INVESTMENT PRODUCTS

MATRIX INCOME & GROWTH VCT PLC 2

A VENTURE CAPITAL TRUST

REPORT & ACCOUNTS

Annual Report and Accounts
for the year ended 30 April 2011

MATRIX

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

Investment Objective

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

Venture Capital Trust Status

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

Contents

Financial Highlights

The net assets of the 'O' and 'C' Share Funds were merged to form one share class of Ordinary Shares on 10 September 2010. At that date the net assets of the merged entity were £24.2 million, which has increased to £24.9 million at 30 April 2011.

The highlights during the year have been:-

- Increase in year of 14.8% in Total Shareholder return (net asset value basis) to 106.2 pence
- 4p dividend declared and paid in the year
- Increase of 15.2% in Total Shareholder return (share price basis) over the year

Annual results for the year ended 30 April 2011

Ordinary Shares of 1 penny (formerly C Shares until 10 September 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 30 April 2011	24.9	96.2	10.0	106.2	62.0	72.0
As at 30 April 2010	15.2	87.5	5.0	92.5	57.5	62.5
As at 30 April 2009	14.5	86.0	4.0	90.0	74.5	78.5
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 30 April 2011	–	79.5	30.1	109.6	–	–
As at 30 April 2010	8.1	72.1	26.8	98.9	40.5	67.3
As at 30 April 2009	7.8	69.0	26.8	95.8	48.5	75.3
At close of Offer for subscription in 2001	12.4	94.0	–	–	–	–

[1] Source: London Stock Exchange

The table below shows the NAV total return at 30 April 2011 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 30 April 2011 (£)	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	9,616	1,000	10,616	616
Ordinary Share Fund (formerly C Share Fund) 2008/2009 (10,823 shares issued for £10,000 at 92.39p per share)	10,823	10,407	649	11,056	1,056
Former Ordinary Share Fund (raised 2000/2001)	8,270[2]	7,952	3,010	10,962	962

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 30 April 2011 (£)	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	9,616	1,000	10,616	4,616
Ordinary Share Fund (formerly C Share Fund) 2008/2009 (10,823 shares issued for £10,000 at 92.39p per share)	30%	7,000	10,407	649	11,056	4,056
Former Ordinary Share Fund (raised 2000/2001)	20%[1]	8,000	7,952	3,010	10,962	2,962

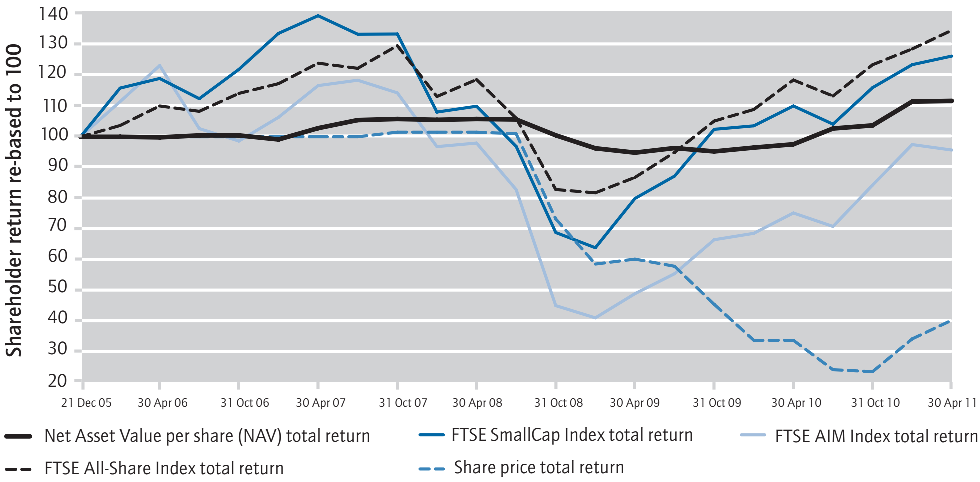
1 Additional capital gains tax deferral relief of up to £4,000 available to qualifying shareholders.

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

Financial Highlights

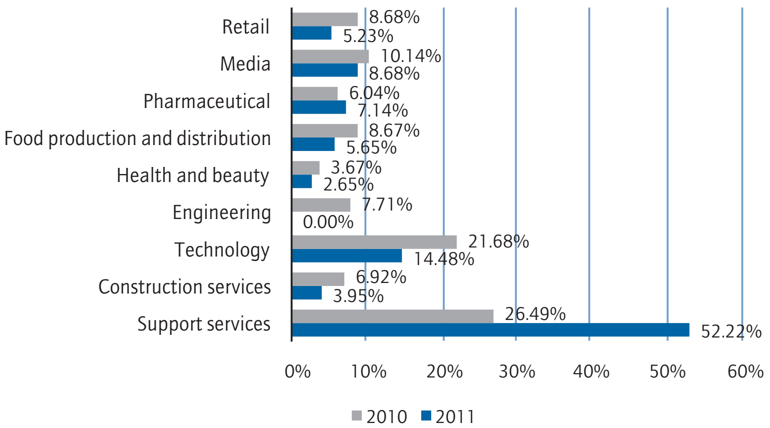
Ordinary Share Fund

Total shareholder return (listed on 21 December 2005)

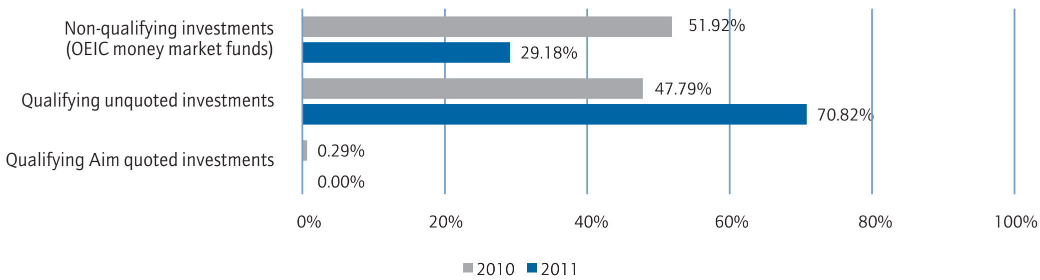


Investments at valuation as at 30 April 2011

Investments by market sector



Investments by asset class



Note: 2010 comparatives are the former 'O' and 'C' Share funds combined.

Chairman's Statement

I am pleased to present the eleventh Annual Report of the Company, for the year ended 30 April 2011.

The last year has seen a small recovery in investor confidence. However, the UK economy is still very weak. Proper repair of this damage will be a painful process; current government policy is to reduce public spending, while at the same time allowing the effects of quantitative easing and maintaining an artificially low interest rate structure to soften this pain.

Despite this difficult background, the Company's return for the year has been good. Many of the companies in the portfolio continue to make good progress in spite of the challenging economic conditions. The Board has been supportive of the Manager's selective approach to investing at a low point in the economic cycle.

Performance for the year ended 30 April 2011

The net asset value ("NAV") per share at 30 April 2011 is 96.16 pence (2010: 87.47 pence), an increase over the year of 8.69 pence (2010: increase of 1.45 pence). The total NAV return per share, including dividends paid to date, is now 106.16 pence (2010: 92.47 pence), an increase over the year of 13.69 pence or 14.8% (2010: increase of 2.45 pence, or 2.7%). This compares with the initial NAV per share, net of initial costs, of 94.5 pence at the date of the first issue of the 'C' Share Fund (now the Ordinary Share Fund) representing a positive total return per share since the launch date of 12.3%.

This increase is primarily a result of unrealised increases in the valuation of investments.

Merger of 'O' and 'C' Fund share classes

The share class merger was completed on 10 September 2010 following shareholder approval at the Extraordinary General Meeting convened the previous day. For further information on the financial details of the merger please see Note 21 to the Notes to the Accounts on page 58.

Shareholders should note that the performance data above relates to the one ordinary share class now in existence, which was formerly called the 'C' share class. Shareholders in both the former 'O' and 'C' share classes may wish to see the performance of their own investment, and this is shown in the Financial Highlights on pages 2 and 3.

Revenue and Capital returns for the year ended 30 April 2011

The results for the year ended 30 April 2011 are set out in the following pages. The total return (after tax) attributable to Ordinary Shareholders for the year was a profit of £3,250,053 (2010: £722,963), comprising a net capital return of £3,128,892 and a revenue return of £121,161. This improved performance for the year is mainly due to net increases of £2.9 million in the investment portfolio.

Portfolio Activity

The Company has continued its cautious approach to new investment given the volatile and difficult trading environment for smaller companies. The Company completed eight investments in the year.

A number of transactions in Monsal have taken place both before and after the year-end, which have affected the valuation of this investment. Full details are explained in the Manager's Review.

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. A follow-on investment has also been made in this last investment, to finance an acquisition.

Finally, the Company has made three further investments in March and April 2011, as part of our operating partner programme.

In July 2011 the Company made a new investment of £1,160,549 in Motorclean Holdings Limited, a supplier of car valeting services to the retail motor sector.

ATG Media, DiGiCo, IGLU.com, Vectair and Machineworks Software Limited (demerged from VSI in the year) prepaid loan stocks plus premia during the year.

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, have seen their profits begin to recover, notably Blaze Signs and Youngman.

The Company now holds 26 investments at the year-end, which were valued at 104.83% of cost.

Details of these investments are provided in the Investment Manager's Review on pages 11 to 21.

Chairman's Statement

Income returns

Total income turned positive for the year, generating a profit of £121,161 compared to a loss of £139,503 in 2010. The improvement in this revenue return is mainly due to two main factors:-

Firstly, loan stock interest from investee companies rose to £437,080 (2010: £259,774), as several new investments generated new income, while several investee companies were able to resume payment of current interest. The annualised yield from loan stocks at valuation is now running at 5.09% (2010: 4.8%).

Secondly, income from equity dividend receipts has also risen to £128,033 (2010: £25,173). Income in 2011 was boosted by dividends from two new sources, namely DiGiCo and ATG.

It should be noted that income returns have continued to be adversely affected by the low interest rates available on bank deposits and money-market funds. Total income from cash and money market funds was £69,142 (2010: £82,397). Underlying costs did not change significantly from the previous year (excluding share fund merger costs of £52,928).

Dividends

The revenue account generated a net revenue gain for the year, as explained above, being 0.46p per share (2010: loss of 0.57p). Your Board declared an interim dividend totalling 4p per share, of which 0.2p was income and 3.8p was capital. The Board is not recommending a final dividend for the year under review.

Share buy-backs

During the year ended 30 April 2011 the Company continued to implement its buy-back policy and bought back 799,951 Ordinary Shares, representing 3.0% of the shares in issue immediately after the merger, at a total cost of £457,264. These shares were subsequently cancelled by the Company. The shares above were bought back for an average price of 57.2 pence per share, at discounts to the net asset value at the date of each buyback ranging from 40.6 % to 36.6%.

Shareholder communication

May I remind you that the Company continues to have its own website which is available at www.mig2vct.co.uk.

The Investment Manager held a successful and well attended shareholder workshop in December 2010 and intends to hold a similar event on 14th December 2011. More details will be sent to shareholders nearer that date.

Strategy

Your board considers the Company's strategy at least annually. The main issues addressed are the investment objectives and policies, the role and performance of the investment manager and the methods of providing shareholders with a satisfactory return on their investment.

We believe that all shareholders should be able to realise their investment in the fund within a reasonable period. In the absence of a liquid market for shares in VCTs, this can be achieved only by share buy-backs or liquidation. Our dividend policy is to try to pay a consistent annual dividend while maintaining the net asset value of the fund.

We have rejected the policy of regularly issuing new shares to fund buy-backs at unrealistically low discounts mainly because each time new shares are issued the vote by shareholders to continue the life of the fund is postponed for another 5 years, thereby depriving shareholders of the opportunity to realise their investment through a liquidation. The next renewal vote will be in September 2015. Our relatively passive buy-back policy is based on the belief that buy-backs should only be executed at a discount which balances the interests of the shareholders seeking to realise their investment with those of the continuing shareholders.

We have set the investment manager a target of a minimum average annual total NAV return on the fund of 8% from 30 April 2010. The returns on the ordinary shares (formerly the C shares) for the five years and the year to 30 April 2011 were 6.2% and 14.8% respectively. We will review the position annually and decide on the basis of the returns achieved and any changes in circumstances whether to revise our strategy.

Outlook

The last year has seen tentative signs of recovery in the UK economy, although confidence remains fragile. The outlook for the UK economy remains uncertain, in the face of pressure upon the consumer from public sector cuts, higher taxes and inflation. At some point interest rates will have to rise, particularly as inflation is now increasing, and this process, whenever it takes place, will affect recovery prospects.

The effects of the relatively depressed state of the UK economy will continue to affect the investments held by your Company over the coming year. Smaller companies can be particularly sensitive to the economic environment, and only companies with robust business models will survive or expand. The Company maintains a significant cash position to support portfolio companies where merited and take advantage of attractive new investment opportunities that present themselves.

Conclusion

I would like to express my thanks to all Shareholders for your continuing support of the Company. I hope to have the opportunity of meeting you at the Annual General Meeting on 8 September 2011.

Nigel Melville
Chairman
21 July 2011

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 (save as may be permitted under VCT rules).

The VCT regulations in respect of funds raised after 6 April 2011 will change, such that 70% of such funds must be invested in equity.

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 Company's investments at the time of investment. Ongoing monitoring of each investment is carried out by the Investment 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 Investment 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 Company Secretarial and Accountancy services to the VCT.

