MATRIX INCOME & GROWTH VCT PLC 2

A VENTURE CAPITAL TRUST

REPORT & ACCOUNTS

Unaudited Half-Yearly Report
for the six months ended 31 October 2010

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

as at 31 October 2010

- Increase of 6.3% in net asset value (NAV) per Ordinary Share over the six month period
- Increase of 7.0% in total Ordinary shareholder return (net asset value basis) over the six month period
- Decrease of 0.8% in total Ordinary shareholder return (share price basis) over the six month period

Half-yearly results for the six months ended 31 October 2010

	Net assets (£ million)	Net asset value per Share (NAV) (p)	Cumulative dividends paid per share (p)	NAV total return to shareholders since launch per Share (p)	Share price (p)[1]	Share price total return to shareholders (p)
Ordinary Share Fund (formerly C Share Fund until 10 September 2010)						
As at 31 October 2010	24.5	93.0	6.0	99.0	56.0	62.0
As at 30 April 2010	15.2	87.5	5.0	92.5	57.5	62.5
As at 31 October 2009	14.9	85.4	5.0	90.4	57.5	62.5
At close of Offer for subscription in 2005	8.7	94.5	–	–	–	–

	Net assets (£ million)	Net asset value per Share (NAV) (p)	Cumulative dividends paid per share (p)	NAV total return to shareholders since launch per Share (p)	Share price (p)[1]	Share price total return to shareholders (p)
Former Ordinary Share Fund (raised in 2000/2001)						
As at 31 October 2010*	–	76.9	26.8	103.7	–	–
As at 30 April 2010	8.1	72.1	26.8	98.9	40.5	67.3
As at 31 October 2009	7.5	66.3	26.8	93.1	52.0	78.8
At close of Offer for subscription in 2001	12.4	94.0	–	–	–	–

[1] Source: London Stock Exchange

* The data at 31 October 2010 shows the return on an initial subscription price of 100p at the date of inception of the former Ordinary Share Fund taken from the next table, divided by £10,000.

Financial Highlights

The table below shows the NAV total return at 31 October 2010 for a shareholder that invested £10,000 at £1 per share at the date of launch of a particular fundraising.

Before benefit of initial income tax relief

Fund	Number of shares held post-merger	Net Asset Value (NAV) at 31 October 2010 (£)	Dividends paid to shareholders since subscription (£)	NAV total return to shareholders since subscription (£)	Profit/(loss) before income tax relief[1] (£)
Ordinary Share Fund (formerly C Share Fund) 2005/2006	10,000	9,299	600	9,899	(101)
Ordinary Share Fund (formerly C Share Fund) 2008/2009 (10,823 shares issued for £10,000 at 92.39p per share)	10,823	10,064	200	10,264	264
Former Ordinary Share Fund (raised 2000/2001)	8,270[2]	7,690	2,679	10,369	369

[1] NAV total return minus initial investment cost (before applicable income tax relief).

[2] Number of shares held post-merger has been calculated by multiplying a notional 10,000 former ordinary shares for a £10,000 investment by the merger conversion ratio of 0.827.

After benefit of initial income tax relief

Fund	Rate of income tax relief %	Cost net of income tax relief (£)	Net Asset Value (NAV) at 31 October 2010 (£)	Dividends paid to shareholders since subscription (£)	NAV total return to shareholders since subscription (£)	Profit/(loss) after income tax relief[2] (£)
Ordinary Share Fund (formerly C Share Fund) 2005/2006	40%	6,000	9,299	600	9,899	3,899
Ordinary Share Fund (formerly C Share Fund) 2008/2009 (10,823 shares issued for £10,000 at 92.39p per share)	30%	7,000	10,064	200	10,264	3,264
Former Ordinary Share Fund (raised 2000/2001)	20%[1]	8,000	7,690	2,679	10,369	2,369

[1] Additional capital gains tax deferral relief of up to £4,000 available to qualifying shareholders.

[2] NAV total return minus cost net of income tax relief.

Investment Policy

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

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

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

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

UK Companies

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

VCT regulation

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

Asset mix

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

Risk diversification and maximum exposures

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

Co-investment

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

Borrowing

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

Management

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

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 2010 to 31 October 2010.

Overview

The first six months of the financial year have seen tentative signs of recovery and a gradual building of market confidence following a period of political and economic uncertainty. However, more recently, signs of volatility and uncertainty have returned in response to public sector spending cuts and worries over European sovereign debt.

Against this background, it is pleasing to report that the majority of portfolio companies continue to trade profitably and valuations since 30 April 2010 have increased by 15.8%. The significant contributors to this increase were Iglu.com, British International and ATG Media, which have all been trading ahead of their budgets.

