576	9,349,276	14,859,823
Permanent impairment at 30 April 2009	(250,000)	(1,000,000)	–	–	(1,250,000)
Unrealised (losses)/gains at 30 April 2009	(322,044)	393,852	(35,046)	(2,749,681)	(2,712,919)
Valuation at 30 April 2009	82,648	4,207,131	7,530	6,599,595	10,896,904
Purchases at cost	–	465,598	1,017	1,130,695	1,597,310
Sale proceeds	–	(1,245,227)	(1,314)	(924,048)	(2,170,589)
Reclassified	–	(197)	1,309	(1,112)	–
Realised (losses)/gains	–	(63,922)	–	32,378	(31,544)
Unrealised (losses)/gains	(15,474)	380,933	(1,000)	874,927	1,239,386
Closing valuation at 30 April 2010	67,174	3,744,316	7,542	7,712,435	11,531,467
Cost at 30 April 2010	654,692	3,776,742	43,588	9,643,675	14,118,697
Permanent impairment at 30 April 2010	(250,000)	–	–	–	(250,000)
Unrealised (losses)/gains at 30 April 2010	(337,518)	(32,426)	(36,046)	(1,931,240)	(2,337,230)
Valuation at 30 April 2010	67,174	3,744,316	7,542	7,712,435	11,531,467

Sale proceeds of £2,155,781 in the Cash Flow Statement differ from £2,170,589 shown above, and realised losses of £46,352 reported in the Income Statement differ from the £31,544, due to transaction costs of £14,808 incurred.

Ordinary Share Fund	Traded on AIM £	Unquoted equity shares £	Unquoted preference shares £	Loan stock £	Total £
Cost at 30 April 2009	654,692	2,685,273	30,682	5,164,049	8,534,696
Permanent impairment at 30 April 2009	(250,000)	(1,000,000)	–	–	(1,250,000)
Unrealised (losses)/gains at 30 April 2009	(322,044)	306,316	(26,112)	(1,772,417)	(1,814,257)
Valuation at 30 April 2009	82,648	1,991,589	4,570	3,391,632	5,470,439
Purchases at cost	–	65,598	1,017	503,947	570,562
Sale proceeds	–	(547,600)	(774)	(472,369)	(1,020,743)
Realised (losses)/gains	–	(37,604)	–	19,067	(18,537)
Unrealised (losses)/gains	(15,474)	199,912	(833)	338,319	521,924
Valuation at 30 April 2010	67,174	1,671,895	3,980	3,780,596	5,523,645
Cost at 30 April 2010	654,692	1,641,022	30,925	5,247,958	7,574,597
Permanent impairment at 30 April 2010	(250,000)	–	–	–	(250,000)
Unrealised (losses)/gains at 30 April 2010	(337,518)	30,873	(26,945)	(1,467,362)	(1,800,952)
Valuation at 30 April 2010	67,174	1,671,895	3,980	3,780,596	5,523,645

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C Share Fund	Traded on AIM £	Unquoted equity shares £	Unquoted preference shares £	Loan stock £	Total £
Cost at 30 April 2009	–	2,128,006	11,894	4,185,227	6,325,127
Unrealised (losses)/gains at 30 April 2009	–	87,536	(8,934)	(977,264)	(898,662)
Valuation at 30 April 2009	–	2,215,542	2,960	3,207,963	5,426,465
Purchases at cost	–	400,000	–	626,748	1,026,748
Sale proceeds	–	(697,627)	(540)	(451,679)	(1,149,846)
Reclassified	–	(197)	1,309	(1,112)	–
Realised (losses)/gains	–	(26,318)	–	13,311	(13,007)
Unrealised (losses)/gains	–	181,021	(167)	536,608	717,462
Valuation at 30 April 2010	–	2,072,421	3,562	3,931,839	6,007,822
Cost at 30 April 2010	–	2,135,720	12,663	4,395,717	6,544,100
Permanent impairment at 30 April 2010	–	–	–	–	–
Unrealised (losses)/gains at 30 April 2010	–	(63,299)	(9,101)	(463,878)	(536,278)
Valuation at 30 April 2010	–	2,072,421	3,562	3,931,839	6,007,822

11 Significant interests

At 30 April 2010 the Company held significant investments, amounting to 3% or more of the equity capital of an undertaking, in the following companies:

Company	Equity investment (ordinary shares) £	Investment in loan stock and preference shares £	Total investment (at cost) £	Percentage of investee company's total equity %
Backbarrow Limited	400,000	600,000	1,000,000	25.00
Vanir Consultants Limited	400,000	600,000	1,000,000	24.50
Blaze Signs Holdings Limited	419,549	978,949	1,398,498	13.46
Racoon International Holdings Limited	263,558	614,969	878,527	12.30
VSI Limited	48,882	259,761	308,643	11.60
Campden Media Limited	197,437	777,563	975,000	10.60
Monsal Holdings Limited	260,195	594,255	854,450	10.30
British International Holdings Limited	225,000	935,000	1,160,000	9.98
PXP Holdings Limited (Pinewood)	288,000	875,436	1,163,436	8.54
Youngman Group Limited	100,052	900,000	1,000,052	8.49
IGLU.com Holidays Limited	150,000	850,001	1,000,001	8.14
ATG Media Holdings Limited	307,162	556,733	863,895	7.68
DiGiCo Europe Limited	386,521	178,696	565,217	6.52
Plastic Surgeon Holdings Limited	39,229	353,035	392,264	5.89
Vectair Limited	60,075	183,709	243,784	5.22

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.