Investment Portfolio Summary
as at 30 April 2011

	Date of first investment Sector	Total book cost at 30 April 2011 £	Valuation at 30 April 2010 £	Additions at cost £	Disposals at valuation £	Valuation at 30 April 2011 £	Change in valuation for year £	% of net assets by value
Qualifying investments								
AIM quoted investments								
Omega Diagnostics Group plc In vitro diagnostics for food intolerance, auto-immune diseases and infectious diseases	Dec 2010 Pharma-ceuticals	214,998	–	214,998	–	237,394	22,396	1.0%
Fuse 8 plc (Award International Holdings plc) Promotional goods and services agency	March 2004 Support services	250,000	–	–	–	7,000	7,000	0.1%
Vphase plc (formerly Flightstore Group plc) Development of energy saving devices for domestic use	March 2001 Electronic and electrical equipment	254,586	2,851	–	–	1,774	(1,077)	0.0%
		719,584	2,851	214,998	–	246,168	28,319	1.1%
Unquoted investments								
DiGiCo Europe Limited Design and manufacture of audio mixing desks	July 2007 Technology, hardware and equipment	495,651	1,634,704	–	74,747	1,907,395	347,438	7.7%
Blaze Signs Holdings Limited Manufacturing and installation of signs	April 2006 Support services	1,398,498	540,445	–	–	1,543,170	1,002,725	6.2%
British International Holdings Limited Helicopter service operators	June 2006 Support services	1,000,000	689,477	–	–	1,401,854	712,377	5.7%
ATG Media Holdings Limited Publisher and online auction platform operator	Oct 2008 Media	767,907	858,326	–	95,988	1,154,838	392,500	4.6%
Focus Pharma Holdings Limited Licensor and distributer of generic pharmaceuticals	Oct 2007 Support services	660,238	696,474	–	–	1,026,860	330,386	4.1%
Aust Recruitment Group Limited Recruitment consultants for the pharmaceutical, business intelligence and IT industries	Oct 2010 Support services	1,000,000	–	1,000,000	–	1,000,000	–	4.0%
Backbarrow Limited Food manufacturing, distribution and brand management	April 2010 Food production & distribution	1,000,000	1,000,000	–	–	1,000,000	–	4.0%
Rusland Management Limited Brand management, consumer products and retail	April 2011 Support services	1,000,000	–	1,000,000	–	1,000,000	–	4.0%
Sawrey Limited Marketing services and media	March 2011 Support services	1,000,000	–	1,000,000	–	1,000,000	–	4.0%
Torvar Limited Database management, mapping, data mapping and management services to legal and building industries	April 2011 Support services	1,000,000	–	1,000,000	–	1,000,000	–	4.0%
Vanir Consultants Limited Database management, mapping, data mapping and management services to legal and building industries	Oct 2008 Support services	1,000,000	1,000,000	–	–	1,000,000	–	4.0%

	Date of first investment Sector	Total book cost at 30 April 2011 £	Valuation at 30 April 2010 £	Additions at cost £	Disposals at valuation £	Valuation at 30 April 2011 £	Change in valuation for year £	% of net assets by value
ASL Technology Holdings Limited Printer and photocopier services	Dec 2010 Support services	999,865	–	999,865	–	999,865	–	4.0%
Iglu.com Holidays Limited Online ski and cruise travel agent	Dec 2009 Retail	152,326	1,000,001	–	847,675	923,815	771,489	3.8%
Youngman Group Limited Manufacturer of ladders and access towers	Oct 2005 Support services	1,000,052	699,966	–	–	699,966	–	2.8%
Machineworks Software Limited[3] Software for CAM and machine tool vendors	April 2006 Software and computer services	25,727	723,174	–	308,627	581,802	167,255	2.3%
Racoon International Holdings Limited Supplier of hair extensions, hair care products and training	Dec 2006 Personal goods	878,527	423,425	–	–	469,359	45,934	1.9%
Faversham House Publisher, exhibition organiser and operator of websites for the environmental, visual communications and building services sectors	Dec 2010 Media	374,870	–	374,870	–	374,870	–	1.5%
Vectair Holdings Limited Design and sale of washroom products	Jan 2006 Support services	60,293	441,853	–	220,189	204,750	(16,914)	0.9%
The Plastic Surgeon Holdings Limited Snagging and finishing of domestic and commercial properties	April 2008 Support services	392,264	98,067	–	–	98,067	–	0.4%
Lightworks Software Limited[3] Software for CAD vendors	April 2006 Software and computer services	25,727	138,183	–	–	73,372	(64,811)	0.3%
PXP Holdings Limited (Pinewood Structures) Design, manufacture and supply of timber frames for buildings	Dec 2006 Construction	1,163,436	–	–	–	–	–	0.0%
Monsal Holdings Limited Supplier of engineering services to the water and waste sectors	Dec 2007 Engineering	770,717	889,423	1,717	85,450	–	(805,690)	0.0%
Legion Group plc (formerly SectorGuard plc) Provision of manned guarding, mobile patrolling, and alarm response services	Aug 2005 Support services	150,000	64,286	–	64,286	–	–	0.0%
Campden Media Limited Publishing and conferencing	Jan 2006 Media	–	310,775	–	310,775	–	–	0.0%
		16,316,098	11,208,579	5,376,452	2,007,737	17,459,983	2,882,689	70.2%
Total qualifying investments		17,035,682	11,211,430	5,591,450	2,007,737	17,706,151	2,911,008	71.3%[1]

Investment Portfolio Summary
as at 30 April 2011

	Date of first investment Sector	Total book cost at 30 April 2011 £	Valuation at 30 April 2010 £	Additions at cost £	Disposals at valuation £	Valuation at 30 April 2011 £	Change in valuation for year £	% of net assets by value
Non-qualifying investments								
Money market funds[2]		6,538,497	11,752,413			6,538,497		26.3%
British International Holdings Limited		160,000	320,000	–	–	320,000	–	1.3%
Cash		76,291	88,424			76,291		0.3%
Legion Group plc (formerly SectorGuard plc)		106	37		37	–	–	0.0%
Total non-qualifying investments		6,774,894	12,160,874	–	37	6,934,788	–	27.9%
Debtors		441,684	61,007			441,684		1.7%
Creditors		(218,655)	(142,362)			(218,655)		(0.9%)
Net assets		24,033,605	23,290,949	5,591,450	2,007,774	24,863,968	2,911,008	100.0%

[1] As at 30 April 2011, 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 6 months from the date of disposal.

[2] Disclosed within Current assets as Current investments in the Balance Sheet.

[3] On 31 March 2011, VSI Limited undertook a demerger, such that MIG 2 VCT now holds separate investments in Machineworks Software Limited and Lightworks Software Limited. As a result, the cost as at 30 April 2010 of the ordinary and preference share investments in VSI Limited has been split equally between Machineworks Software Limited and Lightworks Software Limited.The valuation of these instruments at 30 April 2010 has been split 75:25 between Machineworks Software Limited and Lightworks Software limited respectively. The former loan investment in VSI of £308,627 had been wholly transferred to Machineworks Software Limited, so this loan's cost and value at 30 April 2010 has been specifically allocated to that new investment.

Investment Manager's Review

Overview

The first half of the year ended 30 April 2011 saw the continuation of the economic uncertainty that has affected new investment activity since 2008. However, the latter part of the year has shown signs of improvement in our investment marketplace. We are increasingly confident that the UK economic environment is beginning to generate conditions for greater numbers of attractively priced new investment opportunities. Portfolio companies are also more optimistic following an extended period of challenging trading conditions in most market sectors.

Our strategic response to the significant increase in deal flow is to focus on companies with strong and defensible market positions within their sectors, rather than targeting specific market sectors. However, we remain alert to the potential impact of cuts in public spending that are being implemented by the Coalition Government on the UK economy.

We have been appreciative of the Board's support through a period when we have thought it prudent to retain funds until economic conditions improved, rather than continue to invest during the downturn. Where we have chosen to invest, our strategy has also been to ensure that the companies were properly capitalised at the time of investment so that they were well positioned to contend with adverse market conditions. This, together with our focus on MBOs of established, profitable companies, has enabled us to build a resilient portfolio which has largely weathered the recession very well.

It is important to note that during the year, no further funding has been required by any of the investee companies to help them deal with trading downturns, with the exception of Monsal (see overleaf within the section discussing the portfolio) where a commitment has been made. We have continued to work actively with the management teams of investee companies, encouraging them to take cost cutting measures and discussing their budgets, forecasts and cost structure with them to ensure that their businesses remain as resilient as possible. The majority of investee companies have managed their cashflow well and remain cash-generative.

New investment

The second half of the year was much busier in terms of investment activity, with seven new investments completing during this period of which three are acquisition companies. The first, in October, was an investment of £1 million in Aust Recruitment Group Limited to support the MBO of RDL Recruitment Corporation, 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 "hard to fill" contract assignments and staff positions.

The next three new investments all completed in December:

£374,870 was invested to support the MBO of Faversham House Group Limited. Based in Croydon, this is an established media company providing magazines, exhibitions and online resources in the environment and sustainability, visual communications and building services sectors.

The Company invested £214,998 into 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. The share price has moved up since investment, giving an early uplift from cost of £22,396 at 30 April 2011.

The Company invested £999,865 in ASL Technology Holdings Limited to support the MBO of Automated Systems Group plc, a Cambridge based printer and copier services business with a broad customer base of schools and SMEs, and committed to invest a further £360,265, to support the acquisition of part of the assets of Transcribe Copier Systems Limited. This commitment was fulfilled in June 2011.

Finally, after the Company's year end, the Company made a new investment of £1,160,549 in Motorclean Holdings Limited, a supplier of car valeting services to the retail motor sector, in July.

Our Operating Partner programme continues to pursue an active search for investment opportunities in their chosen sectors. Your Company's acquisition companies, Backbarrow, Vanir Consultants, and newly invested Sawrey (March 2011), Rusland Management and Torvar (both in April 2011) are each headed by an experienced Chairman, well-known to us, who are working closely with us in seeking to identify and complete investments in sectors relevant to their industry knowledge and experience. These companies have not yet found sufficiently attractive investment opportunities at the right price. However, the Operating Partner programme has already evidenced its benefit in leading the investments in RDL Recruitment and Automated Systems Group referred to above. We anticipate that the Operating Partner programme will lead to further new investments during 2011.

Realisations

We are pleased to report that a number of companies in the portfolio continue to be strongly cash generative. As a result of this the Company has received a total of £1,795,536 in loan stock repayments plus premia during the year from investee companies still held in the portfolio at the end of the year. Amongst these, DiGiCo Europe continues to make regular repayments, the latest amount being £69,566 received in June 2010 plus a premium of £5,181. Monsal repaid £85,450 in July 2010; IGLU.com Holidays repaid £997,674 including £149,999 premium; Vectair repaid £220,189 including £36,698 premium and ATG Media repaid £95,988 in October 2010. In addition, a product of the recently demerged VSI, Machineworks Software Limited repaid all their remaining loan stock realising £321,488 including £64,298 premium.

In January, the Company realised its entire investment in Campden Media for a cash consideration of £836,294, including loan element of £777,563 representing 85.8% of total investment cost of £975,000. This compares to a valuation at 30 April 2010 of £310,775. The total cash return from the investment (including interest paid) amounted to £1,016,150, or 104% of cost.

Investment Manager's Review

The Portfolio

The MPEP invested portfolio at 30 April 2011 comprised twenty-six investments (2010: nineteen) with a cost of £17.2 million (2010: £14.1 million) and valued at £18.0 million (2010: £11.5 million), representing 104.8% of cost (2010: 81.7%). Realisations during the year generated cash proceeds of £2.63m.

The new investment made in 2010 in Iglu.com is now valued above cost following out-performance of its business plans at the time of investment. In March 2011, VSI completed a 50:50 demerger into Lightworks Software Limited and Machineworks Software Limited (with Machineworks assuming all of VSI's loan stock). This has enabled repayment of the loan stock in April 2011. Both remaining investments are valued above cost. Focus Pharma continues to trade well, although it ended its financial year slightly behind a stretching budget. It expects to progress further with several new product launches due during 2011. DiGiCo, BIH and ATG all experienced increased trading and profitability which has contributed to their higher unrealised valuations.

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

In July 2010, 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. The valuation of Monsal, which at the half-year had been equal to its cost of £770,717, has been reduced to nil at the year-end. This is because completion delays have occurred in an existing contract and in obtaining new contracts. The full provision arises due to a further loan stock investment of £192,244 in Monsal having so far been committed in May 2011 by the Company, alongside other Matrix VCTs and other shareholders, to provide £2 million to fund the cash shortfall. The terms of this new investment provide that it will rank ahead of previous rounds of investment by Monsal's shareholders, as a result of which the valuation of the investment already made up to 30 April has been reduced to nil for the time being. With this additional funding, Monsal now has the ability to pursue a number of major contracts in the waste and water sectors. Assuming successful contract wins, the potential for recovery of the value of the original investment becomes a more realistic prospect. The first amount of this commitment of £192,244, being £51,265, was drawn down in July 2011.

Blaze Signs has recovered strongly over the year and enjoyed particularly strong autumn months. Racoon has continued to recover profitability during 2010 and this year.

Disappointingly, Legion Group requested a suspension of trading of its shares in July 2010 pending clarification of the company's financial position. Legion had a healthy order book but continued to suffer working capital constraints. On 6 August 2010, the board appointed administrators and the business was subsequently sold to OCS Group.

Outlook

Whilst we cannot be sure of the extent of UK economic recovery, we have been encouraged by changes in the year and we look forward to a productive new investment period. Although the coming months are likely to prove more testing as the public sector cuts begin to take effect, we consider that good quality companies of the calibre in which we seek to invest, capable of maintaining competitive advantage, have the potential to succeed in this environment. We are seeing the confidence of both vendors and sellers return. Having retained significant uninvested cash, we consider the Company is very well placed to cover both any portfolio needs and funding for attractive new investment opportunities that may arise.

ASL Technology Holdings Limited (formerly Apricot Trading Limited)

Cost:	£999,865
Valuation:	£999,865
Basis of valuation:	Cost
Equity % held:	7.3%
Income receivable in year:	£24,163
Business:	Printer and photocopier services
Location:	Cambridge
History:	MBO via acquisition vehicle

Audited financial information:

First audited accounts since investment will be for the year ended 30 September 2011.

ATG Media Holdings Limited

Cost:	£767,907
Valuation:	£1,154,838
Basis of valuation:	Earnings multiple
Equity % held:	7.4%
Income receivable in year:	£62,987
Business:	Publisher of the leading newspaper serving the UK antiques trade and online auction platform operator
Location:	London
History:	MBO from Daily Mail & General Trust plc

Audited financial information:

Year ended	Turnover	Operating Profit	Net Assets
30 September 2010	£7,215,000	£1,261,000	£2,505,000
30 September 2009	£6,118,000	£873,000	£2,010,000

Aust Recruitment Group Limited

Cost:	£1,000,000
Valuation:	£1,000,000
Basis of valuation:	Cost
Equity % held:	9.1%
Income receivable in year:	£41,819
Business:	Recruitment consultants for the pharmaceutical, business intelligence and IT industries
Location:	Woking, Surrey
History:	MBO

Audited financial information:

First audited accounts since investment will be for the year ended 31 December 2010.

Fuse 8 plc (formerly Award International Holdings PLC)

Cost:	£250,000
Valuation:	£7,000
Basis of valuation:	Bid price (AIM quoted)
Equity % held:	0.2%
Income receivable in year:	£Nil
Business:	Promotional goods and services agency
Location:	Margate, Kent
History:	AIM flotation

Audited financial information:

Year ended	Turnover	Operating Profit	Net Assets
31 March 2011	£3,602,000	£684,000	£1,424,000
31 March 2010*	£3,347,000	£601,000	£759,000

* Year end changed following acquisition.

Investment Manager's Review

Backbarrow Limited

Cost:	£1,000,000
Valuation:	£1,000,000
Basis of valuation:	Cost
Equity % held:	16.7%
Income receivable in year:	£Nil
Business:	Food manufacturing, distribution and brand management sector acquisitions
Location:	Exeter, Devon
History:	Operating Partners Company

Financial information:

The Company is not required to produce audited accounts, and has not done so in order to minimise costs.

