MATRIX INCOME & GROWTH VCT PLC 2

A VENTURE CAPITAL TRUST

REPORT & ACCOUNTS

Annual Report and Accounts
for the year ended 30 April 2009

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 Shares

- One new investment and one follow-on investment made in the year, reflecting cautious stance in falling markets
- Decrease in year of 18.6% in Shareholder total return (net asset value basis) to 95.82 pence

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 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
30 April 2005	–	2.79
30 April 2004	–	2.79

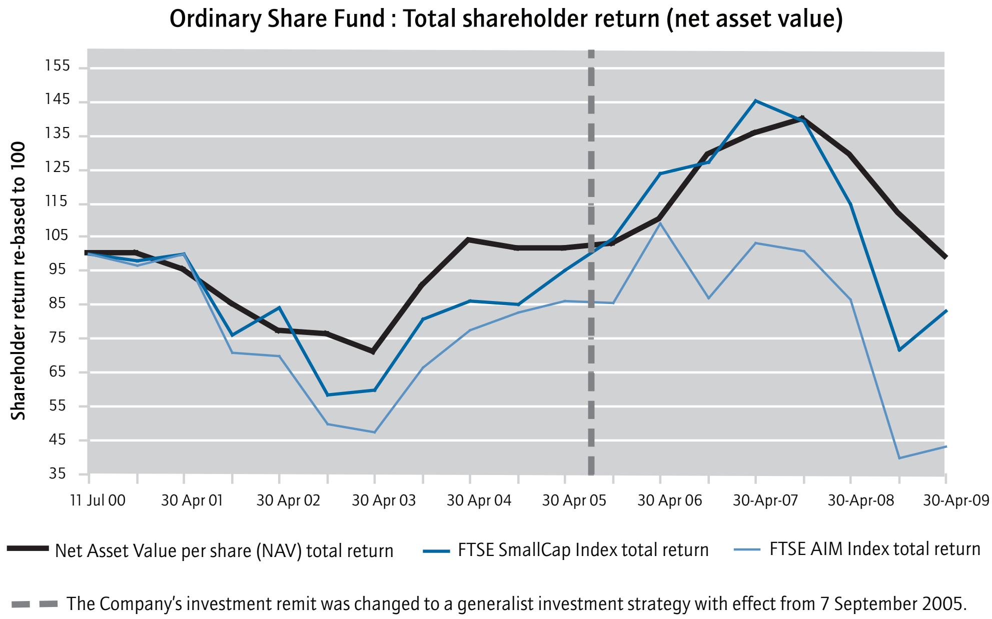
Performance summary

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 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
30 April 2005	11,780	91.88	2.79	94.67
30 April 2004	12,261	94.09	2.79	96.88

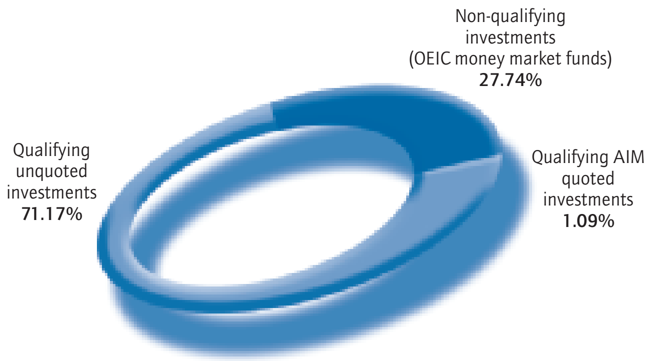
[1] Net asset value per share plus cumulative dividends per share. This compares to an original investment cost of 80 pence per share for the Ordinary Share Fund after allowing for income tax relief of 20 pence per share.

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

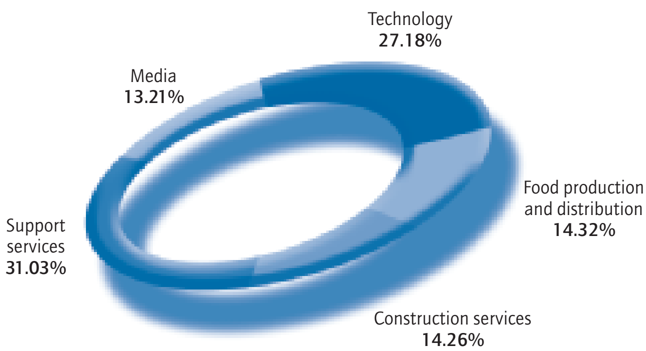


Investments at valuation as at 30 April 2009

Investments by asset class



Investments by market sector



Financial Highlights

C Share Fund

- Dividend of 1.00 pence to be paid on 18 September 2009 bringing cumulative dividends paid to 5.00 pence since launch
- New capital raised of £7.3m
- One new investment and two follow-on investments made in the year, reflecting cautious stance in falling markets
- Decrease of 10.0% in year in Shareholder total return (net asset value basis) to 90.02 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 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

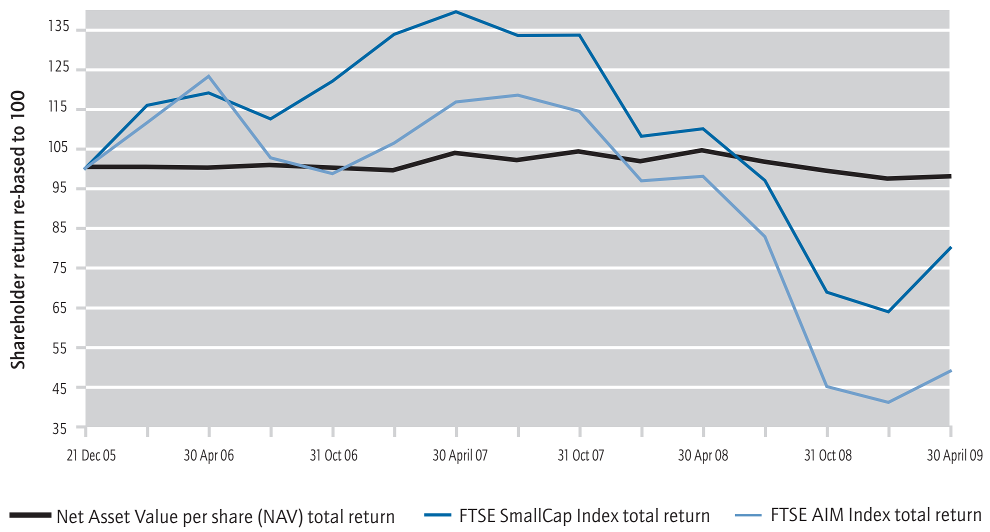
C Shares (listed on 21 December 2005)

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 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 of 60 pence per share for the C Share Fund after allowing for income tax relief of 40 pence per share.

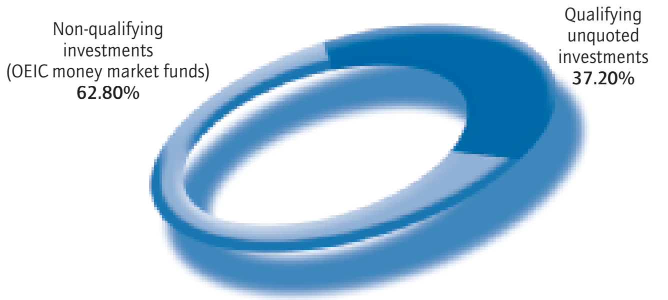
In the graph below, the total return figures have been re-based to 100 at 21 December 2005.

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

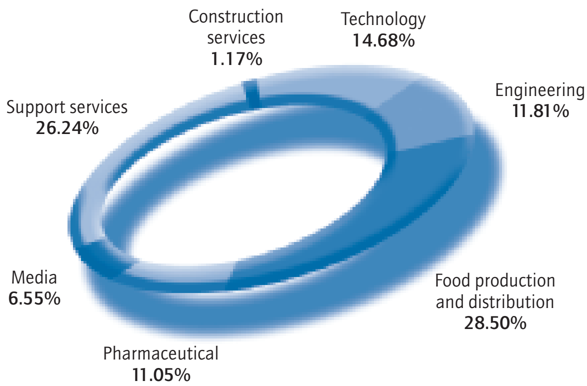


Investments at valuation as at 30 April 2009

Investments by asset class



Investments by market sector



Chairman's Statement

I am pleased to present the ninth Annual Report of the Company for the year ended 30 April 2009. Your Company has not been immune to the impact of the deteriorating economic environment, continuing the trend I reported to you in the Half-Yearly Report.

Overview of performance for the year ended 30 April 2009

Net asset values per share for both funds have fallen over the year. This is because a number of portfolio valuations have been adversely affected by deteriorating trading. However, in the case of several other investee companies, trading performance remains encouraging.

Our Ordinary Shareholders have seen a decrease in underlying net asset value ("NAV") per share of 22.6%, plus a further 6.2% due to the 6 pence per share dividend that was paid in the year, giving rise to a total decline in NAV per share of 28.8%. The Ordinary Share NAV total return since launch declined by 18.6% in the year, from 117.70 pence per share to 95.82 pence per share.

Our C shareholders have seen a smaller decrease in underlying NAV per share of 10.1%, plus a further 2.5% due to the 2.5 pence per share dividend paid in the year, giving rise to a total decline in NAV per share of 12.6%. The C Share NAV total return since launch declined by 10%, from 99.98 pence per share to 90.02 pence per share.

Revenue and Capital returns for the year ended 30 April 2009

The results for the year ended 30 April 2009 are set out in the following pages. The total return (after tax) attributable to the Ordinary Shareholders for the year was a loss of £2,545,615 (2008: loss of £633,730) and the NAV per Ordinary Share at 30 April 2009 was 69.03 pence compared with 96.91 pence as at 30 April 2008. This fall is mainly explained by a fall in valuations of unrealised investments and by payment of a dividend of 6 pence per share, in respect of the year ended 30 April 2008, on 19 July 2008. The after tax revenue return before net capital gains was 1.29 pence per Ordinary Share for the year ended 30 April 2009 (2008: 1.82 pence).

The total return (after tax) attributable to the C Shareholders for the year was a loss of £1,021,677 (2008: profit of £259,528) and the NAV per C Share at 30 April 2009 was 86.02 pence compared with 98.48 pence as at 30 April 2008. This fall is again explained by a fall in valuations of unrealised investments and by payment of a dividend of 2.5 pence per share, in respect of the year ended 30 April 2008, on 19 July 2008. The after tax revenue return before net capital gains was 1.27 pence per C Share for the year ended 30 April 2009 (2008: 2.65 pence).

Portfolio Activity

This year there has been relatively little new investment, reflecting a desire to be cautious and to retain liquidity in the expectation of better opportunities emerging at a further phase in this recession. Both funds made an investment in ATG Media Holdings Limited, an MBO transaction, totalling £863,895, of which the O Fund invested £508,736 and the C fund invested £355,159. The C Fund also invested £2 million in two companies that will seek opportunities in two specific sectors. These acquisition vehicles have been established to provide time to seek and complete investment transactions of the right quality on sufficiently favourable terms. Both funds made small follow-on investments in PXP Holdings Limited (O fund: £96,245; C fund: £67,191), while the C fund also made a small follow-on investment in Monsal Holdings Limited of £85,450.

