MATRIX INCOME & GROWTH VCT PLC 2

A VENTURE CAPITAL TRUST

REPORT & ACCOUNTS

Annual Report and Accounts
for the year ended 30 April 2008

MATRIX

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

Investment Objective

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

Venture Capital Trust Status

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

Contents

Financial Highlights

Ordinary Share Fund (listed on 11 July 2000)

- Dividend of 6.00p to be paid on 23 July 2008 bringing cumulative dividends paid to 26.8 pence since launch
- Small decrease in year of 3.6% in Shareholder total return (net asset value basis) to 117.70 pence comparing favourably to quoted markets
- Increase of 25.5% in Shareholder total return (net asset value basis) since change in investment remit in September 2005

Dividends paid and declared

Year ended	Dividends paid and declared for each year (p) per share	Cumulative dividends paid and declared since launch (p) per share
30 April 2008	*6.00	*26.79
30 April 2007	6.00	20.79
30 April 2006	12.00	14.79
30 April 2005	–	2.79
30 April 2004	–	2.79

*An interim dividend of 6.00 pence per share to be paid on 23 July 2008 has been included in these figures.

Performance summary

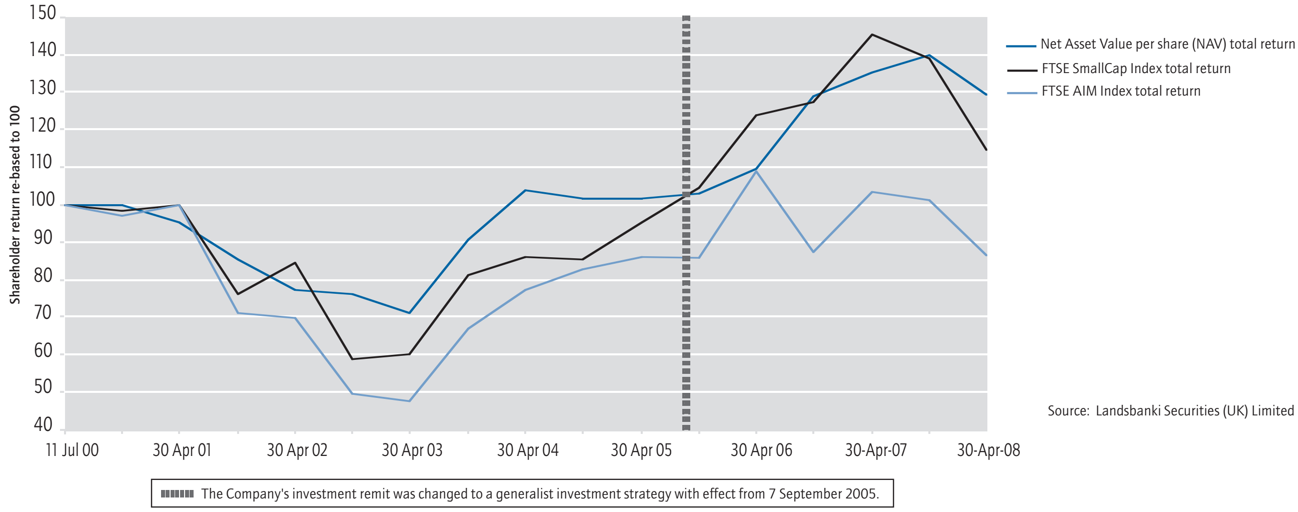
Year ended	Net assets (£000s)	Net asset value (p) per share	Cumulative dividends paid and declared (p) per share	Total return to shareholders since launch (p) per share[1]
30 April 2008	11,136	96.91	26.79	*117.70
30 April 2007	12,912	107.24	20.79	122.03
30 April 2006	10,939	87.05	14.79	101.84
30 April 2005	11,780	91.88	2.79	94.67
30 April 2004	12,261	94.09	2.79	96.88

*Adjusted for the interim dividend of 6.00 pence per share to be paid out of NAV at 30 April 2008.

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

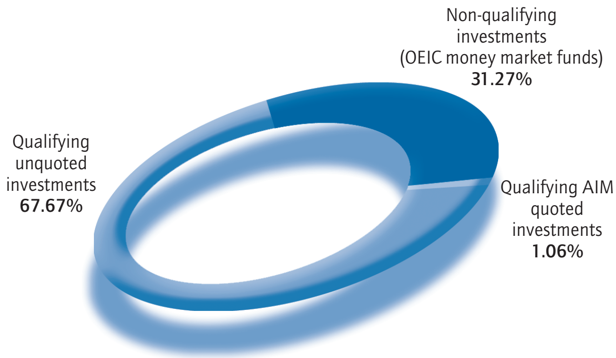
Total shareholder return (net asset value basis) since inception of the Fund

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

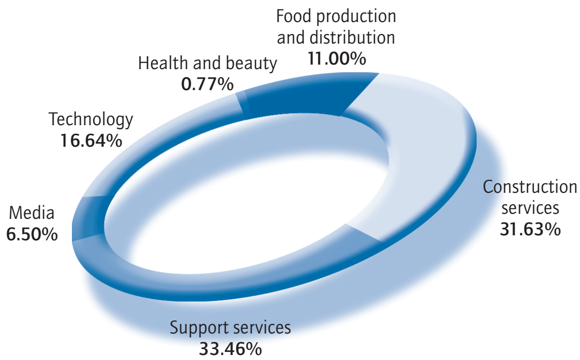


Investments at valuation as at 30 April 2008

Investments by asset class



Investment by market sector



Financial Highlights

C Share Fund (listed on 21 December 2005)

- Dividend of 2.50p to be paid on 23 July 2008 bringing cumulative dividends paid to 4.00 pence since launch
- Increase of 2.9% in year in Shareholder total return (net asset value basis) to 99.9 pence per share

Dividends paid and declared

Year ended	Dividends paid and declared for each year (p) per share	Cumulative dividends paid and declared since launch (p) per share
30 April 2008	*2.50	*4.00
30 April 2007	1.50	1.50
30 April 2006	0.00	0.00

*An interim dividend of 2.50 pence per share to be paid on 23 July 2008 has been included in these figures.

Performance summary

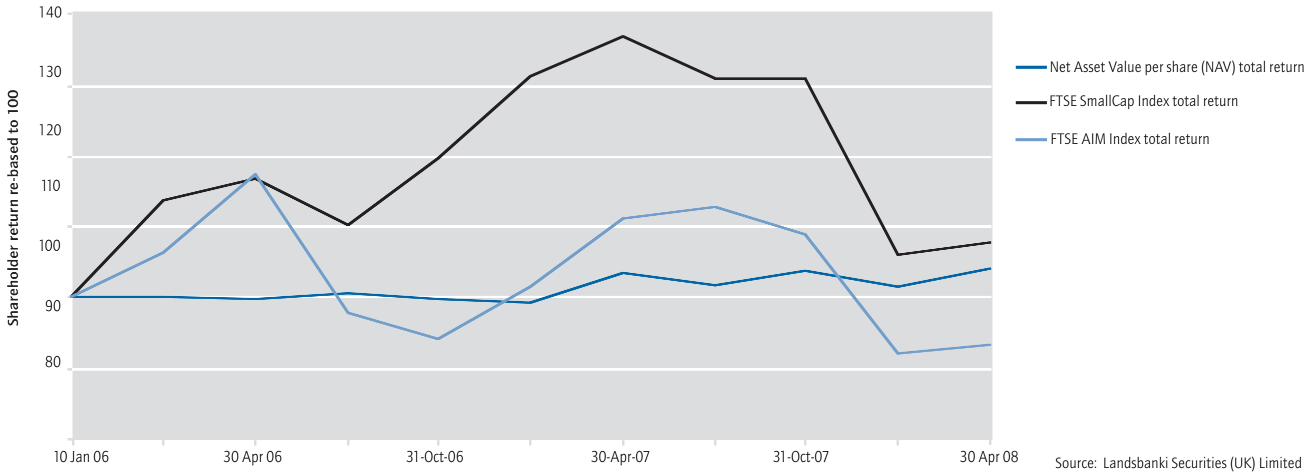
Year ended	Net assets (£000s)	Net asset value (p) per share	Cumulative dividends paid and declared (p) per share	Total return to shareholders since launch (p) per share[1]
30 April 2008	9,007	98.48	4.00	*99.98
30 April 2007	8,885	97.15	1.50	97.15
30 April 2006	8,626	94.32	–	94.32

*Adjusted for the interim dividend of 2.50 pence per share to be paid out of NAV at 30 April 2008.

[1]Net asset value per share plus cumulative dividends per share. This compares to an original investment cost of 60 pence per share for the C Share Fund after allowing for income tax relief of 40 pence per share.

Total shareholder return (net asset value basis) since inception of the Fund

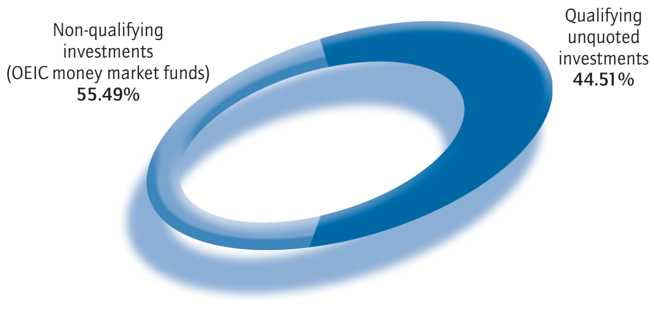
In the graph below, the total return figures have been re-based to 100 at 10 January 2006



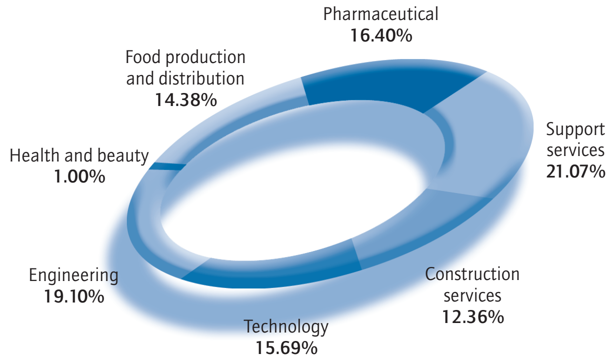
Source: Landsbanki Securities (UK) Limited

Investments at valuation as at 30 April 2008

Investments by asset class



Investment by market sector



Chairman's Statement

I am pleased to present the eighth Annual Report of the Company for the year ended 30 April 2008.

Overview of performance for the year ended 30 April 2008

In light of the economic uncertainty and turmoil in financial markets during the last twelve months, this has been a challenging period for investment companies. This is clearly evidenced by the stock market indices discussed below, all of which fell significantly. Several of our VCT peers have seen annual reductions of between 10% and 20% in their net asset values.

In contrast, the performance of your Company has been relatively stable, with some encouraging results. Our Ordinary Shareholders have seen a small decrease in net asset value, but a healthy 6 pence per share dividend has been maintained. Our C Shareholders have seen a small increase in net asset value and an increased 2.5 pence per share dividend.

The Company's total Ordinary Shareholder (NAV) return declined by 3.6% in the year, from 122.03 pence per share to 117.70 pence per share. An interim capital dividend of 4.5 pence and an interim income dividend of 1.5 pence for the year have been declared and will be paid in July.

The Company's total C Shareholder (NAV) return showed an increase of 2.9% from 97.15 pence per share to 99.98 pence per share. An interim income dividend of 2.5 pence for the year has been declared and will be paid in July.

By comparison, during the twelve-month period ended 30 April 2008 the FTSE All-Share Index fell by 7.6%, the SmallCap Index by 23% and the AIM Index by 17.3%.

Revenue and capital returns for the year ended 30 April 2008

The results for the year ended 30 April 2008 are set out in the following pages. The total return (after tax) attributable to the Ordinary Shareholders for the year was a loss of £633,730 (2007: Profit of £2,378,445) and the net asset value ("NAV") per Ordinary Share at 30 April 2008 was 96.91 pence compared with 107.24 pence as at 30 April 2007. This fall is mainly explained firstly, by a dividend of 6 pence in respect of the year ended 30 April 2007 having been paid on 19 September 2007 and secondly, a fall in valuations of unrealised investments. The after tax revenue return before net capital gains was 1.82 pence per Ordinary Share for the year to 30 April 2008 (2007: 1.54 pence).

The total return (after tax) attributable to the C Shareholders for the year was £259,528 (2007: £258,730) and the NAV per C Share at 30 April 2008 was 98.48 pence compared with 97.15 pence as at 30 April 2007. The after tax revenue return before net capital gains was 2.65 pence per Ordinary Share for the year to 30 April 2008 (2007: 2.30 pence).

This year's macro-economic environment has been considerably tougher than the previous year's and the Board is encouraged by these results. In the case of Ordinary Shareholders, the performance continues to reflect the benefits of the change in investment strategy pursued since September 2005, which has begun to deliver stronger income flows to the Ordinary Share Fund, and now the C fund. This has been combined with some net increases in the valuations of both Funds over that time, although the valuation of the Ordinary Share Fund has reduced slightly at this year-end, mainly in response to the falls in quoted markets.

New investment activity

This year has seen the Ordinary Share Fund invest £1.3 million in two new investments, and one follow-on investment alongside the C Share Fund, which co-invested £1.1 million. The C Share Fund also invested a further £1.4 million in two other new investments, when the Ordinary Share Fund was temporarily fully invested and hence unable to co-invest. Thus, the C Share Fund invested a total of £2.5 million in the year. All of these investments were in management buy-out ("MBO") transactions by your Investment Manager, MPEP. Details of these investments are provided in the Investment Manager's Review on pages 12 to 18.

A feature of MBO investments is their ability to generate income to the Funds by investing in loan stocks as well as ordinary shares. The annualised yield from loan stocks at valuation is now running at 9.2% and 9.0% to the Ordinary and C Share Funds respectively. During the year interest and dividend income totalled £0.6 million, an increase of 34% over the previous year.

Portfolio activity

In January and February of this year, the Ordinary Share Fund realised its investments in Gyro International for £2.4 million, against original cost of £750,000, and a return of over 3 times the original investment in 3 years, BBI Holdings plc for £262,000 against cost of £119,000 and Clarity Commerce Solutions plc for proceeds of £162,000 against a cost of £510,000. In April, part of the loan stock held in VSI Limited was redeemed for £148,000, being a premium on cost of £13,000.

This Fund now holds twelve investments made since the change of investment strategy in 2005, accounting for almost 56% by cost and almost 68% by valuation of the Fund's assets. Eleven of these investments are MBOs.