At 30 April 2010, Matrix Private Equity Partners LLP also advised The Income and Growth VCT plc, Matrix Income and Growth VCT plc, Matrix Income and Growth 3 VCT plc, and Matrix Income and Growth 4 VCT plc who had investments in the following:

	The Income and Growth VCT plc at cost £	Matrix Income and Growth VCT plc* at cost £	Matrix Income and Growth 3 VCT plc* at cost £	Matrix Income and Growth 4 VCT plc at cost £	Total at cost £	% of equity held by funds managed by MPEP %
PXP Holdings Limited	920,176	1,163,436	1,163,436	679,549	3,926,597	37.3
Blaze Signs Holdings Limited	1,338,500	1,573,750	379,236	610,016	3,901,502	52.5
ATG Media Holdings Limited	1,000,000	859,640	776,465	1,000,000	3,636,105	40.0
IGLU.com Holidays Limited	1,000,000	747,014	674,736	878,249	3,299,999	35.0
British International Holdings Limited	590,909	1,181,818	886,364	295,455	2,954,546	34.9
Racoon International Holdings Limited	550,852	874,199	789,617	406,805	2,621,473	49.0
Focus Pharma Holdings Limited	516,900	656,987	593,424	772,451	2,539,762	13.0
Youngman Group Limited	1,000,052	1,000,052	–	500,026	2,500,130	29.7
Monsal Holdings Limited	471,605	684,351	618,156	704,771	2,478,883	46.5
DiGiCo Europe Limited	371,291	565,218	533,056	565,217	2,034,782	30.0
Vanir Consultants Limited	–	–	1,000,000	1,000,000	2,000,000	50.0
The Plastic Surgeon Holdings Limited	406,082	390,289	352,528	458,837	1,607,736	30.0
Campden Media Limited	334,880	975,000	–	152,620	1,462,500	8.0
Backbarrow Limited	–	–	–	1,000,000	1,000,000	50.0
VSI Limited	245,596	390,367	143,521	111,928	891,412	48.9
Vectair Holdings Limited	215,914	560,302	–	100,000	876,216	24.0
Legion Group plc	150,000	150,106	–	150,102	450,208	2.9

* – On 19 May 2010, the assets and liabilities of Matrix Income and Growth 3 VCT plc were acquired by Matrix Income and Growth VCT plc.

12 Debtors

	2010 £	2009 £
Amounts due within one year:		
Accrued income	51,677	53,827
Prepayments	9,330	9,472
Other debtors	–	210,363
	61,007	273,662

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13 Current asset investments

These comprise investments in five OEIC money market funds (four Dublin based and one London based), as shown in the table below. The share of each OEIC represented by these holdings is less than 1% in all cases. £11,751,493 (2009: £11,197,873) of this sum is subject to same day access while £920 (2009: £889) is subject to two day access. These sums are regarded as monies held pending investment and are treated as liquid resources in the Cash Flow Statement and in note 19.

	Ordinary Share Fund 2010 £	C Share Fund 2010 £	Total 2010 £	Ordinary Share Fund 2009 £	C Share Fund 2009 £	Total 2009 £
Blackrock Sterling Liquidity First Fund	309,457	1,800,583	2,110,040	307,993	2,391,377	2,699,370
Blackrock Sterling Liquidity Plus Fund	920	–	920	889	–	889
Blackrock Investment Management (UK) Limited Institutional Sterling Fund	–	1,718,130	1,718,130	–	2,205,544	2,205,544
Royal Bank of Scotland Sterling Liquidity Fund	124,812	1,953,343	2,078,155	224,309	2,348,503	2,572,812
Scottish Widows Investment Management Sterling Liquidity Fund	797,739	2,205,465	3,003,204	480,786	2,191,399	2,672,185
Prime Rate Capital Management LLP Sterling Liquidity Fund	1,060,114	1,781,850	2,841,964	1,047,962	–	1,047,962
Monies held pending investment	**2,293,042**	**9,459,371**	**11,752,413**	**2,061,939**	**9,136,823**	**11,198,762**

14 Creditors: amounts falling due within one year

	2010 £	2009 £
Trade creditors	7,879	–
Other creditors	–	2,458
Accruals	134,483	109,072
	142,362	111,530

15 Called up share capital

	2010 £	2009 £
Authorised:		
Ordinary Shares of 1p each: 42,000,000 (2009: 42,000,000)	420,000	420,000
C Shares of 1p each: 42,000,000 (2009: 42,000,000)	420,000	420,000
Total	840,000	840,000
Allotted, called-up and fully paid:		
Ordinary Shares of 1p each: 11,259,333 (2009: 11,259,333)	112,593	112,593
C Shares of 1p each: 17,346,339 (2009: 16,910,386)	173,464	169,104
Total	286,057	281,697

Purchased (all C shares)	Date of purchase		Nominal value £
50,225	25 September 2009		502
37,600	14 October 2009		376
49,924	15 January 2010		499
137,749		Nominal value	1,377

During the year the Company repurchased none (2009: 231,675) of its own Ordinary shares (representing 0% (2009: 2.1%) of the Ordinary Shares in issue at the year end) at the prevailing market price for a total cost of £nil (2009: £128,228).

During the year the Company purchased 137,749 (2009: nil) of its own C shares for cash (representing 0.8% (2009: nil) of the C shares in issue at the year end) at the prevailing market price for a total cost of £78,141 (2009: £nil).

In the previous financial year, on 3 and 5 April 2009, the Company issued 7,764,396 new C Shares at 92.39 pence per share under the Offer for Subscription launched on 19 January 2009. Following the close of the Offer and at the start of the year, the Company issued a further 573,702 new C Shares under the Offer and approximately £7.5m (before expenses) was raised in total.

16 Movement in share capital and reserves

	Called up share capital £	Capital redemption reserve £	Share premium £	Revaluation reserve £	Special distributable reserve* £	Profit and loss account* £	Total £
Company							
At 30 April 2009	281,697	19,213	6,712,239	(2,712,919)	10,611,920	7,406,994	22,319,144
Issue of shares	5,737	–	524,306	–	–	–	530,043
Expenses of share offer	–	–	(28,219)	–	–	–	(28,219)
Share buybacks	(1,377)	1,377	–	–	(78,141)	–	(78,141)
Transfer of realised losses to Special distributable reserve (note)	–	–	–	–	(330,868)	330,868	–
Cancellation of share premium account (note)	–	–	(7,208,326)	–	7,208,326	–	–
Realised loss on investments	–	–	–	–	–	(46,352)	(46,352)
Realisation of previously unrealised loss	–	–	–	(863,697)	–	863,697	–
Dividends paid	–	–	–	–	–	(174,841)	(174,841)
Profit/(loss) for the year	–	–	–	1,239,386	–	(470,071)	769,315
As at 30 April 2010	**286,057**	**20,590**	**–**	**(2,337,230)**	**17,411,237**	**7,910,295**	**23,290,949**

* –These reserves total £25,321,532 (2009: £18,018,914) and are regarded as distributable reserves for the purpose of assessing the Company's ability to pay dividends to shareholders.