Blaze Signs Holdings Limited

Cost:	£1,398,498
Valuation:	£1,543,170
Basis of valuation:	Earnings multiple
Equity % held:	13.5%
Income receivable in year:	£72,176
Business:	Manufacturing and installation of signs
Location:	Broadstairs, Kent
History:	MBO from private ownership

Audited financial information:

Year ended	Turnover	Operating Profit	Net Assets
31 March 2010	£15,826,000	£414,000	£2,834,000
31 March 2009	£19,213,000	£205,000	£3,787,000

British International Holdings Limited

Cost:	£1,160,000
Valuation:	£1,721,854
Basis of valuation:	Earnings multiple
Equity % held:	10%
Income receivable in year:	£28,826
Business:	Helicopter service operator
Location:	Sherbourne, Dorset
History:	MBO from institutional investor

Audited financial information:

Year ended	Turnover	Operating Profit	Net Assets
31 December 2010	£19,350,000	£3,284,000	£4,017,000
31 December 2009	£16,050,000	£945,000	£2,969,000

DiGiCo Europe Limited

Cost:	£495,651
Valuation:	£1,907,395
Basis of valuation:	Earnings multiple
Equity % held:	6.5%
Income receivable in year:	£78,753
Business:	Manufacturer of digital sound mixing consoles
Location:	Chessington, Surrey
History:	MBO from private ownership

Audited financial information:

Year ended	Turnover	Operating Profit	Net Assets
31 December 2010	£18,757,000	£5,501,000	£8,909,000
31 December 2009	£12,922,000	£3,026,000	£5,660,000

Faversham House

Cost:	£374,870
Valuation:	£374,870
Basis of valuation:	Cost
Equity % held:	6.8%
Income receivable in year:	£11,393
Business:	Publisher, exhibition organiser and operator of web sites for the environmental, visual communications and building services sectors
Location:	South Croydon, Surrey
History:	MBO

Audited financial information:

Year ended	Turnover	Operating Profit	Net Assets
31 May 2010	£7,717,000	£37,000	£2,328,000
31 May 2009	£9,000,004	£(330,000)	£2,305,000

Focus Pharma Holdings Limited

Cost:	£660,238
Valuation:	£1,026,860
Basis of valuation:	Earnings multiple
Equity % held:	2.6%
Income receivable in year:	£54,702
Business:	Licensing and distribution of generic pharmaceuticals
Location:	Burton upon Trent, Staffordshire
History:	MBO from private ownership

Audited financial information:

Year ended	Turnover	Operating Profit	Net Assets
31 December 2010	£24,429,000	£1,261,000	£2,984,000
31 December 2009	£16,997,000	£902,000	£2,917,000

Investment Manager's Review

Iglu.com Holidays Limited

Cost:	£152,326
Valuation:	£923,815
Basis of valuation:	Earnings multiple
Equity % held:	8.1%
Business:	Online ski and cruise travel agent
Location:	Wimbledon
History:	Management buy-out
Income in year	£52,579

Audited financial information:

Year ended	Turnover	Operating Profit	Net Assets
31 May 2010[1]	£56,617,000	£974,000	£5,151,000

[1] The financial information quoted above relates to the operating subsidiary, Iglu.com Limited.

Legion Group plc

Cost:	£150,106
Valuation:	£Nil
Basis of valuation:	In Administration
Equity % held:	0.7%
Income receivable in year:	£Nil
Business:	Provision of manned guarding, mobile patrolling and alarm response services
Location:	Waltham Cross, Essex
History:	Expansion finance

Audited financial information:

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

*18 month period

Monsal Holdings Limited

Cost:	£770,717
Valuation:	£Nil
Basis of valuation:	Cost less impairment
Equity % held:	7.1%
Income receivable in year:	£30,994
Business:	Engineering services to water and waste sectors
Location:	Mansfield, Nottinghamshire
History:	MBO from private ownership

Audited financial information:

Year ended[2]	Turnover	Operating Profit	Net Assets
30 September 2009	£6,743,000	£475,000	£1,864,000[1]
30 September 2008	£1,748,000	£(1,033,000)	£1,831,000[1]

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

[2] The next accounts will be for the 18 month period ended 31 March 2011.

Omega Diagnostics

Cost: £214,998
Valuation: £237,394
Basis of valuation: Bid price (AIM-quoted)
Equity % held: 2.1%
Income receivable in year: £Nil
Business: In vitro diagnostics for food intolerance, auto-immune diseases and infectious diseases
Location: Alva, Scotland
History: AIM placing

Audited financial information:

Year ended	Turnover	Operating Profit	Net Assets
31 March 2011	£7,902,000	£136,000	£12,966,000
31 March 2010	£6,199,000	£307,000	£5,650,000

Plastic Surgeon Holdings Limited (The)

Cost: £392,264
Valuation: £98,067
Basis of valuation: Cost less impairment
Equity % held: 5.9%
Income receivable in year: £27,522
Business: Snagging and finishing of domestic and commercial properties
Location: Bovey Tracey, Devon
History: MBO from private ownership

Audited financial information:

Year ended	Turnover	Operating Profit	Net Assets
31 October 2009	£546,000	£224,000	£476,000
31 October 2008	£431,000	£98,000	£449,00

PXP Holdings Limited

Cost: £1,163,436
Valuation: £Nil
Basis of valuation: Earnings multiple
Equity % held: 8.5%
Income receivable in year: £Nil
Business: Designer, manufacturer and supplier of timber frames for buildings
Location: Sandy, Bedfordshire
History: MBO from private ownership

Audited financial information:

Year ended	Turnover	Operating Profit	Net Assets
31 December 2009	£14,582,000	£(433,000)	£(699,000)
31 December 2008	£24,231,000	£814,000	£581,000

Investment Manager's Review

Racoon International Holdings Limited

Cost: £878,527
Valuation: £469,359
Basis of valuation: Earnings multiple
Equity % held: 12.3%
Income receivable in year: £Nil
Business: Supplier of hair extensions, hair care products and training
Location: Leamington Spa, Warwickshire
History: MBO from private ownership

Audited financial information:

Year ended	Turnover	Operating Profit	Net Assets
31 March 2010	£3,556,000	£85,000	£(785,000)
31 March 2009	£3,682,000	£(346,000)	£(460,000)

Rusland Management Limited

Cost: £1,000,000
Valuation: £1,000,000
Basis of valuation: Cost
Equity % held: 16.3%
Income receivable in year: £Nil
Business: Brand management, consumer products and retail acquisitions
Location: Burton upon Trent, Staffordshire
History: Operating Partners Company

Financial information:

First accounts will be for the period ended 31 January 2011.

The Company is not required to produce audited accounts, and will not do so in order to minimise costs.

Sawrey Limited

Cost: £1,000,000
Valuation: £1,000,000
Basis of valuation: Cost
Equity % held: 49.0%
Income receivable in year: £Nil
Business: Marketing services and media acquisitions
Location: Thame, Oxon
History: Operating Partners Company

Audited financial information:

First accounts will be for the period ended 31 January 2012.

Torvar Limited

Cost:	£1,000,000
Valuation:	£1,000,000
Basis of valuation:	Cost
Equity % held:	16.3%
Income receivable in year:	£Nil
Business:	Database management, mapping, data mapping and management services to legal and building industries
Location:	Poole, Dorset
History:	Operating Partners Company

Audited financial information:

First accounts will be for the period ended 31 January 2012.

Vanir Consultants Limited

Cost:	£1,000,000
Valuation:	£1,000,000
Basis of valuation:	Cost
Equity % held:	16.3%
Income receivable in year:	£Nil
Business:	IT sector acquisitions
Location:	London
History:	Operating Partners Company

Financial information:

Year ended	Turnover	Operating Loss	Net Assets
31 October 2009	£nil	£(8,000)	£636,000

The Company is not required to produce audited accounts, and has not done so in order to minimise costs.

Vectair Holdings Limited

Cost:	£60,293
Valuation:	£204,750
Basis of valuation:	Earnings multiple
Equity % held:	5.2%
Income receivable in year:	£15,157
Business:	Design and sale of washroom products
Location:	Basingstoke, Hampshire
History:	MBO from private ownership

Audited financial information:

Year ended	Turnover	Operating Profit	Net Assets
31 October 2010	£9,203,000	£487,000	£3,055,000
31 October 2009	£8,552,000	£529,000	£2,840,000

Investment Manager's Review

VPhase plc (formerly Flightstore Group plc)

Cost: £254,586
Valuation: £1,774
Basis of valuation: Bid Price (AIM-quoted)
Equity % held: 0.02%
Income receivable in year: £Nil
Business: Development of energy-saving devices for domestic use
Location: Reigate, Surrey
History: AIM flotation

Audited financial information:

Year ended	Turnover	Operating Loss	Net Assets
31 December 2010	£266,000	£1,712,000	£2,769,000
31 December 2009	£124,000	£992,000	£2,404,000

Lightworks Software Limited

Cost: £25,727
Valuation: £73,372
Basis of valuation: Earnings multiple
Equity % held: 11.6%
Income receivable in year: £28,072
Business: Software for CAD vendors
Location: Sheffield
History: MBO from private ownership

Audited financial information:

Year ended*	Turnover	Operating Profit	Net Assets
31 December 2010	£4,423,000	£772,000	£1,068,000
31 December 2009	£4,399,000	£667,000	£976,000

* Figures relate to VSI Limited prior to demerger into Lightworks Software Limited and Machineworks Software Limited.

Machineworks Software Limited

Cost: £25,727
Valuation: £581,802
Basis of valuation: Earnings multiple
Equity % held: 11.6%
Income receivable in year: £28,354
Business: Software of CAM and machine tool vendors
Location: Sheffield
History: MBO from private ownership

Audited financial information:

Year ended*	Turnover	Operating Profit	Net Assets
31 December 2010	£4,423,000	£772,000	£1,068,000
31 December 2009	£4,399,000	£667,000	£976,000

* Figures relate to VSI Limited prior to demerger into Lightworks Software Limited and Machineworks Software Limited.

Youngman Group Limited

Cost:	£1,000,052
Valuation:	£699,966
Basis of valuation:	Net asset value basis
Equity % held:	8.5%
Income receivable in year:	£7,616
Business:	Manufacturer of ladders and access towers
Location:	Maldon, Essex
History:	Management buy-in/buy-out from SGB Group

Audited financial information:

Year ended	Turnover	Operating Profit	Net Assets
30 June 2010	£26,752,000	£6,000	£3,681,000
30 June 2009	£26,251,000	£188,000	£4,675,000

Operating profit is stated before charging amortisation of goodwill.

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

Board of Directors

Nigel Melville

Status: **Independent, non-executive Chairman**

Age: **66**

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

Last re-elected to the Board: September 2010. Standing for re-election at the forthcoming AGM on 8 September 2011.

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

Number of Board and Committee meetings attended 2010/11: 14/14

Remuneration 2010/11: £20,000.

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

Shareholding in the Company: Ordinary Shares 43,720.

Shareholding in investee companies: None.

Sally Duckworth

Status: **Independent, non-executive Director**

Age: **43**

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

Last re-elected to the Board: September 2010.

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

Number of Board and Committee meetings attended 2010/11: 14/14

Remuneration 2010/11: £15,833.

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

Shareholding in the Company: None.

Shareholding in investee companies: None.

Adam Kingdon

Status: **Independent, non-executive Director**

Age: **53**

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

Last re-elected to the Board: September 2010.

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

Number of Board and Committee meetings attended 2010/11: 11/14

Remuneration 2010/11: £17,500.

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

Shareholding in the Company: Ordinary Shares 5,709.

Shareholding in investee companies: None.

Kenneth Vere Nicoll

Status: **Non-Executive Director**

Age: **68**

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

Last re-elected to the Board: September 2010. Standing for re-election at the forthcoming AGM on 8 September 2011.

Committee memberships: Investment Committee, Nominations Committee, Remuneration Committee.

Number of Board and Committee meetings attended 2010/11: 12/14

Remuneration 2010/11: £15,000.

Relevant relationships with the Investment Manager or other service providers: Shareholder of Matrix Group Limited (for further details please see Note 24 on related party transactions on page 59).

Shareholding in the Company: Ordinary Shares 49,430 (including holdings of connected persons).

Shareholding in investee companies: None.

Directors' Report

The Directors present their eleventh annual report together with the audited financial statements of the Company for the year ended 30 April 2011.

Principal activity and status

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

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

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

The Ordinary shares (formerly C Shares) were first admitted to the Official List of the UK Listing Authority on 21 December 2005. Following the merger of the 'O' and 'C' Ordinary Shares, detailed below, the listing of the 'C' Shares was amended on the Official List to ordinary shares of 1p in the capital of the Company ("Ordinary Shares") on 13 September 2010 and the 'O' Share listing was cancelled.

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.

Business review and performance review

For a review of the Company's development and performance during the year, and a consideration of its future development please see the Chairman's Statement on pages 5 to 6 and the Investment Portfolio Summary and Investment Manager's Review on pages 7 to 21 of this Report. The Financial Highlights on pages 2 to 4 provide data on the Company's key performance indicators.

The Company's Investment Policy on page 7 and note 20 of the financial statements provides information on the Company's financial risk management objectives.

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

- **Total return**

  The total return per share is the key measure of performance for the Company which comprises NAV plus cumulative dividends paid per share. The Company's NAV is calculated quarterly in accordance with the IPEVCV guidelines.

  The net assets of the Ordinary Share Fund increased during the year under review resulting in a rise in the NAV per Ordinary Share of 9.93%. The total return to Ordinary Shareholders since launch has increased by 14.80% during the year, from 92.47 pence per share to 106.16 pence per share.

- **Total expense ratio (TER)**

  The TER of the Company for the year under review was 3.39% excluding VAT and exceptional costs, and 3.51% including VAT. Under the terms of the management agreement, the total management and administration expenses of the VCT, excluding any irrecoverable VAT, exceptional costs and any management performance incentive fee, are limited to a maximum of 3.6% of the value of the VCT's closing net assets.

Results (2010 figures include both the former 'O' share fund and the Ordinary Share Fund (formerly named 'C' Share Fund))

	Ordinary Share Fund	
	30 April 2011	30 April 2010
	£	£
Capital return transferred to reserves	3,128,892	862,466
Revenue return, before taxation	133,342	(139,503)
Taxation	(12,181)	Nil
Revenue return for the period	121,161	(139,503)

Directors' Report

Dividends

As noted in the Chairman's Statement on page 6, the Directors are not recommending a final dividend for Ordinary Shareholders. The Directors, however, declared an interim capital dividend of 3.8 pence per Ordinary Share and an interim income dividend of 0.2 pence per Ordinary Share for the year ended 30 April 2011. The dividend was paid on 20 April 2011 to Shareholders on the register on 1 April 2011.

Share buybacks

The Company currently has authority to purchase its own shares pursuant to section 701 of the Companies Act 2006 as approved by Shareholders on 9 September 2010. For further details please see Note 15 to the accounts on page 50 of this Report. A resolution to renew this authority will be proposed at the Annual General Meeting to be held on 8 September 2011 (see below). During the year the Company purchased 799,951 (2010: Ordinary Shares formerly 'C' Shares – 137,749; 'O' fund: none) Ordinary Shares for cancellation at a cost of £457,264 (2010: Ordinary Shares formerly 'C' Shares – £78,141; 'O' fund: none) (excluding expenses).

As at 30 April 2011, the issued share capital and number of shares in issue of the Company was as follows:

Share class	Issued share capital	Number of shares in issue	% of total share capital
Ordinary Shares (formerly 'C' Shares)	£258,578	25,857,764	100%

Each shareholder has one vote on a show of hands, and on a poll one vote per share held, at a general meeting of the Company. No member shall be entitled to vote or exercise any rights at a general meeting unless all shares have been paid up in full. Any instrument of proxy must be deposited at the place specified by the directors no later than 48 hours before the time for holding the meeting.

Shareholders may, if they so wish, arrange for their shares to be held via a nominee or depository where they retain the financial rights carried by the Company's shares.

Directors

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

	Ordinary Shares held on 30 April 11	Former 'O' fund Shares held on 30 April 10	'C' Shares held on 30 April 10
Nigel Melville	43,720	20,450	26,808
Sally Duckworth	–	–	–
Adam Kingdon	5,709	–	5,709
Kenneth Vere Nicoll	49,430	20,450	37,793

There have been no other changes to the Directors' share interests between the year-end and the date of this Annual Report.

Biographical notes on the Directors are given on page 22 of this Annual Report.