No realisations have occurred in the year, although DiGiCo Europe has made a partial repayment of its loan stock, realising £137,552 for the Ordinary Fund and £96,028 for the C Fund, just after the year-end.

The Ordinary Share Fund held 16 investments at the year-end, which were valued at 64% of cost.

The C Share Fund held investments in thirteen companies, showing valuations which were 85.8% of cost.

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

Income returns

Although both Funds have achieved positive revenue returns for the year, these returns have both fallen compared to the previous year. This is primarily for two reasons. Firstly, both funds' income was adversely affected by the sharp fall in interest rates in the second half of the year. As a consequence of this fall, total income from our cash at the Company level nearly halved from £451,399 last year to £238,023 this year. Secondly, loan stock interest also fell from £524,202 last year to £391,124 this year, because several investee companies were unable to pay their interest due on their loan stocks, and because some of the loan stocks have variable rate coupons that fell in the year. The annualised yield from loan stocks at valuation is now running at 5.5% (2008: 9.2%) and 4.9% (2008: 9.0%) for the Ordinary and C Share Funds respectively.

However, income was boosted by higher dividend receipts, notably from PastaKing Holdings Limited, which paid two exceptionally large dividends this year, resulting in an increase from £51,422 last year to £214,825 this year. As a result, total income from investee companies rose from £575,624 last year to £605,949 this year. Nonetheless, the overall effect of the factors outlined above was a fall in total income from £1,027,023 to £843,972. Achieving revenue returns in the new financial year will remain difficult.

VAT recoverable

Both Funds' returns have been increased by the anticipation of VAT recoverable of £112,000 in total, as a result of recent HMRC policy announcements. These now permit recovery of most of the VAT that has been borne upon Fund management fees in the past three years, at least. An amount in excess of this sum has been received since the year-end.

Dividends

The revenue account generated a net revenue return for the year of £147,005 for the Ordinary Share Fund (2008: £214,894) and £123,412 for the C Share Fund (2008: £242,682). Due to the reduction in anticipated revenue returns and the need to preserve the fund's cash position, your Directors will not be recommending a final income dividend for Ordinary Shareholders, but are recommending an income dividend for C Shareholders of 1 penny per share which will be paid on 18 September 2009 to Shareholders on the register on 28 August 2009.

New capital raising

The Offer closed on 30 April 2009, having raised just under £7.3 million for the C Share Fund, which the Board regards as a positive outcome in difficult conditions for fundraising. We anticipate that there will be significant opportunities to invest over the medium term and intend the Company to participate alongside other MPEP-advised VCTs, at what may be an advantageous point in the economic cycle.

Outlook

In my Statement in the Half-Yearly Report to shareholders, I emphasised that the Board and the Investment Manager are paying close attention to current economic indicators. The depth and timescale of the economic and market downturn is as yet uncertain, but there is clearly a heightened risk to the smaller company sector in which your VCT invests. Your Board continues to believe that the Investment Manager's strategy of investing in MBOs is appropriate, and that, looking forward, good opportunities will present themselves for new investment.

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 10 September 2009.

Nigel Melville
Chairman

23 July 2009

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.

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. No holding in any one company will represent more than 10% of the value of the VCT's investments, based on cost, at the time of investment. 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 four 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 2009

Ordinary Share Fund

	Date of first investment Sector	Total book cost at 30 April 2009 £	Valuation at 30 April 2008 £	Additions £	Valuation at 30 April 2009 £	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	107,143	–	75,000	(32,143)	1.0%
Vphase plc (formerly Flightstore Group plc) Development of energy saving devices for domestic use	March 2001 Electronic and electrical equipment	254,586	9,504	–	7,604	(1,900)	0.1%
		404,586	116,647	–	82,604	(34,043)	1.1%
Unquoted investments							
British International Holdings Limited Helicopter service operators	June 2006 Support services	832,827	904,172	–	1,000,432	96,260	12.9%
DiGiCo Europe Limited Design and manufacture of audio mixing desks	July 2007 Technology, hardware and equipment	588,886	588,886	–	827,897	239,011	10.6%
PastaKing Holdings Limited Manufacture and supply of fresh pasta meals	June 2006 Food producers	274,624	829,135	–	783,243	(45,892)	10.1%
Youngman Group Limited Manufacturer of ladders and access towers	Oct 2005 Support services	1,000,052	1,670,564	–	689,583	(980,981)	8.9%
VSI Limited Software for CAD and CAM vendors	April 2006 Software and computer services	231,020	656,004	–	651,150	(4,854)	8.4%
ATG Media Holdings Limited Publisher and online auction platform operator	Oct 2008 Media	508,736	–	508,736	508,736	–	6.5%
Vectair Holdings Limited Design and sale of washroom products	Jan 2006 Support services	243,784	374,418	–	325,108	(49,310)	4.2%
Blaze Signs Holdings Limited Manufacturing and installation of signs	April 2006 Support services	791,608	1,136,072	–	297,000	(839,072)	3.8%
Campden Media Limited Publishing and conferencing	Jan 2006 Media	975,000	490,131	–	214,044	(276,087)	2.8%
The Plastic Surgeon Holdings Limited Snagging and finishing of domestic and commercial properties	April 2008 Support services	230,986	230,986	–	57,747	(173,239)	0.7%
PXP Holdings Limited (Pinewood Structures) Design, manufacture and supply of timber frames for buildings	Dec 2006 Construction	685,131	481,971	96,245	32,851	(545,365)	0.4%
Racoon International Holdings Limited Supplier of hair extensions, hair care products and training	Dec 2006 Personal goods	517,350	57,644	–	–	(57,644)	0.0%
Award International Holdings plc Promotional goods and services agency	March 2004 N/A	250,000	–	–	–	–	0.0%

Investment Portfolio Summary
as at 30 April 2009

Ordinary Share Fund

	Date of first investment Sector	Total book cost at 30 April 2009 £	Valuation at 30 April 2008 £	Additions £	Valuation at 30 April 2009 £	Change in valuation for year £	% of net assets by value
Recite Limited Sales support software	Aug 2003 (in liquidation)	1,000,000	–	–	–	–	0.0%
		8,130,004	7,419,983	604,981	5,387,791	(2,637,173)	69.3%
Total qualifying investments		8,534,590	7,536,630	604,981	5,470,395	(2,671,216)	70.4%[1]
Non-qualifying investments							
Money market funds[2]		2,061,939	3,373,809		2,061,939		26.5%
Cash		38,510	54,863		38,510		0.5%
Legion Group plc		106	62		44	(18)	0.0%
Total non-qualifying investments		2,100,555	3,428,734		2,100,493	(18)	27.0%
Debtors		277,484	289,975		277,484		3.5%
Creditors		(76,145)	(119,809)		(76,145)		(0.9%)
Net assets		**10,836,484**	**11,135,530**		**7,772,227**		**100.0%**

[1] As at 30 April 2009, 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 2009 £	Valuation at 30 April 2008 £	Additions £	Valuation at 30 April 2009 £	Change in valuation for year £	% of net assets by value
Qualifying investments							
Unquoted investments							
Barnfield Management Investments Limited Company seeking to acquire business in the food sector	July 2008 N/A	1,000,000	–	1,000,000	1,000,000	–	6.9%
Vanir Consultants Limited Company seeking to invest in data management, data mapping and management services	Oct 2008 N/A	1,000,000	–	1,000,000	1,000,000	–	6.9%
Monsal Holdings Limited Engineering services to the water and waste sectors	Dec 2007 Support services	854,450	769,000	85,450	640,838	(213,612)	4.4%
Focus Pharma Holdings Limited Licensing and distribution of generic pharmaceuticals	Oct 2007 Pharmaceuticals and Biotechnology	660,238	660,238	–	599,780	(60,458)	4.1%
DiGiCo Europe Limited Design and manufacture of audio mixing desks	July 2007 Technology, hardware and equipment	411,114	411,114	–	577,972	166,858	4.0%
PastaKing Holdings Limited Manufacture and supply of fresh pasta meals	June 2006 Food producers	191,720	578,836	–	546,798	(32,038)	3.8%
ATG Media Holdings Limited Publisher and online auction platform operator	Oct 2008 Media	355,159	–	355,159	355,159	–	2.4%

C Share Fund

	Date of first investment Sector	Total book cost at 30 April 2009 £	Valuation at 30 April 2008 £	Additions £	Valuation at 30 April 2009 £	Change in valuation for year £	% of net assets by value
Blaze Signs Holdings Limited Manufacturing and installation of signs	April 2006 Support services	606,890	666,686	–	223,000	(443,686)	1.5%
VSI Limited Software for CAD and CAM vendors	April 2006 Software and computer services	77,623	220,419	–	218,788	(1,631)	1.5%
British International Holdings Limited Supplier of helicopter services	June 2006 Support services	167,173	181,524	–	200,868	19,344	1.4%
The Plastic Surgeon Holdings Limited Snagging and finishing of domestic and commercial properties	April 2008 Support services	161,278	161,278	–	40,320	(120,958)	0.3%
PXP Holdings Limited (Pinewood Structures) Design, manufacture and supply of timber frames for buildings	Dec 2006 Construction	478,305	336,474	67,191	22,942	(380,723)	0.1%
Racoon International Holdings Limited Supplier of hair extensions, hair care products and training	Dec 2006 Personal goods	361,177	40,242	–	–	(40,242)	0.0%
		6,325,127	4,025,811	2,507,800	5,426,465	(1,107,146)	37.3%
Total qualifying investments		6,325,127	4,025,811	2,507,800	5,426,465	(1,107,146)	37.3%[1]
Non-qualifying investments							
Money market funds[2]		9,136,823	4,984,365		9,136,823		62.8%
Cash		22,836	34,891		22,836		0.2%
Total non-qualifying investments		9,159,659	5,019,256		9,159,659		63.0%
Debtors		170,762	62,354		170,762		1.1%
Creditors		(209,969)	(100,060)		(209,969)		(1.4%)
Net assets		**15,445,579**	**9,007,361**		**14,546,917**		**100.0%**

[1] At 30 April 2009, the Company (comprising of 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

Over the last year the environment for new investment has, in our opinion, continued to be generally unattractive; this view has been informed both by a lack of sufficiently attractive investment opportunities and the increasing evidence of recession affecting many smaller companies. We have held the view for some time that in the current market the price expectations of vendors would prove unsustainable; furthermore we have, over the past two years, avoided transactions which necessitated companies taking on high levels of bank borrowing, believing that economic conditions were deteriorating and that highly-leveraged investments would become vulnerable in the tougher economic conditions which now prevail.

Against a worsening backdrop of reducing demand and increasing pressure on margins, your Manager remains cautious in its assessment of the forecasts produced by aspiring management teams and we therefore chose to complete just one new MBO investment for the funds during the year.

In October the "O" and "C" Share Funds invested £508,736 and £355,159 respectively in ATG Media Holdings. This was the first target company and MBO transaction to be sourced and completed under our Operating Partner programme. Derringfield, the acquisition company in which the Company had invested in July, was renamed ATG Media Holdings and acquired the publisher of the leading weekly newspaper serving the UK antiques trade, the Antiques Trade Gazette, via a MBO. This London-based business also offers an online auction capability. The C Share Fund originally invested £1m into Derringfield and the completion of the MBO resulted in a repayment to the C Share Fund of £645,236. The "O" and "C" Share Funds invested in loan stock and ordinary shares, holding 4.5% and 3.2% of the equity respectively.

