MATRIX INCOME & GROWTH VCT PLC 2

A VENTURE CAPITAL TRUST

REPORT & ACCOUNTS

Unaudited Half-Yearly Report
for the six months ended 31 October 2008

MATRIX

Investment Objective

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

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

Financial Highlights

Half-yearly results for the six months ended 31 October 2008

Ordinary Shares (listed on 11 July 2000)

Initial net asset value per Ordinary Share	94.00 pence
Initial net assets	£12,388,236

	31 October 2008	30 April 2008	31 October 2007
Net assets	£8,854,954	£11,135,530	£12,263,403
Net asset value per Ordinary Share	77.84 pence	96.91 pence	104.71 pence
Total dividends per Ordinary Share paid to date	26.79 pence	20.79 pence	20.79 pence
Total return to shareholders since launch per Share*	104.63 pence	117.70 pence	125.50 pence
(Loss)/earnings per Ordinary Share	(13.12) pence	(5.38) pence	2.68 pence
Total dividends per Ordinary Share paid in the period	6.00 pence	6.00 pence	6.00 pence

C Shares (listed on 21 December 2005)

Initial net asset value per C Share	94.50 pence
Initial net assets	£8,648,486

	31 October 2008	30 April 2008	31 October 2007
Net assets	£8,336,391	£9,007,361	£9,006,727
Net asset value per C Share	91.15 pence	98.48 pence	98.48 pence
Total dividends per C Share paid to date	4.00 pence	1.50 pence	1.50 pence
Total return to shareholders since launch per Share*	95.15 pence	99.98 pence	99.98 pence
(Loss)/earnings per C Share	(4.84) pence	2.84 pence	2.83 pence
Total dividends per C Share paid in the period	2.50 pence	1.50 pence	1.50 pence

* Net asset value per share plus cumulative dividends per share. This compares to an original investment cost of 80.00 pence per share for the Ordinary Share Fund and 60.00 pence per share for the C Share Fund after allowing for income tax relief of 20.00 pence and 40.00 pence per share respectively.

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.

Chairman's Statement

I am pleased to enclose the Half-Yearly Report of Matrix Income & Growth 2 VCT plc (the "Company") for the period from 1 May 2008 to 31 October 2008.

Overview

Your Company has not been immune to the impact of the deteriorating economic outlook that has become more apparent since I reported to you in the Annual Report. Net asset values per share for both funds have fallen, mainly because some valuations have fallen in response to falls in quoted markets and deteriorating trading, although the trading performance of some investee companies remains encouraging.

Our response to these conditions has been to retain liquidity in a period when few investment opportunities have presented themselves. Both funds made an investment in ATG Media Holdings Limited, an MBO transaction, totalling £863,895. 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. Shortly after the end of the period, both funds have made a follow-on loan stock investment totalling £163,436 into PXP Holdings Limited.

There have been no realisations to report during the period. Bearing in mind the prevailing market conditions, the relative performance of portfolio investments made over the last three years is generally satisfactory, with a number of companies continuing to produce results in line with or better than those anticipated at investment. However, the last six months has revealed several where the reverse is also true.

Ordinary Share Fund

Inevitably in these economic conditions, this fund has suffered from poorer performance. The Net Asset Value ("NAV") per Ordinary Share at 31 October 2008 was 77.84 pence, a 25.7% decrease when compared with 104.71 pence per share as at 31 October 2007, or 19.9% after adjusting for the 6 pence dividend paid in this period. The Fund's total return since launch is 104.63 pence per share.

Further details of the performance of the Ordinary Share Fund investments are set out in the Investment Manager's Review set out on pages 4 - 5.

C Share Fund

The NAV per C Share at 31 October 2008 stood at 91.15p, a 7.4% decrease on the NAV when compared with 98.48 pence per share as at 31 October 2007, or 4.9% after adjusting for the 2.5 pence dividend paid in this period. This stronger relative performance reflects the fact that the C Fund is not yet fully invested, so held a higher level of assets in cash. The funds total return since launch is 95.15 pence per share.

Further details of the performance of the C Share Fund investments are set out in the Investment Manager's Review set out on pages 4 - 5.

Return to Shareholders

The results for this period are set out on the following pages and show a revenue profit (after tax) attributable to Ordinary Fund Shareholders of 1.09 pence per Ordinary Share (31 October 2007: 0.87 of a penny). The total loss (after tax) attributable to Ordinary Fund Shareholders was 13.12 pence per Ordinary Share (31 October 2007: profit of 2.68 pence).

The revenue profit (after tax) attributable to C Fund Shareholders was 1.28 pence per C share (31 October 2007: 1.25 pence). The total loss (after tax) attributable to C Fund Shareholders was 4.84 pence per C share (31 October 2007: profit of 2.83 pence).

Both Funds' returns have been increased by the anticipation of VAT recoverable, 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. At this juncture, the Board is unable to quantify precisely the amount of VAT that will eventually be recovered, but has recognised a prudent amount that should be recoverable.

Dividends

The Board has already paid interim dividends of 6p per Ordinary Share and 2.5p per C Share for the current year. The Board's objective is, subject to the availability of sufficient reserves and liquidity, to distribute regular and consistent dividends. Since the change in investment strategy in September 2005, four Ordinary Share Fund dividends have now been paid out, each of 6 pence per share. The Board intends to review the level of dividends to be paid at the year-end.