The AIC Code recommends that where directors have served the Company for ten or more years, they should be subject to annual re-election. Nigel Melville and Kenneth Vere Nicoll will therefore offer themselves for re-election at the forthcoming Annual General Meeting on 8 September 2011. The Board confirms that, following a review of their performance, Nigel Melville remains independent of the Investment Manager and that he and Kenneth Vere Nicoll continue to make a substantial and very valuable contribution to its work and the business of the Company.

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

The Company does not have any employees other than directors.

Management

Matrix Private Equity Partners Limited was appointed as Investment Manager in respect of the venture capital investments on 20 September 2005. On 20 October 2006 Matrix Private Equity Partners Limited transferred its business to Matrix Private Equity Partners LLP and the Company novated the existing Investment Adviser's Agreement and Incentive Agreement to Matrix Private Equity Partners LLP. For further information please see Note 4 to the financial statements on pages 41 to 42.

The Directors regularly monitor and annually review the performance of the Investment Manager. The Directors believe that the continuing appointment of Matrix Private Equity Partners LLP (MPEP) on the terms agreed under the new agreement dated 10 September 2010 (as a result of which MPEP is also now the Company Secretary and Administrator) is in the interests of the Shareholders as a whole because they expect MPEP to deliver a total NAV return in line with the Board's strategy.

VCT status monitoring

The Company has retained PricewaterhouseCoopers LLP as VCT status tax advisers. As such, they advise on compliance with requirements of the venture capital trust tax legislation on the basis of information provided by Matrix Private Equity Partners LLP. Matrix Private Equity Partners LLP also seeks professional advice in relation to the application of the venture capital trust legislation to any company in which the Company is proposing to invest. The Directors monitor the continuing tests for the Company's VCT status at Board meetings.

Auditor

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

Auditor's right to information

So far as the Directors in office at 30 April 2011 are aware, there is no relevant audit information of which the auditor is unaware. They have individually taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Principal risks, management and regulatory environment

The Board believes that the principal risks faced by the VCT are:

- **Economic risk** – events such as an economic recession and movement in interest rates could affect trading conditions for smaller companies and consequently the value of the VCT's qualifying investments.
- **Loss of approval as a Venture Capital Trust** – the VCT must comply with section 274 of the Income Tax Act 2007 which allows it to be exempted from capital gains tax on investment gains. Any breach of these rules may lead to the VCT losing its approval as a VCT, qualifying shareholders who have not held their shares for the designated holding period having to repay the income tax relief they obtained and future dividends paid by the VCT becoming subject to tax. The VCT would also lose its exemption from corporation tax on capital gains.
- **Investment and strategic** – inappropriate strategy or consistently weak VCT qualifying investment recommendations might lead to under performance and poor returns to shareholders. Investment in unquoted small companies by its nature involves a higher degree of risk than investment in companies traded on the London Stock Exchange main market. Smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals. This may make them more risk-prone and volatile investments.
- **Regulatory** – the VCT is required to comply with the Companies Act 2006, the rules of the UK Listing Authority and United Kingdom Accounting Standards. Breach of any of these might lead to suspension of the VCT's Stock Exchange listing, financial penalties or a qualified audit report.
- **Financial and operating risk** – inadequate controls might lead to misappropriation of assets. Inappropriate accounting policies might lead to misreporting or breaches of regulations. Failure of the Manager's and Administrator's accounting systems or disruption to its business might lead to an inability to provide accurate reporting and monitoring.
- **Market risk** – movements in the valuations of the VCT's investments will, inter alia, be connected to movements in UK Stock Market indices.
- **Asset liquidity risk** – The VCT's investments may be difficult to realise.
- **Market liquidity risk** – Shareholders may find it difficult to sell their shares at a price which is close to the net asset value.
- **Credit/counterparty risk** – A counterparty may fail to discharge an obligation or commitment that it has entered into with the Company.

The Board seeks to mitigate the internal risks by setting policy and by undertaking a key risk management review at each quarterly Board meeting. Performance is regularly reviewed and assurances in respect of adequate internal controls and key risks are sought and received from MPEP on a six monthly basis. In the mitigation and management of these risks, the Board applies rigorously the principles detailed in the AIC Code of Corporate Governance. The Board also has a share buyback policy to try to mitigate the Market Liquidity risk. This policy is reviewed at each quarterly Board Meeting.

Environmental, social and community matters

The Board seeks to conduct the Company's affairs responsibly and considers relevant environmental, social and community matters where appropriate, particularly with regard to investment decisions. The Company uses mixed sources paper from well-managed forests and recycled wood and fibre as endorsed by the Forest Stewardship Council for the printing of its Annual and Half-Yearly Reports.

Substantial shareholdings

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

Related party transactions

Details of related party transactions can be found in Note 24 on page 59.

Policy of paying creditors

The Company does not subscribe to a particular code but follows a policy whereby suppliers are paid by the due date and investment purchases are settled in accordance with the stated terms. At 30 April 2011, the average credit period for trade creditors and accruals was 3 days (2010: 2 days).

Directors' Report

Directors and officers liability insurance

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

Annual General Meeting

Formal notice convening the Annual General Meeting of the Company on Thursday 8 September 2011 is set out on pages 62 to 64 of this Annual Report. In addition to the ordinary business to be proposed at the meeting, an explanation of the special business is detailed below. The Directors believe that the resolutions proposed are in the interests of all Shareholders and, accordingly, recommend Shareholders vote in favour of each resolution.

Resolutions 1 to 7 will be proposed as ordinary resolutions requiring the approval of more than 50% of the votes cast at the meeting. Resolutions 8 and 9 will be proposed as special resolutions and will require the approval of at least 75% of the votes cast at the meeting.

Special business

Resolution 7: Allotment of shares

This resolution will authorise the Directors to allot shares or grant rights to subscribe for or to invest in shares in the Company generally, in accordance with section 551 of the Companies Act 2006 ("the Act"), up to a nominal amount of £86,192 being approximately 33% of the issued share capital of the Company at the date hereof. This authority, unless previously renewed or revoked, will expire on the conclusion of the Annual General Meeting of the Company to be held in 2012.

Resolution 8: Disapplication of pre-emption rights

Under section 561 of the Act, if the Directors wish to allot any new shares or sell treasury shares for cash they must first offer such shares to existing Shareholders in proportion to their current holdings. Resolution 8 will enable the Directors to allot equity securities for cash or sell treasury shares without first offering the securities to existing Shareholders in connection with:

(i) the allotment of equity securities up to an aggregate nominal value representing £34,476 in connection with offer(s) for subscription;

(ii) the allotment of equity securities up to an aggregate nominal value of up to but not exceeding 10% of the issued share capital of the Company from time to time pursuant to any dividend investment scheme operated by the Company; and

(iii) generally the allotment of up to but not exceeding 10% of the issued share capital of the Company from time to time. In each case, where the proceeds of the value may in part be used to purchase the Company's shares in the market.

The authority conferred under this resolution, unless previously renewed or revoked, will expire on the conclusion of the Annual General Meeting of the Company to be held in 2012.

Resolution 9: Authority for the Company to purchase its own shares

It is proposed by Resolution 9 that the Company be given authority to make market purchases of the Company's own shares. The authority is limited to an aggregate of 3,876,078 shares being purchased representing approximately 14.99% of the Company's issued share capital at the date hereof. The maximum price that may be paid for a share will be the higher of (i) an amount that is not more than five per cent above the average of the middle market quotations of the shares as derived from the Daily Official List of the UK Listing Authority for the five business days preceding such purchase and (ii) the price stipulated by Article 5(i) of the Buy-back and Stabilisation Regulations. The minimum price that may be paid for a share is 1 penny, being the nominal value thereof.

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

The authority conferred under this resolution, unless previously renewed or revoked, will expire on the conclusion of the Annual General Meeting of the Company to be held in 2012.

By order of the Board

Matrix Private Equity Partners LLP
Company Secretary
21 July 2011

Directors' Remuneration Report

The remuneration policy is set by the Board and is described below. The Remuneration Committee makes recommendations to the Board on the remuneration of individual Directors within the framework of this policy. The Committee comprises Nigel Melville (Chairman), Sally Duckworth, Adam Kingdon and Kenneth Vere Nicoll. The Committee meets at least once a year and is responsible for considering the levels and composition of remuneration payable to the Directors, severance payments and the resolution of disputes involving any member of the Board, and any actual or potential conflicts of interest which may arise as a result of outside business activities of Board members. The Committee has access to independent advice where it considers it appropriate. However, no such advice was taken during the year under review. The Company's independent Auditor is required to give its opinion on the information provided in respect of Directors' emoluments and this is clearly identified as audited information below. This is explained further in their report to Shareholders on page 34.

Remuneration policy

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

Terms of appointment

The Articles of Association provide that Directors may be appointed either by an ordinary resolution of the Company or by the Board provided that a person appointed by the Board shall be subject to re-election at the first Annual General Meeting following their appointment. Directors retiring by rotation are then eligible for re-election. Subject to the provisions of the Company's Articles of Association and the AIC Code such number of the Directors shall retire from office by rotation at each Annual General Meeting of the Company as will ensure that each Director retires once every three years. As required by the AIC Code, after nine years' service, a Director will be subject to annual re-election by Shareholders.

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

Pensions

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

Share options and long-term incentive schemes

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

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

The annual emoluments in respect of qualifying services of each person who served as a Director during the year are set out in the table below. There are no schemes in place to pay any of the Directors bonuses or benefits in addition to their emoluments. No expenses were paid to the Directors during the year (2010: nil).

	With effect from	Total emoluments	
	01 May 2011 £	30 April 2011 £	30 April 2010 £
Nigel Melville	24,000	20,000	20,000
Adam Kingdon	21,000	17,500	17,500
Sally Duckworth	21,000	15,833	15,000
Kenneth Vere Nicoll	18,000	15,000	15,000

Aggregate emoluments in respect of qualifying services amounted to £68,333 (2010: £67,500) net of VAT and NIC.

With effect from 1 January 2011, Sally Duckworth's emoluments were increased to £17,500 per annum in recognition of her chairmanship of the Investment Committee.

The Remuneration Committee has undertaken its annual review of the remuneration paid and decided that, with effect from 1 May 2011, the remuneration of each Board member is as shown above.

Directors' Remuneration Report

Total shareholder return

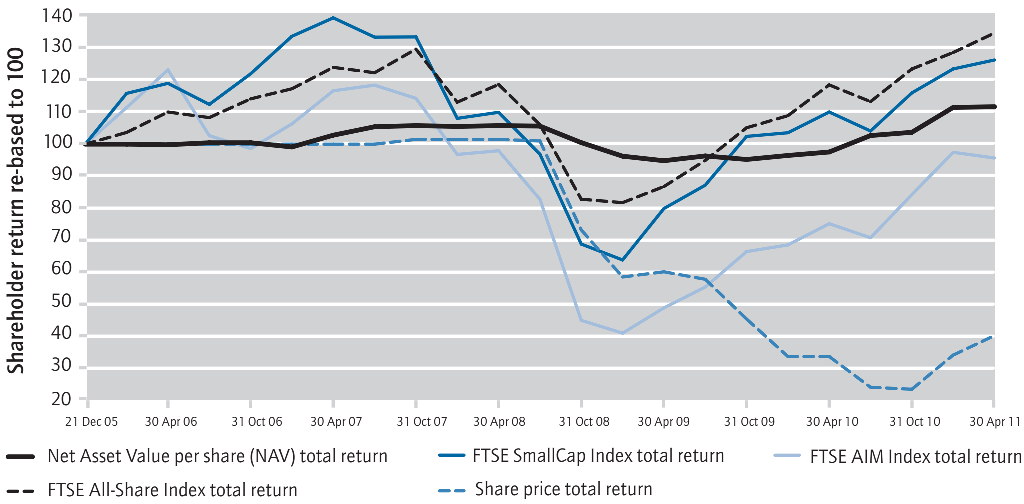
The graphs below shows the total cumulative shareholder return of the Ordinary Share Fund over the past five year since its shares were first admitted to the Official List of the UKLA. For each Fund, the total cumulative shareholder return (assuming all dividends have been re-invested) is compared with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

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

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

Ordinary Share Fund

Total shareholder return (listed on 21 December 2005)



Signed on behalf of the Board by:

Nigel Melville
Chairman
21 July 2011

Corporate Governance Statement

The Company is a member of the Association of Investment Companies (AIC) and the Directors have continued to adopt the AIC Code of Corporate Governance ("the AIC Code") for the financial year ended 30 April 2011. The AIC Code addresses all the principles set out in section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The Financial Reporting Council (FRC) has confirmed that in complying with the AIC Code the Company will meet its obligations in relation to the Combined Code and paragraph 9.8.6 of the Listing Rules.

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

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

Compliance with the Combined Code

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

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

The Board

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

The Board has considered whether each Director is independent in character and judgement and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement. With regard to tenure, the Board does not believe that length of service, by itself, leads to a closer relationship with the Investment Manager nor necessarily affects a Director's independence of character or judgement. Indeed the AIC expresses cogent arguments that investment companies are more likely than most to benefit from having Directors with lengthy service. Nigel Melville has now served the Company for ten years and the Directors believe that Mr Melville continues to be independent of the Investment Manager as he continues to offer independent, professional judgement and constructive challenge of the Investment Manager. Kenneth Vere Nicoll has also served the Company for ten years but is not regarded as independent of the Investment Manager (also now the Promoter and Company Secretary/Administrator) or the Corporate Broker due to his relationship to Matrix Group Limited and its related companies (for further information please see Related Party Transactions in Note 24 on page 59 of this Report).

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

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

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

The Board has reviewed any actual or potential conflicts of interests in accordance with the procedures under the Articles of Association and applicable rules and regulations. The conflicts identified above have been authorised by the Board in accordance with these procedures. The Articles allow the Directors not to disclose information relating to a conflict where to do so would amount to a breach of confidence. The Nominations Committee reviews authorisations given on behalf of the Board annually and if there is a material change in an authorised conflict.

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

Corporate Governance Statement

Details of the Chairman's other significant time commitments are disclosed on page 22 of this Annual Report.

The Board is responsible to Shareholders for the proper management of the Company. It has formally adopted a schedule of matters that are required to be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues. These include compliance with the requirements of the Companies Act, the UK Listing Authority and the London Stock Exchange; changes relating to the Company's capital structure or its status as a plc; Board and committee appointments as recommended by the Nominations Committee and terms of reference of committees; material contracts of the Company and contracts of the Company not in the ordinary course of business. With effect from 1 January 2011 the Board decided that an Investment Committee should be re-formed comprising all the directors, with Sally Duckworth as Chairman. The Investment Committee considers investment proposals submitted by Matrix Private Equity Partners LLP and decides which of these should be accepted by the Company and is responsible for the ongoing monitoring of investee companies and the Company's investments therein. Kenneth Vere Nicoll does not participate in any decisions involving investment proposals submitted by Matrix Private Equity Partners LLP. Up until 1 January 2011 the Board was responsible for these matters.

A procedure by which individual Directors can seek independent professional advice in the furtherance of their duties at the expense of the Company is in place. Where individual Directors have concerns about the running of the Company or a proposed action, which cannot be resolved, they are asked to ensure that their concerns are recorded in the Board minutes. On resignation, a Director who has any such concerns should provide a written statement to the Chairman, for circulation to the Board.

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

Board committees

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

The Board has each year assessed the Independence of the Directors, and given the size and structure of the Board, has agreed to the Chairman of the Board acting as the Chairman of the Remuneration and Nomination committees.