During the period, the Company completed one new investment and, shortly after the period end, made three new investments. A small follow-on investment was made in Monsal, and Monsal prepaid part of its loan stock, both at the same time as a third party investment by Four Winds Capital. In October, the Company invested alongside other Matrix-advised VCTs in Aust Recruitment Group Limited to support the management buyout (MBO) of RDL Corporation Limited, a recruitment company specialising in the pharmaceutical, business intelligence and IT sectors. In December, the Company invested in a new fundraising by Omega Diagnostics Group plc, an AIM-quoted in-vitro diagnostics company, Faversham House Holdings Limited, a family owned business to business media company, and Apricot Trading Limited to support the MBO of Automated Systems Group plc, a provider of printer and copier services.

ATG Media and DiGiCo prepaid loan stocks plus premia during the six month period.

The overall performance of the portfolio remains satisfactory in the current economic circumstances. Several companies, such as DiGiCo, Iglu.com and ATG Media, are continuing to generate record profits, whilst others, which have been badly hit by the recession, are seeing their profits begin to recover. Amongst them are Blaze Signs, British International and Youngman.

Further details can be found in the Investment Manager's Review.

Share class merger

The share class merger completed on 10 September 2010 following shareholder approval at the Extraordinary General Meeting convened the previous day. The original Ordinary Shares were redesignated as 9,311,376 C Shares and 1,947,957 deferred shares, based on a conversion ratio of 0.82701277. The C Shares were redesignated as ordinary shares ("Ordinary Shares") and the 1,947,957 deferred shares arising from the merger were bought back for an aggregate price of 1p.

Performance

The Net Asset Value ("NAV") per new Ordinary Share at 31 October 2010 was 92.99 pence, an underlying increase of 10.1% when compared with 85.38 pence per C Share as at 31 October 2009 or 7.5% increase when compared to the NAV per C Share of 87.47 pence at 30 April 2010, both after allowing for the payment of a 1p dividend. The NAV total return since launch was 99.0 pence per share (30 April 2010: 92.5 pence per share).

To assist shareholders to monitor the performance of their original Ordinary or C Share investment in a particular fundraising on a consistent basis, we have included separate performance data on pages 1 – 2.

Return to Shareholders

The results for this period are set out on the following pages and show a revenue loss (after tax) of 0.08 pence per new Ordinary Share (31 October 2009: loss of 0.20 pence per former C Share). The total gain (after tax) was 7.54 pence per new Ordinary Share (31 October 2009: gain of 0.14 pence per former C Share).

Revenue returns continue to be adversely affected by historically low levels of interest rates, whilst a number of investee companies remain unable to pay their loan stock interest. Two investee companies have, however, resumed loan interest payments. The period under review has also been affected by the one-off costs of the share class merger in September, of approximately £59,000. Although the Investment Policy was amended to enable the Company to consider a wider variety of assets for funds awaiting investment, the returns available have not been considered sufficient for the increased risk involved.

Liquidity

The Company retains significant cash reserves of £10.5 million, having remained cautious for the last two years. In addition, the two acquisition companies retain £1 million each. The Company remains well positioned to make new investments and support deserving portfolio companies if required.

Share Buybacks

No original Ordinary or C Shares were bought back prior to the merger. Since the merger, 318,470 new Ordinary Shares were bought back for cancellation, at an average price of 54.0 pence per share.

Dividends

The Board's objective is, subject to the availability of sufficient reserves and liquidity, to distribute regular and consistent dividends. The Board intends to review the level of dividends to be paid at the year-end.

Outlook

The majority of companies in the portfolio continue to trade profitably and a number are reporting results ahead of budget. However, the economic environment will continue to be tough for small companies and your Board and Investment Manager will continue to monitor economic conditions. It is hoped that a number of attractive investment opportunities will be identified in the remainder of the financial year.

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

Nigel Melville
Chairman

23 December 2010

Directors' Responsibility Statement

Principal risks and uncertainties

In accordance with Disclosure and Transparency Rule (DTR) 4.2.7, the Board considers that the principal risks and uncertainties facing the Company have not materially changed from those identified in the Annual Report and Accounts for the year ended 30 April 2010. The principal risks faced by the Company are:

- economic risk;
- loss of approval as a Venture Capital Trust;
- investment and strategic risk;
- regulatory risk;
- financial and operating risk;
- market risk;
- asset liquidity risk;
- market liquidity risk;
- credit/counterparty risk.

A detailed explanation of the principal risks facing the Company can be found in the 2010 Annual Report and Accounts on page 23. Copies are available from www.mig2vct.co.uk.

Related Party Transactions

Details of related party transactions in accordance with DTR 4.2.8 can be found in Note 13 to the Financial Statements on page 19.

Responsibility Statement

The Directors confirm that to the best of their knowledge:

(a) the condensed set of financial statements, which have been prepared in accordance with the statement "Half-Yearly Reports" issued by the Accounting Standards Board, give a true and fair view of the assets, liabilities, financial position and profit of the Company as at 31 October 2010, as required by DTR 4.2.4;

(b) the interim management report included within the Chairman's Statement, Investment Manager's Review and Investment Portfolio Summary includes a fair review of the information required by DTR 4.2.7 being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements;

(c) a description of the principal risks and uncertainties facing the Company for the remaining six months is set out above, in accordance with DTR 4.2.7; and

(d) the financial statements include a description of the related party transactions in the first six months of the current financial year that have materially affected the financial position or performance of the Company during the period, and any material changes to the related party transactions since the last Annual Report, in accordance with DTR 4.2.8.