British Private Equity Awards 2008

At the recent unquote" British Private Equity Awards 2008, I am delighted to inform you that the Investment Manager won the award for "VCT Manager of the Year". May I congratulate the team on their hard work throughout the year.

Outlook

Your Board and Investment Manager are paying close attention to current economic indicators which clearly pose substantial risks to many sectors, particularly smaller companies. The Board and the Investment Manager intend to continue their prudent approach to further investments, while remaining alert to the

Chairman's Statement

new opportunities that the current downturn will produce. It is for this reason that the Board is seeking to raise new funds for the C Fund, so that the Company is well positioned to invest at a potentially opportune point in the economic cycle. A prospectus will be sent to Shareholders in the New Year.

I would like to thank all our Shareholders for their continuing support.

Nigel Melville
Chairman

24 December 2008

Principal risks and uncertainties

In accordance with DTR 4.2.7, the Board considers that the principal risks and uncertainties facing the Company remain those identified in the Annual Report and Accounts for the year ended 30 April 2008. A detailed explanation of the principal risks facing the Company can be found in the 2008 Annual Report and Accounts – copies are available from www.mig2vct.co.uk.

The Board acknowledges that several of these risks have materialised and have had a negative impact on the Company's financial performance.

Related Party Transactions

Details of related party transactions in accordance with Disclosure and Transparency Rule 4.2.8 can be found in Note 12 to the Accounts on page 19.

Responsibility Statement

The Directors confirm that to the best of their knowledge:

(a) the condensed set of financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) and the 2003 Statement of Recommended Practice "Financial Statements of Investment Trust Companies", revised December 2005, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, as required by Disclosure & Transparency Rule 4.2.4; and

(b) the interim management report includes a fair review of the information required by Disclosure & Transparency Rules 4.2.7 - 8 in accordance with Disclosure & Transparency Rule 4.2.10.

For and on behalf of the Board:

Nigel Melville
Chairman

Investment Manager's Review

Strategy

Throughout the period Matrix Private Equity Partners LLP ("MPEP") has continued to pursue its strategy of investing in established, profitable, unquoted companies with its primary focus on investments in MBOs. Your Manager considers that the alignment of interest between management teams and investors created by MBOs continues to offer the most attractive and long-term investment opportunities.

New Investment Activity

Earlier in the year the differing valuation expectations of buyers and sellers of businesses made for a challenging new investment environment. As the UK economy has slid inexorably into recession there is inevitably greater concern about the achievability of forecast earnings; this has made it still harder to bridge the gap in valuations.

As a result your Manager has made just one investment on behalf of the Ordinary Share Fund in the six months to 31 October. In October £509,000 was invested to support the MBO of Metropress which, inter alia, publishes the Antiques Trade Gazette, the dominant weekly newspaper serving the UK antiques trade. This London-based business also offers an on-line auction capability. The Fund now holds 4.5% of the equity.

The C Share Fund also invested £355,000 for 3.2% of the equity of Metropress as part of the same transaction; over the period it made two further investments, each of £1,000,000, into two acquisition vehicles. The first, Barnfield Management Investments Limited, has been established to acquire businesses in the food manufacturing, distribution or brand management sectors. The second company, Vanir Consultants Limited, is seeking to acquire companies involved in database management, mapping or data mapping.

Investment Manager's Review

Importantly, these acquisition vehicles are designed to provide time to find and invest in their chosen target companies at sufficiently attractive prices. As these acquisitions are completed, it is expected that the Ordinary Share Fund will have the opportunity to invest alongside the C Share Fund. In the meantime, your Company retains significant liquid resources available for investment when conditions justify it.

Ordinary Share Fund Portfolio Highlights

The Ordinary Share Fund comprises investments in 16 companies at a cost of £8.44 million and current valuation of £6.40 million; on a like for like basis the portfolio shows a 21.8% fall compared with the valuations prevailing at 30 April 2008. Over the same period the FTSE All Share and FTSE SmallCap indices have fallen 29.6% and 38.6% respectively.

A number of the companies in the portfolio, particularly those with either direct or indirect exposure to the construction and housebuilding sectors, have been showing signs of weakness in their markets. These include Youngman, PXP and Plastic Surgeon, all of whom are trailing significantly their budgeted performance. We have reduced their valuations to reflect the difficult conditions in which they are operating.

However, many other portfolio companies have continued to perform strongly, although even these are not immune from cost pressures or tightening markets; these include PastaKing and Vectair, both of which reported record profitability during the period, and DiGiCo Europe, where its launches of market leading new products have been well received and have led to performance in excess of budget. VSI too is tracking record annual profits.

Elsewhere, however, performance has fallen away during the period. British International has suffered from the worst summer weather in recent memory which has had a significant impact on passenger numbers on the Penzance-Scilly Isles service. The effects of this are, however, mitigated by its long term military contracts which give it a solid earnings base. Campden Media too has had to work hard to maintain its strong position in healthcare publications and events whilst the fallout in the financial sector has held back the development of its wealth management conference business. Blaze Signs has now begun to see the effects of the economic slowdown with its retail clients delaying or postponing new and replacement signage.

C Share Fund Portfolio Highlights

The C Share Fund now holds investments in 13 companies at a total cost of £6.17 million and a current valuation of £5.82 million. On a like for like basis the portfolio shows a 14.0% fall compared with the valuations prevailing at 30 April 2008.