	Called up share capital	Capital redemption reserve	Share premium	Revaluation reserve	Special distributable reserve*	Profit and loss account*	Total
	£	£	£	£	£	£	£
Ordinary Share Fund							
At 30 April 2009	112,593	19,213	–	(1,814,257)	2,409,196	7,045,482	7,772,227
Transfer of realised losses to Special distributable reserve (note)	–	–	–	–	(109,017)	109,017	–
Realised loss on investments	–	–	–	–	–	(27,258)	(27,258)
Realisation of previously unrealised loss	–	–	–	(508,619)	–	508,619	–
Profit/(loss) for the year	–	–	–	521,924	–	(148,595)	373,329
As at 30 April 2010	**112,593**	**19,213**	**–**	**(1,800,952)**	**2,300,179**	**7,487,265**	**8,118,298**

* –These reserves total £9,787,444 (2009: £9,454,678) and are regarded as distributable reserves for the purpose of assessing the Company's ability to pay dividends to shareholders.

	Called up share capital	Capital redemption reserve	Share premium	Revaluation reserve	Special distributable reserve*	Profit and loss account*	Total
	£	£	£	£	£	£	£
C Share Fund							
At 30 April 2009	169,104	–	6,712,239	(898,662)	8,202,724	361,512	14,546,917
Issue of shares	5,737	–	524,306	–	–	–	530,043
Expenses of share offer	–	–	(28,219)	–	–	–	(28,219)
Share buybacks	(1,377)	1,377	–	–	(78,141)	–	(78,141)
Transfer of realised losses to Special distributable reserve (note)	–	–	–	–	(221,851)	221,851	–
Cancellation of share premium account (note)	–	–	(7,208,326)	–	7,208,326	–	–
Realised loss on investments	–	–	–	–	–	(19,094)	(19,094)
Realisation of previously unrealised loss	–	–	–	(355,078)	–	355,078	–
Dividends paid	–	–	–	–	–	(174,841)	(174,841)
Profit/(loss) for the year	–	–	–	717,462	–	(321,476)	395,986
As at 30 April 2010	**173,464**	**1,377**	**–**	**(536,278)**	**15,111,058**	**423,030**	**15,172,651**

*–These reserves total £15,534,088 (2009: £8,564,236) and are regarded as distributable reserves for the purpose of assessing the Company's ability to pay dividends to shareholders.

The Company's revaluation reserve represents the capital reserve (unrealised) upon investments held at the year end.

The cancellation of the C Share Fund's share premium account (as approved at the Extraordinary General meeting held on 10 September 2008 and by the order of the Court dated 28 October 2009), together with the previous cancellations of the share premium accounts attributable to the Ordinary Share Fund and C Share Fund, has provided the Company with special distributable reserves. The purpose of these reserves for both funds is to fund market purchases of the Company's own shares as and when it is considered by the Board to be in the interests of Shareholders, and to write-off existing and future losses as the Company must take into account capital losses in determining distributable reserves. The total transfer for both funds of £330,868 to the special distributable reserve from the profit and loss account is the total of realised losses incurred by the Company in the year.

17 Basic and diluted net asset value per share

Ordinary Share Fund

Net asset value per Ordinary Share is based on net assets at the end of the year, and on 11,259,333 (2009: 11,259,333) Ordinary Shares, being the number of Ordinary Shares in issue on that date.

The Board consider that the likelihood of the issue of performance warrants by the Ordinary Share Fund, as referred to in Note 4 above, is low. Accordingly, the potential impact of the issue of these warrants upon diluted net asset value per O Fund Share has been ignored for this purpose.

C Share Fund

Net asset value per C Share is based on net assets at the end of the year, and on 17,346,339 (2009: 16,910,386) C Shares, being the number of C Shares in issue on that date.

18 Reconciliation of Profit/(loss) on ordinary activities before taxation to net cash (outflow)/inflow from operating activities

	2010 £	2009 £
Profit/(loss) on ordinary activities before taxation	722,963	(3,567,292)
Net losses on realisations of investments	46,352	29
Net unrealised (gains)/losses on investments	(1,239,386)	3,778,380
Increase/(decrease) in debtors	116,913	(114,664)
Increase in creditors and accruals	34,710	87,398
Net cash (outflow)/inflow from operating activities	(318,448)	183,851

19 Analysis of changes in net funds

	Cash £	Liquid resources £	Total £
At beginning of year	61,346	11,198,762	11,260,108
Cash flows	27,078	553,651	580,729
At 30 April 2010	88,424	11,752,413	11,840,837

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 April 2010:

	2010 (Book value) £	2010 (Fair value) £	2009 (Book value) £	2009 (Fair value) £
Assets at fair value through profit and loss				
Investment portfolio	11,531,467	11,531,467	10,896,904	10,896,904
Current investments	11,752,413	11,752,413	11,198,762	11,198,762
Loans and receivables				
Accrued income	51,677	51,677	53,827	53,827
Other debtors	–	–	210,363	210,363
Cash at bank	88,424	88,424	61,346	61,346
Liabilities at amortised cost or equivalent				
Other creditors	(142,362)	(142,362)	(111,530)	(111,530)
Total for financial instruments	23,281,619	23,281,619	22,309,672	22,309,672
Non financial instruments	9,330	9,330	9,472	9,472
Total net assets	23,290,949	23,290,949	22,319,144	22,319,144

The investment portfolio principally consists of unquoted investments of 98.8% (2009: 98.5%). The investment portfolio has a 100% (2009:100%) concentration of risk towards small UK based, sterling denominated companies, and represents 49.5% (2009: 48.2%) of net assets at the year-end.

Current investments are money market funds, discussed under credit risk below, which represent 50.5% (2009: 50.2%) of net assets at the year-end.

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

Market price risk

Market price risk arises from uncertainty about the future valuations of financial instruments held in accordance with the Company's investment objectives. These future valuations are determined by many factors but include the operational and financial performance of the underlying investee companies, as well as market perceptions of the future performance of the UK economy and its impact upon the economic environment in which these companies operate. This risk represents the potential loss that the Company might suffer through holding its investment portfolio in the face of market movements, which was a maximum of £11,531,467 at the year-end.