For and on behalf of the Board:

Nigel Melville
Chairman

23 December 2010

Investment Manager's Review

Overview

The UK private equity market has continued to be challenging and this has been a leading factor affecting new deals and realisations. The period of political and economic uncertainty that has affected the six months under review has meant that there have been very few deals of the right quality coming to market. In addition, vendors' price expectations have, in our view, been unrealistic and unsustainable over the medium term. We are increasingly hopeful that this period of uncertainty is drawing to a close and have begun to see some evidence that more attractively priced opportunities are beginning to emerge.

Investment Activity

Our new investment activity continues to focus on management buyouts. We seek to capitalise companies conservatively at the time of investment so that they are well positioned to contend with an uncertain macro-economic environment.

In October 2010, your Company completed a £1 million investment in Aust Recruitment Group Limited to support the MBO of RDL Corporation Limited (RDL). RDL is a European recruitment provider within the pharmaceutical, business intelligence and IT sectors based in London and Woking. The company, which employs 70 staff, was established in 1992. It sources staff for over 300 major companies, matching niche professionals with demanding contract assignments and staff positions.

Three new investments were completed after the period end:

Firstly, your Company invested £215,000 for shares in the AIM-listed Omega Diagnostics Group plc. Based in Alva, Scotland this company provides high quality in vitro diagnostics products for use in hospitals, blood banks, clinics and laboratories in over 100 countries and specialises in the areas of food intolerance, autoimmune and infectious diseases. Secondly, £374,870 was invested to support the MBO of Faversham House Group Limited. Based in Croydon, this is an established, family owned media company providing magazines, exhibitions and online resources in the environment and sustainability, visual communications and building services sectors. Lastly, £917,458 was invested in Apricot Trading Limited to support the MBO of Automated Systems Group plc. The business provides printer and copier services to schools and SMEs around Cambridge, Milton Keynes and East Anglia.

DiGiCo Europe continues to trade exceptionally well and ahead of its investment plan. In June, it prepaid £74,747 of loan stock (including premium) and in July paid a dividend of £69,574 to the Company.

Monsal completed a second investment round in July that brought in a new investor, FourWinds Capital. The specialist investor, Waste Resources Fund (managed by FourWinds), invested £4 million as part of a total commitment of £14 million, at a valuation significantly greater than MIG 2's original cost and previous valuation. At the same time, your Company invested £1,717 for further shares in this investment round, while Monsal prepaid £85,450 of loan stock back to the Company. This company continues to progress a number of waste contracts, exploiting its acknowledged expertise in anaerobic digestion technology. Delays in finalising current projects and commissioning contracts from potential clients have meant that Monsal's revenues continue to be lumpy. As such, its valuation has been reduced from £1,391,033 at 31 July 2010 to cost of £770,717. We remain hopeful that the significant investment by Four Winds will result in higher future returns for the Company.

In October 2010, ATG Media prepaid £95,988 of loan stock to the Company. ATG Media has been performing ahead of budget; its online auction technology continues to generate significant interest and its magazine advertising revenues have improved following a reduced spend by auction houses in 2009.

Portfolio Highlights

At 31 October 2010, the investment portfolio comprised 20 companies at a cost of £14.9 million and current valuation of £14.0 million. On a like for like basis the portfolio has increased by 15.8% compared with the valuations prevailing at 30 April 2010. Over the same period the FTSE All-Share and FTSE SmallCap indices have risen by 2.5% and 3.9% respectively.

A number of portfolio companies have continued to perform strongly:

British International is exceeding its budget for the year. Its helicopter support for the Falkland Islands oil & gas drilling continues and its passenger service between Penzance and Scilly Isles benefited from better summer weather and improved fleet reliability. The company has also agreed terms with Sainsbury for the sale, subject to planning permission, of its Penzance heliport site, which will enable it to invest in new helicopter capacity.

Blaze Signs is beginning to see increased demand for its services, having successfully cut costs, and expects to exceed budget in the last two months of 2010. Vectair is trading ahead of budget and making further progress in export markets including the Middle East and India. Racoon's profitability is also ahead of budget, albeit well below pre-investment expectations.

Iglu.com has been trading strongly and is ahead of its investment plan. Its valuation at 31 October 2010 has now moved upwards from cost of £1 million to £1,662,777 on an earnings valuation basis. Despite seeing a fall in licence income, VSI has gained from the relative weakness of sterling and is developing a number of strategic relationships. Focus Pharma continues to trade well, with growth in year-on-year sales of all its products.