The C Share Fund currently holds investments in ten companies, showing valuations at this early stage of this portfolio's life which are 5.4% above cost. Although at an earlier stage of development, this fund realised its investment in BBI Holdings plc, realising £183,000 against a cost of £83,000, and also received proceeds of £50,000 at a premium on cost of £5,000 upon part of its loan stock investment in VSI Limited.

All investments held by the Company continue to be valued in accordance with International Private Equity Venture Capital Valuation ("IPEVCV") guidelines. We will, in any event, always follow a consistent and prudent valuation policy. The investments quoted on AIM and the money market securities are carried at market value.

Dividends

The revenue account generated a net revenue return for the year of £214,894 for the Ordinary Share Fund (2007: £190,379) causing the Ordinary Share Fund's revenue reserve to become positive by the end of the year, and £242,682 for the C Share Fund (2007: £210,137). The dividends declared as interims for the year ended 30 April 2008 will be paid on 23 July 2008 to Shareholders on the register on 27 June 2008. Your Directors will not be recommending a final income or capital dividend for Ordinary or C Shareholders.

New capital raising

Your Board has decided to seek to raise additional capital in the C Share Fund by launching an offer of new shares towards the end of this calendar year. We anticipate that there will be significant opportunities to invest over the medium term and intend the Company to have adequate liquidity to participate fully in these opportunities, alongside other MPEP-advised VCTs. Such a fund-raising will enable the Company to achieve better economies of scale by spreading its running costs across a larger capital base and will give existing and new shareholders the opportunity to invest further at what may be an advantageous point in the economic cycle.

The Board will be seeking Shareholders' permission to issue this additional share capital through resolutions to be tabled at the Annual General Meeting on 10 September 2008. We consider that these resolutions are in the best interests of the Company and its Shareholders as a whole and recommend Shareholders to vote in favour of them, as they intend to do in respect of their own beneficial holdings totalling 40,900 Ordinary shares (0.36 per cent of the issued Ordinary share capital) and 47,475 C Shares (0.51 per cent of the issued C Share capital).

Outlook

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

Conclusion

I would like to express my thanks to all Shareholders for your continuing support of the Company. I hope to have the opportunity of meeting you at the Annual General Meeting on 10 September 2008.

Nigel Melville
Chairman

14 July 2008

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 MBOs, i.e. to support incumbent management teams in acquiring the business they manage but do not own. Investments are primarily made in companies that are established and profitable.

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

UK companies

The companies in which investments are made must have no more than £15 million of gross assets at the time of investment to be classed as a VCT qualifying holding.

VCT regulation

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

Asset mix

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

Risk diversification and maximum exposures

Risk is spread by investing in a number of different businesses across different industry sectors. To reduce the risk of high exposure to equities, each qualifying investment is structured using a significant proportion of loan stock (up to 70% of the total investment in each VCT qualifying company.) Initial investments in VCT qualifying companies are generally made in amounts ranging from £200,000 to £1 million at cost. No holding in any one company will represent more than 10% of the value of the VCT's investments, based on cost, at the time of investment. Ongoing monitoring of each investment is carried out by the Investment Manager generally through taking a seat on the Board of each VCT qualifying company.

Co-investment

The VCT aims to invest alongside four other Income and Growth VCTs advised by the 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 Investment Manager and are then subject to formal approval by the Directors. Matrix Securities provides Company Secretarial and Accountancy services to the VCT.

Principal risks, management and regulatory environment

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

- **Economic risk** – events such as an economic recession and movement in interest rates could affect trading conditions for smaller companies and consequently the value of the VCT's qualifying investments.
- **Loss of approval as a Venture Capital Trust** – the VCT must comply with Section 274 of the Income Tax Act 2007 which allows it to be exempted from capital gains tax on investment gains. Any breach of these rules may lead to the VCT losing its approval as a VCT, qualifying shareholders who have not held their shares for the designated holding period having to repay the income tax relief they obtained and future dividends paid by the VCT becoming subject to tax. The VCT would also lose its exemption from corporation tax on capital gains.
- **Investment and strategic** – inappropriate strategy or consistently weak VCT qualifying investment recommendations might lead to under performance and poor returns to shareholders. Investment in unquoted small companies by its nature involves a higher degree of risk than investment in companies traded on the London Stock Exchange main market. Smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals. This may make them more risk-prone and volatile investments.
- **Regulatory** – the VCT is required to comply with the Companies Acts, the rules of the UK Listing Authority and United Kingdom Accounting Standards. Breach of any of these might lead to suspension of the VCT's Stock Exchange listing, financial penalties or a qualified audit report.

- **Financial and operating risk** – inadequate controls might lead to misappropriation of assets. Inappropriate accounting policies might lead to misreporting or breaches of regulations. Failure of the Investment 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.

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

Investment Portfolio Summary
as at 30 April 2008

Ordinary Share Fund

	Date of first investment	Total book cost £	Valuation £	% of net assets by value
Qualifying investments				
AIM quoted investments				
SectorGuard plc Provision of manned guarding, mobile patrolling, and alarm response services	August 2005	150,000	107,143	0.9%
Vphase plc (formerly Flightstore Group plc) Development of energy saving devices for domestic use	March 2001	254,586	9,504	0.1%
		404,586	116,647	1.0%
Unquoted investments				
Youngman Group Limited Manufacturer of ladders and access towers	October 2005	1,000,052	1,670,564	15.0%
Blaze Signs Holdings Limited Signwriter	April 2006	791,608	1,136,072	10.2%
British International Holdings Limited Supplier of helicopter services	June 2006	832,827	904,172	8.1%
PastaKing Holdings Limited Supplier to the educational and food service market	June 2006	274,624	829,135	7.4%
VSI Limited Developer and marketer of 3D software	April 2006	231,020	656,004	5.9%
DiGiCo Europe Limited Design and manufacture of audio mixing desks	July 2007	588,886	588,886	5.3%
Campden Media Limited Magazine publisher and conference organiser	January 2006	975,000	490,131	4.4%
PXP Holdings Limited (Pinewood Structures) Designer, manufacturer and supplier of timber frames for housing	December 2006	588,886	481,971	4.3%
Vectair Holdings Limited A provider of air care and sanitary washroom products	January 2006	243,784	374,418	3.4%
Plastic Surgeon Holdings Limited (The) Snagging and finishing of domestic and commercial properties	April 2008	230,986	230,986	2.1%
Racoon International Holdings Limited Supplier of hair extensions, hair care products and training	December 2006	517,350	57,644	0.5%
Award International Holdings plc Sales promotion activities	March 2004	250,000	–	0.0%
Recite Limited Sales support software	August 2003	1,000,000	–	0.0%
		7,525,023	7,419,983	66.6%
Total qualifying investments		7,929,609	7,536,630	67.6%[1]
Non-qualifying investments				
Money market funds[2]		3,373,809	3,373,809	30.3%
Cash		54,863	54,863	0.5%
SectorGuard plc		106	62	0.0%
Total non-qualifying investments		3,428,778	3,428,734	30.8%
Debtors		289,975	289,975	2.6%
Creditors		(119,809)	(119,809)	(1.0%)
Total investments		**11,528,553**	**11,135,530**	**100.0%**

[1] As at 30 April 2008, the Company (comprising both share classes) held more than 70% of its total investments in qualifying holdings, and therefore complied with the VCT Investment test. For the purpose of this VCT investment test, the Company is permitted to disregard disposals of investments for six months from the date of disposal.

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

C Share Fund

	Date of first investment	Total book cost £	Valuation £	% of net assets by value
Qualifying investments				
Unquoted investments				
Monsal Holdings Limited Engineering services to water and waste sectors	December 2007	769,000	769,000	8.5%
Blaze Signs Holdings Limited Signwriter	April 2006	606,890	666,686	7.4%
Focus Pharma Holdings Limited Licensing and distribution of generic pharmaceuticals	October 2007	660,238	660,238	7.4%
PastaKing Holdings Limited Supplier to the educational and food service market	June 2006	191,720	578,836	6.4%
DiGiCo Europe Limited Design and manufacture of audio mixing desks	July 2007	411,114	411,114	4.6%
PXP Holdings Limited (Pinewood Structures) Designer, manufacturer and supplier of timber frames for housing	December 2006	411,114	336,474	3.8%
VSI Limited Developer and marketer of 3D software	April 2006	77,623	220,419	2.4%
British International Holdings Limited Supplier of helicopter services	June 2006	167,173	181,524	2.0%
Plastic Surgeon Holdings Limited (The) Snagging and finishing of domestic and commercial properties	April 2008	161,278	161,278	1.8%
Racoon International Holdings Limited Supplier of hair extensions, hair care products and training	December 2006	361,177	40,242	0.4%
Total qualifying investments		3,817,327	4,025,811	44.7%[1]
Non-qualifying investments				
Money market funds[2]		4,984,365	4,984,365	55.3%
Cash		34,891	34,891	0.4%
Total non-qualifying investments		5,019,256	5,019,256	55.7%
Debtors		62,354	62,354	0.7%
Creditors		(100,060)	(100,060)	(1.1%)
Total investments		**8,798,877**	**9,007,361**	**100.0%**

[1] As at 30 April 2008, the Company (comprising both share classes) held more than 70% of its total investments in qualifying holdings, and therefore complied with the VCT Investment test. For the purpose of this VCT investment test, the Company is permitted to disregard disposals of investments for six months from the date of disposal.

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

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

Investment Manager's Review

Strategy

Throughout the period MPEP has continued to pursue its strategy of investing in established, profitable, unquoted companies with its primary focus on investments in MBOs.

New investment activity

The investment environment has been unpredictable over the year; after a strong pipeline of opportunities was converted into new investments in the period to December, your Investment Manager maintained its selective approach in response to weakening UK trading conditions. MPEP remains of the view that the market has not yet re-established the equilibrium necessary for high quality businesses to be sold at prices acceptable to private equity-backed management teams.

Nevertheless MPEP considers that over the course of the next twelve months a greater number of attractive buying opportunities will present themselves, potentially helped by a tighter lending market as UK banks continue to adjust to the liquidity constraints of recent months.

The Ordinary Share Fund completed three investments totalling £1.27 million in the year, two being MBOs and the third a £452,000 acquisition financing for an existing investment, Blaze Signs, to enable it to add a sign maintenance business to its sign manufacturing activities. The Fund also invested £589,000 in the MBO of DiGiCo Europe and, in April, £231,000 was invested to support the MBO of Plastic Surgeon Fine Finishers, an Exeter-based business which provides snagging and cosmetic repair services to the residential housing market.

The C Share Fund completed five investments over the same period. In addition to investing alongside the Ordinary Share Fund in DiGiCo Europe (£411,000), Blaze Signs (£548,000) and Plastic Surgeon (£161,000), as set out in the Half-Yearly Report, it also invested to support the MBOs of Focus Pharmaceuticals (£660,000) and Monsal (£769,000).

Ordinary Share Fund portfolio highlights

Portfolio activity has been high with six investments having been realised during the course of the year. The most notable of these was the sale of Gyro International to a secondary MBO at the end of January. Total proceeds of £2.34 million were received for the Ordinary Share Fund's £750,000 investment, made in February 2005. This represented a £950,000 uplift from the valuation prevailing at 31 October 2007.

Also in January a second investment was sold at a significant profit. BBI Holdings, the AIM-quoted manufacturer and distributor of point-of-care medical diagnostic products, became the subject of a recommended offer by Inverness Medical Innovations Inc., a US company quoted on the American Stock Exchange ("AMEX"). Favourable exchange rate movements and the strengthening share price of Inverness, which offered a share alternative to the cash offer of 185p per BBI share, enabled the Fund to sell its shares in the market at just over 205p per share. The proceeds of £262,000 compared to the Fund's investment cost of £119,000 and represented a £62,000 increase over the valuation as at 31 October 2007.

There were also a number of disappointing realisations of investments made under the investment strategy prevailing prior to the appointment of MPEP. These included the liquidations of Recite and Monactive; both were fully provided against at 30 April 2007. The Fund's investment in Callserve Communications, also held at nil value, was also sold in January 2008 at a value which failed to produce any proceeds for the Fund. Finally, the Fund sold its holding in Clarity Commerce Solutions in early 2008, realising total proceeds of £162,000, compared with investment cost of £510,000.

Following these realisations, the Ordinary Share Fund comprises 14 trading investments with a total cost of £6.93 million and a value of £7.5 million (108% of cost). With the exception of two investments, Award International and VPhase (formerly Flightstore Group), all have been made since MPEP's appointment in September 2005 and this Fund therefore now fully reflects the Company's income and growth strategy.

Generally the portfolio continues to perform well, with notable performances from Blaze Signs, PastaKing, Vectair and VSI, all of whom reported profit growth during 2007. VSI's liquidity enabled it to prepay £135,000 of its loan stock together with a 10% premium. British International and PXP returned solid performances, albeit below original expectations. Youngman enjoyed record profitability during 2007 but since January has been affected by the well-publicised problems of the construction sector and a downward valuation has been made. Whilst SectorGuard has made acquisitions, its commercial progress has not yet been reflected in its share price. More disappointingly, the performance of both Campden Media and Racoon International has been less positive. Whilst both are profitable, they are trading at levels of profitability much lower than anticipated at the time of investment and their valuations reflect this.

C Share Fund portfolio highlights

The C Share Fund's investment in BBI Holdings was realised at the same time as that of the Ordinary Share Fund; the proceeds of £183,000 compared to the Fund's investment cost of £83,000 and represented a £43,000 increase over the valuation as at 31 October 2007. VSI also prepaid £45,000 of its loan stock together with a 10% premium.

The C Share Fund portfolio currently comprises 10 investments with a total cost of £3.82 million and a value of £4.03 million (105% of cost). All of these investments were made alongside the Ordinary Share Fund, with the exceptions of Focus Pharma and Monsal, which were completed at a time when that Fund was fully invested. Both of these have made encouraging progress in the short time since investment.

