Annual Report and Accounts

for the year ended 30 September 2010

THE INCOME & GROWTH VCT PLC

Investment Objective

The objective of The Income & Growth VCT plc ("I&G VCT" or "the Company") is to provide investors with an attractive return, by maximising the stream of dividend distributions from the income and capital gains generated by a diverse and carefully selected portfolio of investments.

The Company invests in companies at various stages of development. In some instances this may include investments in new and secondary issues of companies which may already be quoted on the Alternative Investment Market ("AiM") or PLUS.

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Financial Highlights

The net assets of the 'O' and 'S' Share Funds were merged to form one share class of Ordinary Shares on 29 March 2010. At that date, the net assets of the merged VCT were £35.7 million, which have increased to £36.6 million at 30 September 2010.

The highlights during the year have been:-

- Strong liquidity has been maintained in the context of continuing market volatility
- Prior to the merger, dividends of 2p per 'O' Share and 0.5p per 'S' Share were paid on 17 March 2010. The Board has declared an interim capital dividend of 2 pence per share, and a final capital dividend of 2 pence per share will be recommended to shareholders at the AGM. These payments will bring cumulative dividends paid to date to 4.5 pence per share
- Decrease of 7.4% in share price total return to Shareholders (formerly 'S' Shares)
- Increase of 6.8% in net asset value (NAV) total return to Shareholders (formerly 'S' Shares)
- Increase of 6.0% in NAV total return to former 'O' Share Fund shareholders

Performance Summary

The net asset value per share of the single class of Ordinary Shares existing after the merger is 99.0 pence at 30 September 2010.

The merger was effected by converting the relevant 'O' Fund Shares into 'S' Fund Shares using a conversion ratio of 0.758. All the issued and unissued 'S' Fund Shares were subsequently redesignated as Ordinary Shares on a 1 for 1 basis.

To help Shareholders in each former share class understand the trend in performance of their investment, comparative data for each former share class is shown below:-

	Net assets (£m)	NAV per Share (p)	Cumulative dividends paid per share (p)	NAV total return to shareholders since launch per Share (p)	Share price (p)[2]	Share price total return to shareholders (p)
Ordinary Share Fund (called the 'S' Share Fund up until 29 March 2010)						
As at 30 September 2010[1]	36.6	99.0	0.5	99.5	87.0	87.5
As at 30 September 2009	11.0	93.2	0.0	93.2	94.5	94.5
As at 30 September 2008	11.2	94.6	0.0	94.6	100.0	100.0
At close of Offer for subscription	11.2	94.5	0.0	94.5	100.0	100.0

Former 'O' Shares – ordinary shares of 1p raised during the 2000/01 tax year and admitted to trading on 15 November 2000.

Former 'S' Shares – S ordinary shares of 1p raised during the 2007/08 tax year and admitted to trading on 8 February 2008.

	Net assets (£m)	NAV per Share (p)	Cumulative dividends paid per share (p)	NAV total return to shareholders since launch per Share (p)	Share price (p)[2]	Share price total return to shareholders (p)
Former 'O' Share Fund						
As at 30 September 2010[1]	–	75.0	22.5	97.5	–	–
As at 30 September 2009	24.9	71.5	20.5	92.0	54.8	75.2
As at 30 September 2008	29.6	83.6	16.5	100.0	79.5	96.0

[1] The data at 30 September 2010 shows the return on an initial subscription price of 100p at the date of inception of each Fund taken from the table below divided by £10,000.
[2] Source: London Stock Exchange

Return before and after tax relief

The tables below show the NAV total returns at 30 September 2010 for a shareholder in each original class that invested £10,000 at £1 a share at each Fund's inception.

Before benefit of initial income tax relief

Fund	Original investment (10,000 shares at £1 each) (£)	Number of shares held post-merger	NAV at 30 September 2010 (£)	Dividends paid to shareholders since subscription (£)	NAV total return to shareholders since subscription (£)	Profit/(loss) before income tax relief[1] (£)
Ordinary Share Fund 2007/08[2]	10,000	10,000	9,900	50	9,950	(50)
Former 'O' Share Fund 2000/2001	10,000	7,578	7,502	2,245	9,747	(253)

[1] NAV total return minus initial investment cost (before applicable income tax relief)
[2] Formerly 'S' Share Fund

After benefit of initial income tax relief

Fund	Original investment (10,000 shares at £1 each) (£)	Number of shares held post-merger	Rate of income tax relief %	Cost net of income tax relief (£)	NAV at 30 September 2010 (£)	Dividends paid to shareholders since subscription (£)	NAV total return to shareholders since subscription (£)	Profit/(loss) after income tax relief[2] (£)
Ordinary Share Fund 2007/08[3]	10,000	10,000	30%	7,000	9,900	50	9,950	2,950
Former 'O' Share Fund 2000/2001	10,000	7,578	20%[1]	8,000	7,502	2,245	9,747	1,747

[1] Additional capital gains tax deferral relief of up to £4,000 available to qualifying shareholders
[2] NAV total return minus cost net of income tax relief
[3] Formerly 'S' Share Fund

Financial Highlights

Discount

The Board's current intention is to continue with its existing buy-back policy with the objective of maintaining the discount to NAV at which the Shares trade at 10% or less. The current discount for the Company's shares is 9.6%. The discount has therefore narrowed considerably from 21.4% on 31 March 2010 following the merger.