However, the construction and house building sectors remain weak and Youngman, PXP and Plastic Surgeon continue to trade well below pre-economic downturn levels. In response, each business has reduced its costs and managed its cash resources effectively. Youngman has almost fully repaid its acquisition debt since investment and should benefit from an upturn in its markets. PXP has reduced its exposure to private sector house builds and public sector funded housing associations, towards commercial buildings such as hotels and doctors' surgeries. Plastic Surgeon has diversified into commercial property and insurance markets.

Disappointingly, and despite issuing a trading update which was only slightly behind market expectations, Legion Group requested a suspension of its shares pending clarification of its working capital position in July. Unfortunately, it was unable to agree a repayment plan with a major creditor and the business was placed into administration in August and the business subsequently sold to OCS Group.

In June, Award International announced it had agreed terms for a reverse takeover of Fuse 8 Group Limited, a digital marketing services provider, for an all-share consideration. The business changed its name to Fuse 8 plc and its enlarged share capital was re-admitted to AIM in July.

The two acquisition companies, Backbarrow and Vanir Consultants, continue to search for suitable investments in their chosen sectors.

Outlook

Although the economic environment remains uncertain, we are becoming more confident that the threats to the financial health of our portfolio companies have diminished. A more stable political and economic environment should allow smaller companies to plan for the future and we expect to see increasingly attractive opportunities coming forward. We continue to believe that the portfolio, taken as a whole, is resilient and of high quality and we expect to unlock additional value over time.

Having retained significant uninvested cash, the VCT is well placed to support certain portfolio companies should the need arise and to capitalise on attractive new investment opportunities.

Matrix Private Equity Partners LLP

23 December 2010

Investment Portfolio Summary

as at 31 October 2010

Qualifying investments	Date of first investment	Total book cost £	Valuation £	% of net assets by value
AiM quoted investments				
Fuse 8 plc (formerly Award International Holdings plc) Sales promotion activities	March 2004	250,000	7,500	0.0%
Vphase plc (formerly Flightstore Group plc) Development of energy saving devices for domestic use	March 2001	254,586	3,802	0.0%
		504,586	11,302	0.0%
Unquoted investments				
DiGiCo Europe Limited Design and manufacture of audio mixing desks	July 2007	495,651	1,798,711	7.3%
Iglu.com Holidays Limited Online ski and cruise travel agent	December 2009	1,000,001	1,662,777	6.8%
British International Holdings Limited Supplier of helicopter services	June 2006	1,000,000	1,246,731	5.1%
ATG Media Holdings Limited Antiques publication	October 2008	767,907	1,117,307	4.6%
Aust Recruitment Group Limited Recruitment consultants for the pharmaceutical, business intelligence and IT industries	October 2010	1,000,000	1,000,000	4.1%
Backbarrow Limited Company seeking to invest in food manufacturing, distribution and brand management	April 2010	1,000,000	1,000,000	4.1%
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	4.1%
VSI Limited Developer and marketeer of 3D software	April 2006	308,643	938,622	3.8%
Focus Pharma Holdings Limited Licensing and distribution of generic pharmaceuticals	October 2007	660,238	897,783	3.7%
Monsal Holdings Limited Engineering services to water and waste sectors	December 2007	770,717	770,717	3.1%
Youngman Group Limited Manufacturer of ladders and access towers	October 2005	1,000,052	699,966	2.9%
Vectair Holdings Limited A provider of air care and sanitary washroom products	January 2006	243,784	416,056	1.7%
Racoon International Holdings Limited Supplier of hair extensions, hair care products and training	December 2006	878,527	400,825	1.6%
Campden Media Limited Magazine publisher and conference organiser	January 2006	975,000	345,728	1.4%
Blaze Signs Holdings Limited Sign writer	April 2006	1,398,498	307,610	1.3%
The Plastic Surgeon Holdings Limited Snagging and finishing of domestic and commercial properties	April 2008	392,264	98,067	0.4%
PXP Holdings Limited (Pinewood Structures) Designer, manufacturer and supplier of timber frames for housing	December 2006	1,163,436	–	0.0%
Legion Group plc (in administration) Provision of manned guarding, mobile patrolling and alarm response services	August 2005	150,000	–	0.0%
		14,204,718	13,700,900	56.0%
Total qualifying investments		**14,709,304**	**13,712,202**	**56.0%[1]**

Non-qualifying investments	Book cost £	Valuation £	% of net assets by value
Money market funds[2]	10,419,732	10,419,732	42.5%
British International Holdings Limited	160,000	320,000	1.3%
Cash	119,290	119,290	0.5%
Legion Group plc (in administration)	106	–	0.0%
Total non-qualifying investments	**10,699,128**	**10,859,022**	**44.3%**
Debtors		100,482	0.4%
Creditors		(179,829)	(0.7%)
Net assets		**24,491,877**	**100.0%**

1 As at 31 October 2010 the Company 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, and funds raised since April 2009.