Award International Holdings plc

	Ordinary Share Fund
Cost:	£250,000
Valuation:	£Nil
Basis of valuation:	Cost less impairment
Equity % held:	2.2%
Income receivable in year:	£Nil
Business:	Sales promotion activities
Location:	Margate, Kent
History:	AIM flotation

Audited financial information:

Year ended	Turnover	Operating Profit	Net Assets
30 September 2007	£Nil	£682,000	£180,000

Blaze Signs Holdings plc

	Ordinary Share Fund	C Share Fund
Cost:	£791,608	£606,890
Valuation:	£1,136,072	£666,686
Basis of valuation:	Price of recent investment	Price of recent investment
Equity % held:	9.5%	4.0%
Income receivable in year:	£34,629	£5,308
Business:	Signwriter	
Location:	Broadstairs, Kent	
History:	MBO from private ownership	

Audited financial information:

Period ended*	Turnover	Operating Profit	Net Assets
31 March 2007	£14,245,000	£1,732,000	£1,588,000

*From 28 April 2006

British International Holdings Limited

	Ordinary Share Fund	C Share Fund
Cost:	£832,827	£167,173
Valuation:	£904,172	£181,524
Basis of valuation:	Earnings multiple	Earnings multiple
Equity % held:	8.3%	1.7%
Income receivable in year:	£58,330	£11,709
Business:	Supplier of helicopter services	
Location:	Sherbourne, Dorest	
History:	MBO	

Audited financial information:

Year ended*	Turnover	Operating Profit	Net Assets
31 December 2006	£20,385,000	£2,301,000	£1,913,000

*Pro forma data taken from audited consolidated accounts

Investment Manager's Review

Campden Media Limited

	Ordinary Share Fund
Cost:	£975,000
Valuation:	£490,131
Basis of valuation:	Earnings multiple
Equity % held:	10.8%
Income receivable in year:	£78,010
Business:	Magazine publisher and conference organiser
Location:	London
History:	MBO from private ownership

Audited financial information:

Year ended	Turnover	Operating Profit	Net Assets
31 December 2006	£6,533,000	£537,000	£1,257,000

DiGiCo Europe Limited

	Ordinary Share Fund	C Share Fund
Cost:	£588,886	£411,114
Valuation:	£588,886	£411,114
Basis of valuation:	Cost	Cost
Equity % held:	3.8%	2.7%
Income receivable in year:	£27,895	£19,474
Business:	Design and manufacture of audio mixing desks	
Location:	Chessington, Surrey	
History:	MBO from private ownership	

Audited financial information:

First audited accounts will be for the period ended 31 December 2007

Focus Pharma Holdings Limited

	C Share Fund
Cost:	£660,238
Valuation:	£660,238
Basis of valuation:	Cost
Equity % held:	2.7%
Income receivable in year:	£26,638
Business:	Licensing and distribution of generic pharmaceuticals
Location:	Burton upon Trent, Staffordshire
History:	MBO from private ownership

Audited financial information:

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

Monsal Holdings Limited

	C Share Fund
Cost:	£769,000
Valuation:	£769,000
Basis of valuation:	Cost
Equity % held:	10.3%
Income receivable in year:	£17,784
Business:	Engineering services to water and waste sectors
Location:	Mansfield, Nottinghamshire
History:	MBO from private ownership

Audited financial information:

First audited accounts will be for the period ending 30 September 2008

PastaKing Holdings Limited

	Ordinary Share Fund	C Share Fund
Cost:	£274,624	£191,720
Valuation:	£829,135	£578,836
Basis of valuation:	Earnings multiple	Earnings multiple
Equity % held:	4.3%	3.0%
Income receivable in year:	£29,144	£20,345
Business:	Supplier to the educational and foodservice markets	
Location:	Newton Abbot, Devon	
History:	MBO from private ownership	

Audited financial information:

Period ended*	Turnover	Operating Profit	Net Assets
30 June 2007	£9,456,000	£2,214,000	£2,124,000

*From 2 June 2006

Plastic Surgeon Holdings Limited (The)

	Ordinary Share Fund	C Share Fund
Cost:	£230,986	£161,278
Valuation:	£230,986	£161,278
Basis of valuation:	Cost	Cost
Equity % held:	3.5%	2.4%
Income receivable in year:	£888	£620
Business:	Snagging and finishing of domestic and commercial properties	
Location:	Bovey Tracey, Devon	
History:	MBO from private ownership	

Audited financial information:

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

Investment Manager's Review

PXP Holdings Limited

	Ordinary Share Fund	C Share Fund
Cost:	£588,886	£411,114
Valuation:	£481,971	£336,474
Basis of valuation:	Earnings multiple	Earnings multiple
Equity % held:	5.0%	3.5%
Income receivable in year:	£33,509	£23,394

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

Location: Sandy, Bedfordshire

History: MBO from private ownership

Audited financial information:

First audited accounts will be for the period ended 31 December 2007

Racoon International Holdings Limited

	Ordinary Share Fund	C Share Fund
Cost:	£517,350	£361,177
Valuation:	£57,644	£40,242
Basis of valuation:	Earnings multiple	Earnings multiple
Equity % held:	7.2%	5.1%
Income receivable in year:	£7,248	£5,060

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 2007	£3,763,000	£291,000	£1,040,000

*Financial information relates to the operating subsidiary

Recite Limited (in liquidation)

	Ordinary Share Fund
Cost:	£1,000,000
Valuation:	£Nil
Basis of valuation:	Cost less impairment
Equity % held:	25.2%
Income receivable in year:	£Nil
Business:	Sales support software
Location:	Maidenhead, Berkshire
Nature of transaction:	Replacement capital

Audited financial information:

Year ended	Turnover	Operating Loss	Net Liabilities
30 April 2006	£2,185,000	(£517,000)	(£243,000)

SectorGuard plc

	Ordinary Share Fund
Cost:	£150,000
Valuation:	£107,205
Basis of valuation:	Bid price (AIM-quoted)
Equity % held:	1.1%
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
30 September 2006	£17,782,000	£1,070,000	£8,886,000

*Next audited accounts will be for the eighteen month period ended 31 March 2008

Vectair Holdings Limited

	Ordinary Share Fund
Cost:	£243,784
Valuation:	£374,418
Basis of valuation:	Earnings multiple
Equity % held:	5.2%
Income receivable in year:	£17,183
Business:	A provider of air care and sanitary washroom products
Location:	Basingstoke, Hampshire
History:	MBO from private ownership

Audited financial information:

Year ended	Turnover	Operating Profit	Net Assets
31 July 2007	£7,657,000	£1,039,000	£2,214,000

VPhase plc (formerly Flightstore Group plc)

	Ordinary Share Fund
Cost:	£254,586
Valuation:	£9,504
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 2007	£Nil	(£734,000)	£583,000

Investment Manager's Review

VSI Limited

	Ordinary Share Fund	C Share Fund
Cost:	£231,020	£77,623
Valuation:	£656,004	£220,419
Basis of valuation:	Earnings multiple	Earnings multiple
Equity % held:	9.4%	3.2%
Income receivable in year:	£33,776	£11,349
Business:	Developer and marketer of 3D software	
Location:	Sheffield	
History:	MBO from private ownership	

Audited financial information:

Year ended	Turnover	Operating Profit	Net Assets
31 December 2007	£4,051,000	£866,000	£1,024,000

Youngman Group Limited

	Ordinary Share Fund
Cost:	£1,000,052
Valuation:	£1,670,564
Basis of valuation:	Earnings multiple
Equity % held:	8.5%
Income receivable in year:	£75,977
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 2007	£49,313,000	£5,878,000	£4,434,000

Where relevant, operating profit is stated before charging amortisation of goodwill.

Further details of the investments in the portfolio may be found on the Company's website: www.mig2vct.co.uk

Board of Directors

Nigel Melville

Status: Independent, non-executive Chairman

Age: 63

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

Last re-elected to the Board: September 2007.

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

Number of Board and Committee meetings attended 2007/08: 12/12

Remuneration 2007/08: £20,000.

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

Shareholding in the Company: Ordinary Shares 20,450 (including holdings of connected persons); C Shares 21,100.

Shareholdings in investee companies: None

Adam Kingdon

Status: Independent, non-executive Director

Age: 49

Adam has over twenty years experience as a turnaround specialist and of restoring companies to profitability. He is also a director of i^{2}O Water Limited and Kingdon Burrows Performance Aircraft Limited. In 2002 he set up Adam Kingdon Associates Limited.

Last re-elected to the Board: September 2007.

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

Number of Board and Committee meetings attended 2007/08: 11/12

Remuneration 2007/08: £18,500.*

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

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

Shareholdings in investee companies: None.

*£1,000 of Mr Kingdon's fees this year relate to his role as Chairman of the Audit Committee for 4 months of the 2007 year, but which was not reported last year.

Sally Leeson

Status: Independent, non-executive Director

Age: 40

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

Last re-elected to the Board: September 2007.

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

Number of Board and Committee meetings attended 2007/08: 10/12

Remuneration 2007/08: £15,000.

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

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

Shareholdings in investee companies: None.

Kenneth Vere Nicoll

Status: Non-Executive Director

Age: 65

Ken has over 35 years' corporate finance experience and is Deputy Chairman of Matrix Corporate Capital LLP ("MCC LLP") and a Director of Matrix-Securities Limited. MCC LLP is authorised and regulated by the Financial Services Authority and is a member of The London Stock Exchange. It provides corporate finance advice and stockbroking services to companies including flotation on AIM and has advised a number of these companies in the past three years. He is a non-executive director of Unicorn AIM VCT II plc.

Last re-elected to the Board: September 2005. Standing for re-election at the annual General Meeting on 9 September 2008.

Committee memberships: Nominations Committee, Remuneration Committee.

Number of Board and Committee meetings attended 2007/08: 8/10

Remuneration 2007/08: £15,000

Relevant relationships with the Investment Manager or other service providers: Director and shareholder of Matrix Group Limited and Director of Matrix-Securities Limited (for further details please see Note 20 on related party transactions on page 52).

Shareholding in the Company: Ordinary Shares 20,450; C Shares 26,375 (including holdings of connected persons).

Shareholdings in investee companies: None.

Directors' Report

The Directors present their eighth annual report together with the audited financial statements of the Company for the year ended 30 April 2008.

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 833 of the Companies Act 2006 on 7 July 2005. This change was undertaken to enable the Company to distribute capital profits to Shareholders.

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

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

A review of the Company's business during the period and consideration of its future development and prospects are contained in the Chairman's Statement on pages 6 to 7 of this Annual Report.

Business review and performance review

For a review of the Company's development and performance during the year, please see the Chairman's Statement on pages 6 to 7 and the Investment Portfolio Summary and Investment Manager's Review on pages 10 to 18 of this Annual Report. The Financial Highlights on pages 2 to 5 provides data on the Company's key performance indicators.

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

The Company's Investment Policy on pages 8 to 9 provides information on the Company's financial risk management objectives and exposure to risks.

- **Total return**

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

  The net assets of the Ordinary Share Fund decreased during the year under review resulting in a fall in the NAV per Ordinary Share of 9.6%. However, the total return to Ordinary Shareholders since launch has decreased by 3.6% during the year once the dividend of 6 pence per Ordinary Share paid in September 2007 is taken into account.

  The net assets of the C Share Fund increased during the year under review resulting in an increase of 1.37% in NAV per Share and of 2.91% in total return per Share.

- **Total expense ratio (TER)**

  The TER of the Company for the year under review was 3.66% excluding VAT and 4.24% including VAT. Under the terms of the management agreement, the total management and administration expenses of the VCT, excluding any irrecoverable VAT and any management performance incentive fee, are limited to a maximum of 3.6% of the value of the VCT's closing net assets. Accordingly, the Investment Manager is bearing excess running costs of £11,672, to bring the ratio down to 3.6% .

Results

	Ordinary Share Fund		C Share Fund	
	30 April 2008 £	30 April 2007 £	30 April 2008 £	30 April 2007 £
Capital return transferred to/ (from) reserves	(848,624)	2,188,066	16,846	48,593
Revenue return, before taxation	259,005	227,476	300,637	261,391
Taxation	(44,111)	(37,097)	(57,955)	(51,254)
Revenue return for the year	214,894	190,379	242,682	210,137

Dividends

An interim income dividend of 1.5 pence and an interim capital dividend of 4.5 pence, both per Ordinary Share, and an interim income dividend of 2.5 pence per C Share, all for the year ended 30 April 2008 will be paid on 23 July 2008 to Shareholders on the register on 27 June 2008. Your Directors will not be recommending a final income or capital dividend for Ordinary or C Shareholders .

Issue and buy-back of shares

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

Shareholders granted the Company the power to purchase its own Shares at the Annual General Meeting held on 11 September 2007. A resolution to renew this authority will be proposed at the Annual General Meeting to be held on 10 September 2008 (see below).

During the year the Company purchased 550,139 (2007: 525,000) Ordinary Shares for cancellation (being 4.57% of the opening issued share capital) at a cost of £417,734 (2007: £403,000) (excluding expenses). The issued Ordinary Share capital of the Company as at 30 April 2008 was £114,910 (2007: £120,411). The number of Ordinary Shares in issue as at this date was 11,491,008 (2007:12,041,147). The issued C Share capital of the Company as at 30 April 2008 was £91,460 (2007: £91,460). The number of C Shares in issue as at this date was 9,145,990 (2007: 9,145,990).

Directors

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

	Ordinary Shares held on		C Shares held on	
	1 May 2007	30 April 2008	1 May 2007	30 April 2008
Nigel Melville	20,450	20,450	21,100	21,100
Adam Kingdon (from 29 September 2006)	–	–	–	–
Sally Leeson (from 1 January 2007)	–	–	–	–
Kenneth Vere Nicoll	20,450	20,450	26,375	26,375

There have been no 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 page19 of this Annual Report.

In accordance with the Articles of Association, Kenneth Vere Nicoll, having served 3 years since his last re-election, will retire and offer himself for re-election at the Annual General Meeting on 10 September 2008. The Board confirms that, following a review of his performance, Kenneth Vere Nicoll continues 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.

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 Advisers' Agreement and Incentive Agreement to Matrix Private Equity Partners LLP. For further information please see Note 3 to the financial statements on pages 38 to 39.

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

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

Auditors

During the year, the Board, advised by the Audit Committee, invited a number of firms to tender for the audit of the Company as part of a formal selection process. In selecting new Auditors, the Board considered each firm's expertise within the VCT market, depth of experience and value for money. As a result of this exercise, the Board has decided to propose a resolution to appoint PKF (UK) LLP, as auditors to the Company with effect from the close of the Annual General Meeting of the Company to be held on 10 September 2008 and to authorise the Directors to determine their remuneration.

In view of the proposed change in auditors Mazars LLP, who are the auditors for the financial year ended 30 April 2008, have agreed to resign as auditors with effect from the close of the Annual General Meeting.

Auditors' right to information

So far as the Directors in office at 30 April 2008 are aware, there is no relevant audit information of which the auditors are unaware. They have individually taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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 MPEP. MPEP 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.

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.