Most of the C Share Fund's investments were made alongside the Ordinary Share Fund. In addition to these, the C Share Fund holds investments in two other companies. Monsal has had a difficult first period since its MBO; major contract awards have been postponed and this has led to losses and an erosion of cash headroom; recent wins have resulted in a much more positive outlook for 2009, including a first contract award in the growing waste management market. Focus Pharma has fared better, although delays in product licensing have had some effect on earnings.

British Private Equity Awards 2008

Your Manager was delighted to be awarded the 'VCT Manager of the Year' title at this year's unquote" British Private Equity Awards on 27 November 2008. The awards celebrate excellence and innovation in the UK private equity sector and are synonymous with the values that have made unquote" the industry's most trusted source of private equity information. The award categories covered the entire private equity cycle and the judges praised MPEP's stability and noted the past 12 months' caution and selectivity in a market where such traits are of utmost importance.

Outlook

Considerable attention is being devoted to ensuring that portfolio companies are responding actively to the downturn by reducing costs as far as possible, reinforcing competitive positions and maximising liquidity; through your Manager's representation on the Boards of the Company's investments, close control of these issues is being ensured.

There is, of course, considerable debate regarding the continuing availability of bank funding for UK small businesses. We believe that the portfolio is not significantly exposed to this risk. Importantly, the Company retains resources to support deserving portfolio companies; furthermore in the new investments made over the past two years your Manager has avoided the need for bank debt wherever possible in order to protect against sudden withdrawals of banking facilities in just such circumstances as are prevailing.

The depth and length of the recession are difficult to forecast. Nevertheless, your Manager remains confident of the overall quality of the portfolios and believes that high quality investment opportunities will come forward in due course. High private equity returns traditionally flow from investments made in the wake of major economic downturns.

Investment Portfolio Summary – Ordinary Share Fund

as at 31 October 2008

Qualifying investments	Date of first investment	Total book cost £	Valuation £	% of net assets by value
AIM quoted investments				
SectorGuard plc Provision of manned guarding, mobile patrolling and alarm response services	August 2005	150,000	64,286	0.7%
Vphase plc (formerly Flightstore Group plc) Development of energy saving devices for domestic use	March 2001	254,586	9,821	0.1%
		404,586	74,107	0.8%
Unquoted investments				
Youngman Group Limited Manufacturer of ladders and access towers	October 2005	1,000,052	1,348,292	15.2%
PastaKing Holdings Limited Supplier to the educational and food service market	June 2006	274,624	838,555	9.5%
British International Holdings Limited Supplier of helicopter services	June 2006	832,827	809,139	9.1%
Blaze Signs Holdings Limited Signwriter	April 2006	791,608	763,319	8.6%
DiGiCo Europe Limited Design and manufacture of audio mixing desks	July 2007	588,886	684,312	7.7%
VSI Limited Developer and marketer of 3D software	April 2006	231,020	658,646	7.5%
ATG Media Holdings Limited Antiques publication	October 2008	508,736	508,736	5.8%
Vectair Holdings Limited A provider of air care and sanitary washroom products	January 2006	243,784	399,278	4.5%
PXP Holdings Limited (Pinewood Structures) Designer, manufacturer and supplier of timber frames for housing	December 2006	588,886	161,595	1.8%
The Plastic Surgeon Holdings Limited Snagging and finishing of domestic and commercial properties	April 2008	230,986	115,493	1.3%
Campden Media Limited Magazine publisher and conference organiser	January 2006	975,000	39,048	0.4%
Recite Limited Sales support software	August 2003	1,000,000	–	0.0%
Racoon International Holdings Limited Supplier of hair extensions, hair care products and training	December 2006	517,350	–	0.0%
Award International Holdings plc Sales promotion activities	March 2004	250,000	–	0.0%
		8,033,759	6,326,413	71.4%
Total qualifying investments		**8,438,345**	**6,400,520**	**72.2%**[1]

Non-qualifying investments	Book cost £	Valuation £	% of net assets by value
Money market funds[2]	2,192,457	2,192,457	24.8%
Cash	29,424	29,424	0.3%
SectorGuard plc	106	37	0.0%
Total non-qualifying investments	**2,221,987**	**2,221,918**	**25.1%**
Debtors		290,821	3.3%
Creditors		(58,305)	(0.6%)
Net assets		**8,854,954**	**100.0%**

[1] As at 31 October 2008, 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 six months from the date of disposal.

[2] Disclosed within Current assets as Investments at fair value in the Balance Sheet.