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

Unaudited Income Statement

for the six months ended 31 October 2010

	Notes	Six months ended 31 October 2010 (unaudited) Revenue £	Capital £	Total £	Year ended 30 April 2010 (audited) Revenue £	Capital £	Total £
Unrealised gains/(losses) on investments held at fair value		–	1,819,526	1,819,526	–	1,239,386	1,239,386
Realised (losses)/gains on investments held at fair value		–	(64,323)	(64,323)	–	(46,352)	(46,352)
Income	3	295,154	–	295,154	383,511	–	383,511
Recoverable VAT		–	–	–	3,399	10,197	13,596
Investment management expense	4	(63,892)	(191,675)	(255,567)	(113,588)	(340,765)	(454,353)
Merger costs	12	(58,797)	–	(58,797)	–	–	–
Other expenses		(188,410)	–	(188,410)	(412,825)	–	(412,825)
(Loss)/profit on ordinary activities before taxation		(15,945)	1,563,528	1,547,583	(139,503)	862,466	722,963
Tax on (loss)/profit on ordinary activities		–	–	–	–	–	–
(Loss)/profit on ordinary activities after taxation		(15,945)	1,563,528	1,547,583	(139,503)	862,466	722,963
Basic and diluted earnings per share							
Ordinary Shares (formerly C Shares)	6	**(0.08)p**	**7.62p**	**7.54p**	**(0.57)p**	**2.74p**	**2.17p**
Ordinary Shares	6	**–**	**–**	**–**	**(0.35)p**	**3.43p**	**3.08p**

The total column of this statement is the profit and loss account of the Company.
All revenue and capital items in the above statement derive from continuing operations.
There were no other recognised gains or losses in the period.
Other than revaluation movements arising on investments held at fair value through profit and loss there were no differences between the profit/(loss) as stated above and at historical cost.

The notes to the unaudited financial statements on pages 14 – 19 form part of these Half-Yearly financial statements.

Six months ended 31 October 2009 (unaudited) Revenue £	Capital £	Total £
–	(72,303)	(72,303)
–	16,188	16,188
180,605	–	180,605
3,299	9,897	13,196
(57,813)	(173,437)	(231,250)
–	–	–
(185,001)	–	(185,001)
(58,910)	(219,655)	(278,565)
–	–	–
(58,910)	(219,655)	(278,565)
(0.20)p	**0.34p**	**0.14p**
(0.15)p	**(2.59)p**	**(2.74)p**

Unaudited Balance Sheet

as at 31 October 2010

	Notes	31 October 2010 (unaudited) £	30 April 2010 (audited) £	31 October 2009 (unaudited) £
Fixed assets				
Assets held at fair value through profit and loss – investments	9	14,032,202	11,531,467	10,607,209
Current assets				
Debtors and prepayments		100,482	61,007	63,124
Investments at fair value	10	10,419,732	11,752,413	11,665,160
Cash at bank		119,290	88,424	55,659
		10,639,504	11,901,844	11,783,943
Creditors: amounts falling due within one year		(179,829)	(142,362)	(73,831)
Net current assets		10,459,675	11,759,482	11,710,112
Net assets		**24,491,877**	**23,290,949**	**22,317,321**
Capital and reserves	11			
Called up share capital		263,392	286,057	286,556
Capital redemption reserve		43,255	20,590	20,091
Share premium account		–	–	7,208,326
Capital reserve – unrealised		(437,102)	(2,337,230)	(2,785,223)
Special distributable reserve		16,896,264	17,411,237	10,398,139
Profit and loss account		7,726,068	7,910,295	7,189,432
		24,491,877	**23,290,949**	**22,317,321**
Net asset value per share				
New Ordinary Shares (formerly C Shares)	7	**92.99p**	**87.47p**	**85.38p**
Ordinary Shares	7	**–**	**72.10p**	**66.29p**

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 2010

	Notes	Six months ended 31 October 2010 (unaudited) £	Year ended 30 April 2010 (audited) £	Six months ended 31 October 2009 (unaudited) £
Opening shareholders' funds		23,290,949	22,319,144	22,319,144
Net share capital issued in the year (net of expenses)		–	501,824	501,824
Net share capital bought back		(173,192)	(78,141)	(50,241)
Profit/(loss) for the year		1,547,583	722,963	(278,565)
Dividends paid in year	8	(173,463)	(174,841)	(174,841)
Closing shareholders' funds		24,491,877	23,290,949	22,317,321

The notes to the unaudited financial statements on pages 14 – 19 form part of these Half-Yearly financial statements.