Dividend history

In respect of year ended	Dividends paid in each year since launch Payment date	Former 'O' Shares (p) per share	Former 'S' Shares (p) per share
30 September 2001	18 February 2002	1.20 pence	–
30 September 2002	12 February 2003	1.75 pence	–
30 September 2003	11 February 2004	1.25 pence	–
30 September 2004	04 February 2005	1.25 pence	–
30 September 2005	14 February 2006	0.75 pence	–
30 September 2006	14 February 2006	2.50 pence	–
30 September 2006	15 February 2007	0.75 pence	–
30 September 2007	15 February 2007	3.00 pence	–
30 September 2007	24 October 2007	2.00 pence	–
30 September 2007	15 February 2008	2.00 pence	–
30 September 2008	16 February 2009	4.00 pence	–
30 September 2009	17 March 2010	2.00 pence	0.5 pence
Cumulative dividends paid prior to the merger		**22.45 pence**	**0.5 pence**

Dividends paid include distributions from both income and capital.

Dividends proposed

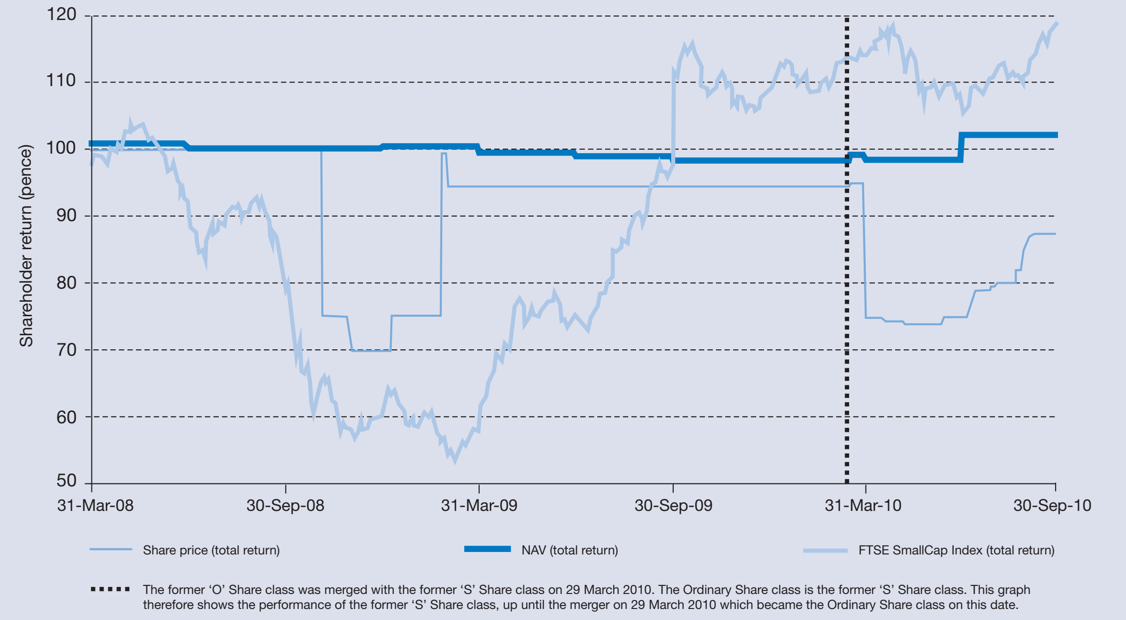
The Directors have declared an interim capital dividend of 2.00 pence per share for the year ended 30 September 2010 to be paid to Shareholders on the Register on 28 January 2011, on 22 February 2011.

A final capital dividend of 2 pence per share will be recommended to Shareholders at the Annual General Meeting of the Company to be held on 16 February 2011 to be paid to Shareholders on the Register on 4 March 2011, on 28 March 2011.

Performance graphs

In the graph below, the total return figures have been rebased to 100 at 8 February 2008, the date on which the Company's Ordinary Shares (the former 'S' Share class) were first admitted to trading.