Directors' Report

Related party transactions

Kenneth Vere Nicoll is a director and shareholder of Matrix Group Limited, which owns Matrix-Securities Limited and MPE Partners Limited, a member of MPEP. Kenneth is also a director of Matrix-Securities Limited. Matrix-Securities Limited acts as promoter to the Company but received no fees in respect of this appointment during the year under review (2007: £Nil). It also provided accountancy and company secretarial services to the Company for which it received payment of £93,493 (2007: £89,551) including VAT during the year. MPEP is the Company's Investment Manager in respect of venture capital investments and earned fees of £500,439 (2007: £478,225 as Matrix Private Equity Partners Limited), including VAT for the year. It owed £11,672 at the year-end in respect of the excess expenses over 3.6% on net assets at the year-end.

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 2008, the average credit period for trade creditors was 10 days (2007: 17 days).

Directors and officers liability insurance

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

Annual General Meeting

Formal notice convening the Annual General Meeting of the Company on 10 September 2008 is set out on pages 55 to 57 of this Annual Report.

Special business

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

Resolution 5: Allotment of shares

This resolution will authorise the Directors to allot relevant securities generally, in accordance with Section 80 of the Companies Act 1985 (as amended) ("the Act"), up to a nominal amount of £633,630 representing the authorised but unissued Ordinary Share capital and the authorised but unissued C Share capital of the Company as at the date of this Annual Report. The authority will expire on the fifth anniversary of the passing of the resolution and is proposed as an ordinary resolution requiring the approval of more than 50% of the votes cast at the meeting.

Resolution 6: Disapplication of pre-emption rights

Under Section 89 of the Act, if the Directors wish to allot any of the unissued Share capital for cash they must first offer such Shares to existing Shareholders in proportion to their current holdings. Resolution 6 will enable the Directors to allot equity securities for cash without first offering the securities to existing Shareholders in connection with:

(i) the allotment of equity securities with an agregate nominal value not exceeding £250,000 in respect of the C Share Offer;

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

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

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

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

This resolution is proposed as a special resolution requiring the approval of 75% of the votes cast and unless previously renewed or revoked, will expire on the earlier of the Annual General Meeting of the Company to be held in 2009 and the date which is fifteen months after the date on which this resolution is passed.

Resolution 7: Authority for the Company to purchase its own shares

It is proposed by Resolution 7 that the Directors be given authority to make market purchases of the Company's own Shares. The authority is limited to an aggregate of 1,722,502 Ordinary Shares and 1,370,983 C Shares representing approximately 14.99% of the Company's issued Ordinary Share capital or C Share capital (as the case may be) at the date of the notice of the Annual General Meeting. When buying Shares, the Directors cannot pay a price per Share which is more than 105% of the average of the middle market quotations for an Ordinary Share or a C Share (as the case may be) taken from the London Stock Exchange Daily Official List for the 5 business days immediately before the date on which Shares are purchased or less than 1 penny (the nominal value of the Shares).

This authority will expire on the earlier of the Annual General Meeting of the Company to be held in 2009 and the date which is fifteen months after the date on which this resolution is passed.

Resolution 8: Cancellation of the C Share premium Account

It is proposed by Resolution 8 that the amount standing to the credit of the share premium account of the Company attributable to the C Shares issued pursuant to the Offer as at the date of the Order made confirming such cancellation by the Court on hearing of the petition for confirmation of this resolution be cancelled. A special reserve will be created which can be used for, amongst other things, funding C Share buy-backs, enhancing the Company's ability to make distributions and to which existing and future losses attributable to the C Shares Fund can be written off.

Resolution 9: Amendments to the Company's Articles of Association

Resolution 9 requests Shareholder approval in relation to amendments to the articles of association of the Company ("Articles") to take account of the changes to be brought about by the Companies Act 2006 in relation to directors' duties and conflicts of interests.

Under the Companies Act 2006, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The amendments proposed to the Articles give the Directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when Directors decide whether to authorise a conflict or potential conflict. First, only Directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the amendments to the Articles should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a Director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the Directors.

We are also taking this opportunity to bring the provisions requiring Directors to declare their material interests into line with market practice.

The detailed proposed changes to the Articles are set out in Resolution 9 in the notice of the Annual General Meeting.

Separate meetings of the Ordinary Shareholders and C Shareholders

The Annual General Meeting will be followed on 10 September 2008 by separate class meetings of the Ordinary Shareholders and C Shareholders and formal notice of these meetings is included on pages 58 to 59 of this Annual Report. A special resolution will be proposed at both meetings to approve the passing of the ordinary and special resolutions numbered 5 to 9 to be proposed at the Annual General Meeting and will sanction any modification of the rights of the Ordinary Shareholders and C Shareholders resulting therefrom.

By order of the Board

Matrix-Securities Limited

Company Secretary

14 July 2008

Directors' Remuneration Report

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

Remuneration policy

The Directors' fees are reviewed annually by the Remuneration Committee. When considering the level of Directors' fees, 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 fees paid to any of the Directors is related to performance. Details of the Directors' remuneration are disclosed below and in the Notes to the Financial Statements.

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 Companies Act 1985 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.

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 fees pertaining to the appointment. Appointment letters for new Directors will in future contain an assessment of the anticipated time commitment of the appointment. New Directors will be asked to undertake that they will have sufficient time to meet what is expected of them and to disclose their other significant time commitments to the Board before appointment. Copies of the letters appointing the Directors are made available for inspection at each General Meeting of the Company and on application to the Company Secretary. A Director's appointment may be terminated on three months' notice being given by the Company and in certain other circumstances. No arrangements have been entered into between the Company and the Directors to entitle any of the Directors to compensation for loss of office.

Pensions

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

Share options and long-term incentive schemes

The Company entered into an Incentive Agreement dated 10 May 2000 under which four former Board members are entitled to be issued with conditional performance warrants. The Board has agreed that it will seek Shareholder approval on the introduction of any future long-term incentive schemes in accordance with the provisions of the 2006 FRC Combined Code. It has no intention of introducing any such schemes at the current time.

Audited information

Details of individual emoluments and compensation

The annual fees and emoluments in respect of qualifying services of each person who served as a Director during the year were as 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 Directors' fees. Expenses paid to the Directors during the year amounted to £255 in total (2007: £nil).

	Directors' fees	Total emoluments	
	30 April 2008 £	30 April 2008 £	30 April 2007 £
Nigel Melville	20,000	20,000	16,298
Adam Kingdon	*18,500	*18,500	7,036
Sally Leeson	15,000	15,000	4,000
Kenneth Vere Nicoll	15,000	15,000	12,000
Michael Cumming (to 5 September 2006)	–	–	6,277
Fredrik Adams (to 5 September 2006)	–	–	4,137

* £1,000 of Mr Kingdon's fees this year relate to his role as Chairman of the Audit Committee for 4 months of the 2007 year, but which was not reported last year.

Aggregate emoluments in respect of qualifying services amounted to £68,500 (2007: £49,748) net of VAT.

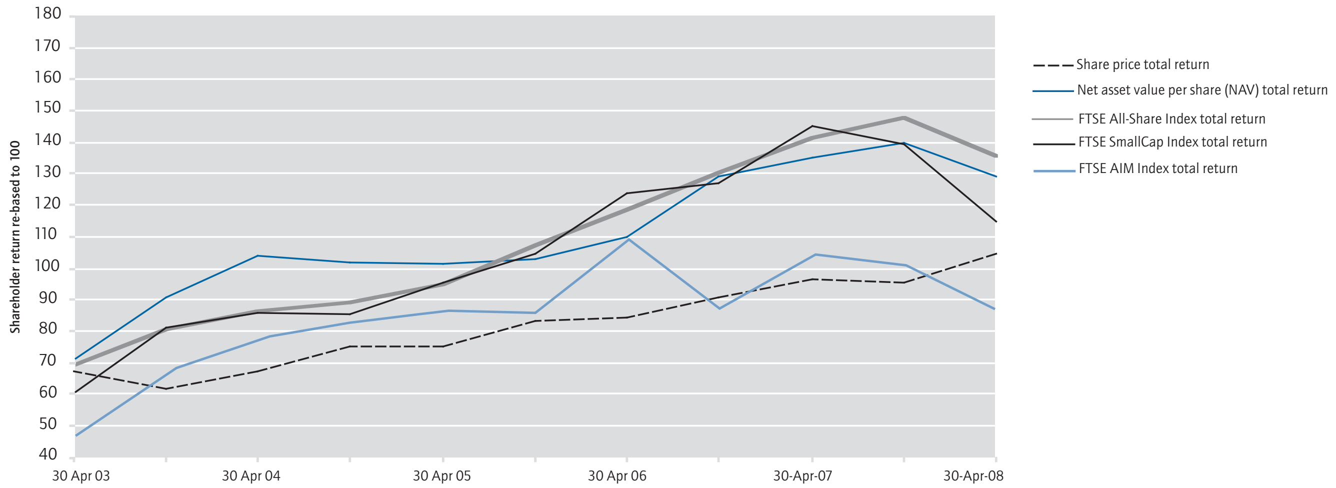
Sums paid to third parties in respect of a Director's services

The fees in respect of Adam Kingdon, Nigel Melville and Kenneth Vere Nicoll were paid to third parties.

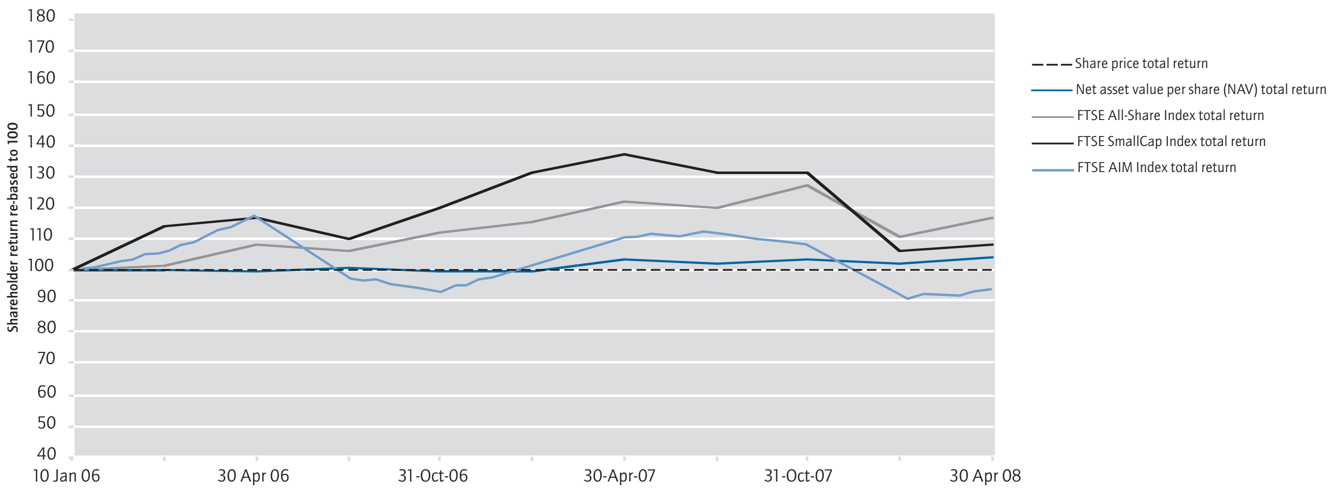
Total shareholder return

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

Ordinary Share Fund : Total shareholder return



C Share Fund : Total shareholder return



Source: Landsbanki Securities (UK) Limited

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

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

Signed on behalf of the Board by:

Nigel Melville
Chairman
14 July 2008

Corporate Governance Statement

The Company is a member of the Association of Investment Companies (AIC) and the Directors have adopted the AIC Code of Corporate Governance ("the AIC Code") for the financial year ended 30 April 2008. 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.

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.

During the year the Board met on eight occasions. Kenneth Vere Nicoll was not present on 11 January 2008 nor on 3 October 2007; Sally Leeson was not present on 24 April 2008 nor on 8 August 2007, and Adam Kingdon was not present on 8 August 2007. Following the year-end the Board also met on 16 June 2008, 3 July 2008 and 14 July 2008. Adam Kingdon did not attend the meeting held on 16 June 2008.

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. It has concluded that all the Directors, with the exception of Kenneth Vere Nicoll, are fully independent and meet the independence criteria set out in the AIC Code. Kenneth Vere Nicoll is not regarded as independent of the Investment Manager, the Promoter or the Company Secretary/Administrator. (For further information please see Related Party Transactions in Note 20 on page 52 of this Report).

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

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

Details of the Chairman's other significant time commitments are disclosed on page 19 of this Annual Report.

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.

Directors are not appointed for fixed terms, but are subject to re-relection 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. None of the Directors has presently served for nine years or more, nonetheless any Director will, after nine years service, and as required by the AIC Code , thereafter be subject to annual re-election by the Shareholders.

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 Acts, the UK Listing Authority and the London Stock Exchange; changes relating to the Company's capital structure or its status as a plc; Board and committee appointments as recommended by the Nominations Committee and terms of reference of committees; material contracts of the Company and contracts of the Company not in the ordinary course of business. With effect from 20 September 2005 the Board is also now responsible for those matters which previously fell within the remit of the Investment Committee. It considers investment proposals submitted by MPEP 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 MPEP.

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, which cannot be resolved, about the running of the Company or a proposed action, they are asked to ensure that their concerns are recorded in the Board minutes. On resignation, a Director who has any such concerns should provide a written statement to the Chairman, for circulation to the Board.

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

Board committees

The Board has adopted formal terms of reference for three standing committees which make recommendations to the Board in specific areas.

The Audit Committee comprises three Directors, Adam Kingdon (Chairman), Nigel Melville and Sally Leeson. 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 Audit Committee met twice during the year with full attendance. It also met on 16 June 2008, 3 July 2008 and 14 July 2008 to review these Accounts prior to issue. Adam Kingdon did not attend the meeting held on 16 June 2008.

The Remuneration Committee comprises all of the Directors, Nigel Melville (Chairman), Adam Kingdon, Sally Leeson 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 Remuneration Committee met once during the year with full attendance. It also met on 16 June 2008. Adam Kingdon did not attend this meeting.

The Nomination Committee comprises all of the Directors, Nigel Melville (Chairman), Adam Kingdon, Sally Leeson 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 16 June 2008 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. The Nomination Committee met once during the year with full attendance. It also met on 16 June 2008. Adam Kingdon did not attend this meeting.

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, Interim Management Statements, 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, all of whom attend the Meeting.

Corporate Governance Statement

Internal financial controls

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

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

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

Pursuant to the terms of its appointment, MPEP advises the Company on venture capital investments. Martineau, in its capacity as solicitor to the Company, provides custodial services in relation to documents of title relating to equity investments forwarded to them by the Company Secretary.