The "C" Share Fund made two investments, each of £1,000,000, into two acquisition vehicles, Barnfield Management Investments and Vanir Consultants, which are now seeking to acquire businesses in the food and food-related manufacturing industry and database management sector respectively.

A small additional investment was made in November by both the "O" and "C" Share Funds, which invested £96,245 and £67,191 respectively, as part of a £1 million funding round to provide capital to support PXP in what is expected to remain a difficult housebuilding and construction market during 2009. In January, Monsal received further shareholder funding of £500,000, including £85,450 from the "C" Share Fund, to provide additional working capital.

Despite the recent gains in quoted share prices we remain of the view that recovery from recession, insofar as it affects the performance of smaller companies, remains some way off and a priority will therefore be to continue to invest to support portfolio companies judiciously during this period. We believe that the overall quality of the portfolio remains high and that it contains a number of UK market-leading companies which will recover value strongly as the economy itself recovers.

Proportionate additional investment alongside highly-motivated management teams who are prepared to take hard decisions to ensure the long term financial health of their businesses will, in our view, be the effective response to the economic environment. To date the investment portfolio has required very little additional funding despite the worsening economic environment. We are also mindful that small acquisitions of distressed competitors may represent opportunities for some portfolio companies and continue to review these with investee company management teams.

Inevitably, the valuations of a number of portfolio companies have suffered materially over the past year, due primarily to deterioration in their own trading. Appropriate provisions have been made against investments to reflect this. Certain sectors have been particularly affected, notably construction, food manufacturers and software and computer services.

Ordinary Share Fund portfolio highlights

The Ordinary Share Fund comprised investments in 16 companies at a cost of £8.53 million and a current valuation of £5.47 million; on a like-for-like basis the portfolio value shows a 35.4% fall compared with the valuation prevailing at 30 April 2008. This should be viewed against the backdrop of the fall in quoted markets; the FTSE All-Share and FTSE Small Cap indices both dropped by 29.9% over the same period. This portfolio's performance reflects relatively large downward revisions to the unrealised valuations of several companies in the portfolio, which we hope will be able to be reversed at some future point.

Over the past months we have been working even more closely with management of a number of companies in the portfolio which have been most affected by the contraction in the construction and housebuilding industries. Significant redundancies and other cost savings have been implemented in recent months as businesses seek to reduce their breakeven levels. The need for further cost reductions is kept under continuous review.

Youngman Group, PXP and Plastic Surgeon are exposed to the significant reduction in demand experienced by the construction and housebuilding sector and are yet to see any signs of recovery in their markets. Pressure on capital and maintenance expenditure has also materially affected Blaze Signs, although there is guarded optimism that its retail clients are now beginning to invest again in signage. All have seen deterioration in trading and further reductions in their valuations.

Our media investments, Campden Media and ATG Media, are also operating in difficult markets as advertising budgets come under increasing pressure. PastaKing continues to make strong progress although the relative weakness of sterling has led to further pressure on the prices of certain ingredients. This has also affected Vectair, whose raw materials are sourced from both dollar and euro-based suppliers. DiGiCo Europe has continued its record trading into 2009 and is currently well ahead of budget.

During the year Racoon began to offer a retail hair extension product through a major national retailer and it is intended to expand the product range and reach in the high street during 2009 as part of its recovery strategy. SectorGuard has substantially re-organised its management and operations since its acquisition of Manguard in March 2008 and has made further significant acquisitions including the addition of Legion Group. SectorGuard changed its name to Legion Group plc on 29 June 2009. British International Holdings reported reduced profits due to a combination of poor operating conditions on the Penzance-Isles of Scilly route and scheduled maintenance costs. Finally, VSI continues to make steady progress after a year of record progress in 2008.

C Share Fund portfolio highlights

The "C" Share Fund now holds investments in 13 companies at a cost of £6.33 million and a current valuation of £5.43 million; on a like for like basis this represents a drop of 27.5% compared with the valuation prevailing at 30 April 2008, and compares with the 29.9% fall in the FTSE All-Share and FTSE Small Cap indices over the same period.

As last year, most of the "C" Share Fund's investments are common to the "O" Share Fund; four investments are held solely by the "C" Share Fund. Of these, Barnfield Management Investments and Vanir Consultants have been actively seeking acquisitions in their chosen sectors. Focus Pharma enjoyed solid progress in 2008 and has begun the current year well. Monsal, after a slow start in 2008 after its MBO, has won a number of major contracts and is set for a much improved year. There is evidence that its acknowledged expertise in anaerobic digestion technology is now an increasing focus for UK waste companies.

ATG Media Holdings Limited

	Ordinary Share Fund	C Share Fund
Cost:	£508,736	£355,159
Valuation:	£508,736	£355,159
Basis of valuation:	Cost	Cost
Equity % held:	4.5%	3.2%
Income receivable in year:	£15,854	£11,068
Business:	Publisher of the leading newspaper serving the UK antiques trade and on-line auction platform operator	
Location:	London	
History:	MBO from Daily Mail & General Trust plc	

Audited financial information:

First audited accounts will be for the period ending 30 September 2009

Award International Holdings plc

	Ordinary Share Fund
Cost:	£250,000
Valuation:	£Nil
Basis of valuation:	Cost less impairment
Equity % held:	2.2%
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 2008	£Nil	£48,000	£139,000

Investment Manager's Review

Barnfield Management Investments Limited

	C Share Fund
Cost:	£1,000,000
Valuation:	£1,000,000
Basis of valuation:	Cost
Equity % held:	16.3%
Income receivable in year:	£16,551
Business:	Food sector acquisitions
Location:	Exeter, Devon
History:	Operating Partners Company

Unaudited financial information:

Period ended	Turnover	Operating Loss	Net Assets
31 July 2008	£ Nil	£16,000	£1,191,000

Blaze Signs Holdings Limited

	Ordinary Share Fund	C Share Fund
Cost:	£791,608	£606,890
Valuation:	£297,000	£223,000
Basis of valuation:	Earnings multiple	Earnings multiple
Equity % held:	9.5%	4.0%
Income receivable in year:	£43,807	£31,031
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 2008	£22,214,000	£3,220,000	£4,567,000

British International Holdings Limited

	Ordinary Share Fund	C Share Fund
Cost:	£832,827	£167,173
Valuation:	£1,000,432	£200,868
Basis of valuation:	Earnings multiple	Earnings multiple
Equity % held:	8.3%	1.7%
Income receivable in year:	£(4,545)*	£(912)*
Business:	Helicopter service operator	
Location:	Sherbourne, Dorest	
History:	MBO from institutional investor	

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

Audited financial information:

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

Campden Media Limited

	Ordinary Share Fund
Cost:	£975,000
Valuation:	£214,044
Basis of valuation:	Earnings multiple
Equity % held:	10.6%
Income receivable in year:	£13,005
Business:	Publishing and conferencing
Location:	London
History:	MBO from private ownership

Audited financial information:

Year ended	Turnover	Operating Loss	Net Liabilities
31 December 2008	£7,229,000	£250,000	£621,000

DiGiCo Europe Limited

	Ordinary Share Fund	C Share Fund
Cost:	£588,886	£411,114
Valuation:	£827,897	£577,972
Basis of valuation:	Earnings multiple	Earnings multiple
Equity % held:	3.8%	2.7%
Income receivable in year:	£31,289	£21,803
Business:	Manufacture of digital sounds mixing consoles	
Location:	Chessington, Surrey	
History:	MBO from private ownership	

Audited financial information:

Year ended	Turnover	Operating Profit	Net Assets
31 December 2008	£10,061,000	£1,453,000	£3,707,000

Focus Pharma Holdings Limited

	C Share Fund
Cost:	£660,238
Valuation:	£599,780
Basis of valuation:	Earnings multiple
Equity % held:	2.7%
Income receivable in year:	£46,965
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 2008	£13,205,000	£530,000	£99,000

*Financial information relates to the operating subsidiary

Investment Manager's Review

Legion Group plc (formerly SectorGuard plc)

	Ordinary Share Fund
Cost:	£150,106
Valuation:	£75,044
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:

18 months ended	Turnover	Operating Profit	Net Assets
31 March 2008	£26,844,000	£1,238,000	£10,803,000

Monsal Holdings Limited

	C Share Fund
Cost:	£854,450
Valuation:	£640,838
Basis of valuation:	Cost less impairment
Equity % held:	10.3%
Income receivable in year:	£45,807
Business:	Engineering services to water and waste sectors
Location:	Mansfield, Nottinghamshire
History:	MBO from private ownership

Audited financial information:

Year ended*	Turnover	Operating Loss	Net Assets
30 September 2008	£1,748,000	£1,033,000	£114,000

*Financial information relates to the operating subsidiary

PastaKing Holdings Limited

	Ordinary Share Fund	C Share Fund
Cost:	£274,624	£191,720
Valuation:	£783,243	£546,798
Basis of valuation:	Earnings multiple	Earnings multiple
Equity % held:	4.3%	3.0%
Income receivable in year:	£110,737	£77,342
Business:	Supplier to the educational and foodservice markets	
Location:	Newton Abbot, Devon	
History:	MBO from private ownership	

Audited financial information:

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

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:	£16,250	£11,346

Business: Snagging and finishing of domestic and commercial properties

Location: Bovey Tracey, Devon

History: MBO from private ownership

Audited financial information:

First audited accounts will be for the period ending 31 October 2008

PXP Holdings Limited

	Ordinary Share Fund	C Share Fund
Cost:	£685,131	£478,305
Valuation:	£32,851	£22,942
Basis of valuation:	Earnings multiple	Earnings multiple
Equity % held:	5.0%	3.5%
Income receivable in year:	£(19,524)*	£(13,630)*

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

Location: Sandy, Bedfordshire

History: MBO from private ownership

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

Audited financial information:

Year ended	Turnover	Operating Profit*	Net Assets
31 December 2007	£25,443,000	£1,438,000	£873,000

*Operating profit is 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:	£Nil	£Nil
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 2008	£3,291,000	£236,000	£1,301,000

*Financial information relates to the operating subsidiary.

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:	£5,588
Business:	IT sector acquisitions
Location:	London
History:	Operating Partners Company

Audited financial information:

First audited accounts will be for the period ending 31 October 2009

Vectair Holdings Limited

	Ordinary Share Fund
Cost:	£243,784
Valuation:	£325,108
Basis of valuation:	Earnings multiple
Equity % held:	5.2%
Income receivable in year:	£16,611
Business:	Design and sale of washroom products
Location:	Basingstoke, Hampshire
History:	MBO from private ownership

Audited financial information:

15 months ended*	Turnover	Operating Profit	Net Assets
31 October 2008	£8,812,000	£967,000	£1,136,000

*Financial information relates to the operating subsidiary.