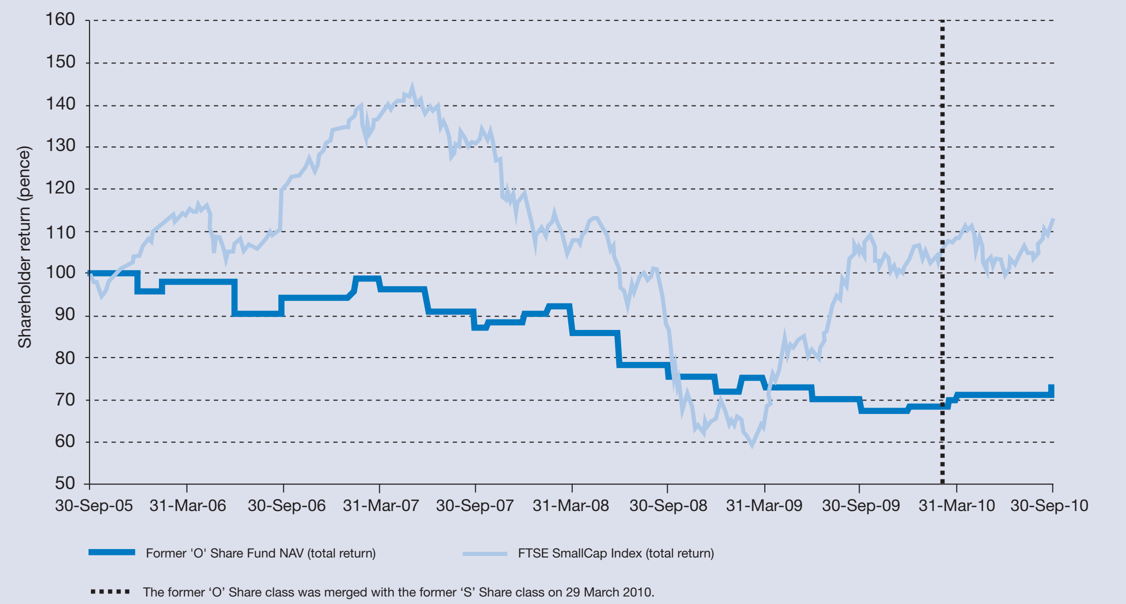
Total shareholder return of the Ordinary Shares
compared to the FTSE SmallCap Index



Source: Matrix Corporate Capital LLP

The graph below has also been included to illustrate the performance of the former 'O' Shares over the past five years based on NAV per share and the total return figures have been rebased to 100 at 1 October 2005.

Total shareholder return of the former 'O' Shares
compared to the FTSE SmallCap Index



Source: Matrix Corporate Capital LLP

Note: The share price and net asset value (NAV) total return comprise the share price and NAV respectively per share assuming the dividends paid were re-invested on the date on which the shares were quoted ex-dividend in respect of each dividend.

Chairman's Statement

I am pleased to present to Shareholders the tenth Annual Report of the Company for the year ended 30 September 2010.

The last year has been dominated by the continuing problems in the global economy. Earlier in the year in the UK, the economic problems were overshadowed by the uncertainty surrounding the outcome of the General Election and, more recently, by the widely debated public sector spending cuts. There were signs earlier in 2010 that confidence may have been returning but more recently there has been renewed volatility and uncertainty, particularly as a result of the Irish and Greek debt problems.

Merger of the 'O' and 'S' Share classes

In my recent Half-Year Report, I reported that the Company had successfully achieved a simpler single share class structure earlier in the year. All the Resolutions which were proposed at the Extraordinary General Meeting of the Company held on 26 March 2010 and at the separate class meetings held on 29 March 2010 were duly passed.
The former 'O' and 'S' share classes of the Company were merged following shareholder approval. The ratio used for the conversion of former 'O' Shares into new Ordinary Shares was 0.758. Former 'S' Shares were converted into Ordinary Shares on a 1 for 1 basis. Shareholders were issued with new share certificates on 5 April 2010.

Performance

As at 30 September 2010 the Company's NAV per Ordinary Share was 99.0 pence (30 September 2009: 93.2 pence). Adjusted for dividends paid to Shareholders during the year, this represents an increase of 6.8% (7.8% in respect of the former 'O' Share Fund) over the twelve month period. This compares with an increase of 3.7% in the FTSE SmallCap Index and a rise of 21.0% in the FTSE AiM All-Share Index, both on a capital return basis.

This result is a combination of increased value in some of the portfolio companies, together with some recovery, highlighting the tendency for unquoted asset portfolios to lag the trends seen in the main quoted indices.

Cumulative dividends paid to date amount to 22.45 pence per former 'O' Share and 0.5 pence per former 'S' Share.

The portfolio

During the twelve months under review sector price earnings multiples in those areas of the quoted market (by reference to which unquoted investments are frequently valued) in which the Company is invested, have varied sharply. By way of example, whilst the Personal Goods sector has seen a 104% increase over this period the Construction & Materials and Food Producers sectors have fallen sharply by 32% and 37% respectively.

Overall, the portfolio showed a net increase of £3.0 million over the year. The significant contributors to this increase were Amaldis, Digico, Iglu, Camwood, Westway, British International, Monsal and ATG Media.