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 on page 1. 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 Manager. 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 sterling 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 Manager 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% (2009: 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% (2009: 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.

	2010 Profit and net assets £	2009 Profit and net assets £
If overall share prices fell by 20% (2009: 20%), with all other variables held constant – decrease	(2,306,293)	(2,179,381)
Decrease in earnings, and net asset value, per Ordinary Share (in pence)	(9.81)p	(9.72)p
Decrease in earnings, and net asset value, per C Share (in pence)	(6.93)p	(6.42)p
If overall share prices increase by 20% (2009: 20%), with all other variables held constant – increase	2,306,293	2,179,381
Increase in earnings, and net asset value, per Ordinary Share (in pence)	9.81p	9.72p
Increase in earnings, and net asset value, per C Share (in pence)	6.93p	6.42p

The impact of a change of 20% (2009: 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:

	2010 £	2009 £
Loan stock investments	7,712,435	6,599,595
Preference shares	7,542	7,530
Money market funds	11,752,413	11,198,762
Accrued income and other debtors	51,677	264,190
Cash at bank	88,424	61,346
Total	19,612,491	18,131,423

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 shown above was all due within three 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 maybe repaid.

	2010 £	2009 £
Repayable within		
Less than 1 year	2,634,861	217,392
1 to 2 years	1,899,966	2,768,378
2 to 3 years	814,584	1,309,134
3 to 4 years	1,128,902	1,674,392
4 to 5 years	1,234,122	630,299
Total	7,712,435	6,599,595

No loans have as yet gone past their due repayment date. 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.

	0-6 months £	6-12 months £	over 12 months £	2010 Total £
Loans to investee companies past due	320,000	1,299,966	1,964,122	3,584,088

	0-6 months £	6-12 months £	over 12 months £	2009 Total £
Loans to investee companies past due	530,438	1,142,844	45,355	1,718,637

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 all triple A rated funds, and so credit risk is considered to be relatively low in current circumstances.

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

Cash flow interest rate risk

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

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

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

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

	Financial net assets on which no interest paid £	Fixed rate financial assets £	Variable rate financial assets £	Total £	Weighted average interest rate %	Average period to maturity (years)
Equity shares	3,811,490	–	–	3,811,490		
Preference shares	–	7,542	–	7,542	0.85	1.52
Loan stocks	–	6,128,620	1,583,815	7,712,435	4.80	2.14
Money market funds	–	–	11,752,413	11,752,413	0.56	
Cash	–	–	88,424	88,424		
Debtors	51,677	–	–	51,677		
Creditors	(142,362)	–	–	(142,362)		
Total for financial instruments	3,720,805	6,136,162	13,424,652	23,281,619		
Non-financial instruments	9,330	–	–	9,330		
Total net assets	3,730,135	6,136,162	13,424,652	23,290,949		

The interest rate profile of the Company's financial net assets at 30 April 2009 was:

	Financial net assets on which no interest paid £	Fixed rate financial assets £	Variable rate financial assets £	Total £	Weighted average interest rate %	Average period to maturity (years)
Equity shares	4,289,779	–	–	4,289,779		
Preference shares	–	7,530	–	7,530	0.85	2.57
Loan stocks	–	4,516,091	2,083,504	6,599,595	5.18	2.46
Money market funds	–	–	11,198,762	11,198,762	0.85	
Cash	–	–	61,346	61,346		
Debtors	264,190	–	–	264,190		
Creditors	(111,530)	–	–	(111,530)		
Total for financial instruments	4,442,439	4,523,621	13,343,612	22,309,672		
Non-financial instruments	9,472	–	–	9,472		
Total net assets	4,451,911	4,523,621	13,343,612	22,319,144		

Note: Weighted average interest rates above are derived by calculating the expected annual income that would be earned on each asset (but only for those sums that are currently regarded as collectible and would therefore be recognised), divided by the values for each asset class at the balance sheet date.

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 in these instruments:

	2010 Profit and net assets £	2009 Profit and net assets £
If interest rates fell by 1%, with all other variables held constant – decrease	(105,356)	(104,930)
Decrease in earnings, and net asset value, per Ordinary Share (in pence)	(0.94)p	(0.19)p
Decrease in earnings, and net asset value, per C Share (in pence)	(0.61)p	(0.50)p
If interest rates rose by 1%, with all other variables held constant – increase	105,356	104,930
Increase in earnings, and net asset value, per Ordinary Share (in pence)	0.94p	0.19p
Increase in earnings, and net asset value, per C Share (in pence)	0.61p	0.50p

Liquidity risk

The investments in equity and fixed interest stocks of unquoted companies that the Company holds are not traded, and thus 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 13, nearly 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.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss				
At 30 April 2010				
Equity investments	67,174	–	3,744,316	3,811,490
Preference shares	–	–	7,542	7,542
Loan stock investments	–	–	7,712,435	7,712,435
Money market funds	11,752,413	–	–	11,752,413
Total	11,819,587	–	11,464,293	23,283,880

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 May 2009	4,207,131	7,530	6,599,595	10,814,256
Purchases	465,598	1,017	1,130,695	1,597,310
Sales	(1,245,227)	(1,314)	(924,048)	(2,170,589)
Transfers into Level 3	–	–	–	–
Reclassification	(197)	1,309	(1,112)	–
Total (losses)/gains included in (losses)/gains on investments in the Income Statement				
– on assets sold	(63,922)	–	32,378	(31,544)
– on assets held at the year end	380,933	(1,000)	874,927	1,254,860
Closing balance at 30 April 2010	3,744,316	7,542	7,712,435	11,464,293

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 April 2010 £	30 April 2009 £
Investment methodology		
Cost (reviewed for impairment)	2,098,067	2,738,905
Asset value supporting security held	699,966	–
Recent investment price	1,000,001	863,895
Earnings multiple	7,666,259	7,211,456
	11,464,293	10,814,256

The unquoted equity investments had the following movements between valuation methodologies between 30 April 2010 and 30 April 2009:

Change in investment methodology (2009 to 2010)	Carrying value as at 30 April 2010 £	Explanatory note
Cost (reviewed for impairment) to recent investment price	562,691	More appropriate basis for determining fair value
Cost (reviewed for impairment) to earnings multiple	889,423	More appropriate basis for determining fair value
Recent investment price to earnings multiple	858,326	More appropriate basis for determining fair value
Earnings multiple to Asset value supporting security held	699,966	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 April 2010.