Investment Portfolio Summary – C Share Fund

as at 31 October 2008

Qualifying investments	Date of first investment	Total book cost £	Valuation £	% of net assets by value
Unquoted investments				
Barnfield Management Investments Limited Company seeking to acquire businesses in the food manufacturing, distribution or brand management sectors	July 2008	1,000,000	1,000,000	12.0%
Vanir Consultants Limited Company seeking to acquire businesses in the database management, mapping or data mapping sectors	October 2008	1,000,000	1,000,000	12.0%
Focus Pharma Holdings Limited Licensing and distribution of generic pharmaceuticals	October 2007	660,238	677,211	8.1%
PastaKing Holdings Limited Supplier to the educational and food service market	June 2006	191,720	585,412	7.0%
Monsal Holdings Limited Engineering services to water and waste sectors	December 2007	769,000	576,750	6.9%
Blaze Signs Holdings Limited Signwriter	April 2006	606,890	569,080	6.8%
DiGiCo Europe Limited Design and manufacture of audio mixing desks	July 2007	411,114	477,732	5.7%
ATG Media Holdings Limited Antiques publication	October 2008	355,159	355,159	4.3%
VSI Limited Developer and marketer of 3D software	April 2006	77,623	221,306	2.8%
British International Holdings Limited Supplier of helicopter services	June 2006	167,173	162,426	1.9%
PXP Holdings (Pinewood Structures) Designer, manufacturer and supplier of timber frames for housing	December 2006	411,114	112,813	1.4%
The Plastic Surgeon Holdings Limited Snagging and finishing of domestic and commercial properties	April 2008	161,278	80,639	1.0%
Racoon International Holdings Supplier of hair extensions, hair care products and training	December 2006	361,177	–	0.0%
Total qualifying investments		**6,172,486**	**5,818,528**	**69.9%[1]**

Non-qualifying investments	Book cost £	Valuation £	% of net assets by value
Money market funds[2]	2,501,903	2,501,903	30.0%
Cash	19,867	19,867	0.2%
Total non-qualifying investments	**2,521,770**	**2,521,770**	**30.2%**
Debtors		130,298	1.5%
Creditors		(134,205)	(1.6%)
Net assets		**8,336,391**	**100.0%**

[1] At 31 October 2008, 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 six months from the date of disposal.

[2] Disclosed within Current assets as Investments at fair value in the Balance Sheet.

The other Funds managed by MPEP include Matrix Income & Growth VCT plc (MIG VCT), Matrix Income & Growth 3 VCT plc (MIG3), Matrix Income & Growth 4 VCT plc (MIG4) and The Income and Growth VCT plc (I&G). All of these Funds have co-invested alongside the Company in Blaze Signs Holdings Limited, British International Holdings Limited, Campden Media Limited, PastaKing Holdings Limited, PXP Holdings Limited, Racoon International Holdings Limited, VSI Limited, DiGiCo Europe Limited, Monsal Holdings Limited, Focus Pharma Holdings Limited and Plastic Surgeon Holdings Limited. All of these Funds with the exception of MIG3 have also co-invested alongside the Company in Campden Media Limited, SectorGuard plc, Vectair Holdings Limited and Youngman Group Limited. MIG VCT and MIG3 have co-invested alongside the Company in Barnfield Investment Management Ltd and MIG3 has also co-invested in Vanir Consultants Limited.

Unaudited non-statutory analysis between the Ordinary Share and C Share Funds

Unaudited Profit and Loss Account for the six months ended 31 October 2008

	Notes	Ordinary Share Fund			C Share Fund		
		Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
Unrealised gains on investments		–	(1,644,871)	(1,644,871)	–	(562,442)	(562,442)
Realised losses on investments		–	(29)	(29)	–	–	–
Income	3	239,782	–	239,782	224,829	–	224,829
VAT recoverable	4	18,059	54,177	72,236	10,677	32,031	42,708
Management fees	5	(18,768)	(56,305)	(75,073)	(15,568)	(46,706)	(62,274)
Other expenses		(97,691)	–	(97,691)	(85,141)	–	(85,141)
Profit/(loss) on ordinary activities before taxation		141,382	(1,647,028)	(1,505,646)	134,797	(577,117)	(442,320)
Taxation on ordinary activities		(16,688)	16,688	–	(17,894)	17,894	–
Retained profit/(loss)		124,694	(1,630,340)	(1,505,646)	116,903	(559,223)	(442,320)
Return per share	6	**1.09p**	**(14.21)p**	**(13.12)p**	**1.28p**	**(6.12)p**	**(4.84)p**
Average number of shares in issue				11,473,436			9,145,990

Unaudited Balance Sheet for each Fund as at 31 October 2008

	Notes		Ordinary Share Fund			C Share Fund	
			£	£		£	£
Non-current assets							
Assets held at fair value through profit and loss – investments				6,400,557			5,818,528
Current assets							
Debtors and prepayments			290,821			130,298	
Investments at fair value			2,192,457			2,501,903	
Cash at bank			29,424			19,867	
			2,512,702			2,652,068	
Creditors: amounts falling due within one year			(58,305)			(134,205)	
Net current assets				2,454,397			2,517,863
Net assets				**8,854,954**			**8,336,391**
Capital and reserves							
Called up share capital				113,755			91,460
Capital redemption reserve				18,051			–
Capital reserve – unrealised				(787,894)			(353,958)
Cancelled share premium account				2,471,344			8,256,405
Profit and loss account				7,039,698			342,484
				8,854,954			**8,336,391**
Number of shares in issue				**11,375,533**			**9,145,990**
Net asset value per share	7			77.84 p			91.15 p

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 Half-Yearly Balance sheet on page 10.