The MPEP invested portfolio at 30 September 2010 comprised 31 investments with a total cost of £19.9 million and valued at £22.9 million representing an uplift of 14.5% on cost at the year-end. Realisations during the year generated total gross disposal proceeds of some £1.3 million.

Two new investments were completed in December 2009 both of which have been trading strongly since investment. The first investment was C B Imports Group, an importer and distributor of artificial flowers, floral sundries and home décor products, trading under the name of Country Baskets. The Company invested £1 million into this company. The second new investment was into Iglu.com Holidays, the UK's largest specialist ski holiday and fast growing cruise holiday travel agent. The Company invested £1 million to support the MBO and recapitalisation of this Wimbledon based company. Iglu.com has made a strong start and is trading currently ahead of plan.

Following the year-end, the VCT has made two new investments and made a commitment to invest in a third company.

In the first of these, the Company used its investment of £1 million in the investment vehicle, Aust, to support the MBO of RDL Recruitment Corporation a European recruitment provider within the pharmaceutical, business intelligence and IT sectors. The VCT's total investment in this company, which has since changed its name to Aust Recruitment Group Limited, now stands at £1.4 million.

Secondly, the VCT invested £487,744 to support the MBO of Faversham House Group Limited an established, family owned media company providing magazines, exhibitions and online resources in the environment and sustainability, visual communications and building services sectors.

The VCT has also made a commitment to invest £280,000 into the AIM listed company Omega Diagnostics Group Plc which provides high quality in-vitro diagnostics products for use in hospitals, blood banks, clinics and laboratories in over 100 countries and specialises in the areas of food intolerance, autoimmune disease and infectious disease.

It is a measure of the success of the Manager's efforts that the portfolio has required only £514,314 of additional funding despite the challenges that investee companies have faced. In November 2009, the Company participated in a follow-on investment into British International Holdings (BIH) investing £90,909 to provide additional working capital. BIH has enjoyed improved trading during 2010 with particularly good revenue from oil and gas support work in the Falklands Islands. The Company also made an additional loan stock and equity investment totalling £421,688 into HWA Group in January 2010. The investment was made as part of a re-financing and Rights Issue to provide additional working capital. However, since investment, the company continues to contend with deteriorating conditions in its sector with little sign of an upturn. A small additional investment of £1,717 was also made into Monsal as part of a re-financing round by a new third party investor.

In November 2009 the Company sold its investment in PastaKing Holdings for gross proceeds of £793,853. This realisation contributed to total proceeds over the life of this investment of £955,042, representing a 3.27x return on the original investment cost of £292,405. The Company's investment in Stortext FM was sold to Box-it Storage Group Limited in February 2010 for £2,562. This had carried a nil valuation prior to sale.

A number of other investee companies have also been trading strongly and a total of £372,724 has been returned to the Company during the year under review in partial loan stock repayments. DiGiCo Europe returned a total of £188,502 in loan stock repayments plus a premium of £14,037; Westway repaid a total of £137,064 of loan stock plus a premium of £34,575 during the year and Monsal repaid £47,158 in July as part of the closing of a second investment round.

Since the year-end, Westway has repaid part of its loan stock realising £99,681 proceeds, of which £31,148 was premium and ATG Media has made a partial repayment of £111,111.

The ex Foresight portfolio continues in the main to find these economic trading conditions difficult and is currently showing a valuation deficit of some £5.8m as against cost. The exception to this is Camwood which is currently trading strongly and is valued at some £1.15m above cost.

Cash available for investment

During the economic turmoil, both the Board and the Manager have continued to work to ensure that our cash deposits continue to remain as secure as possible. We have for some time been spreading our significant cash deposits with a number of the leading global cash funds rather than depositing directly to individual banks, thereby reducing our exposure to any one particular bank. However, the current low level of interest rates on cash deposits means that it will continue to be difficult for the Company to pay dividends out of income. The Board and Manager both strongly believe that at this time the security and protection of the Company's capital is more important than striving for a small increase in deposit rates at the cost of much higher risk.

Cash and liquidity fund balances as at 30 September 2010 amounted to £8,815,109. In addition, a further £7 million has been invested into a series of acquisition vehicles pending further investment. (This figure was reduced to £6 million after the year-end following the Company's investment in Aust Recruitment Group as outlined on page 6).

Revenue Account

The Revenue account has become negative this year, falling from a return last year of £193,683 to a loss of £50,860 this year, for several exceptional reasons. However, for the future, there are some encouraging trends.

The Company suffered falls in income from liquid deposits of £218,465 due mainly to particularly low levels of interest rates. Other expenses increased by £77,592, due to two non-recurring factors: firstly, they include the costs of merging the two funds although the completion of the merger is already starting to yield the benefits of greater simplicity and administrative efficiencies. Secondly, trail commission expenses have increased by a one-off item, estimated at £36,000, by bringing forward recognition of the full year liability this year. The new management agreement has also caused a re-allocation of some costs previously treated as administrative to investment management expenses.