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

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

The Nomination Committee comprises all of the Directors, Nigel Melville (Chairman), Adam Kingdon, Sally Duckworth and Kenneth Vere Nicoll. The Committee meets at least once a year and is responsible for making recommendations to the Board concerning new appointments of Directors to the Board and Board Committees. It carries out a periodic review of the composition of the Board and its Committees and considers actual or potential conflicts of interest which may arise as a result of the outside business activities of Board members. It is intended that job descriptions will be prepared for new vacancies as they arise. Appointment letters include an assessment of the expected time commitment for each Board position and new Directors are asked to give an indication of their other significant time commitments. An induction procedure, including appropriate training for new Directors, has been introduced and will continue for future appointments. Letters of appointment are available for inspection on written request to the Company Secretary. The effectiveness of the Board and the Chairman is reviewed regularly as part of the internal control process led by the Board. The Committee also carried out a performance evaluation of the Directors and the Chairman on 13 July 2011 in respect of the year under review and considered performance in relation to specific headings. It concluded that the composition and performance of the Board was effective.

All of the above Committees have written terms of reference, which detail their authority and duties. Shareholders may obtain copies of these by making a written request to the Company Secretary or via the Company's website at www.mig2vct.co.uk.

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

Relations with Shareholders

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

The Board as a whole approves the content of its communications to Shareholders including the Annual and Half-Yearly Reports in order to ensure that they present a balanced and understandable assessment of the Company's position and future prospects.

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

Internal controls

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

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

- the valuations prepared by the Investment Manager are entered into the accounting system and reconciled by the separate accounting function. Controls are in place to ensure the effective segregation of these two tasks;
- independent reviews of the valuations of investments within the portfolio are undertaken quarterly by the Board and annually by the external auditors;
- bank and money-market fund reconciliations are carried out monthly by the separate accounting function. During the year, the Manager assumed responsibility for the safekeeping of the Company's documents of title relating to its portfolio investement in investee companies. These documents will be agreed to the Company's accounting and secretarial records on a bi-annual basis;
- the Board has procedures in place for the approval of expenses and payments to third parties;
- the Directors review quarterly management accounts and underlying notes to those accounts, and other announcements as necessary;
- the information contained in the Annual Report and other financial reports is reviewed separately by the Audit Committee prior to consideration by the Board; and
- the Board reviews all financial information prior to publication.

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

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

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

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

Pursuant to the terms of its appointment, Matrix Private Equity Partners LLP advises the Company on venture capital investments. The Company's share and loan stock certificates arising from its investments are now held by the Manger.

Following publication of "Internal Control: Guidance for Directors on the Combined Code" (the Turnbull guidance), the Board confirms that there is an ongoing process for identifying,

Corporate Governance Statement

evaluating and managing the significant risks faced by the Company, that has been in place for the year under review and up to the date of approval of the Annual Report and Accounts, and that this process is regularly reviewed by the Board and accords with the guidance.

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

Accountability and audit

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

The report of the independent auditors is set out on page 34 of this Annual Report.

The Board regularly reviews and monitors the external auditor's independence and objectivity, and as part of this, it reviews the nature and extent of other services supplied by the auditors to ensure that independence is maintained. The Audit Committee concluded that it was in the interests of the Company to purchase the non-audit services from the auditors due to their greater knowledge of the Company and hence efficiency. The Committee believe that audit independence has been maintained as the fees involved were relatively small compared to those for the audit, the work was undertaken by separate teams and did not involve undertaking any management role in preparing the information reported in the accounts.

Directors' remuneration and appointment

A Directors' Remuneration Report, prepared in compliance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI2008/410) and the Companies Act 2006, is contained on pages 27 – 28 of this Annual Report and provides details on the appointment and replacement of the Directors.

Share capital

Details of the Company's share capital and substantial shareholdings can be found in the Directors' Report on pages 23 – 25.

Powers of the Directors

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

Going concern

After due consideration, the Directors believe that the Company has adequate resources for the foreseeable future and that it is appropriate to apply the going concern basis in preparing the financial statements. As at 30 April 2011, the Company held cash balances and investments in money market funds with a combined value of £6,614,788. Cash flow projections have been reviewed and show that the Company has sufficient funds to meet both contracted expenditure and any discretionary cash outflows from share buybacks and dividends. The Company has no external loan finance in place and is therefore not exposed to any gearing covenants.

By order of the Board

Matrix Private Equity Partners LLP

Company Secretary

21 July 2011

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations. They are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Services Authority.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

The Directors confirm to the best of their knowledge:

(a) that the financial statements, which have been prepared in accordance with UK Generally Accepted Accounting Practice and the 2009 Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (SORP), give a true and fair view of the assets, liabilities, financial position and the profit of the Company; and

(b) that the management report, comprising the Chairman's Statement, Investment Portfolio Summary, Investment Manager's Review and Directors' Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The names and functions of the Directors are stated on page 22.

For and on behalf of the Board:

Nigel Melville

Chairman

21 July 2011

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

We have audited the financial statements of Matrix Income & Growth 2 VCT Plc for the year ended 30 April 2011 which comprise the Income Statement, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 April 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the corporate governance statement set out on pages 29 to 32 in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook issued by the Financial Services Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures) is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 32, in relation to going concern; and
- the part of the corporate governance statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to the shareholders by the board on directors' remuneration.

Rosemary Clarke (Senior Statutory auditor)
for and on behalf of PKF (UK) LLP, Statutory auditor
London, UK 21 July 2011

Income Statement
for the year ended 30 April 2011

	Notes	Year ended 30 April 2011 Revenue £	Capital £	Total £	Year ended 30 April 2010 Revenue £	Capital £	Total £
Unrealised gains on investments	10	–	2,911,008	2,911,008	–	1,239,386	1,239,386
Realised gains/(losses) on investments	10	–	624,055	624,055	–	(46,352)	(46,352)
Income	2	637,008	–	637,008	383,511	–	383,511
Recoverable VAT	3	–	–	–	3,399	10,197	13,596
Investment management fees	4	(139,450)	(418,352)	(557,802)	(113,588)	(340,765)	(454,353)
Other expenses	5	(311,288)	–	(311,288)	(412,825)	–	(412,825)
Share merger costs	21	(52,928)	–	(52,928)	–	–	–
Profit/(loss) on ordinary activities before taxation		133,342	3,116,711	3,250,053	(139,503)	862,466	722,963
Taxation on profit/(loss) on ordinary activities	7	(12,181)	12,181	–	–	–	–
Profit/(loss) on ordinary activities after taxation		**121,161**	**3,128,892**	**3,250,053**	**(139,503)**	**862,466**	**722,963**
Basic and diluted earnings per share:							
Ordinary Shares (formerly C Shares)	9	0.46p	12.03p	12.49p	(0.57)p	2.74p	2.17p
'O' fund Ordinary Shares	9	–	–	–	(0.35)p	3.43p	3.08p

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

There were no other gains or losses in the year.

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

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

The notes on pages 38 to 59 form part of these financial statements.

Balance Sheet
as at 30 April 2011

Company number: 3946235

	Notes	30 April 2011 £	30 April 2010 £
Fixed assets			
Investments at fair value	10	18,026,151	11,531,467
Current assets			
Debtors and prepayments	12	441,684	61,007
Current investments	13, 19	6,538,497	11,752,413
Cash at bank	19	76,291	88,424
		7,056,472	11,901,844
Creditors: amounts falling due within one year	14	(218,655)	(142,362)
Net current assets		6,837,817	11,759,482
Net assets		**24,863,968**	**23,290,949**
Capital and reserves			
Called up share capital	15	258,578	286,057
Capital redemption reserve	16	48,069	20,590
Revaluation reserve	16	1,230,469	(2,337,230)
Special distributable reserve	16	16,258,990	17,411,237
Profit and loss account	16	7,067,862	7,910,295
Equity shareholders' funds		**24,863,968**	**23,290,949**
Net asset value per share – basic and diluted			
Ordinary Shares (formerly C Shares)	17	**96.16p**	**87.47p**
'O' fund Ordinary Shares	17	–	**72.10p**

The financial statements were approved and authorised for issue by the Board of Directors on 21 July 2011 and are signed on their behalf by:

Adam Kingdon
Director

The notes on pages 38 to 59 form part of these financial statements.

Reconciliation of Movements in Shareholders' Funds

for the year ended 30 April 2011

	Notes	Year ended 30 April 2011 £	Year ended 30 April 2010 £
Opening shareholders' funds		23,290,949	22,319,144
Net share capital issued in the year (net of expenses)		–	501,824
Share capital bought back	16	(457,264)	(78,141)
Profit for the year		3,250,053	722,963
Dividends paid in year	8	(1,219,770)	(174,841)
Closing shareholders' funds		**24,863,968**	**23,290,949**

Cash Flow Statement

for the year ended 30 April 2011

	Notes	Year ended 30 April 2011 £	Year ended 30 April 2010 £
Interest income received		415,334	262,213
Dividend income		199,037	104,824
VAT recovered and interest thereon		–	136,235
Other income		2,753	–
Investment management fees paid		(557,802)	(457,011)
Share merger costs paid by the Company		(49,988)	–
Cash payments for other expenses		(320,136)	(364,709)
Net cash outflow from operating activities	18	(310,802)	(318,448)
Investing activities			
Purchase of investments	10	(5,951,715)	(1,597,310)
Disposals of investments	10	2,631,829	2,155,781
Net cash (outflow)/inflow from investing activities		(3,319,886)	558,471
Dividends			
Equity dividends paid	8	(1,219,770)	(174,841)
Cash (outflow)/inflow before financing and liquid resource management		(4,850,458)	65,182
Financing			
Purchase of own shares		(375,591)	(78,141)
Share capital raised (net of expenses)		–	593,688
Net cash (outflow)/inflow from financing		(375,591)	515,547
Management of liquid resources			
Decrease/(increase) in monies held in current investments	19	5,213,916	(553,651)
(Decrease)/increase in cash for the year	19	(12,133)	27,078

Notes to the Accounts
for the year ended 30 April 2011

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below.

a) Basis of accounting

The accounts have been prepared under UK Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ("the SORP") issued by the Association of Investment Companies in January 2009.

The results for the year to 30 April 2011 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. Further details are contained in note 21 below.

b) Presentation of the Income Statement

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

c) Investments

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

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

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

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

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

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

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

  or:-

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

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

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

d) Current Investments

Monies held pending investment are invested in financial instruments with same day or two-day access and as such are treated as current investments, and have been valued at fair value.

e) Income

Dividends receivable on quoted equity shares are brought into account on the ex-dividend date. Dividends receivable on unquoted equity shares are brought into account when the Company's right to receive payment is established and there is no reasonable doubt that payment will be received.

f) Capital reserves

(i) *Realised (included within the Profit and Loss Account reserve)*

The following are accounted for in this reserve:

- Gains and losses on realisation of investments;
- Permanent diminution in value of investments;
- Transaction costs incurred in the acquisition of investments; and
- 75% of management fee expense, together with the related tax effect to this reserve in accordance with the policies.

(ii) *Revaluation reserve (Unrealised capital reserve)*

Increases and decreases in the valuation of investments held at the year-end are accounted for in this reserve, except to the extent that the diminution is deemed permanent.

In accordance with stating all investments at fair value through profit and loss, all such movements through both revaluation and realised capital reserves are now shown within the Income Statement for the year.

(iii) *Special distributable reserve*

The cost of share buybacks are charged to this reserve. In addition, any realised losses on the sale of investments, and 75% of the management fee expense, and the related tax effect, are transferred from the Profit and Loss Account reserve to this reserve.

g) Expenses

All expenses are accounted for on an accruals basis.

25% of the Investment Managers' fees are charged to the revenue column of the Income Statement, while 75% is charged against the capital column of the Income Statement. This is in line with the Board's expected long-term split of returns from the investment portfolio of the Company.

100% of any performance incentive fee payable for the period is charged against the capital column of the Income Statement, as it is based upon the achievement of capital growth.

Expenses are charged wholly to revenue, with the exception of expenses incidental to the acquisition or disposal of an investment, which are written off to the capital column of the Income Statement or deducted from the disposal proceeds as appropriate.

h) Taxation

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

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

A deferred tax asset is recognised only to the extent that it is more likely than not that future taxable profits will be available against which the asset can be utilised.

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

Notes to the Accounts
for the year ended 30 April 2011

2 Income

	2011 £	2010 £
Income from bank deposits	94	516
Income from investments		
– from equities	128,033	25,173
– from overseas based OEICs	44,900	57,036
– from UK based OEICs	24,148	24,845
– from loan stock	437,080	259,774
– from VAT recoverable	–	16,167
	634,161	382,995
Other income	2,753	–
Total income	637,008	383,511
Total income comprises		
Dividends	197,081	107,054
Interest	437,174	276,457
Other	2,753	–
	637,008	383,511
Income from investments comprises		
Listed overseas securities	44,900	57,036
Unlisted UK securities	152,181	50,018
Loan stock interest	437,080	259,774
	634,161	366,828

Loan stock interest above is stated after deducting an amount of £nil (2010: £6,188), being a provision made against loan stock interest regarded as collectable in previous years.

Total loan stock interest due but not recognised in the year was £353,940 (2010: £467,081).

3 Recoverable VAT

	Revenue 2011 £	Capital 2011 £	Total 2011 £	Revenue 2010 £	Capital 2010 £	Total 2010 £
Recoverable VAT	–	–	–	3,399	10,197	13,596

4 Investment management fees

	Revenue 2011 £	Capital 2011 £	Total 2011 £	Revenue 2010 £	Capital 2010 £	Total 2010 £
Matrix Private Equity Partners LLP	139,450	418,352	557,802	113,588	340,765	454,353

From the start of the year to the date of the Merger on 10 September 2010, the following agreements were in place:

Ordinary Share Fund

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

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

C Share Fund

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

Matrix Private Equity Partners LLP was entitled to an annual advisory fee of 2% of the net assets attributable to the 'C' Share Fund. The annual management fees were calculated and payable quarterly in advance, together with any applicable VAT. The agreement was novated to Matrix Private Equity Partners LLP on 20 October 2006.

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

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

Company

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% 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. For the year ended 30 April 2011, the expense cap hasn't been breached (2010: Ordinary share fund - £nil; C share fund - £nil).

It has been agreed that the existing performance fee arrangements should continue following the Share Merger, and operated as detailed below:

Ordinary share fund

- an entitlement to subscribe for New Ordinary Shares representing 16.67 per cent. (as reduced by 1.5 per cent per annum as referred to above) of (i) the New Ordinary Shares which are derived from the original Ordinary Shares and (ii) the New Ordinary Shares the subject of the performance warrants;
- subject to a hurdle of cumulative dividends amounting to 80p x A (where A is the C Shares merger NAV per share divided by the Ordinary Shares merger NAV per share) per New Ordinary Share – dividends paid prior to the Share merger will be restated taking into account the Share Merger for the purposes of assessing the amount of distributions paid. If the hurdle has not been reached by 22 December 2012, the performance warrants will lapse as the agreement envisages.

The above provides for the entitlement and hurdle to be appropriately applied to the relevant proportion of the New Ordinary Shares represented by the original Ordinary Shares fund and at a hurdle rate taking into account the revised number of shares attributable to such fund. At the date of the Share Merger, the hurdle became 96.73p per share (36.39p of which has been paid by 30 April 2011, on a restated basis) and the conditional warrants entitlement is 1,509,718 shares.