Total of both Funds (per Half-Yearly Profit and Loss Account) Revenue £	Capital £	Total £
–	(2,207,313)	(2,207,313)
–	(29)	(29)
464,611	–	464,611
28,736	86,208	114,944
(34,336)	(103,011)	(137,347)
(182,832)	–	(182,832)
276,179	(2,224,145)	(1,947,966)
(34,582)	34,582	–
241,597	(2,189,563)	(1,947,966)

Adjustments (see note below) £		Total of both Funds (per Half-Yearly Balance Sheet) £	£
			12,219,085
(117,305)		303,814	
		4,694,360	
		49,291	
(117,305)		5,047,465	
117,305		(75,205)	
			4,972,260
–			**17,191,345**
			205,215
			18,051
			(1,141,852)
			10,727,749
			7,382,182
			17,191,345

Unaudited Profit and Loss Account

for the six months ended 31 October 2008

	Notes	Six months ended 31 October 2008 (unaudited) Revenue £	Capital £	Total £	Year ended 30 April 2008 (audited) Revenue £	Capital £	Total £
Unrealised (losses)/gains on investments		–	(2,207,313)	(2,207,313)	–	(1,311,782)	(1,311,782)
Realised (losses)/gains on investments		–	(29)	(29)	–	753,267	753,267
Income	3	464,611	–	464,611	1,027,023	–	1,027,023
VAT recoverable	4	28,736	86,208	114,944	–	–	–
Management fees	5	(34,336)	(103,011)	(137,347)	(125,110)	(375,329)	(500,439)
Other expenses		(182,832)	–	(182,832)	(342,271)	–	(342,271)
Profit/(loss) on ordinary activities before taxation		276,179	(2,224,145)	(1,947,966)	559,642	(933,844)	(374,202)
Tax on ordinary activities		(34,582)	34,582	–	(102,066)	102,066	–
Profit/(loss) on ordinary activities after taxation		241,597	(2,189,563)	(1,947,966)	457,576	(831,778)	(374,202)
Dividend paid per Ordinary share		1.50p	4.50p	6.00p	0.00p	6.00p	6.00p
Dividend paid per C share		2.50p	0.00p	2.50p	1.50p	0.00p	1.50p
Basic and diluted earnings per share							
Ordinary Shares	6	**1.09p**	**(14.21)p**	**(13.12)p**	**1.82p**	**(7.20)p**	**(5.38)p**
C Shares	6	**1.28p**	**(6.12)p**	**(4.84)p**	**2.65p**	**0.19p**	**2.84p**

These accounts are unaudited and are not the Company's statutory accounts.
The accounts have been prepared using accounting standards and policies adopted at the previous year end.
All revenue and capital items in the above statement are derived from continuing operations. No operations were discontinued in the period.

Six months ended 31 October 2007 (unaudited)		
Revenue £	Capital £	Total £
–	482,707	482,707
–	26,436	26,436
501,357	–	501,357
–	–	–
(65,247)	(195,742)	(260,989)
(171,486)	–	(171,486)
264,624	313,401	578,025
(46,422)	46,422	–
218,182	359,843	578,025
0.00p	6.00p	6.00p
1.50p	0.00p	1.50p
0.87p	**1.81p**	**2.68p**
1.25p	**1.58p**	**2.83p**

Unaudited Balance Sheet

as at 31 October 2008

	Notes	31 October 2008 (unaudited) £	30 April 2008 (audited) £	31 October 2007 (unaudited) £
Non-current assets				
Assets held at fair value through profit and loss – investments	9	12,219,085	11,562,503	14,672,003
Current assets				
Debtors and prepayments		303,814	277,926	157,219
Investments at fair value	10	4,694,360	8,358,174	6,222,419
Cash at bank		49,291	89,754	302,891
		5,047,465	8,725,854	6,682,529
Creditors: amounts falling due within one year				
Other creditors		197	35,796	18,856
Accruals		75,008	109,670	65,546
		(75,205)	(145,466)	(84,402)
Net current assets		4,972,260	8,580,388	6,598,127
Net assets		**17,191,345**	**20,142,891**	**21,270,130**
Capital and reserves	11			
Called up share capital		205,215	206,370	208,575
Capital redemption reserve		18,051	16,896	14,691
Capital reserve – unrealised		(1,141,852)	1,065,461	3,043,746
Cancelled share premium account – distributable reserve		10,727,749	10,881,648	13,078,402
Profit and loss account		7,382,182	7,972,516	4,924,716
		17,191,345	**20,142,891**	**21,270,130**
Net asset value per share				
Ordinary Shares	7	**77.84p**	**96.91p**	**104.71p**
C Shares	7	**91.15p**	**98.48p**	**98.48p**

These accounts are unaudited and are not the Company's statutory accounts.

Unaudited Reconciliation of Movements in Shareholders' Funds

for the six months ended 31 October 2008

	Notes	Six months ended 31 October 2008 (unaudited) £	Year ended 30 April 2008 (audited) £	Six months ended 31 October 2007 (unaudited) £
Opening shareholders' funds		20,142,891	21,797,419	21,797,419
Net share capital bought back in the year		(85,470)	(420,667)	(245,655)
(Loss)/profit for the year		(1,947,966)	(374,202)	578,025
Dividends paid in year	8	(918,110)	(859,659)	(859,659)
Closing shareholders' funds		17,191,345	20,142,891	21,270,130