Dividends received have remained broadly constant at £200,605, when compared to last year's total of £199,022. Loan stock interest has increased by £42,266 to £442,132.

Finally, some further VAT income has been received, as previous managers completed their recovery of VAT from HM Revenue and Customs. No more income is now anticipated from this source.

Dividend

An interim capital dividend in respect of the year ended 30 September 2010 of 2 pence per share was announced on 4 November 2010. The dividend will be paid, to Shareholders on the Register on 28 January 2011, on 22 February 2011.

A final capital dividend of 2 pence per Ordinary Share will be recommended to Shareholders at the Annual General Meeting of the Company to be held on 16 February 2011 for payment to shareholders on the register on 4 March 2011 on 28 March 2011.

The Company's Dividend Investment Scheme will apply to both of these dividends and elections under the Scheme should be received by the Scheme Administrator, Capita Registrars, by no later than Monday, 7 February 2011 in the case of the interim dividend and Monday, 14 March 2011 in the case of the final dividend.

Share buy-backs

During the year ended 30 September 2010, and prior to the merger of 'O' and 'S' Shares on 29 March 2010 ("the Merger"), the Company bought back 369,937 (year to 30 September 2009: 754,444) 'O' Shares (representing 1.1% (year to 30 September 2009: 2.1%) of the 'O' Shares in issue at the beginning of the year) at a cost of £175,456 (year to 30 September 2009: £353,751). No 'S' Shares were purchased during this period.

Following the Merger, the Company bought back 1,037,821 new Ordinary Shares (representing 2.7% of the new Ordinary Shares in issue on the date of the merger) at a cost of £790,660.

The Board regularly reviews its buyback policy and, given the less volatile outlook for the valuation of the portfolio, has undertaken to reduce the discount to NAV at which the Company's shares trade. At 16 December 2010, the mid-market price for the Company's shares was 89.5 pence, representing a discount of 9.6% to the NAV prevailing at 30 September 2010.

Fundraising

You will have seen recently that the Company is participating in a linked fundraising with Matrix Income & Growth VCT plc and Matrix Income & Growth 4 VCT plc which was launched on 12 November 2010. The funds raised will bolster the Company's strong cash position to capitalise on new investment opportunities and spread our fixed running costs over a larger asset base. Details of the Offer have already been posted to Shareholders.

The Board

As advised in the previous report, the new provisions of the listing rules with regard to the independence of directors came into effect for VCTs just before the year-end. As a result, Christopher Moore resigned as a Director of the Company and as Chairman of the Audit Committee at the end of September 2010. I would like to thank Christopher for his invaluable advice and support throughout his period as a Director and for his leadership and guidance as Chairman of the Audit Committee.

I am delighted to report that on 1 August 2010, Jonathan Cartwright was appointed to the Board and took over the role of Chairman of the Audit Committee on 24 September 2010. Jonathan qualified as a Chartered Accountant. He has significant experience of the investment trust sector and of serving on the boards of both public and private companies in executive and non-executive roles. Jonathan joined Caledonia Investments plc in 1989, serving as Finance Director from 1991 to December 2009 and Group Financial Controller at Hanson plc from 1984 to 1989. He was a non-executive Director of Bristow Group Inc. from 1996 to 2009 and has been a non-executive director of Serica Energy plc from 2008 to date. Jonathan has served on the Self-Managed Investment Trust Committee of the Association of Investment Companies (to December 2009).

Outlook

The Chairman of the US Federal Reserve recently delivered a bleak prognosis for the US economy, firming up the likelihood of a further round of quantitative easing to battle economic slowdown and rising unemployment and to head off the risk of a downward spiral in prices**.** Within the Eurozone, the continuing question marks related to the Irish, Greek and other sovereign debt problems have merely added to the financial uncertainty.

With the UK economy expected to slow over the winter, many observers still fear a double-dip recession. Economists are suggesting that the Bank of England will have to act to avoid such an event. The prospect of another round of gilt purchases has driven government debt yields sharply lower over the last month. What is certainly clear is that the stewardship of the nation's finances by the previous government means that putting the UK economy back on a sound basis will be a painful, and probably long, exercise as evidenced by the Chancellor's recent announcement of public sector spending cuts.

Although this Fund invests in profitable companies, smaller companies generally will be challenged by the anticipated testing economic environment over the coming winter. On the other hand, it is very encouraging to be able to report that the majority of companies in the portfolio continue to trade profitably and a number are reporting results ahead of budget.

The Company continues to retain a significant cash position, having correctly limited investment during the downturn. Moreover, the present Fundraising Offer, which I have referred to above, will strengthen this position further. The unquoted sector is beginning to see a return to more active levels, and the Board and Manager expect that a number of attractive investment opportunities will be identified in the near term.