Unaudited Cash Flow Statement

for the six months ended 31 October 2010

	Six months ended 31 October 2010 (unaudited) £	Year ended 30 April 2010 (audited) £	Six months ended 31 October 2009 (unaudited) £
Operating activities			
Investment income received	264,365	367,037	185,626
VAT received and interest thereon	–	136,235	120,068
Investment management fees paid	(255,567)	(457,011)	(234,308)
Merger costs paid by the Company	(28,338)	–	–
Other cash payments	(200,416)	(364,709)	(212,861)
Net cash outflow from operating activities	(219,956)	(318,448)	(141,475)
Investing activities			
Acquisition of investments	(1,001,717)	(1,597,310)	–
Disposal of investments	256,185	2,155,781	233,580
Net cash (outflow)/inflow from investing activities	(745,532)	558,471	233,580
Dividends			
Dividends paid	(173,463)	(174,841)	(174,841)
Net cash (outflow)/inflow before liquid resource management and financing	(1,138,951)	65,182	(82,736)
Movement in money market and other deposits	1,332,681	(553,651)	(466,398)
Financing			
Purchase of own shares	(162,864)	(78,141)	(50,241)
Share capital raised (net of expenses)	–	593,688	593,688
Net cash (outflow)/inflow from financing	(162,864)	515,547	543,447
Increase/(decrease) in cash	30,866	27,078	(5,687)

Reconciliation of net cash flow to movement in net funds

	Six months ended 31 October 2010 (unaudited) £	Year ended 30 April 2010 (audited) £	Six months ended 31 October 2009 (unaudited) £
Net funds at start of period	88,424	61,346	61,346
Increase/(decrease) in cash for the period	30,866	27,078	(5,687)
Net funds at the end of the period	119,290	88,424	55,659

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

	Six months ended 31 October 2010 (unaudited) £	Year ended 30 April 2010 (audited) £	Six months ended 31 October 2009 (unaudited) £
Profit/(loss) on ordinary activities before taxation	1,547,583	722,963	(278,565)
Net unrealised (gains)/losses on investments	(1,819,526)	(1,239,386)	72,303
Net losses/(gains) on realisations of investments	64,323	46,352	(16,188)
(Increase)/decrease in debtors	(39,475)	116,913	54,480
Increase in creditors and accruals	27,139	34,710	26,495
Net cash outflow from operating activities	(219,956)	(318,448)	(141,475)

The notes to the unaudited financial statements on pages 14 – 19 form part of these Half-Yearly financial statements.

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 unaudited results cover the six months to 31 October 2010 and have been prepared under UK Generally Accepted Accounting Practice (UK GAAP), consistent with the accounting policies set out in the statutory accounts for the year ended 30 April 2010 and the 2009 Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ("the SORP").

The results for the six months to 31 October 2010 reflect the activities of what were previously the Ordinary Share Fund and the C Share Fund of the Company, which were merged on 10 September 2010, for the whole period.

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 Income Statement

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

c) Investments

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

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

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

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

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

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

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

or:-

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

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

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

d) Capital gains and losses

Capital gains and losses on investments, whether realised or unrealised, are dealt with in the profit and loss and revaluation reserves and movements in the period are shown in the Income Statement.

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 2010 (unaudited) £	Year ended 30 April 2010 (audited) £	Six months ended 31 October 2009 (unaudited) £
Income from investments			
Dividends	71,002	25,173	2,945
Money-market funds	36,726	81,881	45,406
Loan stock interest	187,399	259,774	116,005
Bank deposit and other interest	27	516	82
Interest received on VAT	–	16,167	16,167
Total income	295,154	383,511	180,605

4. Investment management expense

Under the terms of a revised investment management agreement dated 10 September 2010, MPEP provides investment advisory, administrative and company secretarial services to the Company, for a fee of 2.0% per annum calculated on a quarterly basis by reference to the net assets at the end of the preceding quarter, plus a fee of £104,432 per annum, the latter being subject to changes in the retail prices index each year. This agreement replaced the previous agreements with MPEP dated 10 May 2000 and 20 September 2005, both novated to MPEP on 20 October 2006, and the accounting services agreement and the secretarial services agreement with Matrix-Securities Limited both dated 20 September 2005, all of which were terminated on 10 September 2010. In accordance with the policy statement published under "Management and Administration" in the Company's prospectus dated 10 May 2000, the Directors have charged 75% of the investment management expenses to the capital account. This is in line with the Board's expectation of the long-term split of returns from the investment portfolio of the Company.

5. Taxation

There is no tax charge in the period, as there were taxable losses in the period as capital gains are not chargeable to corporation tax.

Notes to the unaudited financial statements

6. Basic and diluted earnings per share

	Six months ended 31 October 2010 (unaudited) Ordinary Shares Total (formerly C Share Fund) £	Year ended 30 April 2010 (audited) Ordinary Share Fund £	C Share Fund £	Total £
Total earnings after taxation:	1,547,583	346,071	376,892	722,963
Basic and diluted earnings per share (note a)	**7.54p**	**3.08p**	**2.17p**	
Revenue (loss)/profit from ordinary activities after taxation	(15,945)	(39,878)	(99,625)	(139,503)
Basic and diluted revenue earnings per share (note b)	**(0.08)p**	**(0.35)p**	**(0.57)p**	
Net unrealised capital gains/(losses) on investments	1,819,526	521,924	717,462	1,239,386
Net (losses)/gains on realisations of investments	(64,323)	(27,258)	(19,094)	(46,352)
VAT recoverable	–	6,523	3,674	10,197
Capital management fees less taxation	(191,675)	(115,240)	(225,525)	(340,765)
Total capital profit/(losses) on ordinary activities after taxation	1,563,528	385,949	476,517	862,466
Basic and diluted capital earnings per share (note c)	**7.62p**	**3.43p**	**2.74p**	
Weighted average number of shares in issue in the period	20,529,194	11,259,333	17,411,523	

Notes

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

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

c) Basic and diluted capital earnings per share is total capital earnings divided by the weighted average number of shares in issue.