Unaudited Cash Flow Statement

for the six months ended 31 October 2008

	Six months ended 31 October 2008 (unaudited) £	Year ended 30 April 2008 (audited) £	Six months ended 31 October 2007 (unaudited) £
Operating activities			
Investment income received	521,393	1,150,492	628,472
Investment management fees paid	(213,765)	(632,574)	(303,556)
Other cash payments	(233,858)	(501,954)	(439,542)
Net cash inflow/(outflow) from operating activities	73,770	15,964	(114,626)
Investing activities			
Acquisition of investments	(3,509,131)	(3,821,514)	(2,660,250)
Disposal of investments	757,966	3,131,438	26,436
Net cash outflow from investing activities	(2,751,165)	(690,076)	(2,633,814)
Dividends			
Dividends paid	(918,110)	(859,659)	(859,659)
Net cash outflow before liquid resource management	(3,595,505)	(1,533,771)	(3,608,099)
Management of liquid resources			
Movement in money market and other deposits	3,663,814	1,930,847	4,066,602
Financing			
Purchase of own shares	(108,772)	(634,801)	(483,091)
Share capital raised	–	–	–
Net cash outflow from financing	(108,772)	(634,801)	(483,091)
Decrease in cash	(40,463)	(237,725)	(24,588)

Reconciliation of net cash flow to movement in net funds

	Six months ended 31 October 2008 (unaudited) £	Year ended 30 April 2008 (audited) £	Six months ended 31 October 2007 (unaudited) £
Net funds at start of period	89,754	327,479	327,479
Decrease in cash for the period	(40,463)	(237,725)	(24,588)
Net funds at the end of the period	49,291	89,754	302,891

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

	Six months ended 31 October 2008 (unaudited) £	Year ended 30 April 2008 (audited) £	Six months ended 31 October 2007 (unaudited) £
(Loss)/profit on ordinary activities before taxation	(1,947,966)	(374,202)	578,025
Net unrealised losses/(gains) on investments	2,207,313	1,311,782	(482,707)
Net losses/(gains) on realisations of investments	–	(753,267)	(26,436)
Transaction costs	29	(14,996)	–
(Increase)/decrease in debtors	(138,647)	22,571	(9,914)
Decrease in creditors	(46,959)	(175,924)	(173,594)
Net cash inflow/(outflow) from operating activities	73,770	15,964	(114,626)

Notes to the unaudited financial statements

1. Principal accounting policies

The following accounting policies have been applied consistently throughout the period. Full details of principal accounting policies will be disclosed in the Annual Report.

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' ("SORP") issued by the Association of Investment Trust Companies in January 2003 and reviewed in 2005.

The Half-Yearly Report has not been audited, nor has it been reviewed by the auditors pursuant to the Auditing Practices Board (APB)'s guidance on Review of Interim Financial Information.

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 revenue column of profit attributable to equity shareholders is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 274 Income Tax Act 2007.

c) Investments

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, fair value is generally determined by reference to Stock Exchange market quoted bid prices at the close of business on the balance sheet date.

Unquoted investments are stated at fair value by the Directors in accordance with the following rules, which are consistent with the International Private Equity Venture Capital Valuation (IPEVCV) guidelines:

(i) Investments which have been made in the last 12 months are 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 12 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 discounted to reflect points of difference identified by the 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 assess the portfolio for such investments, and after agreement with the 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.

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

d) Comparatives

Investments in the Dublin based money-market funds disclosed in note 10 as Investments at fair value have been reclassified from fixed assets to current assets to reflect more accurately the nature of the investments. These are liquid funds held pending investment and to meet running costs.

2. The Company revoked its status as an investment company on 7 September 2005, so that it can regard realised capital profits as part of the profits available for distribution.

3. Income

	Six months ended 31 October 2008 (unaudited) £	Year ended 30 April 2008 (audited) £	Six months ended 31 October 2007 (unaudited) £
Investment income			
– from ordinary shares	89,488	48,377	23,215
– from preference shares	1,194	3,045	9,195
– from OEIC money market funds	184,995	442,520	247,452
	275,677	493,942	279,862
Interest receivable			
– from loan stocks	188,052	524,202	217,707
– from bank deposits	882	8,879	3,788
	188,934	533,081	221,495
Total income	464,611	1,027,023	501,357

4. VAT recoverable

On the basis of information supplied by the Company's Investment Managers, as a result of the European Court of Justice ruling that management fees be exempt for VAT purposes, the Directors consider it reasonably certain that the Company will in the foreseeable future obtain a repayment of VAT of not less than £114,944. This amount has been recognised as a separate item in the profit and loss account, allocated 25% to revenue and 75% to capital return and 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.

5. In accordance with the Company's prospectus dated 10 May 2000, the Directors have charged 75% of the investment management fees to the capital element of the Profit and Loss Account.