In summary, your Board is encouraged greatly by the portfolio showing resilience and promise in spite of these difficult economic conditions.

I&G website

May I remind you that the Company has its own website which is available at www.incomeandgrowthvct.co.uk.

Once again, I would like to take this opportunity to thank Shareholders for their continued support.

Colin Hook
Chairman
16 December 2010

Investment Policy

The Company's policy is to invest primarily in a diverse portfolio of UK unquoted companies. Investments are structured as part loan and part equity in order to receive regular income and to generate capital gains from trade sales and flotations of investee companies.

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

The Company has a small legacy portfolio of investments in companies from its period prior to 30 September 2008, when it was a multi-manager VCT. This includes investments in early stage and technology companies and in companies quoted on the AiM or PLUS.

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

UK companies

The companies in which investments are made must have no more than £15 million, in the case of funds raised under the original prospectus in 2000/01, and £7 million, in the case of funds raised after 6 April 2006, (including the former 'S' Share Fund raised in 2007/08) 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 Company continues to qualify and is approved as a VCT by HM Revenue & Customs ("HMRC"). Amongst other conditions, the Company may not invest more than 15% of its investments in a single company and must have at least 70% by value of its investments throughout the period in shares or securities comprised in VCT qualifying holdings, of which a minimum overall of 30% by value must be ordinary shares which carry no preferential rights. In addition, although the Company 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 VCT qualifying company in ordinary shares which carry no preferential rights.

Asset mix

The Company initially holds its funds in a portfolio of readily realisable interest-bearing investments and deposits. The investment portfolio of qualifying investments is built up over a three year period with the aim of investing and maintaining at least 70% of net funds raised in qualifying investments.

Risk diversification and maximum exposures

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

Co-investment

The Company aims to invest in larger, more mature unquoted companies through investing alongside the three other VCTs advised by the Investment Manager with a similar investment policy. This enables the Company to participate in combined investments advised on by the Investment Manager of up to £5 million.

Investment Manager's Review

Overview

The challenging economic conditions have continued to persist in the UK. This has been a leading factor in making the year under review another slow period for VCT investment and realisations. Against this background, we have continued to remain cautious and selective when considering new deals and have until recently been disappointed by the quality of the deals presented. It has proved difficult in these circumstances to bring deals to fruition and we have frequently judged vendors' price expectations as likely to be unsustainable in the medium term. The market in the UK has had to contend with the uncertainties in the political environment, unstable, slow recovery from recession and a lack of clarity in the immediate aftermath of the election. We are increasingly hopeful that this period of uncertainty is drawing to a close and have begun to see some evidence that more attractively priced opportunities and trade buyers willing to pay more realistic prices are beginning to emerge.

New investment

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

We were pleased to complete two new investments in December 2009 which have both been trading strongly since investment. The first of these was C B Imports Group, an importer and distributor of artificial flowers, floral sundries and home décor products, trading under the name of Country Baskets. Using the 'O' Share Fund's existing investment in the acquisition vehicle Calisamo Management, the Company invested £1 million into this profitable company with a turnover of circa £20 million. Founded in 1990, the company operates from a national distribution centre in Leeds, has recently opened new sites in Gateshead and Bristol and is planning to roll out further sites across the UK.

The second of these was into Iglu.com Holidays, the UK's largest specialist ski holiday and fast growing cruise holiday travel agent. The Company invested £1 million to support the MBO and recapitalisation of this Wimbledon based company employing more than 95 people. Repeat business and referrals from satisfied customers have meant that Iglu.com's cruise sales have doubled year on year and this growth looks set to continue. Since the investment was completed, Iglu.com has made a strong start and is trading ahead of plan and the year end valuation reflects this encouraging performance.

Following the year-end, the VCT has made two new investments and made a commitment to invest in a third company.

In the first of these, the Company used its investment of £1 million in the acquisition vehicle, Aust to support the MBO of RDL Recruitment Corporation a european recruitment provider within the pharmaceutical, business intelligence and IT sectors based in London and Woking. The company which employs 70 staff was established in 1992. It sources staff for over 300 major companies, matching niche professionals with hard to fill contract assignments and staff positions. The VCT's total investment in this company, which changed its name to Aust Recruitment Group Limited following the MBO, now stands at £1.4 million.

Secondly, the VCT invested £487,744 in December to support the MBO of Faversham House Group Limited. Based in Croydon, this is an established, family owned media company providing magazines, exhibitions and online resources in the environment and sustainability, visual communications and building services sectors.

The VCT also made a commitment in November to invest £280,000 into the AIM listed company Omega Diagnostics Group Plc. Based in Alva, Scotland this company provides high quality in-vitro diagnostics products for use in hospitals, blood banks, clinics and laboratories in over 100 countries and specialises in the areas of food intolerance, autoimmune disease and infectious disease.