7. Net asset value per share

	As at 31 October 2010 (unaudited) Ordinary Shares (formerly C Shares) £	As at 30 April 2010 (audited) Ordinary Share Fund £	C Share Fund £	As at 31 October 2009 (unaudited) Ordinary Share Fund £	C Share Fund £
Net assets	24,491,877	8,118,298	15,172,651	7,464,008	14,853,313
Number of shares in issue	26,339,245	11,259,333	17,346,353	11,259,333	17,396,277
Net asset value per share (pence)	**92.99p**	**72.10p**	**87.47p**	**66.29p**	**85.38p**

8. Dividends

	Six months to 31 October 2010 (unaudited) £	Year to 30 April 2010 (audited) £	Six months to 31 October 2009 (unaudited) £
Ordinary Shares (formerly C Share Fund)			
Dividends paid in period – 1 pence per share (30 April 2010: 1 pence; 31 October 2009: 1 pence)	173,463	174,841	174,841

Six months ended 31 October 2009 (unaudited)		
Ordinary Share Fund £	C Share Fund £	Total £
(308,219)	29,654	(278,565)
(2.74)p	**0.14p**	
(16,544)	(42,366)	(58,910)
(0.15)p	**(0.20)p**	
(248,485)	176,182	(72,303)
9,533	6,655	16,188
6,223	3,674	9,897
(58,946)	(114,491)	(173,437)
(291,675)	70,020	(219,655)
(2.59)p	**0.34p**	
11,259,333	20,875,823	

Notes to the unaudited financial statements

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

	Traded on AIM or OFEX £	Unquoted Ordinary shares £	Preference shares £	Qualifying loans £	Total £
Cost at 1 May 2010	654,692	3,776,742	43,588	9,643,675	14,118,697
Unrealised losses at 1 May 2010	(337,518)	(32,426)	(36,046)	(1,931,240)	(2,337,230)
Permanent impairment at 1 May 2010	(250,000)	–	–	–	(250,000)
Value at 1 May 2010	67,174	3,744,316	7,542	7,712,435	11,531,467
Purchases at cost	–	175,649	1,000	825,068	1,001,717
Sale proceeds	–	–	–	(256,185)	(256,185)
Increase in unrealised gains	8,451	1,641,235	1,000	168,840	1,819,526
Realised losses	(64,323)	–	–	–	(64,323)
Cost/valuation at 31 October 2010	**11,302**	**5,561,200**	**9,542**	**8,450,158**	**14,032,202**
Book cost at 31 October 2010	654,692	3,952,391	44,588	10,217,739	14,869,410
Unrealised (losses)/gains at 31 October 2010	(243,284)	1,608,809	(35,046)	(1,767,581)	(437,102)
Permanent impairment at 31 October 2010	(400,106)	–	–	–	(400,106)
Valuation at 31 October 2010	**11,302**	**5,561,200**	**9,542**	**8,450,158**	**14,032,202**
Unrealised losses at 1 May 2010	(587,518)	(32,426)	(36,046)	(1,931,240)	(2,587,230)
Net movement in unrealised appreciation in the period	8,451	1,641,235	1,000	168,840	1,819,526
Permanent impairment in period	(150,106)	–	–	–	(150,106)
Realisation of previously unrealised losses/(gains)	85,783	–	–	(5,181)	80,602
(Losses)/gains on investments at 31 October 2010	**(643,390)**	**1,608,809**	**(35,046)**	**(1,767,581)**	**(837,208)**

10. Investments at fair value

These comprise investments in five OEIC money market funds (four Dublin based and one London based), managed by Blackrock (two funds), Royal Bank of Scotland, Prime Rate Capital Management and Scottish Widows Investment Partnership. £10,418,805 (30 April 2010: £11,751,493; 31 October 2009: £11,664,255) of this sum is subject to same day access, while £927 (30 April 2010: £920; 31 October 2009: £905) is subject to two day access.