C share fund

- the performance incentive fee payable will be calculated as an amount equivalent to 20 per cent of the excess of annual dividends paid to the holders of New Ordinary Shares but then reduced to the proportion which the C Shares aggregate merger net asset value represents of the entire merger net asset value of the Company; and
- the dividend shortfall per former C Share at 30 April 2011 is 16.07p (£2,704,701 in aggregate, being 65.1% of the total shortfall at the year-end (where 65.1% was the share of C shares to the total number of shares in issue at the date of the Share Merger) and taking into account the target rate of dividends and the dividends paid to Shareholders).

The 6p annual dividend hurdle (as adjusted for RPI) and the £1 NAV maintenance provisions will continue to apply in respect of shares in issue and funds raised at the date of the Share Merger.

5 Other expenses

	2011 £	2010 £
Directors' remuneration (including NIC) (see note 6)	74,154	73,139
IFA trail commission	70,453	76,584
Administration fees	42,319	121,501
Broker's fees	11,833	11,526
Auditors' fees – audit	19,440	24,678
– other services supplied relating to taxation	2,826	2,081
– other services supplied pursuant to legislation	4,876	5,699
– other services	1,500	–
Registrar's fees	12,801	19,229
Printing	23,905	22,898
Legal & professional fees	4,047	18,560
VCT monitoring fees	9,320	9,085
Director's insurance	7,350	7,350
Listing and regulatory fees	25,314	19,181
Sundry	1,150	1,314
	311,288	412,825

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

The large fall in administration fees in the year is as a result of the termination of the Administrative and Company Secretarial agreement between the Company and Matrix Securities Limited on 10 September 2010. From this date onwards, Administration and Company Secretarial services are carried out by the Investment manager as disclosed and detailed in note 4.

6 Directors' remuneration

	2011 £	2010 £
Directors' emoluments		
Nigel Melville	20,000	20,000
Adam Kingdon	17,500	17,500
Kenneth Vere Nicoll	15,000	15,000
Sally Duckworth	15,833	15,000
	68,333	67,500
Employer's NIC and VAT	5,821	5,639
	74,154	73,139

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

7 Taxation on ordinary activities

	2011 £	2010 £
a) Analysis of tax charge:		
– revenue charge	12,181	–
– credited to capital return	(12,181)	–
– current and total tax charge (note 7b)	–	–
b) Factors affecting tax charge for the year:		
Profit on ordinary activities before tax	3,250,053	722,963
Add: non-taxable realised (gains)/losses	(624,055)	46,352
Add: unrealised gains	(2,911,008)	(1,239,386)
Add: transaction costs and investment management expense charged to capital	418,352	340,765
Less: Income treated as capital return	–	(10,197)
Profit/(loss) on ordinary activities before taxation	133,342	(139,503)
Corporation tax @ 20.92% (2010: 21%)	27,891	(29,296)
Non-taxable UK dividends	(26,780)	(5,286)
Expenses not deductable	11,070	–
Unrelieved expenditure	–	34,582
Taxation on revenue return	12,181	–
Taxation on allowable expenditure charged to capital return	(87,505)	(71,561)
Utilisation of previous tax losses	–	–
Capital losses carried forward	75,324	69,420
Capital element of VAT recoverable	–	2,141
Credited to capital return	(12,181)	–
Tax charge for period (note 7a)	–	–

Tax relief relating to investment management fees is allocated between revenue and capital where such relief can be utilised.

No asset or liability has been recognised for deferred tax in relation to capital gains or losses on revaluing investments as the Company is exempt from corporation tax in relation to capital gains or losses as a result of qualifying as a Venture Capital Trust.

There is no potential liability to deferred tax (2010: nil). There is an unrecognised deferred tax asset of £294,670 (2010: £238,625).

Notes to the Accounts
for the year ended 30 April 2011

8 Dividends paid and payable

	2011 £	2010 £
Amounts recognised as distributions to equity holders in the year:		
Ordinary shares (formerly C share fund)		
Interim capital dividend paid for the year ended 30 April 2010 of 1 p (2009: nil p) per share	173,463	–
Final income dividend paid for the year ended 30 April 2010 of nil p (2009: 1 p) per share	–	174,841
Interim income dividend paid for the year ended 30 April 2011 of 0.2p (2010: nil p) per share	52,315	–
Interim capital dividend paid for the year ended 30 April 2011 of 3.8p (2010: nil p) per share	993,992	–
Total paid	1,219,770	174,841

Any proposed final dividend is subject to approval by Shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

Set out below are the total income dividends payable in respect of the financial year, which is the basis on which the requirements of section 274 of the Income Tax Act 2007 are considered. These requirements have been met by the interim income dividend shown below.

	2011 £	2010 £
Ordinary shares (formerly C share fund)		
Revenue available for distribution by way of dividends for the year	121,161	–
Interim income dividend for the year ended 30 April 2011 paid of 1 p (2010: nil p) per share	52,315	–

9 Basic and diluted earnings and return per share

	2011 Ordinary Shares (formerly C shares) £	2010 Ordinary Share Fund £	2010 C Share Fund £	2010 Total £
Total earnings after taxation:	3,250,053	346,071	376,892	722,963
Basic and diluted earnings per share (note a)	**12.49p**	**3.08p**	**2.17p**	
Net revenue from ordinary activities after taxation	121,161	(39,878)	(99,625)	
Basic and diluted revenue earnings per share (note b)	**0.46p**	**(0.35)p**	**(0.57)p**	
Net realised capital gains/(losses)	624,055	(27,258)	(19,094)	
Net unrealised capital gains	2,911,008	521,924	717,462	
VAT recoverable	–	6,523	3,674	
Capital expenses (net of taxation)	(406,171)	(115,240)	(225,525)	
Total capital return	3,128,892	385,949	476,517	
Basic and diluted capital earnings per share (note c)	**12.03p**	**3.43p**	**2.74p**	
Weighted average number of shares in issue in the year	26,015,053	11,259,333	17,411,523	

Notes:

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

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

c) Capital earnings per share is the total capital return after taxation divided by the weighted average number of shares in issue.

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

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

Notes to the Accounts

for the year ended 30 April 2011

10 Investments at fair value

Movements in investments during the year are summarised as follows:

Company	Traded on AIM £	Unquoted equity shares £	Unquoted preference shares £	Loan stock £	Total £
Cost at 30 April 2010	654,692	3,776,742	43,588	9,643,675	14,118,697
Permanent impairment at 30 April 2010	(250,000)	–	–	–	(250,000)
Unrealised losses at 30 April 2010	(337,518)	(32,426)	(36,046)	(1,931,240)	(2,337,230)
Valuation at 30 April 2010	67,174	3,744,316	7,542	7,712,435	11,531,467
Purchases at cost	214,998	1,839,331	1,000	3,536,121	5,591,450
Sale proceeds	–	(58,730)	–	(2,573,099)	(2,631,829)
Reclassified	(64,323)	66,894	(2,571)	–	–
Realised (losses)/gains	–	(5,592)	–	629,647	624,055
Unrealised gains	28,319	2,378,293	18,481	485,915	2,911,008
Closing valuation at 30 April 2011	246,168	7,964,512	24,452	9,791,019	18,026,151
Cost at 30 April 2011	719,584	5,571,314	42,017	10,862,873	17,195,788
Permanent impairment at 30 April 2011	(250,000)	(150,106)	–	–	(400,106)
Unrealised (losses)/gains at 30 April 2011	(223,416)	2,543,304	(17,565)	(1,071,854)	1,230,469
Valuation at 30 April 2011	246,168	7,964,512	24,452	9,791,019	18,026,151

A breakdown of the increases and the decreases in unrealised valuations of the portfolio is shown in the Investment Portfolio Summary on pages 8 to 10. The entire holding of Campden Media Limited was disposed in the year realising £836,294 against an original cost of £975,000 (carrying value at 30 April 2010: £310,775). IGLU.com Holidays Limited prepaid their entire loan stock realising proceeds of £997,674, of which £149,999 was premium (carrying value at 30 April 2010: £847,975).

The purchases at cost figure above of £5,591,450 differs from the cash flow statement figure of £5,951,715 due to £360,265 placed in an escrow account awaiting investment into ASL Technology Holdings Limited. Further details are contained in notes 12 and 25.

11 Significant interests

At 30 April 2011 the Company held significant investments, amounting to 3% or more of the equity capital of an undertaking, in the following companies:

Company	Equity investment (ordinary shares) £	Investment in loan stock and preference shares £	Total investment (at cost) £	Percentage of investee company's total equity %
Sawrey Limited	400,000	600,000	1,000,000	49.00
Backbarrow Limited	400,000	600,000	1,000,000	16.66
Vanir Consultants Limited	400,000	600,000	1,000,000	16.33
Rusland Management Limited	400,000	600,000	1,000,000	16.33
Torvar Limited	400,000	600,000	1,000,000	16.33
Blaze Signs Holdings Limited	419,549	978,949	1,398,498	13.46
Racoon International Holdings Limited	263,558	614,969	878,527	12.30
Lightworks Software Limited	25,727	–	25,727	11.60
Machineworks Software Limited	25,727	–	25,727	11.60
British International Holdings Limited	225,000	935,000	1,160,000	9.98
Aust Recruitment Group Limited	173,932	826,068	1,000,000	9.05
PXP Holdings Limited (Pinewood) Limited	288,000	875,436	1,163,436	8.53
Youngman Group Limited	100,052	900,000	1,000,052	8.49
IGLU.com Holidays Limited	150,000	2,326	152,326	8.14
ATG Media Holdings Limited	307,162	460,745	767,907	7.37
ASL Technology Holdings Limited	321,449	678,416	999,865	7.34
Monsal Holdings Limited	261,912	508,805	770,717	7.10
Faversham House Holdings Limited	142,233	232,637	374,870	6.77
DiGiCo Europe Limited	386,521	109,130	495,651	6.52
The Plastic Surgeon Holdings Limited	39,229	353,035	392,264	5.88
Vectair Limited	60,075	218	60,293	5.22

It is considered that, as permitted by FRS9, "Associates and Joint Ventures", the above investments are held as part of an investment portfolio, and that, accordingly, their value to the Company lies in their marketable value as part of that portfolio. In view of this, it is not considered that any of the above represent investments in associated undertakings.

All of the above companies are incorporated in the United Kingdom.

Notes to the Accounts
for the year ended 30 April 2011

At 30 April 2011, Matrix Private Equity Partners LLP also advised The Income and Growth VCT plc, Matrix Income and Growth VCT plc, and Matrix Income and Growth 4 VCT plc who had investments in the following:

	Matrix Income and Growth VCT plc* at cost £	Matrix Income and Growth 4 VCT plc at cost £	The Income and Growth VCT plc at cost £	Total at cost £	% of equity held by funds managed by MPEP %
Aust Recruitment Group Limited	1,558,333	1,000,000	1,441,667	4,000,000	45.2
ASL Technology Holdings Limited	1,350,260	999,752	1,350,123	3,700,135	34.0
Blaze Signs Holdings Limited	1,699,507	610,016	1,338,500	3,648,023	52.5
ATG Media Holdings Limited	1,486,110	888,889	888,889	3,263,888	40.0
British International Holdings Limited	2,026,316	295,455	590,909	2,912,680	34.9
DiGiCo Europe Limited	1,984,959	495,652	325,594	2,806,205	30.0
PXP Holdings Limited (Pinewood)	1,163,436	679,549	920,176	2,763,161	37.3
Focus Pharma Holdings Limited	1,370,126	772,451	516,900	2,659,477	13.0
Youngman Group Limited	1,000,052	500,026	1,000,052	2,500,130	29.7
Monsal Holdings Limited	1,181,856	636,013	426,164	2,244,033	27.7
Racoon International Holdings Limited	1,213,035	406,805	550,852	2,170,692	49.0
Vanir Consultants Limited	1,000,000	1,000,000	–	2,000,000	50.0
Backbarrow Limited	–	1,000,000	1,000,000	2,000,000	50.0
Rusland Management Limited	–	1,000,000	1,000,000	2,000,000	49.0
Torvar Limited	–	1,000,000	1,000,000	2,000,000	49.0
Faversham House Holdings Limited	527,214	346,488	487,744	1,361,446	31.4
The Plastic Surgeon Holdings Limited	478,421	458,837	406,082	1,343,340	30.0
IGLU.com Holidays Limited	216,569	133,779	152,326	502,674	35.0
Legion Group plc	150,106	150,102	150,000	450,208	2.9
Lightworks Software Limited	222,584	9,329	20,471	252,384	45.0
Machineworks Software Limited	222,584	9,329	20,471	252,384	45.0
Vectair Limited	138,574	24,732	53,400	216,706	24.0

* The cost for Matrix Income & Growth VCT plc includes the original cost of acquiring investments previously owned by Matrix Income & Growth 3 VCT plc.

12 Debtors

	2011 £	2010 £
Amounts due within one year:		
Accrued income	71,563	51,677
Prepayments	9,856	9,330
Other debtors	360,265	–
	441,684	61,007

Other debtors relates to an amount held in escrow awaiting investment into ASL Holdings Limited, as explained in note 25.

13 Current asset investments

Current asset investments total £6,538,497 (2010: £11,752,413) and comprise investments in four OEIC money market funds (three Dublin based and one London based), as shown in the table below. The share of each OEIC represented by these holdings is less than 1% in all cases. All of this sum is subject to same day access (2010: £920 on 2 day access). These sums are regarded as monies held pending investment and are treated as liquid resources in the Cash Flow Statement and in note 19.

	Total 2011 £	Total 2010 £
Blackrock Sterling Liquidity First Fund	–	2,110,040
Blackrock Sterling Liquidity Plus Fund	–	920
Blackrock Investment Management (UK) Limited Institutional Sterling Fund	808,070	1,718,130
Royal Bank of Scotland Sterling Liquidity Fund	308,849	2,078,155
Scottish Widows Investment Management Sterling Liquidity Fund	2,705,162	3,003,204
Prime Rate Capital Management LLP Sterling Liquidity Fund	2,716,416	2,841,962
Monies held pending investment	**6,538,497**	**11,752,413**

14 Creditors: amounts falling due within one year

	2011 £	2010 £
Trade creditors	94,109	7,879
Accruals	124,546	134,483
	218,655	142,362

15 Called up share capital

	2011 £	2010 £
Allotted, called-up and fully paid:		
Ordinary shares (formerly C Shares) of 1p each: 25,857,764 (2010: 17,346,339)	258,578	173,464
'O' fund Ordinary Shares of 1p each: nil (2010: 11,259,333)	–	112,593
Total	258,578	286,057

Purchased	Date of purchase	Nominal value £
196,111	24 September 2010	1,961
82,701	08 October 2010	827
20,675	11 October 2010	207
18,983	29 October 2010	190
108,767	14 January 2011	1,088
181,579	31 January 2011	1,816
191,135	21 April 2011	1,911
799,951	Nominal value	8,000

During the year the Company repurchased 799,951 (2010: Ordinary shares (formerly 'C' shares) – 137,749; O fund – nil) of its own Ordinary shares (representing 3.1% (2010: 0.8%) of the Ordinary shares in issue at the year-end) at the prevailing market price for a total cost of £457,264 (2010: Ordinary shares (formerly 'C' shares) – £78,141; O fund – £nil).

The Companies Act 2006 ("CA06") abolished the requirement for a company to have an authorised share capital. The Company's Articles of Association were updated to take account of this, and other changes resulting from CA06 and the merger of the Ordinary share fund and the C share fund, and approved for adoption by shareholders at the EGM on 9 September 2010.