Our Operating Partner programme continues to pursue an active search for investment opportunities and just before the year-end the Company completed five new investments of £1 million each into Backbarrow, Bladon Castle Management, Fullfield, Rusland Management and Torvar. These companies, together with Apricot Trading, are all actively seeking suitable investment opportunities in a variety of sectors including food manufacturing, retailing, brand management, health and well-being, publishing, on-line businesses, software and database management and construction but so far have not found sufficiently attractive investment opportunities at the right price.

Each of the acquisition vehicles are headed by experienced Chairmen well known to MPEP who are working closely with us in seeking to identify and complete investments in specific sectors relevant to their industry knowledge and experience. We have established these companies to provide time for us to identify and invest in suitable target companies at sufficiently attractive prices.

Follow-on investment

We have worked particularly closely with portfolio companies over recent months to encourage them to make the necessary changes to ensure that they were in the best possible position to withstand the recent period of economic uncertainty. It is a measure of the success of this effort that the investment portfolio has required only £514,314 of additional funding despite the challenges that investee companies have faced.

In November 2009, the Company participated in a follow-on investment into British International Holdings (BIH) investing £90,909 to provide additional working capital. BIH has enjoyed improved trading during 2010 with particularly good revenue from oil

and gas support work in the Falklands Islands. The company has also agreed terms with Sainsburys for the sale, subject to planning permission, of its Penzance heliport site which is expected to generate capital for investment in new helicopter capacity.
The VCT made an additional loan stock and equity investment totalling £421,688 into HWA Group in January 2010. The investment was made as part of a re-financing and Rights Issue to provide additional working capital to bridge the lower than expected revenues arising from delays in clients commissioning projects. Conditions since then have unfortunately continued to deteriorate and there is little sign of any upturn in the company's trading environment which has been reflected in the valuation.

Realisations

Realisations during the year generated cash proceeds of £1.3 million. The Company successfully realised its investment in PastaKing Holdings, the Newton Abbot-based supplier of fresh pasta meals, in November 2009 for initial capital proceeds of £793,853. This realisation contributed to total proceeds over the life of the investment of £955,042, representing a 3.27x return on the original investment cost of £292,405.

The Company's investment in Stortext FM was sold to Box-it Storage Group Limited in February 2010 for £2,562. This had carried a nil valuation prior to sale.

A number of companies in the portfolio are trading strongly and a total of £372,724 has been returned to the Company during the year under review in partial loan stock repayments. DiGiCo Europe returned a total of £188,501 in loan stock repayments during the year plus a premium of £14,037. This company has continued to grow rapidly throughout 2010. Having made a very encouraging start since investment, Westway has repaid a total of £137,065 of loan stock plus a premium of £34,375 during the year and a further £99,681 (of which £31,148 was premium) after the year-end. Monsal repaid £47,158 in July as part of the closing of a second investment round that brought in the specialist investor Waste Resources Fund (managed by FourWinds) who invested £4 million as part of a total commitment of £14 million at a materially higher valuation of Monsal than had been applied by your Manager. This company continues to progress a number of waste contracts, exploiting its acknowledged expertise in anaerobic digestion technology. We are hopeful that this significant new investment will result in higher future returns for the Company.

Since the year-end, ATG Media has made a partial repayment of £111,111. This company has benefited from increased interest in its online auction technology, and enhanced advertising revenues have led to an improvement in profits generated by the Antiques Trade Gazette.

Portfolio review

The MPEP invested portfolio at 30 September 2010 comprised 31 investments with a cost of £19.9 million and valued at £22.9 million representing an uplift of 14.5% on cost. Additionally, there are three investments in the portfolio, formerly managed by Nova, with a cost of £1.4 million valued at £1.8 million. The new investments made since last year, Westway, CB Imports and Iglu.com, have all moved off cost as a result of out-performing their investment plans. There has also been a strong operating performance at Amaldis which has led to an increase in valuation. The VCT's investment in BG Consulting Group was re-structured during the year and resulted in an increase in the value of this investment and the VCT's resulting new loan stock investment is valued in full. The FourWinds investment in Monsal also resulted in a significant uplift in the carrying value of this investment. Campden Media has made a strong start to 2010, following a better than expected year to December 2009. The valuations of Image Source and HWA have shown substantial reductions, in both cases resulting from worsening trading conditions.

Despite seeing a fall in licence income, VSI has gained from the relative weakness of sterling and is developing a number of strategic relationships. This company paid a participating preference dividend to the VCT of £11,459 in April 2010. Vectair continues to expand its export markets and is now making significant inroads into the US market. Focus Pharma continues to trade well, comfortably exceeding its budget for the year to 31 December 2009 and continuing this trend in 2010.