VPhase plc (formerly Flightstore Group plc)

	Ordinary Share Fund
Cost:	£254,586
Valuation:	£7,604
Basis of valuation:	Bid Price (AIM-quoted)
Equity % held:	0.02%
Income receivable in year:	£Nil
Business:	Solar technology investment
Location:	Reigate, Surrey
History:	AIM flotation

Audited financial information:

Year ended	Turnover	Operating Loss	Net Assets
31 December 2008	£Nil	£853,000	£3,306,000

VSI Limited

	Ordinary Share Fund	C Share Fund
Cost:	£231,020	£77,623
Valuation:	£651,150	£218,788
Basis of valuation:	Earnings multiple	Earnings multiple
Equity % held:	9.4%	2.9%
Income receivable in year:	£35,104	£6,456
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 2008	£4,474,000	£824,000	£968,000

Youngman Group Limited

	Ordinary Share Fund
Cost:	£1,000,052
Valuation:	£689,583
Basis of valuation:	Earnings multiple
Equity % held:	8.5%
Income receivable in year:	£83,031
Business:	Manufacturer of ladders and access towers
Location:	Maldon, Essex
History:	Management buy-in/buy-out from SGB Group

Audited financial information:

Year ended	Turnover	Operating Profit	Net Assets
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: 64

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 2007. Standing for re-election at the Annual General Meeting on 10 September 2009.

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

Number of Board and Committee meetings attended 2008/09: 17/18

Remuneration 2008/09: £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

Sally Duckworth (nee Leeson)

Status: Independent, non-executive Director

Age: 41

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.

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

Number of Board and Committee meetings attended 2008/09: 12/18

Remuneration 2008/09: £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.

Adam Kingdon

Status: Independent, non-executive Director

Age: 51

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.

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

Number of Board and Committee meetings attended 2008/09: 11/18

Remuneration 2008/09: £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.

Kenneth Vere Nicoll

Status: Non-Executive Director

Age: 66

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

Last re-elected to the Board: September 2008. Standing for re-election at the Annual General Meeting on 10 September 2009.

Committee memberships: Nominations Committee, Remuneration Committee.

Number of Board and Committee meetings attended 2008/09: 12/15

Remuneration 2008/09: £15,000

Relevant relationships with the Investment Manager or other service providers: Director and shareholder of Matrix Group Limited and Director of Matrix-Securities Limited (for further details please see Note 23 on related party transactions on page 58).

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 ninth annual report together with the audited financial statements of the Company for the year ended 30 April 2009.

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

The Company's Investment Policy on page 8 provides information on the Company's financial risk management objectives.

- **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 decreased during the year under review resulting in a fall in the NAV per Ordinary Share of 22.6%, plus a further 6.2% due to the 6 pence per share dividend that was paid in the year, giving rise to a total decline in NAV per share of 28.8%. The total return to Ordinary Shareholders since launch, however, has decreased by 18.6% during the year, from 117.70 pence per share to 95.82 pence per share.

  The net assets of the C Share Fund decreased during the year under review resulting in a decrease of 10.1% in NAV per C Share, plus a further 2.5% due to the 2.5 pence per share dividend paid in the year, giving rise to a total decline in NAV per share of 12.6%. The C Share NAV total return since launch declined by 10%, from 99.98 pence per share to 90.02 pence per share.

- **Total expense ratio (TER)**

  The TER of the Company for the year under review was 3.15% excluding VAT and 3.24% 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 2009 £	30 April 2008 £	30 April 2009 £	30 April 2008 £
Capital return transferred (from)/ to reserves	(2,692,620)	(848,624)	(1,145,089)	16,846
Revenue return, before taxation	166,513	259,005	147,490	300,637
Taxation	(19,508)	(44,111)	(24,078)	(57,955)
Revenue return for the period	147,005	214,894	123,412	242,682

Dividends

As noted in the Chairman's Statement on page 7, the Directors are not recommending a final income dividend for Ordinary Shareholders. The Directors are, however, recommending a final income dividend of 1 penny per C Share for the year ended 30 April 2009 to Shareholders at the Annual General Meeting on 10 September 2009. If approved, the dividend will be payable on 18 September 2009 to C Shareholders on the register on 28 August 2009.

Directors' Report

Issue and buy-back of shares

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 ("the Offer"). Following the close of the Offer, and after the year end, the Company issued a further 573,702 new C Shares at 92.39 pence per share under the Offer and approximately £7.7m (before expenses) was raised in total.

The following Directors were issued and allotted new C Shares under the Offer:

Director	Number of new C Shares purchased	Total number of C Shares held following the Offer
Adam Kingdon	5,709	5,709
Nigel Melville*	5,708	26,808
Kenneth Vere Nicoll	11,418	**37,793

* including shares allotted after the year end

** including connected persons

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 and 14 September 2006 respectively and the Court Orders were registered at Companies House on 2 November 2002 and 18 September 2006 respectively. 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.

Shareholders granted the Company the power to purchase its own shares at the Annual General Meeting held on 10 September 2008. A resolution to renew this authority will be proposed at the Annual General Meeting to be held on 10 September 2009 (see below).

During the year the Company purchased 231,675 (2008: 550,139) Ordinary Shares for cancellation (being £2,316.75 nominal value or 2.02% of the opening issued Ordinary Share capital) at a cost of £127,306 (2008: £417,734) (excluding expenses). No C Shares were bought back during the year.

As at 30 April 2009, 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	39.97%
C Shares	£169,104	16,910,386	60.03%
Total	**£281,697**	**28,169,719**	**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.

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 09	1 May 08	30 April 09	1 May 08
Nigel Melville	20,450	20,450	26,808	21,100
Adam Kingdon	–	–	5,709	–
Sally Duckworth	–	–	–	–
Kenneth Vere Nicoll	20,450	20,450	37,793	26,375

Nigel Melville was issued 2,854 new C Shares under the Offer after the year end (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, Nigel Melville and Kenneth Vere Nicoll will retire and offer themselves for re-election at the Annual General Meeting on 10 September 2009, having served on the Board for nine years. 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 42.

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

During the year, PKF (UK) LLP ("PKF") were appointed as auditors to the Company with effect from the close of the Annual General Meeting of the Company held on 10 September 2008.

PKF have expressed their willingness to continue in office and resolutions to re-appoint PKF and to authorise the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

Auditors' right to information

So far as the Directors in office at 30 April 2009 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 Acts, 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

Directors' Report

Buy Back 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.

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 58.

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 2009, the average credit period for trade creditors and accruals was 9 days (2008: 10 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 10 September 2009 is set out on pages 61 to 63 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 8: Allotment of shares

This resolution will authorise the Directors to allot relevant securities generally, in accordance with section 80 of the Companies Act 1985 (as amended) ("the Act"), up to a nominal amount of £95,802 being approximately one third of the issued share capital of the Company at the date hereof. This authority, unless previously renewed or revoked, will expire on the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2010 and the date which is fifteen months after the date on which the resolution is passed.

Resolution 8 is proposed as an ordinary resolution requiring the approval of more than 50% of the votes cast at the meeting.

Resolution 9: Disapplication of pre-emption rights

Under section 89 of the Act, if the Directors wish to allot any of the unissued share capital for cash they must first offer such shares to existing shareholders in proportion to their current holdings. Resolution 9 will enable the Directors to allot equity securities for cash 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) 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;

(iii) 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

(iv) 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 earlier of the conclusion of the Annual General Meeting of the Company to be held in 2010 and the date which is fifteen months after the date on which this resolution is passed.

Resolution 10: Authority for the Company to purchase its own shares

It is proposed by Resolution 10 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 2,620,865 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. When buying shares, the Directors cannot pay a price per share which is more than 105% of the average of the middle market quotations for an Ordinary Share or a C Share (as the case may be) taken from the London Stock Exchange Daily Official List for the 5 business days immediately before the date on which shares are purchased or less than 1 penny (the nominal value of the 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 earlier of the conclusion of the Annual General Meeting of the Company to be held in 2010 and the date which is fifteen months after the date on which this resolution is passed.

Separate Meetings of the Ordinary Shareholders and C Shareholders

The Annual General Meeting will be followed on 10 September 2009 by separate class meetings of the Ordinary Shareholders and C Shareholders and formal notice of these meetings is included on pages 64 to 67 of this Annual Report. An extraordinary resolution will be proposed at both meetings to approve the passing of the ordinary and special resolutions numbered 8 to 10 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

23 July 2009

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), 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, 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 2006 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 is 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. Expenses paid to the Directors during the year amounted to £nil (2008: £255).

	Total Directors' remuneration	Total emoluments	
	30 April 2009 £	30 April 2009 £	30 April 2008 £
Nigel Melville	20,000	20,000	20,000
Adam Kingdon	17,500	17,500	*18,500
Sally Duckworth	15,000	15,000	15,000
Kenneth Vere Nicoll	15,000	15,000	15,000

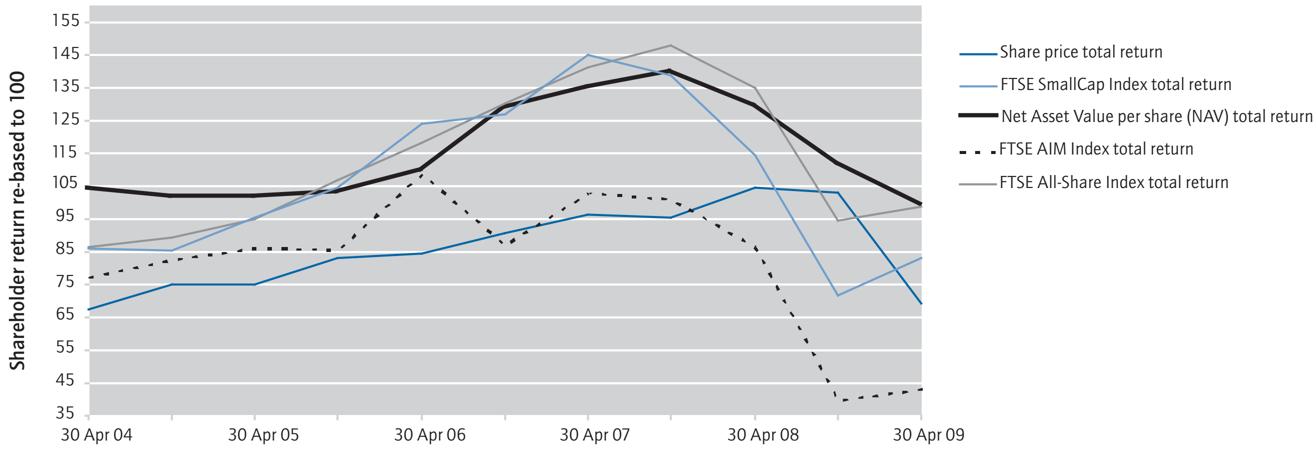
*£1,000 of Mr Kingdon's emoluments last year relate to his role as Chairman of the Audit Committee for 4 months of the 2007 year.

Aggregate emoluments in respect of qualifying services amounted to £67,500 (2008: £68,500) net of VAT and NIC.