16 Movement in share capital and reserves

	Called up share capital £	Capital redemption reserve £	Revaluation reserve £	Special distributable reserve* £	Profit and loss account* £	Total £
At 30 April 2010	286,057	20,590	(2,337,230)	17,411,237	7,910,295	23,290,949
Share buybacks	(8,000)	8,000	–	(457,264)	–	(457,264)
Transfer of realised losses to Special distributable reserve (note)	–	–	–	(694,983)	694,983	–
Adjustment of share capital due to share merger	(19,479)	19,479	–	–	–	–
Realised gains on investments	–	–	–	–	624,055	624,055
Realisation of previously unrealised loss	–	–	656,691	–	(656,691)	–
Dividends paid	–	–	–	–	(1,219,770)	(1,219,770)
Profit/(loss) for the year	–	–	2,911,008	–	(285,010)	2,625,998
As at 30 April 2011	**258,578**	**48,069**	**1,230,469**	**16,258,990**	**7,067,862**	**24,863,968**

* These reserves total £23,326,852 (2010: £25,321,532) and are regarded as distributable reserves for the purpose of assessing the Company's ability to pay dividends to shareholders.

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

The cancellation of the formerly named 'C' Share Fund's share premium account (as approved at the Extraordinary General meeting held on 10 September 2008 and by the order of the Court dated 28 October 2009), together with the previous cancellation of the share premium account attributable to the former Ordinary Share Fund and 'C' Shares, has provided the Company with a special distributable reserve. The purpose of this reserve is to fund market purchases of the Company's own shares as and when it is considered by the Board to be in the interests of the Shareholders, and to write-off existing and future losses as the Company must take into account capital losses in determining distributable reserves. The total transfer for both funds of £694,983 to the special distributable reserve from the profit and loss account is the total of realised losses incurred by the Company in the year.

17 Basic and diluted net asset value per share

Ordinary Share Fund

Net asset value per Ordinary Share (formerly C shares) is based on net assets at the end of the year, and on 25,857,764 (2010: 17,346,339) Ordinary Shares, being the number of Ordinary Shares in issue on that date.

18 Reconciliation of Profit on ordinary activities before taxation to net cash outflow from operating activities

	2011 £	2010 £
Profit on ordinary activities before taxation	3,250,053	722,963
Net (gains)/losses on realisations of investments	(624,055)	46,352
Net unrealised gains on investments	(2,911,008)	(1,239,386)
(Increase)/decrease in debtors	(20,412)	116,913
(Decrease)/increase in creditors and accruals	(5,380)	34,710
Net cash outflow from operating activities	(310,802)	(318,448)

19 Analysis of changes in net funds

	Cash £	Liquid resources £	Total £
At beginning of year	88,424	11,752,413	11,840,837
Cash flows	(12,133)	(5,213,916)	(5,226,049)
At 30 April 2011	76,291	6,538,497	6,614,788

20 Financial instruments

The Company's financial instruments in both years comprise:

- Equity and preference shares and fixed and floating rate interest securities that are held in accordance with the Company's investment objective.
- Cash, liquid resources and short-term debtors and creditors that arise directly from the Company's operations.

The principal purpose of these financial instruments is to generate revenue and capital appreciation for the Company's operations. The Company has no gearing or other financial liabilities apart from short-term creditors. It is, and has been throughout the year under review, the Company's policy that no trading in derivative financial instruments shall be undertaken.

Classification of financial instruments

The Company held the following categories of financial instruments at 30 April 2011:

	2011 (Book value) £	2011 (Fair value) £	2010 (Book value) £	2010 (Fair value) £
Assets at fair value through profit and loss				
Investment portfolio	18,026,151	18,026,151	11,531,467	11,531,467
Current investments	6,538,497	6,538,497	11,752,413	11,752,413
Loans and receivables				
Accrued income	71,563	71,563	51,677	51,677
Other debtors	360,265	360,265	–	–
Cash at bank	76,291	76,291	88,424	88,424
Liabilities at amortised cost or equivalent				
Other creditors	(218,655)	(218,655)	(142,362)	(142,362)
Total for financial instruments	24,854,112	24,854,112	23,281,619	23,281,619
Non financial instruments	9,856	9,856	9,330	9,330
Total net assets	24,863,968	24,863,968	23,290,949	23,290,949

The investment portfolio principally consists of unquoted investments of 98.6% (2010: 98.8%). The investment portfolio has a 100% (2010:100%) concentration of risk towards small UK based, sterling denominated companies, and represents 72.5% (2010: 49.5%) of net assets at the year-end.

Current investments are money market funds, discussed under credit risk below, which represent 26.3% (2010: 50.5%) of net assets at the year-end.

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

Market price risk

Market price risk arises from uncertainty about the future valuations of financial instruments held in accordance with the Company's investment objectives. These future valuations are determined by many factors but include the operational and financial performance of the underlying investee companies, as well as market perceptions of the future performance of the UK economy and its impact upon the economic environment in which these companies operate. This risk represents the potential loss that the Company might suffer through holding its investment portfolio in the face of market movements, which was a maximum of £18,026,151 at the year-end.

The investments in equity and fixed interest stocks of unquoted companies that the Company holds are not traded and as such the prices are more uncertain than those of more widely traded securities. As, in a number of cases, the unquoted investments are valued by reference to price earnings ratios prevailing in quoted comparable sectors, their valuations are exposed to changes in the price earnings ratios that exist in the quoted markets.

The Board's strategy in managing the market price risk inherent in the Company's portfolio of equities and loan stock investments is determined by the requirement to meet the Company's Investment Objective, as set out on the inside front cover. As part of the investment management process, the Board seeks to maintain an appropriate spread of market risk, and also has full and timely access to relevant information from the Investment Manager. No single investment is permitted to exceed 15% of total investment assets at the point of investment. The Investment Committee meets regularly and reviews the investment performance and financial results, as well as compliance with the Company's objectives. The Company does not use derivative instruments to hedge against market risk.

Market price risk sensitivity

The Board believes that the Company's assets are mainly exposed to market price risk, as the Company is required to hold most of its assets in the form of sterling denominated investments in small companies.

Although a small part of these assets are quoted on AiM, nearly all of these assets are unquoted. All of the investments made by the Investment Manager in unquoted companies, irrespective of the instruments the Company actually holds, (whether shares, preference shares or loan stock) carry a full market risk, even though some of the loan stocks may be secured on assets, but behind any prior ranking bank debt in the investee company.

The Board considers that the value of investments in equity and loan stock instruments are ultimately sensitive to changes in quoted share prices, insofar as such changes eventually affect the enterprise value of unquoted companies. The table below shows the impact on profit and net assets if there were to be a 20% (2010: 20%) movement in overall share prices, which might in part be caused by changes in interest rate levels. However, it is not considered possible to evaluate separately the impact of changes in interest rates upon the value of the Company's portfolios of investments in small, unquoted companies.

The sensitivity analysis below assumes that each of these sub categories of investments (shares, preference shares and loan stocks) held by the Company produces a movement overall of 20% (2010: 20%), and that the actual portfolio of investments held by the Company is perfectly correlated to this overall movement in share prices. However, Shareholders should note that this level of correlation is unlikely to be the case in reality, particularly in the case of the loan stock instruments. This is because loan stock instruments would not share in the impact of any increase in share prices to the same extent as the equity instruments, as the returns are set by reference to interest rates and premiums agreed at the time of initial investment. Similarly, where share prices are falling, the equity instrument could fall in value before the loan stock instrument. It is not considered practical to assess the sensitivity of the loan stock instruments to market price risk in isolation.

	2011 Profit and net assets £	2010 Profit and net assets £
If overall share prices fell by 20% (2010: 20%), with all other variables held constant – decrease	(3,605,230)	(2,306,293)
Decrease in earnings, and net asset value, per Ordinary Share (formerly C share) (in pence)	(13.94)p	(6.93)p
Decrease in earnings, and net asset value, per Ordinary Share (in pence)	–	(9.81)p
If overall share prices increase by 20% (2010: 20%), with all other variables held constant – increase	3,605,230	2,306,293
Increase in earnings, and net asset value, per Ordinary Share (formerly C share) (in pence)	13.94p	6.93p
Increase in earnings, and net asset value, per Ordinary Share (in pence)	–	9.81p

The impact of a change of 20% (2010: 20%) has been selected as this is considered reasonable given the current level of volatility observed both on a historical basis and market expectations for future movement. The range in equity prices is considered reasonable given the historic changes that have been observed.

Credit risk

Credit risk is the risk that a counterparty will fail to discharge an obligation or commitment that it has entered into with the Company.

The Company's maximum exposure to credit risk is:

	2011 £	2010 £
Loan stock investments	9,791,019	7,712,435
Preference shares	24,452	7,542
Money market funds	6,538,497	11,752,413
Accrued income and other debtors	431,828	51,677
Cash at bank	76,291	88,424
Total	16,862,087	19,612,491

The Company has an exposure to credit risk in respect of the loan stock investments it has made into investee companies, most of which have no security attached to them, and where they do, such security ranks beneath any bank debt that an investee company may owe.

The accrued income shown above was all due within three months of the year-end.

The following table shows the maturity of the loan stock investments referred to above. In some cases, the loan maturities are not the contractual ones, but are the best estimate using management's expectations of when it is likely that such loans may be repaid.

	2011 £	2010 £
Repayable within		
0 to 1 year	600,000	2,634,861
1 to 2 years	2,363,923	1,899,966
2 to 3 years	4,770,975	814,584
3 to 4 years	320,000	1,128,902
4 to 5 years	1,736,121	1,234,122
Total	9,791,019	7,712,435

There are only two loans which are past their repayment date. These loans have a carrying value of £1,949,874 and have not yet been renegotiated. Two other loans valued at £nil not yet past their repayment date have been renegotiated in the year; both of which are not currently paying interest and one has converted its outstanding interest into share capital. These loan stock investments are made as part of the qualifying investments within the investment portfolio, and the risk management processes applied to the loan stock investments have already been set out under market price risk above.

An aged analysis of the loan stock investments included above, which are past due but not individually impaired, is set out below. For this purpose, these loans are considered to be past due when any payment due date under the loan's contractual terms (such as payment of interest) is received late or missed. The loans in the table below are all considered to be past due only because interest on the loan is outstanding. We are required to report in this format and include the full value of the loan even though it is only in respect of interest that they are past due.

	0-6 months £	6-12 months £	over 12 months £	2011 Total £
Loans to investee companies past due	320,000	–	3,348,033	3,668,033

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

There is a risk of default by the money market funds above, which could suffer defaults within their underlying portfolios that could affect the values at which the Company could sell its holdings. The Board manages credit risk in respect of these money market funds and cash by ensuring a spread of such investments such that none should exceed 15% of the Company's total investment assets. These money market funds are all triple A rated funds, and so credit risk is considered to be relatively low in current circumstances.

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

Cash flow interest rate risk

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

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

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

The interest rate profile of the Company's financial net assets at 30 April 2011 was:

	Financial net assets on which no interest paid £	Fixed rate financial assets £	Variable rate financial assets £	Total £	Weighted average interest rate %	Average period to maturity (years)
Equity shares	8,210,680	–	–	8,210,680		
Preference shares	–	24,452	–	24,452	7.17	0.71
Loan stocks	–	7,329,574	2,461,445	9,791,019	5.09	2.59
Money market funds	–	–	6,538,497	6,538,497	0.69	
Cash	–	–	76,291	76,291	0.11	
Debtors	431,828	–	–	431,828		
Creditors	(218,655)	–	–	(218,655)		
Total for financial instruments	8,423,853	7,354,026	9,076,233	24,854,112		
Non-financial instruments	9,856	–	–	9,856		
Total net assets	8,433,709	7,354,026	9,076,233	24,863,968		

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

	Financial net assets on which no interest paid £	Fixed rate financial assets £	Variable rate financial assets £	Total £	Weighted average interest rate %	Average period to maturity (years)
Equity shares	3,811,490	–	–	3,811,490		
Preference shares	–	7,542	–	7,542	0.85	1.52
Loan stocks	–	6,128,620	1,583,815	7,712,435	4.80	2.14
Money market funds	–	–	11,752,413	11,752,413	0.56	
Cash	–	–	88,424	88,424	0.11	
Debtors	51,677	–	–	51,677		
Creditors	(142,362)	–	–	(142,362)		
Total for financial instruments	3,720,805	6,136,162	13,424,652	23,281,619		
Non-financial instruments	9,330	–	–	9,330		
Total net assets	3,730,135	6,136,162	13,424,652	23,290,949		

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

Floating rate cash earns interest based on LIBOR rates.

The Company's investments in equity shares and similar instruments have been excluded from the interest rate risk profile as they have no maturity date and would thus distort the weighted average period information.

Cash flow interest rate sensitivity

Although the Company holds investments in loan stocks that pay interest, the Board does not consider it appropriate to assess the impact of interest rate changes in isolation upon the value of the unquoted investment portfolio, as interest rate changes are only one factor affecting the market price movements that are discussed above under market price risk. However, as the Company has a substantial proportion of its assets in money market funds, the table below shows the sensitivity of income earned to changes in interest rates in these instruments:

	2011 Profit and net assets £	2010 Profit and net assets £
If interest rates fell by 1%, with all other variables held constant – decrease	(72,610)	(105,356)
Decrease in earnings, and net asset value, per Ordinary Share (formerly C share) (in pence)	(0.28)p	(0.61)p
Decrease in earnings, and net asset value, per Ordinary Share (in pence)	–	(0.94)p
If interest rates rose by 1%, with all other variables held constant – increase	72,610	105,356
Increase in earnings, and net asset value, per Ordinary Share (formerly C share) (in pence)	0.28p	0.61p
Increase in earnings, and net asset value, per Ordinary Share (in pence)	–	0.94p

Liquidity risk

The investments in equity and fixed interest stocks of unquoted companies that the Company holds are not traded, and thus they are not readily realisable. The ability of the Company to realise the investments at their carrying value may at times not be possible if there are no willing purchasers. The Company's ability to sell investments may also be constrained by the requirements set down for VCTs. The maturity profile of the Company's loan stock investments disclosed within the consideration of credit risk above indicates that these assets are also not readily realisable until dates up to five years from the year-end.

To counter these risks to the Company's liquidity, the Investment Manager maintains sufficient cash and money market funds to meet running costs and other commitments. The Company invests its surplus funds in high quality money market funds which are, as reported in Note 13, nearly all accessible on an immediate basis.

Currency risk

All assets and liabilities are denominated in sterling and therefore there is no currency risk.

Fair value hierarchy

The table below sets out fair value measurements using FRS29 fair value hierarchy. The Company has one class of assets, being at fair value through profit and loss.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss				
At 30 April 2011				
Equity investments	246,168	–	7,964,512	8,210,680
Preference shares	–	–	24,452	24,452
Loan stock investments	–	–	9,791,019	9,791,019
Money market funds	6,538,497	–	–	6,538,497
Total	6,784,665	–	17,779,983	24,564,648

There are currently no financial liabilities at fair value through profit and loss.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

Level 1 – valued using quoted prices in active markets for identical assets.

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

The valuation techniques used by the company are explained in the accounting policies in note 1.