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

The Audit Committee has carried out a review of the effectiveness of the system of internal control, together with a review of the operational and compliance controls and risk management, as it operated during the year and reported its conclusions to the Board, which was satisfied with the outcome of the review. The systems and procedures employed by the Investment Manager and the Administrator provide sufficient assurance that a sound system of internal financial control, which safeguards shareholders' investments and the company's assets is maintained.

Accountability and audit

The Statement of Directors' Responsibilities in respect of the accounts is set out on page 29 of this Annual Report .

The report of the independent auditors is set out on page 32 of this Annual Report.

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

Going concern

After due consideration, the Directors believe that the Company has adequate resources for the foreseeable future and that it is appropriate to apply the going concern basis in preparing the financial statements.

Social, environmental and ethical matters

The Board understands the significance of social, environmental and ethical matters relevant to the business. They are considered on a regular basis and particularly as decisions are taken on whether to proceed with an investment.

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that year. In preparing such statements, the Directors are required to:

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

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and deter fraud and other irregularities.

The Directors are responsible for ensuring that the Directors' Report, Directors' Remuneration Report and other information included in the Annual Report is prepared in accordance with Company Law in the United Kingdom. They are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Services Authority.

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

Profit and Loss Accounts for the year ended 30 April 2008

	Notes	Ordinary Share Fund Revenue £	Capital £	Total £	C Share Fund Revenue £	Capital £	Total £
Unrealised (losses)/gains on investments held at fair value		–	(1,388,204)	(1,388,204)	–	76,422	76,422
Realised gains on investments held at fair value		–	688,893	688,893	–	64,374	64,374
Income		536,833	–	536,833	490,190	–	490,190
Investment management fees		(73,410)	(220,231)	(293,641)	(51,700)	(155,098)	(206,798)
Other expenses		(204,418)	–	(204,418)	(137,853)	–	(137,853)
Profit/(loss) on ordinary activities before taxation		259,005	(919,542)	(660,537)	300,637	(14,302)	286,335
Tax on ordinary activities		(44,111)	70,918	26,807	(57,955)	31,148	(26,807)
Profit/(loss) attributable to equity shareholders		214,894	(848,624)	(633,730)	242,682	16,846	259,528
Basic and diluted earnings per share	8	1.82p	(7.20)p	(5.38)p	2.65p	0.19p	2.84p
Average number of shares in issue				11,789,161			9,145,990

Balance Sheets as at 30 April 2008

	Notes	Ordinary Share Fund £	Ordinary Share Fund £	C Share Fund £	C Share Fund £	Adjustments (see note below) £	Adjustments (see note below) £	Total £
Non-current assets								
Assets held at fair value through profit and loss – investments	9		7,536,692		4,025,811			11,562,503
Monies held pending investment			3,373,809		4,984,365			8,358,174
			10,910,501		9,010,176			19,920,677
Current assets								
Debtors and prepayments		289,975		62,354		(74,403)	277,926	
Cash at bank		54,863		34,891			89,754	
		344,838		97,245		(74,403)	367,680	
Creditors: amounts falling due within one year		(119,809)		(100,060)		74,403	(145,466)	
Net current assets/(liabilities)			225,029		(2,815)			222,214
Net assets			11,135,530		9,007,361			20,142,891
Capital								
Called up share capital			114,910		91,460			206,370
Capital redemption reserve			16,896		–			16,896
Capital reserve – unrealised			856,977		208,484			1,065,461
Special distributable reserve			2,596,431		8,285,217			10,881,648
Profit and loss account			7,550,316		422,200			7,972,516
Equity shareholders' funds			11,135,530		9,007,361			20,142,891
Number of shares in issue:			**11,491,008**		**9,145,990**			
Net asset value per share:			**96.91p**		**98.48p**			

Note: The adjustment above nets off the inter-fund debtor and creditor balances, so that the "Total of both funds" balance sheet agrees to the Statutory Balance Sheet on page 34.

Reconciliation of Movements in Shareholders' Funds

	Notes	Ordinary Share Fund £	C Share Fund £
Opening shareholders' funds		12,912,394	8,885,025
Net share capital bought back in the year		(420,667)	–
(Loss)/profit for the year		(633,730)	259,528
Dividends paid in year	7	(722,467)	(137,192)
Closing shareholders' funds		**11,135,530**	**9,007,361**

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

We have audited the financial statements of Matrix Income & Growth 2 VCT plc for the year ended 30 April 2008, which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Reconciliation of Movements in Shareholders' Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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

The Directors responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding Directors' remuneration and transactions between the Company is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Investment Manager's Report, the Investment Policy, the Investment Portfolio Summary, the Corporate Governance Statement and the Non-Statutory Analyses of the Profit and Loss Account and the Balance Sheet. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in preparation of the financial statements, and of whether the accounting policies are appropriate in the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 April 2008 and of its result for the year then ended;
- the financial statements and that part of the Directors' Remuneration Report to be audited, have been properly prepared in accordance with Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Mazars LLP *Chartered Accountants*
Registered Auditor
14 July 2008

Tower Bridge House
St Katharine's Way
London E1W 1DD

Profit and Loss Account
for the year ended 30 April 2008

	Notes	Year ended 30 April 2008 Revenue £	Capital £	Total £	Year ended 30 April 2007 Revenue £	Capital £	Total £
Unrealised (losses) /gains on investments held at fair value	9	–	(1,311,782)	(1,311,782)	–	2,712,523	2,712,523
Realised gains/(losses) on investments held at fair value	9	–	753,267	753,267	–	(205,547)	(205,547)
Income	2	1,027,023	–	1,027,023	906,689	–	906,689
Investment management fees	3	(125,110)	(375,329)	(500,439)	(119,557)	(358,668)	(478,225)
Other expenses	4	(342,271)	–	(342,271)	(298,265)	–	(298,265)
Profit/(loss) on ordinary activities before taxation		559,642	(933,844)	(374,202)	488,867	2,148,308	2,637,175
Taxation on ordinary activities	6	(102,066)	102,066	–	(88,351)	88,351	–
Profit/(loss) on ordinary activities after taxation		**457,576**	**(831,778)**	**(374,202)**	**400,516**	**2,236,659**	**2,637,175**
Basic and diluted earnings per share:							
Ordinary Shares	8	1.82p	(7.20)p	(5.38)p	1.54p	17.66p	19.20p
C Shares	8	2.65p	0.19p	2.84p	2.30p	0.53p	2.83p

All the items in the above statement derive from continuing operations. No operations were discontinued in the year.
There were no other gains or losses in the year.
The total column of this statement is the profit and loss account of the Company.

Note of Historical Cost Profits and Losses
for the year ended 30 April 2008

	Year ended 30 April 2008 £	Year ended April 2007 £
(Loss)/profit on ordinary activities before taxation	(374,202)	2,637,175
Add/(less) unrealised losses/(gains) on investments	1,311,782	(2,712,523)
Less realisation of revaluation losses of previous years	(1,359,061)	(1,596,829)
Historical cost loss on ordinary activities before taxation	(421,481)	(1,672,177)
Historical cost loss for the year after taxation and dividends	**(1,281,140)**	**(1,672,177)**

The notes on pages 36 to 52 form part of these financial statements.

Balance Sheet
as at 30 April 2008

	Notes	30 April 2008 £	30 April 2007 £
Non-current assets			
Assets held at fair value through profit and loss – investments	9a	11,562,503	11,529,046
Monies held pending investment	9b,17	8,358,174	10,289,021
		19,920,677	21,818,067
Current assets			
Debtors and prepayments	10	277,926	147,304
Cash at bank	17	89,754	327,479
		367,680	474,783
Creditors: amounts falling due within one year	11	(145,466)	(495,431)
Net current assets/(liabilities)		222,214	(20,648)
Net assets		**20,142,891**	**21,797,419**
Capital and reserves			
Called up share capital	13	206,370	211,871
Capital redemption reserve	14	16,896	11,395
Revaluation reserve – unrealised	14	1,065,461	3,268,178
Special distributable reserve	14	10,881,648	14,089,778
Profit and loss account	14	7,972,516	4,216,197
Equity shareholders' funds		**20,142,891**	**21,797,419**
Net asset values per share			
Ordinary Shares	15	**96.91p**	**107.24p**
C Shares	15	**98.48p**	**97.15p**

The financial statements were approved and authorised for issue by the Board of Directors on 14 July 2008 and are signed on their behalf by:

Nigel Melville
Director

Adam Kingdon
Director

The notes on pages 36 to 52 form part of these financial statements.

Reconciliation of Movements in Shareholders' Funds
for the year ended 30 April 2008

	Notes	Year ended 30 April 2008 £	Year ended 30 April 2007 £
Opening shareholders' funds		21,797,419	19,565,271
Net share capital bought back in the year	14	(420,667)	(405,027)
(Loss)/profit for the year		(374,202)	2,637,175
Dividends paid in year	7	(859,659)	–
Closing shareholders' funds		**20,142,891**	**21,797,419**

Cash Flow Statement
for the year ended 30 April 2008

	Notes	Year ended 30 April 2008 £	Year ended 30 April 2007 £
Net cash inflow from operating activities	16	15,964	100,740
Capital expenditure and financial investment			
Purchase of investments – equities and loan stock	9	(3,821,514)	(3,546,925)
Disposals of equities and loan stock	9	3,131,438	2,016,346
Net cash outflow from investing activities		(690,076)	(1,530,579)
Dividends			
Equity dividends paid	7	(859,659)	–
Net cash outflow before financing and liquid resource management		(1,533,771)	(1,429,839)
Financing			
Purchase of own shares		(634,801)	(167,592)
Net cash outflow from financing		(634,801)	(167,592)
Management of liquid resources			
Movement in money market investments	17	1,930,847	(537,585)
Net cash outflow as at 30 April 2008	**17**	**(237,725)**	**(2,135,016)**

Notes to the Financial Statements
for the year ended 30 April 2008

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, to the extent that it does not conflict with the Companies Acts 1985 and 2006, the 2003 Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies' (SORP), revised December 2005.

As a result of the Directors' decision to distribute capital profits by way of a dividend, the Company revoked its investment company status as defined under section 833 (3) of the Companies Act 2006, on 7 September 2005.

Consequently, these financial statements include a statutory profit and loss account in accordance with Schedule 4 of the Companies Act 1985 and Financial Reporting Standard 3 "Reporting Financial Performance". This has no effect on the return or net assets per share. These statements, however, differ from those previously presented in that unrealised gains on investments are now reported within the revaluation reserve in the balance sheet, rather than included in a separate unrealised capital reserve and realised gains are included within the profit and loss reserve rather than a separate realised capital reserve.

b) Presentation of the Profit and Loss Account

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

c) Investments

Investments are recognised on a trade date basis. All investments held by the Company are classified as "fair value through profit and loss" in accordance with Financial Reporting Standard 26, 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. 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.

The fair value of quoted investments is the bid price value of those investments at the close of business on 30 April 2008.

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

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

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

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

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

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

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

Although the Company holds more than 20% of the equity of certain companies, it is considered that the investments are held as part of an investment portfolio. Accordingly, and as permitted by FRS 9 'Associates and Joint Ventures', their value to the Company lies in their marketable value as part of that portfolio. It is not considered that any of our holdings represents investments in associated companies.

d) Capital reserves

Realised (included within the profit and loss reserve)

The following are accounted for in this reserve:

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

Revaluation reserve (Unrealised capital reserve)

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

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

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. Fixed returns on non-equity shares are recognised on a time apportionment basis so as to reflect the effective yield, provided there is no reasonable doubt that payment will be received in due course. Fixed returns on debt securities are recognised on a time-apportioned basis so as to reflect the effective yield. Provisions are made against such income receivable as soon as it is considered doubtful that such income will be received.

f) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged wholly to revenue, with the exception of expenses incidental to the acquisition or disposal of an investment, which are written off to the realised capital reserve as noted in 1(d) above or deducted from the disposal proceeds as appropriate, and with the further exception that 75% of the fees payable to the Investment Manager are charged against realised capital reserve. This is in line with the Board's intended long-term split of returns from the investment portfolio of the Company.

g) Taxation

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

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

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

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

h) Liquid resources

Liquid resources as shown in the Cash Flow Statement are the money market investments disclosed in Note 9b).

i) Functional and presentational currency

The accounts are presented in sterling which is the functional and presentational currency of the Company. Sterling is the functional currency because it is the currency most closely related to the primary economic environment in which the Company invests.

2 Income

	2008 £	2007 £
Investment income receivable		
– from ordinary shares	48,377	48,588
– from preference shares	3,045	17,144
– from OEIC money marker funds	442,520	461,891
	493,942	527,623
Interest receivable		
– from loan stocks	524,202	363,438
– from bank deposits	8,879	15,628
	533,081	379,066
Total income	1,027,023	906,689

3 Investment management fees

	Revenue 2008 £	Capital 2008 £	Total 2008 £	Revenue 2007 £	Capital 2007 £	Total 2007 £
Matrix Private Equity Partners LLP	125,110	375,329	500,439	119,557	358,668	478,225

Ordinary Share Fund

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

This agreement was novated to Matrix Private Equity Limited on 3 July 2001, a subsidiary of Matrix Group Limited which had previously provided the services of Mark Burgess and Helen Sinclair to Matrix Private Equity (Managers) Limited. This agreement was further novated to Matrix Private Equity Partners Limited (MPEP) on 20 September 2005. The annual fee payable to MPEP was decreased from 2.5% to 2% of the net assets attributable to the Ordinary Share Fund, with effect from 21 December 2005 by this Novation Agreement. The Investment Manager's fee is reduced by an amount equivalent to the excess total annual expenses (excluding VAT (previously included) and exceptional costs) over 3.6% (previously 3.75%) of closing net assets at the end of the year, being the agreed cap on the management fee. For the year ended 30 April 2008, the fees above have been reduced by the expense cap for £6,452 (2007: £nil) including VAT, for the Ordinary Share Fund. Matrix Private Equity Partners Limited transferred its business to the Matrix Private Equity Partners LLP on 20 October 2006 and therefore the agreement was again novated to Matrix Private Equity Partners LLP on 20 October 2006.

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

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

Matrix Private Equity Partners Limited, Mark Burgess, Helen Sinclair and the former members of the Investment Committee are entitled to be issued with performance warrants granting the right to subscribe for Ordinary Shares at par which represent 16.67%

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

C Share Fund

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

Matrix Private Equity Partners LLP is entitled to an annual advisory fee of 2% of the net assets attributable to the C Share Fund. The annual management fees are calculated and payable quarterly in advance, together with any applicable VAT. The agreement was novated to Matrix Private Equity Partners LLP on 20 October 2006. For the year ended 30 April 2008, the fees above have been reduced by the expense cap for £5,220 (2007: £nil) including VAT, for the C Share Fund.