11. Capital and reserves for the period ended 31 October 2010

	Called up share capital £	Capital redemption reserve £	Capital reserve (unrealised) £	Special distributable reserve £	Profit and Loss Account £	Total £
At 1 May 2010	286,057	20,590	(2,337,230)	17,411,237	7,910,295	23,290,949
Shares bought back	(3,185)	3,185	–	(173,192)	–	(173,192)
Realisation of previously unrealised losses	–	–	80,602	–	(80,602)	–
Transfer of realised capital losses	–	–	–	(341,781)	341,781	–
Adjustment of share capital due to share merger	(19,480)	19,480	–	–	–	–
Dividends paid	–	–	–	–	(173,463)	(173,463)
Profit/(loss) for the year	–	–	1,819,526	–	(271,943)	1,547,583
At 31 October 2010	263,392	43,255	(437,102)	16,896,264	7,726,068	24,491,877

The special reserve provides the Company with a reserve out of which it can fund buy-backs of the Company'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 1.7 of the Extraordinary General Meeting held on 9 September 2010, Shareholders authorised the Company to purchase its own shares pursuant to section 701 of the Companies Act 2006. The authority is limited to a maximum of 5,009,353 shares of the Company, and will unless previously revoked or renewed expire on the conclusion of the Annual General Meeting of the Company to be held in 2011.

The maximum price that may be paid for Ordinary 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 is purchased. The minimum price that may be paid for Ordinary Shares is 1 penny per share. The authority provides that the Company may make a contract to purchase Ordinary 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 pursuant to such contract.

12. Merger of 'O' and 'C' Share classes

On 10 September 2010, the ordinary shares of 1p each in the capital of the Company (" 'O' Shares") were merged with the C ordinary shares of 1p each in the capital of the Company (" 'C' Shares"). A proportion of the 'O' Shares were redesignated as 'C' Shares, calculated by reference to the relative net asset values of each Share class as at 31 July 2010, adjusted for subsequent dividends paid to each class before the merger. The resultant 26,657,715 'C' Shares in issue, being 17,346,339 already in issue plus 9,311,376 created by the conversion, were then re-designated as Ordinary Shares in the capital of the Company. The residual balance of 1,947,957 'O' Fund shares not redesignated as 'C' shares were instead redesignated as deferred shares and bought back by the Company for an aggregate amount of 1p, cancelled as issued and redesignated as Ordinary Shares.

The net asset values (NAV) of each Fund used for the purposes of conversion at the calculation date of 9 September 2010, and the resultant conversion ratios into Ordinary Shares were:

Company	NAV per share	Conversion ratio applied to 'O' Share to obtain new number of 'C' Shares
'O' Share Fund	75.17	0.82701277
'C' Share Fund	90.89	1.00000000

Share certificates reflecting the new shareholdings totalling 26,657,715 Ordinary Shares in the capital of the Company were sent to shareholders on 24 September 2010.

Estimated total merger costs of £58,797 were incurred to merge the 'O' and 'C' Share Funds, principally being legal and professional fees, registrars' fees and printing costs.

13. Related party transactions

Kenneth Vere Nicoll is a shareholder of Matrix Group Limited, which owns Matrix-Securities Limited, MPE Partners Limited and has a 51% interest in Prime Rate Capital Management LLP and Matrix Corporate Capital LLP ("MCC"). MPE Partners Limited has a 50% interest in Matrix Private Equity Partners LLP, the Company's Investment Manager. Matrix-Securities Limited provided accountancy and company secretarial services to the Company up to 10 September 2010, for which it received payment of £42,319 (year ended 30 April 2010: £121,501; six months ended 31 October 2009: £60,695) including VAT. Matrix Private Equity Partners LLP is the Company's Investment Manager in respect of venture capital investments, administrator and Company Secretary and earned fees of £255,567 (year ended 30 April 2010: £454,353; six months ended 31 October 2009: £231,250) for the period. The Company has invested £2,827,853 in a liquidity fund managed by Prime Rate Capital Management LLP, and earned income of £12,756 (30 April 2010: £24,845, 31 October 2009: £11,325) from this fund in the period. MCC are the Company's brokers and earned fees of £5,875 (30 April 2010: £11,526, 31 October 2009: £5,692) in the period. Three (30 April 2010: three, 31 October 2009: two) share buybacks were undertaken by MCC on the Company's instruction totalling £173,192 (30 April 2010: £78,181, 31 October 2009: £50,241) with £10,327 outstanding at the period end (30 April 2010: £nil, 31 October 2009: £nil).

14. The financial information set out in this half-yearly financial report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The information for the year ended 30 April 2010 has been extracted from the latest published audited financial statements, which have been filed with the Registrar of Companies. The auditors have reported on these financial statements and that report was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

15. 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 downloaded via the Company's website at 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.

Net asset value per share

The Company's NAV per share as at 31 October 2010 was 92.99 pence per Ordinary 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 2010 to Ordinary Shareholders. The Directors will consider the payment of final dividends in respect of the year-ending 30 April 2011 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, lines are open 8.30 am – 5.30 pm Mon-Fri. If calling from overseas please dial +44 208 639 3399) or write to them at Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire, HD8 0LA. Alternatively you can contact them via their web site at www.capitaregistrars.com.

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