There have been no transfers during the year between Levels 1 and 2. A reconciliation of fair value measurements in Level 3 is set out below:

	Equity investments £'000	Preference shares £'000	Loan stock investments £'000	Total £'000
Opening balance at 1 May 2010	3,744,316	7,542	7,712,435	11,464,293
Purchases	1,839,331	1,000	3,536,121	5,376,452
Sales	(58,730)	–	(2,573,099)	(2,631,829)
Transfers into Level 3	64,323	–	–	64,323
Reclassification	2,571	(2,571)	–	–
Total (losses)/gains included in Income Statement				
– on assets sold	(5,592)	–	629,647	624,055
– on assets held at the year end	2,378,293	18,481	485,915	2,882,689
Closing balance at 30 April 2011	7,964,512	24,452	9,791,019	17,779,983

As detailed in the accounting policies note, where investments are valued on an earnings-multiple basis, the main input used for this basis of valuation is a suitable price-earnings ratio taken from a comparable sector on the quoted market. These ratios are correlated to the share prices and so any change in share prices will have a significant effect on the fair value measurements of the investments classified as Level 3 investments.

Level 3 unquoted equity and loan stock investments are valued in accordance with the IPEVCV guidelines as follows:

	30 April 2011 £	30 April 2010 £
Investment methodology		
Cost (reviewed for impairment)	5,098,067	2,098,067
Asset value supporting security held	699,966	699,966
Recent investment price	2,374,735	1,000,001
Earnings multiple	9,607,215	7,666,259
	17,779,983	11,464,293

The unquoted equity investments had the following movements between valuation methodologies between 30 April 2011 and 30 April 2010:

Change in investment methodology (2010 to 2011)	Carrying value as at 30 April 2011 £	Explanatory note
Recent investment price to earnings multiple	923,815	More appropriate basis for determining fair value
Earnings multiple to cost (reviewed for impairment)	–	Due to the revaluation of the investment to £nil

Notes to the Accounts
for the year ended 30 April 2011

The valuation will be the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the September 2009 IPEVCV guidelines. The directors believe that, within these parameters, there are no other possible methods of valuation which would be reasonable as at 30 April 2011.

FRS 29 requires disclosure, by class of financial instruments, if the effect of changing one or more inputs to reasonably possible alternative assumptions would result in a significant change to the fair value measurement. The information used in determination of the fair value of Level 3 investments is chosen with reference to the specific underlying circumstances and position of the investee company. The portfolio has been reviewed and both downside and upside reasonable possible alternative assumptions have been identified and applied to the valuation of each of the unquoted investments. Applying the downside alternatives, the value of the unquoted investments would be £1,317k or 7.3% lower. Using the upside alternatives the value would be increased by £1,947k or 10.8%. In arriving at both these figures, a 5% change to earnings multiples was applied.

21 Merger of 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
'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 £52,928 were incurred to merge the 'O' and 'C' Share Funds, principally being legal and professional fees, registrars' fees and printing costs.

22 Management of capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and to provide an adequate return to shareholders by allocating its capital to assets commensurate with the level of risk.

By its nature, the Company has an amount of capital, at least 70% (as measured under the tax legislation) of which is and must be, and remain, invested in the relatively high risk asset class of small UK companies within three years of that capital being subscribed. The Company accordingly has limited scope to manage its capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. Subject to this overall constraint upon changing the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets if so required to maintain a level of liquidity to remain a going concern.

Although, as the Investment Policy implies, the Board would consider levels of gearing, there are no current plans to do so. It regards the net assets of the Company as the Company's capital, as the level of liabilities are small and the management of them is not directly related to managing the return to shareholders. There has been no change in this approach from the previous year.

23 Segmental analysis

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

24 Related party transactions

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

Matrix-Securities Limited provided accountancy and company secretarial services to the Company for which it received payment of £42,319 (2010: £121,501) including VAT during the year up until the contract was terminated on 10 September 2010, in addition to fees earned as promoter £nil (2010: £28,219). MPE Partners Limited has a 50% interest in Matrix Private Equity Partners LLP, the Company's Investment Manager. Matrix Private Equity Partners LLP is the Company's Investment Manager in respect of venture capital investments and earned fees of £557,802 (2010: £454,353) in respect of investment management and, from 10 September 2010 onwards, Administration and Company Secretarial services. The Company has £2,716,416 (2010: £2,841,964) invested in a liquidity fund managed by Prime Rate Capital Management LLP, and earned income of £24,148 (2010: £24,845) from this fund in the year. MCC are the Company's brokers and fees of £11,833 (2010: £11,526) were charged for the period. Seven (2010: Three) share buybacks were undertaken by MCC on the Company's instruction totalling £457,264 (2010: £78,141). £81,088 (2010: £nil) was due to MCC at the year-end.

25 Capital Commitment

In March 2011, an investment of £360,265 was committed to be invested in further loan stock in ASL Technology Holdings Limited, as part of a larger commitment by other VCTs advised by the Manager to invest a sum totalling £1,600,000. The cash was held in an escrow account in the Company's name but secured against a bank bridging loan to ASL Technology Holdings Limited at the year end.

On 23 June 2011, this investment was completed. £360,265 of loan stock was issued to the Company, and the security released by the bank.

26 Post balance sheet events

In addition to the post balance sheet event referred to above in note 25, the following events have also occurred:-

On 4 July 2011, a further £51,265 of loan stock was acquired in Monsal Holdings Limited, as part of a further commitment to invest £192,244 in Monsal Holdings Limited.

On 8 July 2011, £1,160,549 was invested in Fullfield Limited as part of the management buy-out of Motorclean Holdings Limited.

Shareholder Information

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

The Company circulates a bi-annual newsletter to Shareholders, as well as the usual Annual and Half-Yearly Reports. The next edition will be distributed in October 2011.

Net asset value per share

The Company's NAV as at 30 April 2011 was 96.16 pence per Ordinary Share . The Company announces its unaudited NAV on a quarterly basis.

Dividends

The Directors are not proposing a final dividend for Ordinary Shareholders . An interim capital dividend of 3.8 pence and an interim income dividend of 0.2 pence per Share for the year ended 30 April 2011 was declared by the Board and paid on 20 April 2011 to Shareholders.

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

Financial calendar

Late July 2011	Annual Report for the year ended 30 April 2011 to be circulated to Shareholders
8 September 2011	Annual General Meeting
Mid October 2011	Newsletter to be circulated to Shareholders
Mid December 2011	Release of the half-yearly results
Early January 2012	Half-Yearly Report for the six months ending 31 October 2011 to be circulated to Shareholders
Mid April 2012	Newsletter to be circulated to Shareholders
30 April 2012	Year-end

Annual General Meeting

The Annual General Meeting of the Company will be held on Thursday 8 September 2011 from 12 noon at One Vine Street, London W1J 0AH. The meetings will take place at the offices of Matrix Group Limited. Please try to arrive 10 minutes before the meeting starts when tea and coffee will be served to Shareholders. Proxy forms for the meetings, which Shareholders will find included with their copy of this Annual Report, should be completed in accordance with the instructions printed thereon and sent to the Company's Registrars, Capita Registrars, to arrive no later than 12 noon on 6 September 2011.

Shareholder enquires:

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

For information on your holding, to notify the Company of a change of address or to request a dividend mandate form (should you wish to have future dividends paid directly into your bank account) please contact the Company's Registrars, Capita Registrars, on 0871 664 0300 (calls cost 10p per minute plus network extras.

If calling from overseas please ring +44 208 639 2157) or write to them at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. Alternatively you can contact them via their website at www.capitaregistrars.com.

VCT Tax Benefits

Taxation benefits

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

Personal taxation benefits

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

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

(1) **Relief from income tax on investments**

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

(2) **Capital gains tax reinvestment relief**

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

(3) **Dividend relief**

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

(4) **Relief from capital gains tax on disposal**

A disposal by an investor of ordinary shares in a VCT will not be subject to UK capital gains tax.

(5) **Purchases in the market**

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

(6) **Withdrawal of relief**

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

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

NOTICE of the ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Matrix Income & Growth 2 VCT plc ("the Company") will be held on Thursday, 8 September 2011 at 12 noon at the offices of Matrix Group Limited, One Vine Street, London W1J 0AH.

The meeting will be held for the purposes of passing the following resolutions as, in the case of Resolutions 1 to 7, ordinary resolutions and, in the case of Resolutions 8 and 9, special resolutions:

1. To receive and adopt the audited annual accounts of the Company for the financial year ended 30 April 2011, ("Annual Report") together with the Directors' Report and the Auditor's Report on those accounts.
2. To approve the Directors' Remuneration Report for the year ended 30 April 2011, which is set out in the Annual Report.
3. To re-appoint PKF (UK) LLP of Farringdon Place, 20 Farringdon Road, London EC1M 3AP as Auditors to the Company until the conclusion of the next annual general meeting.
4. To authorise the directors to determine PKF (UK) LLP's remuneration as Auditor of the Company.
5. To re-elect Nigel Melville as a director of the Company.
6. To re-elect Kenneth Vere Nicoll as a director of the Company.
7. That, in substitution for any existing authorities, the directors of the Company be and hereby are generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or convert any, security into shares in the Company ("Rights") up to an aggregate nominal value of £86,192, provided that the authority conferred by this Resolution 7 shall expire (unless renewed, varied or revoked by the Company in a general meeting) on the conclusion of the annual general meeting of the Company to be held in 2012 but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares in the Company to be allotted or Rights to be granted after such expiry.
8. That, in substitution for any existing authorities, the directors of the Company be and hereby are empowered pursuant to sections 570 and 573 of the Act to allot or make offers or agreements to allot equity securities (which expression shall have the meaning ascribed to it in section 560(1) of the Act) for cash, pursuant to the authority given pursuant to Resolution 7 set out in this notice, or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such sale or allotment, provided that the power conferred by this resolution shall expire (unless renewed, varied or revoked by the Company in a general meeting) on the conclusion of the annual general meeting of the Company to be held in 2012, and provided further that this power shall be limited to:-
   (i) the allotment and issue of equity securities up to an aggregate nominal value representing £34,476 in connection with offer(s) for subscription;
   (ii) the allotment of equity securities with an aggregate nominal value of up to but not exceeding 10 per cent. of the issued share capital of the Company from time to time pursuant to any dividend investment scheme operated by the Company; and
   (iii) the allotment, otherwise than pursuant to sub-paragraphs (i) and (ii) above, of equity securities with an aggregate nominal value of up to but not exceeding 10 per cent. of the issued share capital of the Company from time to time

   in each case, where the proceeds may be used, in whole or part, to purchase the Company's shares.
9. That, in substitution for any existing authorities, the Company be and hereby is empowered to make one or more market purchases (within the meaning of section 693(4) of the Act) of its own shares on such terms and in such manner as the directors of the Company may determine (either for cancellation or for the retention as treasury shares for future re-issue or transfer) provided that:
   (i) the aggregate number of shares which may be purchased shall not exceed 3,876,078 representing approximately 14.99% of the Company's issued share capital at the date hereof;
   (ii) the minimum price which may be paid for a share is 1 penny (the nominal value thereof);
   (iii) the maximum price which may be paid for a share is an amount equal to the higher of (a) an amount equal to five per cent above the average of the middle market quotations for a share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased and (b) the price stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation (EC 2273/2003);
   (iv) the authority conferred by this resolution shall (unless previously renewed or revoked in general meeting) expire on the conclusion of the annual general meeting of the Company to be held in 2012; and

(v) the Company may make a contract or contracts to purchase its own 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 expiry of such authority, and may make a purchase of its own shares in pursuance of any such contract.

By order of the Board

Registered Office
One Vine Street, London W1J 0AH

Matrix Private Equity Partners LLP
Company Secretary

21 July 2011

Notes:

1. To be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the votes they may cast), members must be registered in the Register of Members of the Company at 12 noon on 6 September 2011 (or, in the event of any adjournment, the time and date which is two days before the time of the adjourned meeting). Changes to the Register of Members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the form of proxy are set out in the notes on the form of proxy. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.
3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you may copy the proxy form, clearly stating on each copy the shares to which the proxy relates, or alternatively contact the Company's registrars, Capita Registrars, on 0871 664 0300 (lines are open between 8.30 am and 5.30 pm Monday to Friday, calls cost 10p per minute (including VAT) plus network extras – if calling from overseas please dial +44 208 639 3399 (international rates will apply)) to request additional copies of the proxy form. Different charges may apply to calls from mobile telephones and call may be recorded and randomly monitored for security and training purposes. For legal reasons Capita Registrars will be unable to give advice on the merits of the proposals or provide financial, legal, tax or investment advice. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned together in the same envelope.
4. The statement of the rights of members in relation to the appointment of proxies in paragraphs 1 to 3 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.
5. Any person to whom this notice is sent who is a person nominated under section 146 of the Act to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
6. If you have been nominated to receive general shareholder communications directly from the Company, it is important to remember that your main contact in terms of your investment remains as it was (ie the registered shareholder, or perhaps custodian or broker, who administers the investment on your behalf). Therefore any changes or queries relating to your personal details and holding (including any administration thereof) must continue to be directed to your existing contact at your investment manager or custodian. The Company cannot guarantee dealing with matters that are directed to it in error. The only exception to this is where the Company, in exercising one of its powers under the Act, writes to you directly for a response.
7. A personal reply paid form of proxy is enclosed with this document. To be valid, it should be lodged, together with the power of attorney or other authority, if any, under which it is signed or a notarilly certified or office copy thereof, at the offices of the Company's registrar, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received not later than 12.00 noon on 6 September 2011 or 48 hours before the time appointed for any adjourned meeting or, in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll.
8. If you prefer, you may return the proxy form to Capita Registrars in an envelope addressed to FREEPOST RSBH-UXKS-LRBC, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

NOTICE of the ANNUAL GENERAL MEETING

9. Appointment of a proxy or CREST proxy instruction will not preclude a member from subsequently attending and voting at the meeting should he or she subsequently decide to do so. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.
10. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
11. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by 12 noon on 6 September 2011. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
12. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
13. As at 21 July 2011 (being the last business day prior to the publication of this notice), the Company's issued share capital consists of 25,857,764 shares, all of which carry one vote each. Therefore, the total voting rights in the Company as at 21 July 2011 were 25,857,764.
14. The Register of Directors' Interests and Directors' appointment letters will be available for inspection at the Company's registered office during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) until the end of the meeting and will also be available for inspection at the place of the meeting for at least fifteen minutes prior to and during the meeting. The Directors do not have any service contracts with the Company.
15. If a corporate shareholder has appointed a corporate representative, the corporate representative will have the same powers as the corporation could exercise if it were an individual member of the Company. If more than one corporate representative has been appointed, on a vote on a show of hands on a resolution, each representative will have the same voting rights as the corporation would be entitled to. If more than one authorised person seeks to exercise a power in respect of the same shares, if they purport to exercise the power in the same way, the power is treated as exercised; if they do not purport to exercise the power in the same way, the power is treated as not exercised.
16. Under section 527 of the Act, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the Auditor's Report and the conduct of the audit) that are to be laid before the meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor no later then the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under section 527 of the Companies Act to publish on a website.
17. At the meeting shareholders have the right to ask questions relating to the business of the meeting and the Company is obliged under section 319A of the Act to answer such questions, unless to do so would interfere unduly with the preparation of the meeting or would involve the disclosure of confidential information, if the information has been given on the Company's website, www.mig2vct.co.uk in the form of an answer to a question, or if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
18. Further information, including the information required by section 311A of the Act, regarding the meeting is available on the Company's website, www.mig2vct.co.uk.

Corporate Information

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

Investment Manager, Promoter and Company Accountants
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Tel: 0871 664 0300 (calls cost 10p per minute plus network extras. Lines are open 8.30am-5.30pm Mon-Fri. If calling from overseas please ring +44 208 639 2157)

Company Registration Number : 3946235

Website: www.mig2vct.co.uk

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Fraser Hamilton Associates
Tel: 0208 493 0123