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

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

4 Other expenses

	2008 £	2007 £
Directors' remuneration (note 5)	79,113	57,259
IFA trail commission	61,477	51,635
Administration fees	93,493	89,551
Broker's fees	14,688	13,689
Auditors' fees – audit	18,154	17,625
Auditors' fees – non audit	6,050	12,573
Registrar's fees	12,151	9,186
Professional fees	15,819	19,372
Printing	13,932	5,364
Insurance	6,855	7,770
Subscriptions	16,007	12,812
Sundry expenses	4,532	1,429
	342,271	298,265

Charges for non audit services provided by the auditors for the year ended 30 April 2008 relate to the provision of corporation tax compliance - £2,420 (2007: £2,468) and a review of the interim financial statements of the Company – £3,630 (2007: £10,105). The Directors consider the auditors were best placed to provide these services. The Audit Committee reviews the nature and extent of non-audit services to ensure that independence is maintained.

5 Directors' remuneration

	Fees £	Irrecoverable VAT £	Employers' NI £	Total 2008 £	Total 2007 £
Directors' emoluments					
Nigel Melville	20,000	3,500	–	23,500	19,921
Adam Kingdon	18,500	3,238	–	21,738	8,267
Kenneth Vere Nicoll	15,000	2,625	–	17,625	14,100
Sally Leeson	15,000	–	1,250	16,250	4,350
Michael Cumming (resigned 5 September 2006)	–	–	–	–	6,462
Fredrik Adams (resigned 5 September 2006)	–	–	–	–	4,159
	68,500	9,363	1,250	79,113	57,259

The fees in respect of Nigel Melville, Adam Kingdon and Kenneth Vere Nicoll were paid to third parties. £1,000 of Mr Kingdon's fees this year relate to his role as Chairman of the Audit Committee for 4 months of the 2007 year, but which was not reported last year. No pension scheme contributions or retirement benefit contributions were paid. There are no share option contracts held by the Directors over and above the right to be issued with performance warrants described in Note 3 above. The Company has no employees other than Directors.

Since all the Directors are non-executive, the other disclosures required by the Listing Rules are not applicable.

6 Taxation on ordinary activities

	Revenue 2008 £	Capital 2008 £	Revenue 2007 £	Capital 2007 £
Current year				
UK Corporation tax on profits for the period	–	–	–	–
Adjustment in respect of prior periods	–	–	–	–
Total current tax charge/(relief)	–	–	–	–
Profit/(loss) on ordinary activities before tax	559,642	(933,844)	488,867	2,148,308
Profit/(loss) on ordinary activities multiplied by standard small company rate of corporation tax in the UK of 20.1% (2007: 19%)	112,393	(187,544)	92,885	408,179
Effect of:				
UK dividends – not taxable	(10,327)	–	(6,789)	–
Capital gains and losses – not taxable	–	112,167	–	(476,326)
Expenses not tax allowable	–	–	2,255	–
Unrelieved expenses brought forward	–	(26,689)	–	(20,204)
Total amount of current taxation	102,066	(102,066)	88,351	(88,351)

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

There is no taxation in relation to capital gains and losses. No asset or liability has been recognised in relation to capital gains or losses on revaluing investments. The Company is exempt from such tax as a result of qualifying as a Venture Capital Trust.

No deferred tax asset has been recognised for surplus management fees. At present, it is not envisaged that any tax will be recovered in the foreseeable future. The amount not recognised is £120,289 (2007: £146,978).

7 Dividends and other appropriations

	2008 £	2007 £
Dividends on equity shares		
Ordinary Share Fund		
– final paid of 6p (2007: nil) per share:	722,467	–
C Share Fund		
– final paid of 1.5p (2007: nil) per share:	137,192	–
Total paid	859,659	–
The following interim dividends for the year ended 30 April 2008 were declared by the Board on 16 June 2008		
Ordinary Share Fund – income dividend of 1.5p per share (2007: nil)	172,365	–
Ordinary Share Fund – capital dividend of 4.5p per share (2007: 6p)	517,095	722,467
C Share Fund – income dividend of 2.5p per share (2007: 1.5 p)	228,650	137,192
	918,110	859,659

As these interim dividends were declared after the year-end, they have 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 259 of the Income Tax Act 2007 are considered.

	2008 £	2007 £
Ordinary Share Fund		
Revenue available for distribution by way of dividends for the year	214,894	190,379
Interim income dividend for the year ended 30 April 2008	172,365	–
Proposed final income dividend for the year ended 30 April 2008	–	–
The revenue reserve of the Ordinary Fund remained in deficit at 30 April 2007, notwithstanding the revenue available for distribution for that year above, due to negative revenue returns in previous years.		
C Share Fund:		
Revenue available for distribution by way of dividends for the year	242,682	210,137
Interim income dividend for the year ended 30 April 2008	228,650	–
Proposed final income dividend for the year ended 30 April 2008	–	137,192

Notes to the Financial Statements
for the year ended 30 April 2008

8 Basic and diluted earnings and return per share

	2008 Ordinary Share Fund £	2008 C Share Fund £	2007 Ordinary Share Fund £	2007 C Share Fund £
Total earnings after taxation:	(633,730)	259,528	2,378,445	258,730
Basic and diluted earnings per share (note a)	**(5.38)p**	**2.84p**	**19.20p**	**2.83p**
Net revenue from ordinary activities after taxation	214,894	242,682	190,379	210,137
Revenue return per share (note b)	**1.82p**	**2.65p**	**1.54p**	**2.30p**
Net unrealised capital (losses)/gains	(1,388,204)	76,422	(2,540,352)	172,171
Net realised capital gains	688,893	64,374	(205,547)	–
Capital expenses	(149,313)	(123,950)	(146,739)	(123,578)
Total capital return	(848,624)	16,846	2,188,066	48,593
Capital return per share (note c)	**(7.20)p**	**0.19p**	**17.66p**	**0.53p**
Weighted average number of shares in issue in the year	11,789,161	9,145,990	12,391,147	9,145,990

Notes

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

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

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

The Board consider that the likelihood of the issue of performance warrants by the Ordinary Share Fund, as referrred to in note 3 above, is low. Accordingly, the potential impact of the issue of these warrants upon diluted earnings per share has been ignored for this purpose.

9 Assets held at fair value through profit and loss – investments

a) Movements in investments during the year are summarised as follows:

Company	Traded on AIM £	Unlisted shares £	Preference shares £	Loan stock £	Total venture capital investments £
Valuation as at 30 April 2007	939,628	5,102,627	289,954	5,196,837	11,529,046
Purchases at cost	–	1,217,039	14,162	2,590,313	3,821,514
Sales – proceeds	(607,992)	(1,887,076)	(262,500)	(486,970)	(3,244,538)
Realised (losses)/gains	(181,549)	905,375	–	44,437	768,263
Unrealised losses	(33,378)	(747,331)	(1,255)	(529,818)	(1,311,782)
Valuation as at 30 April 2008	116,709	4,590,634	40,361	6,814,799	11,562,503
Book cost at 30 April 2008	654,692	3,706,117	41,616	7,344,617	11,747,042
Unrealised (losses)/gains	(287,983)	1,884,517	(1,255)	(529,818)	1,065,461
Permanent impairment at 30 April 2008	(250,000)	(1,000,000)	–	–	(1,250,000)
Valuation as at 30 April 2008	116,709	4,590,634	40,361	6,814,799	11,562,503

Transaction costs of £14,996 were incurred in the year and are treated as realised losses on investments in the Profit and Loss Account. Deducting these from realised gains above gives £753,267 of gains as shown in the Profit and Loss account.

Ordinary Share Fund	Traded on AIM £	Unlisted shares £	Preference shares £	Loan stock £	Total venture capital investments £
Valuation as at 30 April 2007	816,626	4,599,527	286,595	4,258,196	9,960,944
Purchases at cost	–	386,349	6,022	879,576	1,271,947
Sales – proceeds	(425,114)	(1,887,076)	(262,500)	(437,165)	(3,011,855)
Realised (losses)/gains	(241,425)	905,375	–	39,910	703,860
Unrealised losses	(33,378)	(980,765)	(739)	(373,322)	(1,388,204)
Valuation as at 30 April 2008	116,709	3,023,410	29,378	4,367,195	7,536,692
Book cost at 30 April 2008	654,692	2,504,389	30,117	4,740,517	7,929,715
Unrealised (losses)/gains	(287,983)	1,519,021	(739)	(373,322)	856,977
Permanent impairment at 30 April 2008	(250,000)	(1,000,000)	–	–	(1,250,000)
Valuation as at 30 April 2008	116,709	3,023,410	29,378	4,367,195	7,536,692

Transaction costs of £14,967 were incurred in the year and are treated as realised losses on investments in the Profit and Loss Account. Deducting these from realised gains above gives £688,893 of gains as shown in the Profit and Loss Account.

C Share Fund	Traded on AIM £	Unlisted shares £	Preference shares £	Loan stock £	Total venture capital investments £
Valuation as at 30 April 2007	123,002	503,100	3,359	938,641	1,568,102
Purchases at cost	–	830,690	8,140	1,710,737	2,549,567
Sales – proceeds	(182,878)	–	–	(49,805)	(232,683)
Realised gains	59,876	–	–	4,527	64,403
Unrealised gains/(losses)	–	233,434	(516)	(156,496)	76,422
Valuation as at 30 April 2008	–	1,567,224	10,983	2,447,604	4,025,811
Book cost at 30 April 2008	–	1,201,728	11,499	2,604,100	3,817,327
Unrealised gains/(losses)	–	365,496	(516)	(156,496)	208,484
Valuation as at 30 April 2008	–	1,567,224	10,983	2,447,604	4,025,811

Transaction costs of £29 were incurred in the year and are treated as realised losses on investments in the Profit and Loss Account. Deducting these from realised gains above gives £64,374 of gains as shown in the Profit and Loss Account.

Reconciliation of cash movements in investment transactions

Deducting the annual movement in net unsettled investment transactions of £113,100 from sale proceeds above of £3,244,538, gives proceeds of £3,131,438 as shown in the cash flow statement.

9b) Monies held pending investment

This comprises cash invested in five OEIC money market funds (four Dublin based and one London based), as shown in the table below. The share of each OEIC represented by these holdings is less than 1% in all cases except for Prime Rate Capital Management LLP, where the year-end balance represented a 1.4% interest. £38,738 (2007: £36,992) of this sum is subject to two day access, while £8,319,436 (2007: £10,252,029) is subject to immediate access.

	2008 £	2007 £
Barclays Global Investors Sterling Liquidity First Fund	2,495,224	2,588,499
Barclays Global Investors Sterling Liquidity Plus Fund	38,738	36,992
Blackrock Investment Management (UK) Limited Institutional Sterling Fund	1,734,727	2,256,132
Royal Bank of Scotland Sterling Liquidity Fund	1,516,893	2,722,419
Scottish Widows Investment Management Sterling Liquidity Fund	1,572,592	2,684,979
Prime Rate Capital Management LLP Sterling Liquidity Fund	1,000,000	–
	8,358,174	10,289,021

10 Debtors

	2008 £	2007 £
Amounts due within one year:		
Accrued income	142,527	134,069
Prepayments	22,639	13,235
Other debtors	112,760	–
	277,926	147,304

11 Creditors: amounts falling due within one year

	2008 £	2007 £
Trade creditors	35,796	276,626
Accruals	109,670	218,805
	145,466	495,431

12 Significant interests

At 30 April 2008 the Company held significant investments, amounting to 3% or more of the equity capital of an undertaking, in the following companies:

Company	Equity investment £	Investment in loan stock and preference shares £	Total investment £	Percentage of investee company's total equity %
Blaze Signs Holdings Limited	419,549	978,949	1,398,498	13.5
British International Limited	225,000	775,000	1,000,000	10.0
Campden Media Limited	195,000	780,000	975,000	10.8
DiGiCo Europe Ltd	386,521	613,479	1,000,000	6.5
Monsal Holdings Limited	260,195	508,805	769,000	11.9
Pastaking Holdings Limited	99,789	366,555	466,344	7.3
Plastic Surgeon Holdings Limited (The)	39,229	353,035	392,264	5.9
PXP Holdings Limited	288,000	712,000	1,000,000	8.5
Racoon International Holdings Limited	263,558	614,969	878,527	12.3
Recite Limited	1,000,000	–	1,000,000	25.2
Vectair Holdings Limited	60,075	183,709	243,784	5.2
VSI Limited	48,882	259,761	308,643	12.6
Youngman Group Limited	100,052	900,000	1,000,052	8.5

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 represents investments in associated undertakings.

Further information concerning each of the Company's investments is contained in the Investment Manager's Review on pages 12 to 18.

13 Called up share capital

	2008 £	2007 £
Authorised:		
Ordinary Shares of 1p each: 42,000,000	420,000	420,000
C Shares of 1p each: 42,000,000	420,000	420,000
Total	840,000	840,000
Issued:		
Ordinary Shares of 1p each: 11,491,008 (2007: 12,041,147)	114,910	120,411
C Shares of 1p each: 9,145,990 (2007: 9,145,990)	91,460	91,460
Total	206,370	211,871

During the year, the Company purchased 550,139 (2007: 525,000) of its own Ordinary 1p Shares for cash at the prevailing market price for a total cost of £420,667 (2007: £405,027).

Subject to the performance incentive arrangements referred to in Note 3 above, the holders of fully paid Ordinary Shares and/or C Shares as a class as the case may be are entitled pari passu among themselves, but in proportion to the number of Ordinary Shares and/or C Shares held by them, to share in the whole of the profits of the Company respectively attributable as the case may be to the Ordinary Shares and/or C Shares which are paid out as dividends and in the whole of any surplus in the event of the liquidation of the Company.

The capital raised by the C Share Fund is being managed and invested separately, until the Directors are satisfied that it is in the best interests of both classes of Shareholders to be merged. On conversion, C Shares would convert into Ordinary Shares at a rate determined by the ratio between the net asset value attributable to each C Share and to each Ordinary Share.