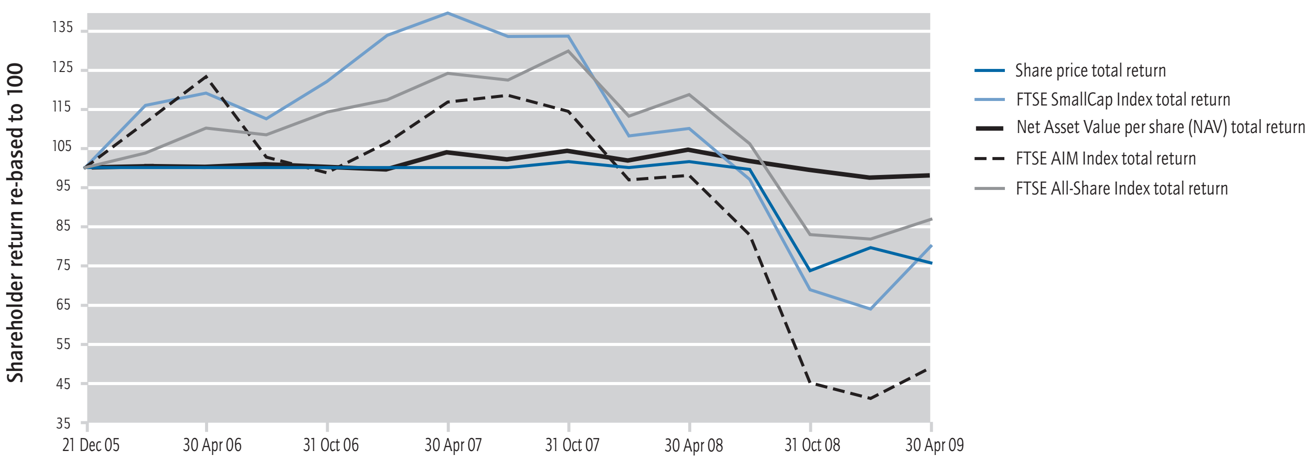
Total shareholder return

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.

Ordinary Share Fund : Total shareholder return



C Share Fund : Total shareholder return



Source: Matrix Corporate Capital LLP

Notes to graphs

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.

Signed on behalf of the Board by:

Nigel Melville
Chairman
23 July 2009

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 2009. 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 AIC Code can be found on the AIC's website, www.theaic.co.uk.

The Board considers that reporting against the principles and recommendations of the AIC Code will provide more relevant information to shareholders.

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 (for further information please see Related Party Transactions in Note 23 on page 58 of this Report).

Sally Duckworth (nee Leeson) 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 (adopted at the Annual General Meeting on 10 September 2008 and in force from 1 October 2009) 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 Board intends to review authorisations given 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.

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 9 July 2009 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

Corporate Governance Statement

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.

Internal financial 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 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. 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. Martineau, in its capacity as solicitor to the Company, provides custodial services in relation to documents of title relating to equity investments forwarded to them by the Company Secretary.

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 systems and procedures employed by the Investment Manager and the Administrator provide sufficient assurance that a sound system of internal financial control, which safeguards shareholders' investments and the Company's assets is maintained.

Accountability and audit

The Statement of Directors' Responsibilities in respect of the accounts is set out on page 31 of this Annual Report.

The report of the independent auditors is set out on page 35 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.

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.

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 (UK GAAP) and the 2003 Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies' (SORP), revised December 2005, give a true and fair view of the assets, liabilities, financial position and the 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.

For and on behalf of the Board:

Nigel Melville

Chairman

23 July 2009

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

Profit and Loss Accounts for the year ended 30 April 2009

	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 losses on investments held at fair value		–	(2,671,234)	(2,671,234)	–	(1,107,146)	(1,107,146)
Realised losses on investments held at fair value		–	(29)	(29)	–	–	–
Income		385,215	63,825	449,040	350,382	44,550	394,932
Recoverable VAT		12,550	37,650	50,200	10,068	30,204	40,272
Investment management fees		(48,163)	(144,489)	(192,652)	(44,876)	(134,626)	(179,502)
Other expenses		(183,089)	–	(183,089)	(168,084)	–	(168,084)
Profit/(loss) on ordinary activities before taxation		**166,513**	**(2,714,277)**	**(2,547,764)**	**147,490**	**(1,167,018)**	**(1,019,528)**
Tax on ordinary activites		(19,508)	21,657	2,149	(24,078)	21,929	(2,149)
Profit/(loss) attributable to equity Shareholders		**147,005**	**(2,692,620)**	**(2,545,615)**	**123,412**	**(1,145,089)**	**(1,021,677)**
Earnings per share – basic and diluted	**9**	**1.29p**	**(23.63)p**	**(22.34)p**	**1.27p**	**(11.83)p**	**(10.56)p**
Average number of shares in issue				11,394,390			9,677,798

	Revenue £	Total Capital £	Total £
	–	(3,778,380)	(3,778,380)
	–	(29)	(29)
	735,597	108,375	843,972
	22,618	67,854	90,472
	(93,039)	(279,115)	(372,154)
	(351,173)	–	(351,173)
	314,003	**(3,881,295)**	**(3,567,292)**
	(43,586)	43,586	–
	270,417	**(3,837,709)**	**(3,567,292)**

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

Balance Sheets as at 30 April 2009

	Notes	Ordinary Share Fund £	Ordinary Share Fund £	C Share Fund £	C Share Fund £	Adjustments (see note below) £	Adjustments (see note below) £	Total £
Non-current assets								
Assets held at fair value through profit and loss – investments	10		5,470,439		5,426,465			10,896,904
Current assets								
Debtors and prepayments		277,484		170,762		(174,584)	273,662	
Monies held pending investment	13	2,061,939		9,136,823			11,198,762	
Cash at bank		38,510		22,836			61,346	
		2,377,933		9,330,421		(174,584)	11,533,770	
Creditors: amounts falling due within one year		(76,145)		(209,969)		174,584	(111,530)	
Net current assets/(liabilities)			2,301,788		9,120,452			11,422,240
Net assets			7,772,227		14,546,917	–		22,319,144
Capital								
Called up share capital			112,593		169,104			281,697
Capital redemption reserve			19,213		–			19,213
Share premium account			–		6,712,239			6,712,239
Capital reserve – unrealised			(1,814,257)		(898,662)			(2,712,919)
Special distributable reserve			2,409,196		8,202,724			10,611,920
Profit and loss account			7,045,482		361,512			7,406,994
Equity shareholders' funds			7,772,227		14,546,917			22,319,144
Number of shares in issue:			**11,259,333**		**16,910,386**			
Net asset value per share – basic and diluted	17		**69.03p**		**86.02p**			

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 37.

Reconciliation of Movements in Shareholders' Funds

	Notes	Ordinary Share Fund £	C Share Fund £	Total £
Opening shareholders' funds		11,135,530	9,007,361	20,142,891
Net share capital issued/(bought back) in the year (net of expenses)		(128,228)	6,789,883	6,661,655
(Loss)/profit for the year		(2,545,615)	(1,021,677)	(3,567,292)
Dividends paid in year	8	(689,460)	(228,650)	(918,110)
Closing shareholders' funds		**7,772,227**	**14,546,917**	**22,319,144**

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

We have audited the financial statements of Matrix Income & Growth VCT 2 Plc for the year ended 30 April 2009 which comprise the Profit and Loss Account, 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 sections 495, 496 and 497 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 directors' responsibilities statement, 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 2009 and of its loss 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; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared 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 30, 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 2006 Combined Code specified for our review.

Rosemary Clarke (Senior Statutory auditor)
for and on behalf of PKF (UK) LLP,
Statutory auditors
23 July 2009

Profit and Loss Account
for the year ended 30 April 2009

	Notes	Year ended 30 April 2009 Revenue £	Capital £	Total £	Year ended 30 April 2008 Revenue £	Capital £	Total £
Unrealised losses on investments held at fair value	10	–	(3,778,380)	(3,778,380)	–	(1,311,782)	(1,311,782)
Realised (losses)/gains on investments held at fair value	10	–	(29)	(29)	–	753,267	753,267
Income	2	735,597	108,375	843,972	1,027,023	–	1,027,023
Recoverable VAT	3	22,618	67,854	90,472	–	–	–
Investment management fees	4	(93,039)	(279,115)	(372,154)	(125,110)	(375,329)	(500,439)
Other expenses	5	(351,173)	–	(351,173)	(342,271)	–	(342,271)
Profit/(loss) on ordinary activities before taxation		314,003	(3,881,295)	(3,567,292)	559,642	(933,844)	(374,202)
Taxation on ordinary activities	7	(43,586)	43,586	–	(102,066)	102,066	–
Profit/(loss) on ordinary activities after taxation		**270,417**	**(3,837,709)**	**(3,567,292)**	**457,576**	**(831,778)**	**(374,202)**
Basic and diluted earnings per share:							
Ordinary Shares	9	1.29p	(23.63)p	(22.34)p	1.82p	(7.20)p	(5.38)p
C Shares	9	1.27p	(11.83)p	(10.56)p	2.65p	0.19p	2.84p

All the items in the above statement derive from continuing operations. No operations were discontinued in the year.

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 Account, there were no differences between the loss as stated above and the historical cost result.

The notes on pages 39 to 58 form part of these financial statements.

Balance Sheet
as at 30 April 2009

	Notes	30 April 2009 £	30 April 2008 (restated) £
Non-current assets			
Assets held at fair value through profit and loss – investments	10	10,896,904	11,562,503
Current assets			
Debtors and prepayments	12	273,662	277,926
Monies held pending investment	13, 19	11,198,762	8,358,174
Cash at bank	19	61,346	89,754
		11,533,770	8,725,854
Creditors: amounts falling due within one year	14	(111,530)	(145,466)
Net current assets		11,422,240	8,580,388
Net assets		**22,319,144**	**20,142,891**
Capital and reserves			
Called up share capital	15	281,697	206,370
Capital redemption reserve	16	19,213	16,896
Share premium account	16	6,712,239	–
Revaluation reserve – unrealised	16	(2,712,919)	1,065,461
Special distributable reserve	16	10,611,920	10,881,648
Profit and loss account	16	7,406,994	7,972,516
Equity shareholders' funds		**22,319,144**	**20,142,891**
Net asset value per share – basic and diluted			
Ordinary Shares	17	**69.03p**	**96.91p**
C Shares	17	**86.02p**	**98.48p**

The financial statements were approved and authorised for issue by the Board of Directors on 23 July 2009 and are signed on their behalf by:

Nigel Melville
Director

Adam Kingdon
Director

The notes on pages 39 to 58 form part of these financial statements.