Notes to the unaudited financial statements

6. Earnings and return per share

	Six months ended 31 October 2008 (unaudited)			Year ended 30 April 2008 (audited)		
	Ordinary Share Fund £	**C Share Fund £**	**Total £**	**Ordinary Share Fund £**	**C Share Fund £**	**Total £**
Total earnings after taxation	(1,505,646)	(442,320)	(1,947,966)	(633,730)	259,528	(374,202)
Basic earnings per share (note a)	**(13.12)p**	**(4.84)p**		**(5.38)p**	**2.84p**	
Revenue profit from ordinary activities after taxation	124,694	116,903	241,597	214,894	242,682	457,576
Revenue return per share (note b)	**1.09p**	**1.28p**		**1.82p**	**2.65p**	
Net realised capital (losses)/gains on investments	(29)	–	(29)	(1,388,204)	76,422	(1,311,782)
Net (losses)/gains on realisations of investments	(1,644,871)	(562,442)	(2,207,313)	688,893	64,374	753,267
VAT recoverable	54,177	32,031	86,208	–	–	–
Capital management fees less taxation	(39,617)	(28,812)	(68,429)	(149,313)	(123,950)	(273,263)
Total capital (losses)/profit on ordinary activities after taxation	(1,630,340)	(559,223)	(2,189,563)	(848,624)	16,846	(831,778)
Capital return per share (note c)	**(14.21)p**	**(6.12)p**		**(7.20)p**	**0.19p**	
Weighted average number of shares in issue in the year	11,473,436	9,145,990		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 return per share is net revenue after taxation divided by the weighted average number of shares in issue.
c) Capital return per share is total capital return divided by the weighted average number of shares in issue.

7. Net asset value per share

	As at 31 October 2008 (unaudited)		As at 30 April 2008 (audited)		As at 31 October 2007 (unaudited)	
	Ordinary Share Fund £	**C Share Fund £**	**Ordinary Share Fund £**	**C Share Fund £**	**Ordinary Share Fund £**	**C Share Fund £**
Net assets	8,854,954	8,336,391	11,135,530	9,007,361	12,263,403	9,006,727
Number of shares in issue	11,375,533	9,145,990	11,491,008	9,145,990	11,711,489	9,145,990
Net asset value per Share (pence)	**77.84p**	**91.15p**	**96.91p**	**98.48p**	**104.71p**	**98.48p**

Six months ended 31 October 2007 (unaudited) Ordinary Share Fund £	C Share Fund £	Total £
319,132	258,893	578,025
2.68p	**2.83p**	
104,057	114,125	218,182
0.87p	**1.25p**	
26,436	–	26,436
273,973	208,734	482,707
–	–	–
(85,334)	(63,966)	(149,300)
215,075	144,768	359,843
1.81p	**1.58p**	
11,919,317	9,145,990	

Notes to the unaudited financial statements

8. Dividends

	Six months ended 31 October 2008 (unaudited) £	Year ended 30 April 2008 (audited) £	Six months ended 31 October 2007 (unaudited) £
Ordinary Share Fund			
Dividends paid in period – 6 pence per share (30 April 2008: 6 pence; 31 October 2007: 6 pence)	689,460	722,467	722,467
C Share Fund			
Dividends paid in period – 2.5 pence per share (30 April 2008: 1.5 pence; 31 October 2007: 1.5 pence)	228,650	137,192	137,192
Total	**918,110**	**859,659**	**859,659**

Under FRS21, dividends are presented within the Reconciliation of Movement in Shareholders' Funds rather than the Profit and Loss Account, in the period in which they are irrevocably paid.

9. Summary of non-current asset investments at fair value during the period

	Traded on AIM £	Unlisted or traded on OFEX £	Preference shares £	Qualifying loans £	Total £
Cost at 1 May 2008	654,692	3,706,117	41,616	7,344,617	11,747,042
Unrealised (losses)/gains at 1 May 2008	(287,983)	1,884,517	(1,255)	(529,818)	1,065,461
Permanent impairment at 1 May 2008	(250,000)	(1,000,000)	–	–	(1,250,000)
Value at 1 May 2008	116,709	4,590,634	40,361	6,814,799	11,562,503
Purchases at cost	–	1,380,884	960	2,127,287	3,509,131
Sale proceeds	–	(273,722)	–	(371,514)	(645,236)
Increase in unrealised losses	(42,565)	(1,374,665)	(2,024)	(788,059)	(2,207,313)
Cost/valuation at 31 October 2008	**74,144**	**4,323,131**	**39,297**	**7,782,513**	**12,219,085**
Book cost at 31 October 2008	654,692	4,813,279	42,576	9,100,390	14,610,937
Unrealised losses at 31 October 2008	(580,548)	(490,148)	(3,279)	(1,317,877)	(2,391,852)
Valuation at 31 October 2008	**74,144**	**4,323,131**	**39,297**	**7,782,513**	**12,219,085**
Unrealised (losses)/gains at 1 May 2008	(287,983)	1,884,517	(1,255)	(529,818)	1,065,461
Net movement in unrealised appreciation in the period	(42,565)	(1,374,665)	(2,024)	(788,059)	(2,207,313)
Permanent impairment at 31 October 2008	(250,000)	(1,000,000)	–	–	(1,250,000)
Losses on investments at 31 October 2008	**(580,548)**	**(490,148)**	**(3,279)**	**(1,317,877)**	**(2,391,852)**

Disposals of investments in the Cash Flow Statement are £112,730 more than disclosed above. This is due to cash received in respect of the disposal of Clarity Commerce Solutions plc in the previous period.

10. Investments at fair value

These comprise investments in five Dublin based OEIC money market funds, managed by Barclays Global Investors (two funds), Royal Bank of Scotland, Prime Rate Capital Management, Scottish Widows Investment Partnership and Blackrock (formerly Merrill Lynch). £4,655,274 (30 April 2008: £8,319,436; 31 October 2007: £6,184,699) of this sum is subject to same day access, while £39,086 (30 April 2008: £38,738; 31 October 2007: £37,720) is subject to two day access.