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14 Reserves

	Capital redemption reserve £	Revaluation reserve £	Special distributable reserve £	Profit and loss account £
Company in total				
As at 30 April 2007	11,395	3,268,178	14,089,778	4,216,197
Own shares purchased during the year	5,501	–	(420,667)	–
Loss for the year	–	(1,311,782)	–	937,580
Dividends paid	–	–	–	(859,659)
Realisation of previously unrealised depreciation	–	1,359,061	–	(1,359,061)
Transfer of realised losses to special distributable reserve	–	–	(5,037,459)	5,037,459
Transfer of impairment losses on investments no longer held	–	(2,249,996)	2,249,996	–
As at 30 April 2008	16,896	1,065,461	10,881,648	7,972,516
Ordinary Share Fund				
As at 30 April 2007	11,395	3,096,007	5,680,611	4,003,970
Own shares purchased during the year	5,501	–	(420,667)	–
Loss for the year	–	(1,388,204)	–	754,474
Dividends paid	–	–	–	(722,467)
Realisation of previously unrealised depreciation	–	1,399,170	–	(1,399,170)
Transfer of realised losses to special distributable reserve	–	–	(4,913,509)	4,913,509
Transfer of impairment losses on investments no longer held	–	(2,249,996)	2,249,996	–
As at 30 April 2008	16,896	856,977	2,596,431	7,550,316
C Share Fund				
As at 30 April 2007	–	172,171	8,409,167	212,227
Profit for the year	–	76,422	–	183,106
Dividends paid	–	–	–	(137,192)
Realisation of previously unrealised depreciation	–	(40,109)	–	40,109
Transfer of realised losses to special distributable reserve	–	–	(123,950)	123,950
As at 30 April 2008	–	208,484	8,285,217	422,200

The Company's revaluation reserve represents the capital reserve (unrealised) upon investments held at the year-end. The transfer of £5,037,459 to the cancelled share premium account from the profit and loss account is the total of realised losses incurred by the Company in the year.

The cancellation of the C Share Fund's share premium account (as approved at the Extraordinary General meeting held on 26 March 2004 and by the order of the Court dated 14 September 2006), together with the previous cancellation of the share premium account attributable to the Ordinary Share Fund, has provided the Company with a special distributable reserve. The purpose of this reserve for both funds is to fund market purchases of the Company's own shares as and when it is considered by the Board to be in the interests of the Shareholders, and to write-off existing and future losses as the Company must take into account capital losses in determining distributable reserves.

Under Resolution 12 of the Annual General Meeting held on 11 September 2007, the shareholders authorised the Company to purchase its own shares pursuant to section 166 of the Companies Act 1985. The authority is limited to a maximum of 14.99% of the issued Ordinary Share Capital and of the issued C Share Capital of the Company and will, unless previously revoked or renewed, expire on the conclusion of the Annual General Meeting of the Company to be held on 10 September 2008. The maximum price that may be paid for Ordinary Shares and C Shares will be an amount equal to 105% of the average of the middle market quotation as taken from the London Stock Exchange daily official list for the five business days immediately preceding the day on which that Ordinary Share or, as the case maybe, C Share, is purchased. The minimum price that may be paid for Ordinary Shares and C Shares is 1 penny per share. The authority provides that the Company may make a contract to purchase Ordinary Shares or, as the case maybe, C Shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares or C Shares pursuant to such contract. A resolution to renew this Authority will be be proposed at the Annual General Meeting of the Company to be held on 10 September 2008.

15 Net asset value per share

Net asset value per Ordinary Share is based on net assets at the end of the year, and on 11,491,008 Ordinary Shares (2007: 12,041,147), being the number of Ordinary Shares in issue on that date.

Net asset value per C Share is based on net assets at the end of the year, and on 9,145,990 C Shares (2007: 9,145,990), being the number of C Shares in issue on that date.

16 Reconciliation of loss before taxation to net cash inflow from operating activities

	2008 £	2007 £
(Loss)/profit before taxation	(374,202)	2,637,175
Unrealised losses/(gains) for the year	1,311,782	(2,712,523)
Realised (gains)/losses	(753,267)	205,547
Transaction costs	(14,996)	(609)
Decrease/(increase) in debtors	22,571	(58,361)
(Decrease)/increase in creditors and accruals	(175,924)	29,511
Net cash inflow from operating activities	15,964	100,740

17 Analysis of changes in net funds

	Cash £	Liquid resources £	Total £
At 30 April 2007	327,479	10,289,021	10,616,500
Cash flows	(237,725)	(1,930,847)	(2,168,572)
At 30 April 2008	89,754	8,358,174	8,447,928

Notes to the Financial Statements

for the year ended 30 April 2008

18 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.

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, all of which are included in the balance sheet at fair value, at 30 April 2008:

	2008 (Book value) £	2008 (Fair value) £	2007 (Book value) £	2007 (Fair value) £
Assets at fair value through profit and loss				
Investment portfolio	11,562,503	11,562,503	11,529,046	11,529,046
Current investments	8,358,174	8,358,174	10,289,021	10,289,021
Cash at bank	89,754	89,754	327,479	327,479
Loans and receivables				
Accrued income	142,527	142,527	134,069	134,069
Other debtors	135,399	135,399	13,235	13,235
Other creditors	(145,466)	(145,466)	(495,431)	(495,431)
	20,142,891	20,142,891	21,797,419	21,797,419

The investment portfolio principally consists of unquoted investments 99% (2007: 91.8%). The investment portfolio has a 100% concentration of risk towards small UK based, sterling denominated companies, and represents 57.4% (2007: 52.9%) of net assets at the year-end.

Current investments are money market funds, discussed under credit risk management below, which represent 41.5% (2007: 47.2%) of net assets at the year-end.

The main risks arising from the Company's financial instruments are due to fluctuations in market prices (market price risk), credit risk, interest rate risk and liquidity risk although, currency risk is 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 periods.

Market price risk

Market price risk arises from uncertainty about the future prices of financial instruments held in accordance with the Company's investment objectives. It represents the potential gain or loss that the Company might benefit or suffer from through holding market positions in the face of market movements.

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 15% movement in overall share prices, which might in part be caused by changes in interest rate levels. However, it is not considered possible to evaluate separately the impact of changes in interest rates upon the value of the Company's portfolios of investments in small, unquoted companies.

The sensitivity analysis below assumes that each of these sub categories of investments (shares, preference shares and loan stocks) held by the Company produces a movement overall of 15%, and that the actual portfolio of investments held by the Company is perfectly correlated to this overall movement in share prices. However, Shareholders should note that this level of correlation is unlikely to be the case in reality, particularly in the case of the loan stock instruments. This is because loan stock instruments would not share in the impact of any increase in share prices to the same extent as the equity instruments, as the returns are set by reference to interest rates and premiums agreed at the time of initial investment. Similarly, where share prices are falling, the equity instrument could fall in value before the loan stock instrument. It is not considered practical to assess the sensitivity of the loan stock instruments to market price risk in isolation.

	2008 Profit and net assets £	2007 Profit and net assets £
If overall share prices fell by 15%, with all other variables held constant – decrease	(1,734,366)	(1,729,357)
Decrease in earnings, and net asset value, per Ordinary share	(9.84)p	(12.41)p
Decrease in earnings, and net asset value, per C share	(6.60)p	(2.57)p
Îf overall share prices increase by 15%, with all other variables held constant – increase	1,734,366	1,729,357
Increase in earnings, and net asset value, per Ordinary share	9.84p	12.41p
Increase in earnings, and net asset value, per C share	6.60p	2.57p

The impact of a change of 15% has been selected as this is considered reasonable given the current level of volatility observed both on a historical basis and market expectations for future movement. The range in equity prices is considered reasonable given the historic changes that have been observed.

Credit risk

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

The Company's maximum exposure to credit risk is:

	2008 £	2007 £
Financials assets		
Money market funds	8,358,174	10,289,021
Loan stock investments	6,814,799	5,196,837
Other debtors	112,760	–
Accrued income	142,527	134,069
Cash at bank	89,754	327,479
Total	15,518,014	15,947,406

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.

	2008 £	2007 £
Repayable within		
Less than 1 year	885,714	–
1 to 2 years	–	1,148,214
2 to 3 years	961,468	–
3 to 4 years	3,072,160	273,968
4 to 5 years	1,895,457	3,774,655
Total	6,814,799	5,196,837

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.

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 low.

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.

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.

Financial net assets

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

	Financial assets on which no interest paid £	Fixed rate financial assets £	Variable rate financial assets £	Total £	Weighted average interest rate %	Average period to maturity (years)
Equity shares	4,707,343	–	–	4,707,343		
Preference shares	–	40,361	–	40,361	3.54	0.89
Loan stocks	–	5,872,131	942,668	6,814,799	9.10	3.03
Money market investments	–	–	8,358,174	8,358,174	5.48	
Cash	89,754	–	–	89,754		
Debtors	277,926	–	–	277,926		
Creditors	(145,466)	–	–	(145,466)		
Total	4,929,557	5,912,492	9,300,842	20,142,891		

The interest rate profile of the Company's financial net assets at 30 April 2007 was:

	Financial 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	6,042,255	–	–	6,042,255		
Preference shares	–	289,954	–	289,954	6.06	1.39
Loan stocks	–	4,235,783	961,054	5,196,837	8.87	3.59
Money market investments	–	–	10,289,021	10,289,021		
Cash	327,479	–	–	327,479		
Debtors	147,304	–	–	147,304		
Creditors	(495,431)	–	–	(495,431)		
Total	6,021,607	4,525,737	11,250,075	21,797,419		

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.

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:

	2008 Profit and net assets £	2007 Profit and net assets £
If interest rates were 1% lower, with all other variables held constant – decrease	(76,335)	(91,032)
Decrease in earnings, and net asset value, per Ordinary Share	(0.31)p	(0.27)p
Decrease in earnings, and net asset value, per C Share	(0.44)p	(0.63)p
If interest rates were 1% higher, with all other variables held constant – increase	76,335	91,032
Increase in earnings, and net asset value, per Ordinary Share	0.31p	0.27p
Increase in earnings, and net asset value, per C Share	0.44p	0.63p

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 5 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 9b, nearly all accessible on an immediate basis.

Currency risk

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

19 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 Company 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.

20 Related party transactions

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

MPE Partners Limited has a 50% interest in Matrix Private Equity Partners LLP, the Company's Investment Manager. He is also a director of Matrix-Securities Limited who provided accountancy and company secretarial services to the Company for which it received payment of £93,493 (2007: £89,551) including VAT during the year. £nil (2007: £22,202) was payable to Matrix Securities Limited at the year-end. Matrix Private Equity Partners LLP is the Company's Investment Manager in respect of venture capital investments and earned fees of £500,439 (2007: £478,225), including VAT for the year. £11,672 (2007: £nil) was due from Matrix Private Equity Partners LLP at the year-end, in respect of the expense cap for the year. The Company has invested £1 million in a liquidity fund managed by Prime Rate Capital Management LLP, and earned income of £4,628 from this fund in the year.

21 Segmental analysis

The operations of the Company are wholly in the United Kingdom, and, in the opinion of the Directors, from one class of activity (as defined in the Directors' Report).

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 and Interim Management Statements. The next edition will be distributed in October 2008.

Net asset value per share

The Company's NAV as at 30 April 2008 was 96.91 pence per Ordinary Share and 98.48 pence per C Share. The Company announces its unaudited NAV on a quarterly basis.

Dividend

An interim income dividend of 1.5 pence and an interim capital dividend of 4.5 pence both per Ordinary Share, and an interim income dividend of 2.5 pence per C Share, all for the year ended 30 April 2008 will be paid on 23 July 2008 to Shareholders on the register on 27 June 2008. The Directors will not be recommending a final income or capital dividend for Ordinary or C 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 2008	Annual Report for the year ended 30 April 2008 to be circulated to Shareholders
10 September 2008	Annual General Meeting and Separate Class Meetings of holders of Ordinary Shares and C Shares
Mid October 2008	Newsletter to be circulated to Shareholders
Mid December 2008	Preliminary Announcement of Interim Results
Early January 2009	Half-yearly Report for the six months ended 31 October 2008 to be circulated to Shareholders
Mid April 2009	Newsletter to be circulated to Shareholders
30 April 2009	Year-end

Annual General Meeting

The Annual General Meeting of the Company and Separate Class Meetings of holders of Ordinary Shares and C Shares will be held on 10 September 2008 from 4.00 pm at One Vine Street, London W1J 0AH. The meetings will take place on the fourth floor 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 4.00 pm on 8 September 2008.

Shareholder enquires:

For enquiries concerning the investment portfolio, please contact the Investment Manager, Matrix Private Equity Partners, 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 0870 162 3100 or write to them at Northern House, Woodsome Park, Fennay Bridge, Huddersfield, West Yorkshire, HD8 0LA. Alternatively you can contact them via their website at www.capitaregistrars.com.

VCT Tax Benefits

Taxation Benefits

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

Personal Taxation Benefits

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

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

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

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

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

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

(3) **Dividend Relief**

An investor who acquires VCT shares within the specified limit (currently £200,000 per annum) will not be liable for 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 losses its approval within this period.

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

Notes:

[1] All C Shares issued in the Company were issued on or before 5 April 2006 and are therefore eligible for the 40% income tax relief.

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

NOTICE of the ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Matrix Income & Growth 2 VCT plc will be held on Wednesday, 10 September 2008 at 4.00 pm 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 5, ordinary resolutions and, in the case of Resolutions 6 to 9, special resolutions:

Ordinary Business

1. To receive the financial statements for the year ended 30 April 2008, together with the reports of the Directors and Auditors thereon.
2. To approve the Directors' Remuneration Report for the year ended 30 April 2008, which is set out in the Annual Report of the Company for the year ended 30 April 2008.
3. That PKF (UK) LLP be appointed auditors of the Company to hold office until the conclusion of the next annual general meeting at which the accounts are laid before the Company and that their remuneration be fixed by the Directors.
4. To re-elect Kenneth Vere Nicoll as a Director of the Company.