Reconciliation of Movements in Shareholders' Funds

for the year ended 30 April 2009

	Notes	Year ended 30 April 2009 £	Year ended 30 April 2008 £
Opening shareholders' funds		20,142,891	21,797,419
Net share capital issued in the year (net of expenses)	16	6,789,883	–
Net share capital bought back	16	(128,228)	(420,667)
Loss for the year		(3,567,292)	(374,202)
Dividends paid in year	8	(918,110)	(859,659)
Closing shareholders' funds		**22,319,144**	**20,142,891**

Cash Flow Statement

for the year ended 30 April 2009

	Notes	Year ended 30 April 2009 £	Year ended 30 April 2008 £
Interest income received		449,574	645,737
Dividend income		485,537	504,755
Investment management fees paid		(373,826)	(632,574)
Cash payments for other expenses		(377,434)	(501,954)
Net cash inflow from operating activities	18	183,851	15,964
Capital expenditure and financial investment			
Purchase of investments held at fair value	10	(3,758,017)	(3,821,514)
Disposals of investments held at fair value	10	757,966	3,131,438
Net cash outflow from investing activities		(3,000,051)	(690,076)
Dividends			
Equity dividends paid	8	(918,110)	(859,659)
Net cash outflow before financing and liquid resource management		(3,734,310)	(1,533,771)
Financing			
Purchase of own shares		(151,530)	(634,801)
Share capital raised (net of expenses)		6,698,020	–
Net cash outflow from financing		6,546,490	(634,801)
Management of liquid resources			
Movement in money market investments	19	(2,840,588)	1,930,847
Net cash outflow as at 30 April 2009	19	(28,408)	(237,725)

Notes to the Accounts
for the year ended 30 April 2009

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' issued by the Association of Investment Companies in January 2003, revised December 2005 ("the SORP").

b) Presentation of the Profit and Loss Account

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

c) Investments

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

Investments are stated at "fair value through profit and loss", in accordance with the International Private Equity and Venture Capital Valuation ("IPEVCV") guidelines.

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

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

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

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

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

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

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

d) 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 rights to receive payment is established and there is no reasonable doubt that payment will be received. Fixed returns on non-equity shares and interest on debt securities are recognised on a time apportionment basis so as to reflect the effective yield, provided there is no reasonable doubt that payment will be received in due course.

e) Capital reserves

Realised (included within the profit and loss 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;
- 75% of management fee expense, together with the related tax effect to this reserve in accordance with the policies.

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 Profit and Loss Account for the year.

f) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged wholly to revenue, with the exception of expenses incidental to the acquisition or disposal of an investment, which are written off to the capital column of the Profit and Loss Account, and with the further exception that 75% of the fees payable to the Investment Manager are charged against capital. This is in line with the Board's expected long-term split of returns from the investment portfolio of the Company. IFA trail commission is expensed in the year in which it is incurred.

g) Taxation

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

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

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

Deferred tax assets are recognised where it is more likely than not there will be sufficient profits to recover against.

h) Liquid resources

Liquid resources are the current asset investments disclosed in Note 13. Such funds are regarded as mainly available for investment, unless required to fund any shortfall between income and running expenses. The current asset investments are valued at the year-end closing fund prices.

i) Comparatives

The comparatives are the audited figures for the year ended 30 April 2008 except that 'Monies held pending investment' have been reclassified from 'Non-current assets' to "Current assets'. This has had no effect on the net asset values.

2 Income

	2009 £	2008 £
Income from bank deposits	1,731	8,879
Income from investments		
– from equities	214,825	51,422
– from overseas based OEICs	191,677	442,520
– from UK based OEICs	44,615	–
– from loan stock	391,124	524,202
	842,241	1,018,144
Total income	843,972	1,027,023
Total income comprises		
Dividends	451,117	493,942
Interest	392,855	533,081
	843,972	1,027,023
Income from investments comprises		
Listed overseas securities	191,677	442,520
Unlisted UK securities	259,440	51,422
Loan stock interest	391,124	524,202
	842,241	1,018,144

Loan stock interest above is stated after deducting an amount of £38,611 (2008: £12,588), 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 £303,168 (2008: £107,941).

3 Recoverable VAT

	Revenue 2009 £	Capital 2009 £	Total 2009 £	Revenue 2008 £	Capital 2008 £	Total 2008 £
Recoverable VAT	22,618	67,854	90,472	–	–	–

On the basis of information supplied by the Company's current and past Investment Managers, and discussions with the Company's professional advisors as a result of the European Court of Justice ruling and subsequent HMRC briefing that management fees be exempt for VAT purposes, the Directors have recognised a repayment of VAT of not less than £112,000 as disclosed in Note 12, which has been received after the year-end. £21,528 of this amount relates to 2008 and has been set off against the total management fees for 2009 disclosed in Note 4 below, leaving the net amount disclosed above. This amount has been recognised as a separate item in the Profit and Loss Account, allocated 25% to revenue and 75% to capital return which is the same proportion as that in which the irrecoverable VAT was originally charged. It is possible that additional amounts of VAT will be recoverable in due course but the Directors are unable at this stage to quantify the sums involved.

Notes to the Accounts
for the year ended 30 April 2009

4 Investment management fees

	Revenue 2009 £	Capital 2009 £	Total 2009 £	Revenue 2008 £	Capital 2008 £	Total 2008 £
Matrix Private Equity Partners LLP	93,039	279,115	372,154	125,110	375,329	500,439

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 2009, the fees above have been reduced by the expense cap for £nil (2008: £6,452 including VAT), 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 2009, the fees above have been reduced by the expense cap for £nil (2008: £5,220 including VAT), 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

	2009 £	2008 £
Directors' remuneration (including NIC) (see note 6)	73,289	79,113
IFA trail commission	50,778	61,477
Administration fees	95,318	93,493
Broker's fees	3,352	14,688
Auditors' fees – audit	23,038	18,154
– other services supplied relating to taxation	2,402	2,420
– other services supplied pursuant to legislation	9,833	3,630
Registrar's fees	11,711	12,151
Printing	19,694	13,932
Legal & professional fees	22,901	3,876
VCT monitoring fees	8,578	11,943
Director's insurance	7,963	6,855
Listing and regulatory fees	19,883	16,007
Sundry	2,433	4,532
	351,173	342,271

Included within audit fees above is £1,763 (2008: £18,154) payable to the Company's former auditors, Mazars LLP.

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

	2009 £	2008 £
Directors' emoluments		
Nigel Melville	20,000	20,000
Adam Kingdon	17,500	18,500
Kenneth Vere Nicoll	15,000	15,000
Sally Duckworth	15,000	15,000
	67,500	68,500
Employer's NIC and VAT	5,789	10,613
	73,289	79,113

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

7 Taxation on ordinary activities

	2009 £	2008 £
a) Analysis of tax charge:		
– revenue charge	43,586	102,066
– credited to capital return	(43,586)	(102,066)
– current and total tax charge (note 7b)	–	–
b) Factors affecting tax charge for the year:		
Loss on ordinary activities before tax	(3,567,292)	(374,202)
Add: non-taxable realised losses/(gains)	29	(753,267)
Add: unrealised losses	3,778,380	1,311,782
Add: transaction costs and investment management expense charged to capital	279,115	375,329
Less: Income treated as capital return	(176,229)	–
Profit on ordinary activities before taxation	314,003	559,642
Corporation tax @ 21% (2008: 20.1%)	65,941	112,393
Non-taxable UK dividends	(22,355)	(10,327)
Taxation on revenue return	43,586	102,066
Taxation on allowable expenditure charged to capital return	(58,614)	(75,377)
Utilisation of previous tax losses	–	(26,689)
Capital losses carried forward	779	–
Capital element of VAT recoverable	14,249	–
Credited to capital return	(43,586)	(102,066)
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 (2008: nil). There is an unrecognised deferred tax asset of £134,623 (2008: £120,289).

8 Dividends paid and payable

	2009 £	2008 £
Amounts recognised as distributions to equity holders in the year:		
Ordinary Share Fund		
Interim income dividend for the year ended 30 April 2008 paid of 1.5p (2008: nil) per share	172,365	–
Interim capital dividend for the year ended 30 April 2008 paid of 4.5p (2008: nil) per share	517,095	–
Final paid of nil (2008: 6p) per share	–	722,467
	689,460	722,467
C Share Fund		
Interim income dividend paid for the year ended 30 April 2008 of 2.5p (2008: 1.5p) per share	228,650	137,192
Total paid	918,110	859,659

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.

	2009 £	2008 £
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	214,894
Interim income dividend for the year ended 30 April 2009 of nil p (2008: 1.5p) per share	–	172,365
Proposed final income dividend for the year ended 30 April 2009 of nil p (2008: nil) per share	–	–
C Share Fund		
Revenue available for distribution by way of dividends for the year	123,412	242,682
Interim income dividend for the year ended 30 April 2009 of nil p (2008: 2.5p) per share	–	228,650
Proposed final income dividend for the year ended 30 April 2009 of 1p (2008: nil) per share	174,834	–

Notes to the Accounts
for the year ended 30 April 2009

9 Basic and diluted earnings and return per share

	2009 Ordinary Share Fund £	2009 C Share Fund £	2009 £	2008 Ordinary Share Fund £	2008 C Share Fund £	2008 £
Total earnings after taxation:	(2,545,615)	(1,021,677)	(3,567,292)	(633,730)	259,528	(374,202)
Basic and diluted earnings per share (note a)	**(22.34)p**	**(10.56)p**		**(5.38)p**	**2.84p**	
Net revenue from ordinary activities after taxation	147,005	123,412		214,894	242,682	
Basic and diluted revenue earnings per share (note b)	**1.29p**	**1.27p**		**1.82p**	**2.65p**	
Net realised capital (losses)/gains	(29)	–		688,893	64,374	
Net unrealised capital (losses)/gains	(2,671,234)	(1,107,146)		(1,388,204)	76,422	
Dividends treated as capital	63,825	44,550		–	–	
VAT recoverable	37,650	30,204		–	–	
Capital expenses (net of taxation)	(122,832)	(112,697)		(149,313)	(123,950)	
Total capital return	(2,692,620)	(1,145,089)		(848,624)	16,846	
Basic and diluted capital earnings per share (note c)	**(23.63)p**	**(11.83)p**		**(7.20)p**	**0.19p**	
Weighted average number of shares in issue in the year	11,394,390	9,677,798		11,789,161	9,145,990	

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 2008	654,692	3,706,117	41,616	7,344,617	11,747,042
Permanent impairment at 30 April 2008	(250,000)	(1,000,000)	–	–	(1,250,000)
Unrealised (losses)/gains at 30 April 2008	(287,983)	1,884,517	(1,255)	(529,818)	1,065,461
Valuation at 30 April 2008	116,709	4,590,634	40,361	6,814,799	11,562,503
Purchases at cost	–	1,380,884	960	2,376,173	3,758,017
Sale proceeds	–	(273,722)	–	(371,514)	(645,236)
Unrealised losses	(34,061)	(1,490,665)	(33,791)	(2,219,863)	(3,778,380)
Closing valuation at 30 April 2009	82,648	4,207,131	7,530	6,599,595	10,896,904
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

Sale proceeds of £757,966 in the Cash Flow Statement differ from £645,236 shown above, by £112,730, being £112,759 received during the year in respect of a disposal of Clarity Commerce Solutions plc completed in the prior year, less £29 of transaction costs. The latter item is the only realised loss for the year shown in the Profit and Loss Account.