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 £998,000 or 8.5% lower. Using the upside alternatives the value would be increased by £1,855,000 or 15.8%. In arriving at both these figures, a 5% change to earnings multiples was applied. In addition, for the upward alternative only, the earnings of three investee companies were increased where it was considered reasonable to do so.

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 commensurate 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 group 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

The operations of the Company are wholly in the United Kingdom, from one class of business.

23 Related party transactions

Kenneth Vere Nicoll is a shareholder of Matrix Group Limited, which owns Matrix-Securities Limited, MPE Partners Limited and has a 51% interest in Prime Rate Capital Management LLP and Matrix Corporate Capital LLP ("MCC").

Matrix-Securities Limited provided accountancy and company secretarial services to the Company for which it received payment of £121,501 (2009: £95,123) including VAT during the year, in addition to fees earned as promoter £28,219 (2009: £383,634). MPE Partners Limited has a 50% interest in Matrix Private Equity Partners LLP, the Company's Investment Manager. Matrix Private Equity Partners LLP is the Company's Investment Manager in respect of venture capital investments and earned fees of £454,353 (2009: £372,154). £nil (2009: £6,500) was due from Matrix Private Equity Partners LLP at the year-end. The Company has invested £2,841,964 in a liquidity fund managed by Prime Rate Capital Management LLP, and earned income of £24,845 (2009: £44,615) from this fund in the year. MCC are the Company's brokers and fees of £11,526 (2009: £1,394) were charged for the period. Three (2009: two) share buybacks were undertaken by MCC on the Company's instruction totalling £78,141 (2009: £42,538).

Shareholder Information

Shareholders wishing to follow the Company's progress can visit the Company's website at www.mig2vct.co.uk which contains publicly available information or links to information about our largest investments, the latest NAV and the share price. The London Stock Exchange's website at www.londonstockexchange.com/en-gb/pricesnews provides up to the minute details of the share price and latest NAV announcements, etc. A number of commentators such as Allenbridge at www.taxshelterreport.co.uk provide comparative performance figures for the VCT sector as a whole. The share price is also quoted in the Financial Times.

The Company circulates a bi-annual newsletter to Shareholders, as well as the usual Annual and Half-Yearly Reports. The next edition will be distributed in October 2010.

Net asset value per share

The Company's NAV as at 30 April 2010 was 72.10 pence per Ordinary Share and 87.47 pence per C Share. The Company announces its unaudited NAV on a quarterly basis.

Dividends

The Directors are not proposing a dividend for Ordinary Shareholders nor an income dividend for C Shareholders. An interim capital dividends of 1 penny per C Share for the year ended 30 April 2010 has been declared by the Board and will be payable on 13 August 2010 to Shareholders on the register on 23 July 2010.

Shareholders who wish to have dividends paid directly into their bank account rather than sent by cheque to their registered address can complete a mandate for this purpose. Mandates can be obtained by contacting the Company's Registrars, Capita Registrars, at the address below.

Financial calendar

Late July 2010	Annual Report for the year ended 30 April 2010 to be circulated to Shareholders
9 September 2010	Annual General Meeting and Separate Class Meetings of holders of Ordinary Shares and C Shares
Mid October 2010	Newsletter to be circulated to Shareholders
Mid December 2010	Release of the half-yearly results
Early January 2011	Half-Yearly Report for the six months ending 31 October 2010 to be circulated to Shareholders
Mid April 2011	Newsletter to be circulated to Shareholders
30 April 2011	Year-end

Annual General Meeting

The Annual General Meeting of the Company and Separate Class Meetings of holders of Ordinary Shares and C Shares will be held on 9 September 2010 from 12 noon at One Vine Street, London W1J 0AH. The meetings will take place at the offices of Matrix Group Limited. Please try to arrive 10 minutes before the meeting starts when tea and coffee will be served to Shareholders. Proxy forms for the meetings, which Shareholders will find included with their copy of this Annual Report, should be completed in accordance with the instructions printed thereon and sent to the Company's Registrars, Capita Registrars, to arrive no later than 12 noon on 7 September 2010.

Shareholder enquires:

For enquiries concerning the investment portfolio, please contact the Investment Manager, Matrix Private Equity Partners LLP, on 020 3206 7000 or by e-mail to info@matrixpep.co.uk.

For information on your holding, to notify the Company of a change of address or to request a dividend mandate form (should you wish to have future dividends paid directly into your bank account) please contact the Company's Registrars, Capita Registrars, on 0871 664 0300 (calls cost 10p per minute plus network extras. If calling from overseas please ring +44 208 639 2157) or write to them at Northern House, Woodsome Park, Fennay Bridge, Huddersfield, West Yorkshire, HD8 0LA. Alternatively you can contact them via their website at www.capitaregistrars.com.

VCT Tax Benefits

Taxation benefits

VCTs provide investors with an attractive method of investing in small to medium-sized unquoted (including AIM listed) trading companies in the UK that would otherwise be difficult to invest in directly. The VCT is itself exempt from paying corporation tax on its chargeable gains. VCTs also offer substantial tax benefits to private investors.

Personal taxation benefits

The tax reliefs set out below are available to individuals aged 18 or over who subscribe for ordinary shares. Whilst there is no specific limit in the amount of an individual's acquisitions of shares in a VCT, each of the following tax reliefs will only be given to the extent that the individual's total acquisitions of shares in VCTs in any tax year do not exceed the specified limit, currently £200,000 (see below).

The following is an outline of the tax reliefs available to VCT investors with effect from 6 April 2006.

(1) **Relief from income tax on investments**
An investor subscribing for new ordinary shares[1] in a VCT is entitled to claim income tax relief on amounts subscribed up to a maximum of £200,000 (increased from £100,000 in respect of shares issued on or after 6 April 2004) in any tax year. To obtain relief, an investor must subscribe in his/her own name and not through a nominee, although the shares may subsequently be transferred into the name of a nominee. The relief is given at the lower rate of tax on the amount subscribed provided that the relief is limited to the amount which reduces the investor's income tax liability to nil. Investments used as security for, or financed by, a loan may not qualify for relief depending on the circumstances. The income tax relief for investments in new VCT shares was decreased from 40% to 30% in relation to VCT shares issued on or after 6 April 2006[2].