Special Business

5. That (i) subject to the passing of the resolutions to be proposed at the separate meeting of the holders of ordinary shares of 1 pence each ("Ordinary Shares") and the separate meeting of the holders of C ordinary shares of 1 pence each ("C Shares") convened for 4.20 pm and 4.30 pm respectively on 10 September 2008 ("Separate Class Meetings") and (ii) in substitution for any existing authorities pursuant to Section 80 of the Companies Act 1985 ("the Act"), the Directors be and are hereby authorised to exercise all of the powers of the Company to allot, grant options over, offer or otherwise deal with or dispose of any relevant securities of the Company (as defined in Section 80(2) of the Act) up to an aggregate nominal value of £633,630 provided that this authority shall expire on the fifth anniversary of the date of the passing of this resolution unless renewed, varied or revoked by the Company in general meeting (except that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot equity securities in pursuance of such offers or agreements).
6. That (i) subject to the passing of the resolutions to be proposed at the Separate Class Meetings and (ii) in substitution for any existing authorities pursuant to Section 95(1) of the Companies Act 1985 ("the Act"), the Directors be and are hereby empowered pursuant to Section 95(1) of the Act to allot or make offers or agreements to allot equity securities (which expression shall have the meaning ascribed to it in Section 94(2) of the Act) for cash pursuant to the authority sought in accordance with Section 80 of the Act by Resolution 5 set out in this notice of Annual General Meeting as if Section 89(1) of the Act did not apply to such allotment provided that this power shall expire on the earlier of the conclusion of the Annual General Meeting to be held in 2009 and the date which is fifteen months after the date on which this resolution is passed and provided further that the power conferred by this resolution shall be limited to:
   (i) the allotment of equity securities with an aggregate nominal value not exceeding £250,000 pursuant to an offer for subscription of C Shares in the capital of the Company ("Offer");
   (ii) the allotment of up to 2,197,208 Ordinary Shares pursuant to performance warrant rights as set out in the carried interest agreement dated 10 May 2000 between the Company (1) and Matrix Private Equity Limited (2), Michael Cumming and others (3) and Mark Burgess and Helen Sinclair (4);
   (iii) the allotment of equity securities with an aggregate nominal value of up to, but not exceeding, ten per cent of the issued Ordinary Share capital and/or ten per cent of the issued C Share capital of the Company as at the date this resolution is passed in connection with any dividend reinvestment or similar scheme that may be operated by the Company from time to time;
   (iv) the allotment (otherwise than pursuant to sub-paragraphs (i) (ii) and (iii) above) of equity securities with an aggregate nominal value or up to, but not exceeding, ten per cent of the issued Ordinary Share capital and/or the issued C Share capital of the Company as at the date this resolution is passed where the proceeds of the allotment are to be used in whole or in part to purchase the Company's Ordinary Shares or, as the case may be, C Shares in the market;
   (v) the allotment (otherwise than pursuant to sub-paragraphs (i), (ii) (iii) and (iv) above) of equity securities from time to time with an aggregate nominal value of up to, but not exceeding, five per cent of the issued Ordinary Share capital and/or five per cent of the issued C Share capital of the Company at the date this resolution is passed.
7. That, subject to the passing of the resolutions to be proposed at the Separate Class Meetings, the Company be empowered to make market purchases (within the meaning of Section 163 of the Act) of its own Ordinary Shares and C Shares provided that:
   (i) the aggregate number of shares hereby authorised to be purchased shall not exceed 1,722,502 Ordinary Shares and 1,370,983 C Shares;
   (ii) the minimum price which may be paid for an Ordinary Share or a C Share is 1 penny per share;
   (iii) the maximum price which may be paid for an Ordinary Share or a C Share is 105 per cent of the average of the middle market prices of an Ordinary Share or, as the case may be, C Share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which that Ordinary Share or, as the case may be, C Share is purchased;

(iv) this authority shall expire on the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2009 and the date which is fifteen months after the date on which this resolution is passed; and

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

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

8. That the amount standing to the credit of the share premium account of the Company attributable to the C Shares issued pursuant to the Offer as at the date of the Order, made by the Court on the hearing for the petition for confirmation of this resolution be and is hereby cancelled.

9. That subject to the passing of the resolutions to be proposed at the Separate Class Meetings the articles of association of the Company be and hereby are amended as follows:

(i) by the deletion of existing articles 20.7; 20.8; 24.5; 24.6; 24.7; 24.8 and 24.9; and

(ii) by the adoption of new articles 24.5; 24.6; 24.7; 24.8 and 24.9 in the form set out below:

"24.5 Subject to the provisions of the Statutes, and provided that he has disclosed to the Board the nature and extent of any material interest of his, a Director notwithstanding his office:-

24.5.1 may be a party to or otherwise directly or indirectly interested in any transaction or arrangement with the Company or in which the Company is otherwise interested;

24.5.2 may be or become a member or director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested;

24.5.3 shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit;

24.5.4 may act by himself or his firm in a professional capacity for the Company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director of the Company; and

24.5.5 shall not infringe or be in breach of his duties to the Company by reason of such interest.

This Article 24.5.5 shall take effect when Article 24.6 shall take effect.

24.6.1 This Article 24.6 shall take effect on and from the commencement in force of Section 175 of the Companies Act 2006.

24.6.2 The Board may authorise, to the fullest extent permitted by law:

(i) any matter which would or might otherwise result in a Director infringing his duty to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company and which may reasonably be regarded as likely to give rise to a conflict of interest (including a conflict of interest and duty or a conflict of duties);

(ii) a Director to accept or continue in any office, employment or position in addition to his office as a Director of the Company and without prejudice to the generality of this Article 24.6.2 may authorise the manner in which a conflict of interest arising out of such office, employment or position may be dealt with, either before or at the time that such a conflict of interest arises.

24.6.3 An authorisation under Article 24.6.2 may be given subject to such terms and conditions as the Board think fit to impose at the time of such authorisation or subsequently and the authorisation may be varied or terminated by the Board at any time.

24.6.4 An authorisation under Article 24.6.2 is only effective if any requirement as to the quorum of the meeting is met without the Director in question and any other interested Director counting in the quorum at any meeting at which such matter, or such office, employment or position, is approved and the authorisation is agreed to without their voting or would have been agreed to if their votes had not been counted.

24.6.5 If a matter or office, employment or position, has been authorised by the Board in accordance with this Article 24.6 (and subject to Article 24.6.3) then:

(i) the Director shall not be required to disclose any confidential information relating to such matter, or such office, employment or position, to the Company if to make such a disclosure would result in a breach of a duty or obligation of confidence owed by him in relation to or in connection with that matter, or that office, employment or position;

(ii) the Director may (and shall if required by the Board) absent himself from meetings or discussions of the Board at which anything relating to that matter, or that office, employment or position, will or may be discussed; and

(iii) the Director may (and shall if required by the Board) decline to review information provided by the Company which will or may relate to or be connected to that matter, or that office, employment or position.

24.6.6 A Director shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any matter, or from any office, employment or position, which has been approved by the Board pursuant to this Article 24.6 (subject in any such case to any terms or conditions to which such approval is for the time being subject).

24.7 The Board may exercise the voting power conferred by the shares in any company held or owned by the Company in such manner in all respects as it thinks fit (including the exercise thereof in favour of any resolution appointing the Directors or any of them directors of such company, or voting or providing for the payment of remuneration to the directors of such company).

24.8 A Director shall not be counted in the quorum present at a meeting in relation to a resolution on which he is not entitled to vote but shall be counted in the quorum present in relation to all other matters and resolutions considered or held.

24.9 If a question arises at a meeting of the Board or of a committee of the Board as to the right of a Director to vote, the question may, before the conclusion of the meeting, be referred to the chairman of the meeting (or if the Director concerned is the chairman, to the other Directors at the meeting) and his ruling in relation to any Director (or, as the case may be, the ruling of the majority of the other Directors in relation to the chairman) shall be final and conclusive."

By order of the Board

Matrix-Securities Limited
Company Secretary

Registered Office
One Vine Street
London W1J 0AH

14 July 2008

Notes:

1. Each director has an appointment letter with the Company which will be available for inspection at the meeting.
2. To be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the votes they may cast), members must be registered in the Register of Members of the Company at 6.00 pm on 8 September 2008 (or, in the event of any adjournment, 6.00 pm on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
3. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the form of proxy are set out in the notes on the form of proxy. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional form(s) of proxy may be obtained by contacting Capita Registrars on 0871 664 0300 (calls cost 10p per minute plus network extras). Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned together in the same envelope.
5. A reply paid form of proxy is enclosed with this document. To be valid, it should be lodged with the Company's registrar, Capita Registrars, so as to be received not later than 4 pm on 8 September 2008 or 48 hours before the time appointed for any adjourned meeting or, in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll.
6. As at 14 July 2008 (being the last business day prior to the publication of this notice), the Company's issued share capital consists of 11,491,008 Ordinary Shares and 9,145,990 C Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 14 July 2008 were 20,636,998.
7. Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.
8. The statement of the rights of members in relation to the appointment of proxies in paragraphs 3 to 5 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.
9. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should he or she subsequently decide to do so. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.
10. The Register of Directors' Interests will be available for inspection at the meeting.

NOTICE of SEPARATE MEETING of ORDINARY SHAREHOLDERS

NOTICE IS HEREBY GIVEN that a separate meeting of the holders of ordinary shares of 1 pence each in the capital of the Company ("Ordinary Shares") will be held at the offices of Matrix Group Limited, One Vine Street, London W1J 0AH at 4.20 pm (or as soon thereafter as the Annual General Meeting of the Company convened for 4.00 noon on 10 September 2008 has been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolution as a special resolution:

The holders of the Ordinary Shares in the capital of the Company hereby sanction, approve and consent to:

(1) the passing and carrying into effect, as ordinary and special resolutions of the Company, Resolutions 5 to 9 as set out in the notice of the Annual General Meeting convened for 4.00 noon on 10 September 2008 (a copy of which is produced to the meeting and signed by the chairman for the purposes of identification); and

(2) any effect on, variation, abrogation, dealing with and/or deemed variation or abrogation of the rights and privileges attached to the Ordinary Shares which will, or may, result from the passing and carrying into effect of the said Resolutions and notwithstanding that the passing and carrying into effect of such Resolutions may affect the rights and privileges attached to the Ordinary Shares.

By order of the Board

Matrix-Securities Limited
Company Secretary

Registered Office
One Vine Street
London W1J 0AH

14 July 2008

Notes:

1. Each director has an appointment letter with the Company which will be available for inspection at the meeting.
2. To be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the votes that they may cast), members must be registered in the Register of Members of the Company at 6.00 pm on 8 September 2008 (or, in the event of any adjournment, 6.00 pm on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
3. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member, but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the form of proxy are set out in the notes on the form of proxy. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional form(s) of proxy may be obtained by contacting Capita Registrars on 0871 664 0300 (calls cost 10p per minute plus network extras). Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned together in the same envelope.
5. A reply paid form of proxy is enclosed with this document. To be valid, it should be lodged with the Company's registrar, Capita Registrars, so as to be received not later than 4.20 pm on 8 September 2008 or 48 hours before the time appointed for any adjourned meeting or, in the case of a poll taken to the date of the meeting, so as to be received no later than 24 hours before the time appointed for taking the poll.
6. As at 14 July 2008 (being the last business day prior to the publication of this notice), the Company's issued Ordinary Share capital consists of 11,491,008 Ordinary Shares, carrying one vote each. Therefore, the total Ordinary Shares' voting rights in the Company as at 14 July 2008 are 11,491,008.
7. Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person) may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.
8. The statement of the rights of members in relation to the appointment of proxies in paragraphs 3 to 5 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.
9. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should he or she subsequently decide to do so. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.
10. The Register of Directors' Interests will be available for inspection at the meeting.
11. Notice is hereby further given that the necessary quorum for the above meeting shall be holders of Ordinary Shares present in person or by proxy holding not less than one-third of the paid up Ordinary Share capital and that if within half an hour from the time appointed for the above meeting a quorum is not present it shall be adjourned to 4.20 pm on 11 September 2008 to be held at the offices of Matrix Group Limited at One Vine Street, London W1J 0AH and at such adjourned meeting the holders of Ordinary Shares present in person or by proxy shall be quorum regardless of the number of Ordinary Shares held.

NOTICE of SEPARATE MEETING of C SHAREHOLDERS

NOTICE IS HEREBY GIVEN that a separate meeting of the holders of C Ordinary Shares of 1 pence each in the capital of the Company ("C Shares") will be held at the offices of Matrix Group Limited, One Vine Street, London W1J 0AH at 4.30 pm (or as soon thereafter as the Separate Meeting of the holders of Ordinary Shares convened for 4.20 pm on 10 September 2008 has been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolutions as special resolutions:

The holders of the C Shares in the capital of the Company hereby sanction, approve and consent to:

(1) the passing and carrying into effect, as ordinary and special resolutions of the Company, Resolutions 5 to 9, as set out in the notice of the Annual General Meeting convened for 4.00 noon on 10 September 2008 (a copy of which is produced to the meeting and signed by the chairman for the purposes of identification); and

(2) any effect on, variation, abrogation, dealing with and/or deemed variation or abrogation of the rights and privileges attached to the C Shares which will, or may, result from the passing and carrying into effect of the said Resolutions and notwithstanding that the passing and carrying into effect of such Resolutions may affect the rights and privileges attached to the C Shares.

By order of the Board

Matrix-Securities Limited
Company Secretary

Registered Office
One Vine Street
London W1J 0AH

14 July 2008

Notes:

1. Each director has an appointment letter with the Company which will be available for inspection at the meeting.
2. To be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the votes that they may cast), members must be registered in the Register of Members of the Company at 6.00 pm on 8 September 2008 (or, in the event of any adjournment, 6.00 pm on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
3. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member, but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the form of proxy are set out in the notes on the form of proxy. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional form(s) of proxy may be obtained by contacting Capita Registrars on 0871 664 0300 (calls cost 10p per minute plus network extras). Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned together in the same envelope.
5. A reply paid form of proxy is enclosed with this document. To be valid, it should be lodged with the Company's registrar, Capita Registrars, so as to be received not later than 4.30 pm on 8 September 2008 or 48 hours before the time appointed for any adjourned meeting or, in the case of a poll taken to the date of the meeting, so as to be received no later than 24 hours before the time appointed for taking the poll.
6. As at 14 July 2008 (being the last business day prior to the publication of this notice), the Company's issued C Share capital consists of 9,145,990 C Shares, carrying one vote each. Therefore, the total C Shares' voting rights in the Company as at 14 July 2008 are 9,145,990.
7. Any person to whom this notice is sent who is a person nominate under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person) may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.
8. The statement of the rights of members in relation to the appointment of proxies in paragraphs 3 to 5 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.
9. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should he or she subsequently decide to do so. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.
10. The Register of Directors' Interests will be available for inspection at the meeting.
11. Notice is hereby further given that the necessary quorum for the above meeting shall be holders of C Shares present in person or by proxy holding not less than one-third of the paid up C Share capital and that if within half an hour from the time appointed for the above meeting a quorum is not present it shall be adjourned to 4.30 pm on 11 September 2008 to be held at the offices of Matrix Group Limited at One Vine Street, London W1J 0AH and at such adjourned meeting the holders of C Shares present in person or by proxy shall be quorum regardless of the number of C Shares held.

Corporate Information

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Adam Kingdon
Sally Leeson
Kenneth Vere Nicoll

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