11. Capital and reserves for the six months ended 31 October 2008

	Called up share capital £	Capital redemption reserve £	Capital reserve (unrealised) £	Cancelled share premium account – distributable reserve £	Profit and Loss Account £	Total £
At 1 May 2008	206,370	16,896	1,065,461	10,881,648	7,972,516	20,142,891
Shares bought back	(1,155)	1,155	–	(85,470)	–	(85,470)
Transfer of realised capital losses from Cancelled Share Premium account (see note below)	–	–	–	(68,429)	68,429	–
Dividends paid	–	–	–	–	(918,110)	(918,110)
(Loss)/profit for the year	–	–	(2,207,313)	–	259,347	(1,947,966)
At 31 October 2008	205,215	18,051	(1,141,852)	10,727,749	7,382,182	17,191,345

The cancelled share premium account for each Fund provides the Company with a special reserve out of which it can fund buy-backs of each Fund's Shares as and when it is considered by the Board to be in the interests of the Shareholders, and to absorb any existing and future realised losses. Under Resolution 7 of the Annual General Meeting held on 10 September 2008, each class of Shareholders authorised the Company to purchase its own shares pursuant to section 166 of the Companies Act 1985. The authority is limited to a maximum of 14.99% of the issued Ordinary Share Capital of the Company or, as the case maybe, 14.99% of the C Share capital, and will unless previously revoked or renewed expire on the conclusion of the Annual General Meeting of the Company to be held in 2009.

The maximum price that may be paid for Ordinary Shares and C Shares will be an amount equal to 105 per cent of the average of the middle market quotation as taken from the London Stock Exchange daily official list for the five business days immediately preceding the day on which that Ordinary Share or, as the case maybe, C Share, is purchased. The minimum price that may be paid for Ordinary Shares and C Shares is 1 penny per share. The authority provides that the Company may make a contract to purchase Ordinary Shares or, as the case maybe, 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.

12. 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. MPE Partners Limited has a 50% interest in Matrix Private Equity Partners LLP, the Company's Investment Manager. He is also a director of Matrix-Securities Limited who act as promoter to the Company but received no fees for any of the periods under review, and provided accountancy and company secretarial services to the Company for which it received payment of £46,180 (year ended 30 April 2008: £93,493; 6 months ended 31 October 2007: £44,404) including VAT during the year. £Nil (30 April 2008: £Nil; 31 October 2007: £Nil) was payable to Matrix-Securities Limited at the period-end. Matrix Private Equity Partners LLP is the Company's Investment Manager in respect of venture capital investments and earned fees of £137,347, excluding VAT for the year (year ended 30 April 2008: £500,439 including VAT; 6 months ended 31 October 2007: £260,989 including VAT). The Company has invested £1,028,206 in a liquidity fund managed by Prime Rate Capital Management LLP, and earned income of £28,873 from this fund in the period.

Details of co-investments by other Funds managed by MPEP can be found in the Investment Portfolio Summary on page 7.

13. The financial information set out in this report has not been audited and does not comprise full financial statements within the meaning of section 240 of the Companies Act 1985. The audited accounts for the Company for the year ended 30 April 2008, on which the auditors gave an unqualified report, have been delivered to the Registrar of Companies.

14. Copies of this statement are being sent to all Shareholders. Further copies are available free of charge from the Company's registered office, One Vine Street, London, W1J 0AH or from www.mig2vct.co.uk

Shareholder Information

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

The Company circulates a bi-annual newsletter to Shareholders in the quarters in which it does not publish annual or half-yearly accounts. The next edition will be distributed in March 2009.

Net asset value per share

The Company's NAV per share as at 31 October 2008 was 77.84 pence per Ordinary Share and 91.15 pence per C Share. The Company announces its unaudited NAV on a quarterly basis.

Dividend

The Board is not recommending the payment of an interim dividend in respect of the six months ended 31 October 2008 to either Ordinary Shareholders or C Shareholders. The Directors will consider the payment of final dividends in respect of the year-ending 30 April 2009 when they review the full year results.

Shareholders who wish to have future 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.

Shareholder enquires

For enquiries concerning the investment portfolio, please contact the Investment Manager, Matrix Private Equity Partners LLP, on 020 3206 7266 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 dial +44 208 639 3399) or write to them at Northern House, Woodsome Park, Fennay Bridge, Huddersfield, West Yorkshire, HD8 0LA. Alternatively you can contact them via their web site at www.capitaregistrars.com.

Corporate Information

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

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

Company Registration Number
3946235

Website
www.mig2vct.co.uk

Secretary
Matrix-Securities Limited
One Vine Street
London
W1J 0AH

e-mail: mig2@matrixgroup.co.uk

Investment Manager
Matrix Private Equity Partners LLP
One Vine Street
London
W1J 0AH

e-mail: info@matrixpep.co.uk

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

Auditors and Tax Advisers
PKF (UK) LLP
Farringdon Place
20 Farringdon Road
London
EC1M 3AP

VCT Tax Adviser
PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RN

Solicitors
Martineau
No 1 Colmore Square
Birmingham
B4 6AA

Also at
35 New Bridge Street
London
EC4V 6BW

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

Sponsors and Stockbrokers
Matrix Corporate Capital LLP
One Vine Street
London
W1J 0AH

Registrar
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire
HD8 0LA