(2) **Capital gains tax reinvestment relief**
The ability to defer capital gains by reinvesting the gains in a VCT, where the VCT shares are issued in the two year period beginning twelve months before the gain arises, has been abolished in respect of shares issued on or after 6 April 2004. However, the relief will remain available in respect of shares issued before 6 April 2004 (so long as, in accordance with certain rules, the gain arose within 12 months of the issue of the shares).

(3) **Dividend relief**
An investor who acquires VCT shares within the specified limit (currently £200,000 per annum) will not be liable to income tax on dividends paid on those shares.

(4) **Relief from capital gains tax on disposal**
A disposal by an investor of ordinary shares in a VCT will not be subject to UK capital gains tax.

(5) **Purchases in the market**
An individual purchaser of existing VCT shares in the market will be entitled to claim dividend relief but not relief from income tax on investment.

(6) **Withdrawal of relief**
Relief from income tax on subscription for shares in a VCT is withdrawn if the shares are disposed of (other than between spouses) within five years of issue (within three years of issue for shares purchased prior to 6 April 2006) or if the VCT loses its approval within this period.

The above is only an outline of the tax reliefs available under current legislation. Investors are recommended to consult an independent professional adviser as to the taxation consequences of investing in a VCT.

Notes:

[1] The C Shares in the Company are ordinary shares and are classed as such for VCT purposes

[2] Shares in the Company issued on or before 5 April 2006 were eligible for the 40% income tax relief. New C Shares issued after 5 April 2006 are eligible for the 30% income tax relief.

NOTICE of the ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Matrix Income & Growth 2 VCT plc will be held on Thursday, 9 September 2010 at 12 noon at Matrix Group Limited, One Vine Street, London W1J 0AH.

The meeting will be held for the purposes of passing the following resolutions as, in the case of Resolutions 1 to 9 and 13, ordinary resolutions and, in the case of Resolutions 10 to 12, special resolutions:

Ordinary Business

1. To receive the financial statements for the year ended 30 April 2010, together with the reports of the Directors and Auditors thereon.
2. To approve the Directors' Remuneration Report for the year ended 30 April 2010, which is set out in the Annual Report of the Company for the year ended 30 April 2010.
3. To re-appoint PKF (UK) LLP of Farringdon Place, 20 Farringdon Road, London EC1M 3AP as auditors.
4. To authorise the directors to determine PKF (UK) LLP's remuneration as auditors of the Company.
5. To re-elect Sally Duckworth as a Director of the Company.
6. To re-elect Adam Kingdon as a Director of the Company.
7. To re-elect Nigel Melville as a Director of the Company.
8. To re-elect Kenneth Vere Nicoll as a Director of the Company.

Special Business

9. That (i) subject to the passing of the resolutions to be proposed at the separate meeting of the holders of Ordinary Shares of 1p each in the capital of the Company ("Ordinary Shares") and the separate meeting of the holders of C Shares of 1p each ("C Shares") convened for 12.10 pm and 12.12 pm respectively on 9 September 2010 ("Separate Meetings") and (ii) in substitution for any existing authorities, pursuant to and in accordance with section 551 of the Companies Act 2006 (the "Act") the Directors be and are generally and unconditionally authorised to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or convert any security into shares in the Company:

   (i) up to a maximum nominal amount of £95,352 to such persons and at such times and on such terms as they think proper; and

   (ii) in connection with a rights issue ("rights issue") in favour of the holders of equity securities and any other persons entitled to participate in such issue where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as maybe) to the respective number of equity securities held by them up to an aggregate nominal amount of £95,352 subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or stock exchange in any territory,

   in each case so that the authority hereby conferred shall expire on the conclusion of the Annual General Meeting of the Company to be held in 2011, 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 to be allotted or rights to be granted after such expiry and notwithstanding such expiry the Directors may allot shares or grant rights in pursuance of such offers or agreements).

10. That (i) subject to the passing of the resolutions to be proposed at the Separate Meetings and (ii) in substitution for any existing authorities pursuant, the Directors be and are empowered in accordance with sections 570 and 573 of the Act to, subject to the passing of Resolution 9 set out in the Notice convening this Meeting, allot equity securities (and the expression "allot equity securities" and like expressions used in this resolution shall have the meaning given to them by virtue of section 560 of the Act) for cash, pursuant to the authority conferred by that resolution, and to sell treasury shares in each case as if section 561 did not apply to any such sale or allotment, provided that the power conferred by this resolution shall be limited to:

    (i) the allotment of up to 1,801,790 Ordinary Shares pursuant to performance warrant rights as set out in the carried interest agreement dated 10 May 2000 between the Company (1) and Matrix Private Equity Limited (2), Michael Cumming and others (3) and Mark Burgess and Helen Sinclair (4);

    (ii) the allotment of equity securities pursuant to the authority given by Resolution 9 set out in the Notice convening the Meeting in connection with a rights issue as defined in Resolution 9 in the Notice convening this Meeting, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with legal or practical problems in respect of overseas shareholders, fractional entitlements or directions from any holders of shares to deal in some other manner with their respective entitlements, or the requirements of any recognised regulatory body or any stock exchange in any territory;

    (iii) the allotment of equity securities with an aggregate nominal value of up to, but not exceeding, ten per cent of the issued Ordinary Share capital and/or the issued C Share capital of the Company as at the date this resolution is passed in connection with any dividend reinvestment or similar scheme that may be operated by the Company from time to time;

NOTICE of the ANNUAL GENERAL MEETING

(iv) the allotment (otherwise than pursuant to sub-paragraphs (i), (ii) and (iii) above) of equity securities with an aggregate nominal value of up to, but not exceeding, ten per cent of the issued Ordinary Share capital and/or the issued C Share capital of the Company as at the date this resolution is passed where the proceeds of the allotment are to be used in whole or in part to purchase the Company's Ordinary Shares or, as the case may be, C Shares in the market; and

(v) the allotment (otherwise than pursuant to sub-paragraphs (i), (ii), (iii) and (iv) above) of equity securities from time to time with an aggregate nominal value of up to, but not exceeding, five per cent of the issued Ordinary Share capital and/or the issued C Share capital of the Company at the date this resolution is passed.