Ordinary Share Fund	Traded on AIM £	Unquoted equity shares £	Unquoted preference shares £	Loan stock £	Total £
Cost at 30 April 2008	654,692	2,504,389	30,117	4,740,517	7,929,715
Permanent impairment at 30 April 2008	(250,000)	(1,000,000)	–	–	(1,250,000)
Unrealised (losses)/gains at 30 April 2008	(287,983)	1,519,021	(739)	(373,322)	856,977
Valuation at 30 April 2008	116,709	3,023,410	29,378	4,367,195	7,536,692
Purchases at cost	–	180,884	565	423,532	604,981
Sale proceeds	–	–	–	–	–
Unrealised losses	(34,061)	(1,212,705)	(25,373)	(1,399,095)	(2,671,234)
Valuation at 30 April 2009	82,648	1,991,589	4,570	3,391,632	5,470,439
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

Notes to the Accounts
for the year ended 30 April 2009

C Share Fund	Traded on AIM £	Unquoted equity shares £	Unquoted preference shares £	Loan stock £	Total £
Cost at 30 April 2008	–	1,201,728	11,499	2,604,100	3,817,327
Permanent impairment at 30 April 2008	–	–	–	–	–
Unrealised (losses)/gains at 30 April 2008	–	365,496	(516)	(156,496)	208,484
Valuation at 30 April 2008	–	1,567,224	10,983	2,447,604	4,025,811
Purchases at cost	–	1,200,000	395	1,952,641	3,153,036
Sale proceeds	–	(273,722)	–	(371,514)	(645,236)
Unrealised losses	–	(277,960)	(8,418)	(820,768)	(1,107,146)
Valuation at 30 April 2009	–	2,215,542	2,960	3,207,963	5,426,465
Cost at 30 April 2009	–	2,128,006	11,894	4,185,227	6,325,127
Permanent impairment at 30 April 2009	–	–	–	–	–
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

11 Significant interests

At 30 April 2009 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 %
Recite Limited	1,000,000	–	1,000,000	25.20
Vanir Consultants Limited	400,000	600,000	1,000,000	24.50
Barnfield Management Investments Limited	400,000	600,000	1,000,000	16.33
Blaze Signs Holdings Limited	419,549	978,949	1,398,498	13.46
VSI Limited	48,882	259,761	308,643	12.58
Racoon International Holdings Limited	263,558	614,969	878,527	12.30
Monsal Holdings Limited	260,195	594,255	854,450	11.92
Campden Media Limited	197,437	777,563	975,000	11.38
British International Holdings Limited	225,000	775,000	1,000,000	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
ATG Media Holdings Limited	307,162	556,733	863,895	7.68
PastaKing Holdings Limited	186,537	279,807	466,344	7.22
DiGiCo Europe Limited	386,521	613,479	1,000,000	6.52
The Plastic Surgeon Holdings Limited	39,229	353,035	392,264	5.89
Vectair Holdings 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.

Matrix Private Equity Partners LLP also advises 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 have investments as at 30 April 2009 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	30.0
DiGiCo Europe Limited	656,900	1,000,000	943,100	1,000,000	3,600,000	30.0
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
British International Holdings Limited	500,000	1,000,000	750,000	250,000	2,500,000	34.9
Monsal Holdings Limited	471,605	684,351	618,156	704,771	2,478,883	46.5
Barnfield Management Investments Ltd	–	1,000,000	1,000,000	–	2,000,000	49.0
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	28.4
PastaKing Holdings Limited	292,405	464,047	419,148	133,055	1,308,655	27.5
Vanir Consultants Limited	–	–	1,000,000	–	1,000,000	49.0
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 (formerly SectorGuard plc)	150,000	150,106	–	150,102	450,208	4.3

12 Debtors

	2009 £	2008 £
Amounts due within one year:		
Accrued income	53,827	142,527
Prepayments	9,472	22,639
Other debtors	210,363	112,760
	273,662	277,926

Other debtors include £112,000 of VAT recoverable from VAT already paid upon previous management fee charges, and £91,863 of amounts due for shares allotted under the C share offer.

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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. £11,197,873 (2008: £8,319,436) of this sum is subject to same day access while £889 (2008: £38,738) 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. An analysis of these holdings is shown below:–

	Ordinary Share Fund 2009 £	C Share Fund 2009 £	Total 2009 £	Ordinary Share Fund 2008 £	C Share Fund 2008 £	Total 2008 £
Barclays Global Investors Sterling Liquidity First Fund	307,993	2,391,377	2,699,370	577,999	1,917,225	2,495,224
Barclays Global Investors Sterling Liquidity Plus Fund	889	–	889	38,738	–	38,738
Blackrock Investment Management (UK) Limited Institutional Sterling Fund	–	2,205,544	2,205,544	–	1,734,727	1,734,727
Royal Bank of Scotland Sterling Liquidity Fund	224,309	2,348,503	2,572,812	635,700	881,194	1,516,893
Scottish Widows Investment Management Sterling Liquidity Fund	480,786	2,191,399	2,672,185	1,121,372	451,219	1,572,592
Prime Rate Capital Management LLP Sterling Liquidity Fund	1,047,962	–	1,047,962	1,000,000	–	1,000,000
Monies held pending investment	2,061,939	9,136,823	11,198,762	3,373,809	4,984,365	8,358,174

14 Creditors: amounts falling due within one year

	2009 £	2008 £
Trade creditors	–	35,796
Other creditors	2,458	–
Accruals	109,072	109,670
	111,530	145,466

15 Called up share capital

	2009 £	2008 £
Authorised:		
Ordinary Shares of 1p each: 42,000,000 (2008: 42,000,000)	420,000	420,000
C Shares of 1p each: 42,000,000 (2008: 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 (2008: 11,491,008)	112,593	114,910
C Shares of 1p each: 16,910,386 (2008: 9,145,990)	169,104	91,460
Total	281,697	206,370

Purchased (all ordinary shares)	**Date of purchase**		**Nominal value £**
115,475	03 October 2008		1,155
106,200	23 January 2009		1,062
10,000	06 February 2009		100
231,675		Nominal value	2,317

During the year the Company purchased 231,675 (2008: 550,139) of its own Ordinary Shares for cash (representing 2.1% (2008: 4.4%) of the Ordinary Shares in issue at the year end) at the prevailing market price for a total cost of £128,228 (2008: £420,667).

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 after the year end, the Company issued a further 573,702 new C Shares at 92.39 pence per share 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 2008	206,370	16,896	–	1,065,461	10,881,648	7,972,516	20,142,891
Issue of shares	77,644	–	7,095,882	–	–	–	7,173,526
Expenses of share offer	–	–	(383,643)	–	–	–	(383,643)
Share buybacks	(2,317)	2,317	–	–	(128,228)	–	(128,228)
Transfer of realised losses to special distributable reserve (note)	–	–	–	–	(141,500)	141,500	–
Dividends paid	–	–	–	–	–	(918,110)	(918,110)
(Loss)/profit for the year	–	–	–	(3,778,380)	–	211,088	(3,567,292)
As at 30 April 2009	**281,697**	**19,213**	**6,712,239**	**(2,712,919)**	**10,611,920**	**7,406,994**	**22,319,144**

	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 2008	114,910	16,896	–	856,977	2,596,431	7,550,316	11,135,530
Share buybacks	(2,317)	2,317	–	–	(128,228)	–	(128,228)
Transfer of realised losses to Special distributable reserve (note)	–	–	–	–	(59,007)	59,007	–
Dividends paid	–	–	–	–	–	(689,460)	(689,460)
(Loss)/profit for the year	–	–	–	(2,671,234)	–	125,619	(2,545,615)
As at 30 April 2009	**112,593**	**19,213**	**–**	**(1,814,257)**	**2,409,196**	**7,045,482**	**7,772,227**
C Share Fund							
At 30 April 2008	91,460	–	–	208,484	8,285,217	422,200	9,007,361
Issue of shares	77,644	–	7,095,882	–	–	–	7,173,526
Expenses of share offer	–	–	(383,643)	–	–	–	(383,643)
Transfer of realised losses to Special distributable reserve (note)	–	–	–	–	(82,493)	82,493	–
Dividends paid	–	–	–	–	–	(228,650)	(228,650)
(Loss)/profit for the year	–	–	–	(1,107,146)	–	85,469	(1,021,677)
As at 30 April 2009	**169,104**	**–**	**6,712,239**	**(898,662)**	**8,202,724**	**361,512**	**14,546,917**

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 26 March 2004 and by the order of the Court dated 14 September 2006), together with the previous cancellation of the share premium account attributable to the Ordinary Share Fund, has provided the Company with a special distributable reserve. The purpose of this reserve 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 the Shareholders, and to write-off existing and future losses as the Company must take into account capital losses in determining distributable reserves. The transfer of £141,500 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 (2008: 11,491,008) 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 16,910,386 (2008: 9,145,990) C Shares, being the number of C Shares in issue on that date.

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

	2009 £	2008 £
Loss on ordinary activities before taxation	(3,567,292)	(374,202)
Net losses on realisations of investments	29	1,311,782
Net unrealised losses/(gains) on investments	3,778,380	(753,267)
(Increase)/decrease in debtors	(114,664)	22,571
Increase/(decrease) in creditors and accruals	87,398	(175,924)
Transaction costs charged to capital	–	(14,996)
Net cash inflow from operating activities	183,851	15,964

19 Analysis of changes in net funds

	Cash £	Liquid resources £	Total £
At beginning of year	89,754	8,358,174	8,447,928
Cash flows	(28,408)	2,840,588	2,812,180
At 30 April 2009	61,346	11,198,762	11,260,108

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 2009:

	2009 (Book value) £	2009 (Fair value) £	2008 (Book value) £	2008 (Fair value) £
Assets at fair value through profit and loss				
Investment portfolio	10,896,904	10,896,904	11,562,503	11,562,503
Current investments	11,198,762	11,198,762	8,358,174	8,358,174
Cash at bank	61,346	61,346	89,754	89,754
Loans and receivables				
Accrued income	53,827	53,827	142,527	142,527
Other debtors	210,363	210,363	112,760	112,760
Other creditors	(111,530)	(111,530)	(145,466)	(145,466)
Total for financial instruments	22,309,672	22,309,672	20,120,252	20,120,252
Non financial instruments	9,472	9,472	22,639	22,639
Total net assets	22,319,144	22,319,144	20,142,891	20,142,891

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The investment portfolio principally consists of unquoted investments 98.5% (2008: 98.5%). The investment portfolio has a 100% (2008:100%) concentration of risk towards small UK based, sterling denominated companies, and represents 48.8% (2008: 57.4%) of net assets at the year-end.

Current investments are money market funds, discussed under credit risk below, which represent 50.2% (2008: 41.5%) 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 £10,896,904 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 the inside front cover. 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 Board 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% (2008:15%) 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% (2008: 15%), 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.

	2009 Profit and net assets £	2008 Profit and net assets £
If overall share prices fell by 20% (2008: 15%), with all other variables held constant – decrease	(2,179,381)	(1,734,366)
Decrease in earnings, and net asset value, per Ordinary Share (in pence)	(9.72)p	(9.84)p
Decrease in earnings, and net asset value, per C Share (in pence)	(6.42)p	(6.60)p
If overall share prices increase by 20% (2008:15%), with all other variables held constant – increase	2,179,381	1,734,366
Increase in earnings, and net asset value, per Ordinary Share (in pence)	9.72p	9.84p
Increase in earnings, and net asset value, per C Share (in pence)	6.42p	6.60p

The impact of a change of 20% (2008:15%) 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:

	2009 £	2008 £
Loan stock investments	6,599,595	6,814,799
Preference shares	7,530	40,361
Money market funds	11,198,762	8,358,174
Accrued income and other debtors	264,190	255,287
Cash at bank	61,346	89,754
Total	18,131,423	15,558,375

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.