This power, unless previously renewed or revoked, shall expire on the conclusion of the Annual General Meeting of the Company to be held in 2011 save that the Company may, before expiry of this power, make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offers or agreements as if the power conferred hereby had not expired.

11. That, subject to the passing of the resolutions to be proposed at the Separate Meetings, the Company be and is hereby generally and unconditionally authorised for the purpose of section 701 of the Act to make market purchases (as defined in section 693(4) of the Act) of its own Ordinary Shares and C Shares on such terms and in such manner as the Directors may determine provided that:

(i) the aggregate number of shares hereby authorised to be purchased shall not exceed 1,687,774 Ordinary Shares and 2,600,216 C Shares;

(ii) the minimum price which may be paid for an Ordinary Share or a C Share is 1 penny per share;

(iii) the maximum price which may be paid for an Ordinary Share or a C Share is the higher of (a) an amount equal to five per cent above the average of the middle market quotations for an Ordinary Share or, as the case may be, C Share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day the Ordinary Share or, as the case may be, C Share is contracted to be purchased and (b) the price stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation (EC 2273/2003);

(iv) the Company may make a contract or contracts to purchase its own Ordinary Shares or C Shares as the case may be 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 Ordinary Shares or C Shares in pursuance of any such contract; and

(v) any purchase by the Company of its own shares does not prejudice the ability of the Company to disregard, to the fullest possible extent pursuant to section 274 of the Income Tax Act 2007 ("the ITA"), the use to which money raised pursuant to a share issue is put, for the purposes of complying with the 70% test and the 30% test, as those terms are defined in the ITA.

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 2011.

12. That, subject to the passing of the resolutions to be proposed at the Separate Meetings, and with effect from the later of the conclusion of the Separate Meetings and this Meeting (or any adjournment thereof):

(i) the Articles of Association of the Company be amended by deleting all the provisions of the Company's memorandum of association which, by virtue of section 28 of the Company Act 2006, are to be treated as provisions of the Articles of Association; and

(ii) the regulations contained in the document produced to the meeting (for the purpose of identification marked "A" and signed by the Chairman of the meeting) be approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of the existing Articles of Association of the Company.

13. That the Company continue as a venture capital trust.

By order of the Board

Matrix-Securities Limited
Company Secretary

Registered Office
One Vine Street, London W1J 0AH

30 June 2010

Notes:

1. Each director has an appointment letter with the Company which will be available for inspection at the meeting.
2. To be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the votes they may cast), members must be registered in the Register of Members of the Company at 12 noon on 7 September 2010 (or, in the event of any adjournment, the time and date which is two days before the time of the adjourned meeting). Changes to the Register of Members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
3. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the form of proxy are set out in the notes on the form of proxy. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.
4. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional form(s) of proxy may be obtained by contacting Capita Registrars on 020 8639 2000. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned together in the same envelope.
5. A reply paid form of proxy is enclosed with this document. To be valid, it should be lodged, together with the power of attorney or other authority, if any, under which it is signed or notarilly certified or office copy thereof, with the Company's registrar, Capita Registrars, so as to be received not later than 12 noon on 7 September 2010 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.
6. 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.
7. 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. 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 12 noon on 7 September 2010. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp 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. 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.
8. 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.
9. As at 30 June 2010 (being the last business day prior to the publication of this notice), the Company's issued share capital consists of 11,259,333 Ordinary Shares and 17,346,339 C Shares, all of which carry one vote each. Therefore, the total voting rights in the Company as at 30 June 2010 were 28,605,672.
10. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.
11. The statement of the rights of members in relation to the appointment of proxies in paragraphs 3 to 8 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.

12. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should he or she subsequently decide to do so. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.
13. The Register of Directors' Interests will be available for inspection at the meeting.
14. If a corporate shareholder has appointed a corporate representative, the corporate representative will have the same powers as the corporation could exercise if it were an individual member of the Company. If more than one corporate representative has been appointed, on a vote on a show of hands on a resolution, each representative will have the same voting rights as the corporation would be entitled to. If more than one authorised person seeks to exercise a power in respect of the same shares, if they purport to exercise the power in the same way, the power is treated as exercised; if they do not purport to exercise the power in the same way, the power is treated as not exercised.
15. Under section 527 of the Companies Act 2006 ("the Act") members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) 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 AGM; or (ii) any circumstance 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. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor no later then the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Companies Act to publish on a website.
16. At the meeting shareholders have the right to ask questions relating to the business of the meeting and the Company is obliged to answer such questions, unless to do so would interfere unduly with the preparation of the meeting or would involve the disclosure of confidential information, if the information has been given on the Company's website, www.mig2vct.co.uk in the form of an answer to a question, or if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
17. Further information, including the information required by section 311A of the Act, regarding the meeting is available on the Company's website, www.mig2vct.co.uk.
18. Copies of the new Articles of Association are available for inspection at the Company's registered office, One Vine Street, London, W1J 0AH during normal business hours until the conclusion of the Annual General Meeting.

NOTICE of SEPARATE MEETING of ORDINARY SHAREHOLDERS

NOTICE IS HEREBY GIVEN that a separate meeting of the holders of Ordinary Shares of 1 pence each in the capital of the Company ("Ordinary Shares") will be held at One Vine Street, London, W1J 0AH on 9 September 2010 at 12.10 pm (or as soon thereafter as the Annual General Meeting of the Company convened for 12 noon on 9 September 2010 has been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolution as an extraordinary resolution:

1. The holders of the Ordinary Shares in the capital of the Company hereby sanction, approve and consent to:
   (1) the passing and carrying into effect, as ordinary and special resolutions of the Company, Resolutions 9 to 12 as set out in the notice of the Annual General Meeting convened for 12 noon on 9 September 2010 (a copy of which is produced to the meeting and signed by the Chairman for the purposes of identification); and
   (2) any effect on, variation, abrogation, dealing with and/or deemed variation or abrogation of the rights and privileges attached to the Ordinary Shares which will, or may, result from the passing and carrying into effect of the said Resolutions and notwithstanding that the passing and carrying into effect of such Resolutions may affect the rights and privileges attached to the Ordinary Shares.