	2009 £	2008 £
Repayable within		
Less than 1 year	217,392	885,714
1 to 2 years	2,768,378	–
2 to 3 years	1,309,134	961,468
3 to 4 years	1,674,392	3,072,160
4 to 5 years	630,299	1,895,457
Total	6,599,595	6,814,799

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 £	2009 Total £
Loans to investee companies past due	530,438	1,142,844	45,355	1,718,637

	0-6 months £	6-12 months £	over 12 months £	2008 Total £
Loans to investee companies past due	97,886	–	–	97,886

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 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		

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

	Financial net assets on which no interest paid £	Fixed rate financial assets £	Variable rate financial assets £	Total £	Weighted average interest rate %	Average period to maturity (years)
Equity shares	4,707,343	–	–	4,707,343		
Preference shares	–	40,361	–	40,361	3.54	0.89
Loan stocks	–	5,872,131	942,668	6,814,799	9.10	3.03
Money market funds	–	–	8,358,174	8,358,174	5.48	
Cash	–	–	89,754	89,754		
Debtors	255,287	–	–	255,287		
Creditors	(145,466)	–	–	(145,466)		
Total for financial instruments	4,817,164	5,912,492	9,390,596	20,120,252		
Non-financial instruments	22,639	–	–	22,639		
Total net assets	4,839,803	5,912,492	9,390,596	20,142,891		

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:

	2009 Profit and net assets £	2008 Profit and net assets £
If interest rates fell by 1%, with all other variables held constant – decrease	(104,930)	(76,335)
Decrease in earnings, and net asset value, per Ordinary Share (in pence)	(0.19)p	(0.31)p
Decrease in earnings, and net asset value, per C Share (in pence)	(0.50)p	(0.44)p
If interest rates rose by 1%, with all other variables held constant – increase	104,930	76,335
Increase in earnings, and net asset value, per Ordinary Share (in pence)	0.19p	0.31p
Increase in earnings, and net asset value, per C Share (in pence)	0.50p	0.44p

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.

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 director and 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").

MPE Partners Limited has a 50% interest in Matrix Private Equity Partners LLP, the Company's Investment Manager. He was also a director of Matrix-Securities Limited which provided accountancy and company secretarial services to the Company for which it received payment of £95,123 (2008: £93,493) including VAT during the year. Matrix Private Equity Partners LLP is the Company's Investment Manager in respect of venture capital investments and earned fees of £372,154 (2008: £500,439 including VAT), net of VAT originally charged. £6,500 (2008: £11,672) was due from Matrix Private Equity Partners LLP at the year-end. The Company has invested £1 million in a liquidity fund managed by Prime Rate Capital Management LLP, and earned income of £44,615 from this fund in the year. MCC were appointed as the Company's brokers on 10 December 2008. Fees of £1,394 were charged for the period. Two share buybacks were undertaken by MCC on the Company's instruction totalling £42,538. No amounts owed to MCC were due at the year end.

24 Post balance sheet events

On 6 May 2009, Digico Europe Limited made a partial repayment of their loan stock. The Ordinary Share Fund received proceeds of £137,552 and the C Share Fund received proceeds of £96,028.

Following the close of the C Share Offer after the year end, the Company issued a further 573,702 new C Shares, at 92.39 pence per share, raising gross funds before expenses of £530,000.

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 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 2009.

Net asset value per share

The Company's NAV as at 30 April 2009 was 69.03 pence per Ordinary Share and 86.02 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. A final income dividend of 1 penny per C Share for the year ended 30 April 2009 will be recommended to Shareholders at the Annual General Meeting on 10 September 2009. If approved, the dividends will be payable on 18 September 2009 to C Shareholders on the register on 28 August 2009.

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 2009	Annual Report for the year ended 30 April 2009 to be circulated to Shareholders
10 September 2009	Annual General Meeting and Separate Class Meetings of holders of Ordinary Shares and C Shares
Mid October 2009	Newsletter to be circulated to Shareholders
Mid December 2009	Release of the half-yearly results
Early January 2010	Half-Yearly Report for the six months ending 31 October 2009 to be circulated to Shareholders
Mid April 2010	Newsletter to be circulated to Shareholders
30 April 2010	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 10 September 2009 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 8 September 2009.

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[2] 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[1].

(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] C 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.

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

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, 10 September 2009 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 8, ordinary resolutions and, in the case of Resolutions 9 and 10, special resolutions:

Ordinary Business

1. To receive the financial statements for the year ended 30 April 2009, together with the reports of the Directors and Auditors thereon.
2. To approve the Directors' Remuneration Report for the year ended 30 April 2009, which is set out in the Annual Report of the Company for the year ended 30 April 2009.
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 declare a final dividend 1 penny per C Ordinary Share of 1p each ("C Shares") for the year ended 30 April 2009, payable on 18 September 2009 to C Shareholders on the register on 28 August 2009.
6. To re-elect Nigel Melville as a Director of the Company.
7. To re-elect Kenneth Vere Nicoll as a Director of the Company.

Special Business

8. 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 convened for 12.10 pm and 12.12 pm respectively on 10 September 2009 ("Separate Meetings") and (ii) in substitution for any existing authorities pursuant to section 80 of the Companies Act 1985 ("the Act"), the Directors be and are hereby authorised to exercise all of the powers of the Company to allot, grant options over, offer or otherwise deal with or dispose of any relevant securities of the Company (as defined in section 80(2) of the Act) up to an aggregate nominal value of £95,802 provided that this authority shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company to be held in 2010 and the date falling fifteen months following the passing of this resolution, unless renewed, varied or revoked by the Company in general meeting (except that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot equity securities in pursuance of such offers or agreements).
9. 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 to section 95(1) of the Companies Act 1985 ("the Act"), the Directors be and are hereby empowered pursuant to section 95(1) of the Act to allot or make offers or agreements to allot equity securities (which expression shall have the meaning ascribed to it in section 94(2) of the Act) for cash pursuant to the authority sought in accordance with section 80 of the Act by Resolution 8 set out in this notice of Annual General Meeting as if section 89(1) of the Act did not apply to such allotment provided that this power shall expire on the earlier of the conclusion of the Annual General Meeting to be held in 2010 and the date falling fifteen months after the date on which this resolution is passed and provided further 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 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;
   (iii) the allotment (otherwise than pursuant to sub-paragraphs (i) and (ii) above) of equity securities with an aggregate nominal value of up to, but not exceeding, 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;
   (iv) the allotment (otherwise than pursuant to sub-paragraphs (i), (ii) and (iii) 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.
10. That, subject to the passing of the resolutions to be proposed at the Separate Meetings, the Company be empowered to make market purchases (within the meaning of section 163 of the Act) of its own Ordinary Shares and C Shares provided that:
   (i) the aggregate number of shares hereby authorised to be purchased shall not exceed 1,687,774 Ordinary Shares and 2,620,865 C Shares;

NOTICE of the ANNUAL GENERAL MEETING

(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 105 per cent of the average of the middle market prices of an Ordinary Share or, as the case may be, C Share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which that Ordinary Share or, as the case may be, C Share is purchased;

(iv) this authority shall expire on the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2010 and the date falling fifteen months after the date on which this resolution is passed; and

(v) the Company may make a contract to purchase Ordinary Shares or, as the case may be, C Shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares or C Shares pursuant to such contract

and provided further that this authority shall be in substitution for any existing authorities to make market purchases pursuant to section 163 of the Act.

By order of the Board
Matrix-Securities Limited
Company Secretary

Registered Office
One Vine Street, London W1J 0AH

23 July 2009

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 6.00 pm on 8 September 2009 (or, in the event of any adjournment, 6.00 pm on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
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. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional form(s) of proxy may be obtained by contacting Capita Registrars on 020 8639 2000. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. 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 with the Company's registrar, Capita Registrars, so as to be received not later than 12 noon on 8 September 2009 or 48 hours before the time appointed for any adjourned meeting or, in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll.
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 8 September 2009. 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.

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 23 July 2009 (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 17,484,088 C Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 23 July 2009 were 28,743,421.
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. 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
16. Further information regarding the meeting is available on the Company's website, www.mig2vct.co.uk.

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 12.10 pm (or as soon thereafter as the Annual General Meeting of the Company convened for 12 noon on 10 September 2009 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 8 to 10 as set out in the notice of the Annual General Meeting convened for 12 noon on 10 September 2009 (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

23 July 2009

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 6.00 pm on 8 September 2009 (or, in the event of any adjournment, 6.00 pm on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
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. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional form(s) of proxy may be obtained by contacting Capita Registrars on 020 8639 2000. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. 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 with the Company's registrar, Capita Registrars, so as to be received not later than 12.10 pm on 8 September 2009 or 48 hours before the time appointed for any adjourned meeting or, in the case of a poll taken subsequent to the date of the meeting, so as to be received no later than 24 hours before the time appointed for taking the poll.
6. As at 23 July 2009 (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 23 July 2009 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 15 September 2009 to be held at Matrix Group Limited, One Vine Street, London W1J 0AH and at such adjourned meeting the holders 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 12.12 pm (or as soon thereafter as the Separate Meeting of the holders of Ordinary Shares convened for 12.10 pm on 10 September 2009 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 8 to 10, as set out in the notice of the Annual General Meeting convened for 12 noon on 10 September 2009 (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

23 July 2009

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 6.00 pm on 8 September 2009 (or, in the event of any adjournment, 6.00 pm on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
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. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional form(s) of proxy may be obtained by contacting Capita Registrars on 020 8639 2000. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. 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 with the Company's registrar, Capita Registrars, so as to be received not later than 12.12 pm on 8 September 2009 or 48 hours before the time appointed for any adjourned meeting or, in the case of a poll taken subsequent to the date of the meeting, so as to be received no later than 24 hours before the time appointed for taking the poll.
6. As at 23 July 2009 (being the last business day prior to the publication of this notice), the Company's issued C Share capital consists of 17,484,088 C Shares, carrying one vote each. Therefore, the total C Shares' voting rights in the Company as at 23 July 2009 are 17,484,088.
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 15 September 2009 to be held at Matrix Group Limited, One Vine Street, London W1J 0AH and at such adjourned meeting the holders 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.

NOTES

Corporate Information

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

Investment Manager
Matrix Private Equity Partners LLP
One Vine Street
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W1J 0AH
e-mail: info@matrixpep.com

Promoter and Company Accountants
Matrix-Securities Limited
One Vine Street
London
W1J 0AH

Company's registered office and head office
One Vine Street
London
W1J 0AH

Bankers
Barclays Bank plc
PO Box 544
54 Lombard Street
London
EC3V 9EX

Solicitors
Martineau
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Birmingham
B4 6AA
Also at
35 New Bridge Street
London EC4V 6BW

Secretary
Matrix-Securities Limited
One Vine Street
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e-mail: mig2@matrixgroup.co.uk

VCT Tax Adviser
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WC2N 6RN

Auditors and Tax Advisers
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20 Farringdon Road
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EC1M 3AP

Stockbrokers
Matrix Corporate Capital LLP
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Registrar
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