By order of the Board

Registered Office
One Vine Street, London W1J 0AH

Matrix-Securities Limited
Company Secretary

30 June 2010

Notes:

1. Each director has an appointment letter with the Company which will be available for inspection at the meeting.
2. To be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the votes that they may cast), members must be registered in the Register of Members of the Company at 12.10 pm on 7 September 2010 (or, in the event of any adjournment, the time and date which is two days before the time of the adjourned meeting). Changes to the Register of Members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
3. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member, but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the form of proxy are set out in the notes on the form of proxy. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.
4. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional form(s) of proxy may be obtained by contacting Capita Registrars on 020 8639 2000. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned together in the same envelope.
5. A reply paid form of proxy is enclosed with this document. To be valid, it should be lodged, together with the power of attorney or other authority, if any, under which it is signed or notarilly certified or office copy thereof, with the Company's registrar, Capita Registrars, so as to be received not later than 12.10 pm on 7 September 2010 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, so as to be received no later than 24 hours before the time appointed for taking the poll.
6. As at 30 June 2010 (being the last business day prior to the publication of this notice), the Company's issued Ordinary Share capital consists of 11,259,333 Ordinary Shares, carrying one vote each. Therefore, the total Ordinary Shares' voting rights in the Company as at 30 June 2010 are 11,259,333.
7. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.
8. The statement of the rights of members in relation to the appointment of proxies in paragraphs 3 to 5 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.

9. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should he or she subsequently decide to do so. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.
10. The Register of Directors' Interests will be available for inspection at the meeting.
11. Notice is hereby further given that the necessary quorum for the above meeting shall be holders of Ordinary Shares present in person or by proxy holding not less than one-third of the paid up Ordinary Share capital and that if within half an hour from the time appointed for the above meeting a quorum is not present it shall be adjourned to 12.10 pm on 10 September 2010 to be held at Matrix Group Limited, One Vine Street, London W1J 0AH and at such adjourned meeting one holder of Ordinary Shares present in person or by proxy shall be a quorum regardless of the number of Ordinary Shares held.
12. If a corporate shareholder has appointed a corporate representative, the corporate representative will have the same powers as the corporation could exercise if it were an individual member of the Company. If more than one corporate representative has been appointed, on a vote on a show of hands on a resolution, each representative will have the same voting rights as the corporation would be entitled to. If more than one authorised person seeks to exercise a power in respect of the same shares, if they purport to exercise the power in the same way, the power is treated as exercised; if they do not purport to exercise the power in the same way, the power is treated as not exercised.

NOTICE of SEPARATE MEETING of C SHAREHOLDERS

NOTICE IS HEREBY GIVEN that a separate meeting of the holders of C Ordinary Shares of 1 pence each in the capital of the Company ("C Shares") will be held at One Vine Street, London, W1J 0AH on 9 September 2010 at 12.12 pm (or as soon thereafter as the Separate Meeting of the holders of Ordinary Shares convened for 12.10 pm on 9 September 2010 has been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolution as an extraordinary resolution:

1. The holders of the C Shares in the capital of the Company hereby sanction, approve and consent to:
   (1) the passing and carrying into effect, as ordinary and special resolutions of the Company, Resolutions 9 to 12, as set out in the notice of the Annual General Meeting convened for 12 noon on 9 September 2010 (a copy of which is produced to the meeting and signed by the Chairman for the purposes of identification); and
   (2) any effect on, variation, abrogation, dealing with and/or deemed variation or abrogation of the rights and privileges attached to the C Shares which will, or may, result from the passing and carrying into effect of the said Resolutions and notwithstanding that the passing and carrying into effect of such Resolutions may affect the rights and privileges attached to the C Shares.

By order of the Board

Registered Office
One Vine Street, London W1J 0AH

Matrix-Securities Limited
Company Secretary

30 June 2010

Notes:

1. Each director has an appointment letter with the Company which will be available for inspection at the meeting.
2. To be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the votes that they may cast), members must be registered in the Register of Members of the Company at 12.12 pm on 7 September 2010 (or, in the event of any adjournment, the time and date which is two days before the time of the adjourned meeting). Changes to the Register of Members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
3. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member, but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the form of proxy are set out in the notes on the form of proxy. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.
4. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional form(s) of proxy may be obtained by contacting Capita Registrars on 020 8639 2000. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned together in the same envelope.
5. A reply paid form of proxy is enclosed with this document. To be valid, it should be lodged, together with the power of attorney or other authority, if any, under which it is signed or notarilly certified or office copy thereof, with the Company's registrar, Capita Registrars, so as to be received not later than 12.12 pm on 7 September 2010 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, so as to be received no later than 24 hours before the time appointed for taking the poll.
6. As at 30 June 2010 (being the last business day prior to the publication of this notice), the Company's issued C Share capital consists of 17,346,339 C Shares, carrying one vote each. Therefore, the total C Shares' voting rights in the Company as at 30 June 2010 are 17,346,339.
7. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.
8. The statement of the rights of members in relation to the appointment of proxies in paragraphs 3 to 5 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.

9. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should he or she subsequently decide to do so. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.
10. The Register of Directors' Interests will be available for inspection at the meeting.
11. Notice is hereby further given that the necessary quorum for the above meeting shall be holders of C Shares present in person or by proxy holding not less than one-third of the paid up C Share capital and that if within half an hour from the time appointed for the above meeting a quorum is not present it shall be adjourned to 12.12 pm on 10 September 2010 to be held at Matrix Group Limited, One Vine Street, London W1J 0AH and at such adjourned meeting one holder of C Shares present in person or by proxy shall be a quorum regardless of the number of C Shares held.
12. If a corporate shareholder has appointed a corporate representative, the corporate representative will have the same powers as the corporation could exercise if it were an individual member of the Company. If more than one corporate representative has been appointed, on a vote on a show of hands on a resolution, each representative will have the same voting rights as the corporation would be entitled to. If more than one authorised person seeks to exercise a power in respect of the same shares, if they purport to exercise the power in the same way, the power is treated as exercised; if they do not purport to exercise the power in the same way, the power is treated as not exercised.

Corporate Information

Directors
Nigel Melville (Chairman)
Sally Duckworth
Adam Kingdon
Kenneth Vere Nicoll

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Promoter and Company Accountants
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Company's registered office and head office
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Company Registration Number : 3946235

Website: www.mig2vct.co.uk