Tikit Group has been trading strongly and has seen a rise in its share price of 50% since 1 September 2010. The VCT sold 23% of its equity holding in this Company at a price of 196.5 pence per share compared to cost of 115 pence share on 1 November 2010 after the year-end.

The construction and house building sectors remain weak and Youngman, PXP and Plastic Surgeon continue to trade well below pre-economic downturn levels. Each business has reduced its costs and managed its cash resources effectively. Youngman has almost fully repaid its acquisition debt since investment and is well positioned to benefit from an upturn in its markets. PXP has moved away from its dependence on private and public sector house builds towards commercial buildings including hotels, doctor's surgeries and convenience stores. Plastic Surgeon has diversified into commercial property and insurance markets.

Blaze Signs has continued to suffer from delays in customers placing orders. It has, however, secured new contracts which should begin to contribute during its current financial year. Racoon has shown a significant improvement in profitability in its financial year to 31 March 2010.

BG Consulting Group/Duncary 4 underwent a reconstruction of its business during the year under a new holding company called Duncary 8 although the company continues to trade under the name of BG Consulting. The valuation now reflects both the improved trading of BG Consulting, which is seeing increased demand from its investment banking clients.

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

The rise in valuations in the MPEP invested portfolio for the year is encouraging although the reduction in profitability of some portfolio companies has made some decreases inevitable. It is important to recognise that all of the falls in the year have been in unrealised valuations as opposed to realised investment losses.

Foresight investments

With effect from 1 October 2008, MPEP assumed responsibility from Foresight for the eleven investments it managed on behalf of the Company. This section of the portfolio which comprises largely technology and early-stage companies consists of 11 investments with a cost of £9.3 million and valued at £3.5 million representing 37.6% of cost.

Camwood is trading well and its strong operating performance has meant that we were able to uplift its year-end valuation. The company completed a de-merger of its AppDNA business after the year-end in November 2010. The VCT now holds two identical investments of £333,333 loan stock and a 31.5% equity stake in both Camwood Limited and AppDNA Limited.

DCG Group, having re-paid loans of £54,978 in the year, completed a re-financing after the year-end, as a result of which the VCT received full repayment of its outstanding loan of £173,802 plus a loan premium and overdue interest totaling £232,349.

The investment in Oxonica, costing £2,524,527, has no value at the year-end, but we believe some value may be recovered. £2,374,527 of this cost has been treated as a realised loss in these accounts, as it is considered now never likely to be recovered. As this loss had already been recognised in previous years' accounts, this adjustment has no impact on the Company's profit for the year.

Investment outlook

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

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

Details of the Company's fifteen largest investments by value (excluding the seven acquisition vehicles in the portfolio which have yet to complete an investment and each have a current cost and valuation of £1 million) are set out below.

Camwood Limited www.camwood.com

Cost:	£1,028,181
Valuation:	£2,182,692
Basis of valuation:	Earnings multiple
Equity % held:	31.6% (fully diluted)
Business:	Provider of software packaging services
Location:	London
History:	Development capital
Income in year to I&G:	£46,667

Audited financial information:

Year ended	Turnover	Operating profit	Net liabilities
31 March 2009	£4,756,000	£22,000	£281,000

Amaldis (2008) Limited (Original Additions) www.originaladditions.com

Cost:	£80,313
Valuation:	£1,965,586
Basis of valuation:	Earnings multiple
Equity % held:	9.2%
Business:	Manufacturer and distributor of beauty products
Location:	Hayes, Middlesex
History:	Management buy-out
Income in year to I&G:	£Nil

Audited financial information:

Year ended	Turnover	Operating profit	Net assets
3 April 2010	£24,164,000	£3,118,000	£1,086,000

Iglu.com Holidays Limited www.iglu.com

Cost:	£1,000,001
Valuation:	£1,616,116
Basis of valuation:	Earnings multiple
Equity % held:	8.1%
Business:	On-line ski and cruise travel agency
Location:	London
History:	Management buy-out
Income in year to I&G:	£53,322

Audited financial information:

Year ended	Turnover	Operating profit	Net assets
31 May 2010 *	£56,617,000	£974,000	£5,151,000

* Accounts are for the operating subsidiary Iglu.com

Image Source Group Limited www.imagesource.com

Cost:	£305,000
Valuation:	£1,399,114
Basis of valuation:	Earnings multiple
Equity % held:	39.6% (fully diluted)
Business:	Royalty-free picture library
Location:	London
History:	Management buy-out
Income in year to I&G:	£Nil

Audited financial information:

Year ended	Turnover	Operating profit	Net assets
31 December 2009	£7,174,000	£406,000	£2,601,000

Operating profit is stated before charging amortisation of goodwill where appropriate for all investee companies.

ATG Media Holdings Limited

www.antiquestradegazette.com

Cost: £1,000,000
Valuation: £1,377,208
Basis of valuation: Earnings multiple
Equity % held: 8.5%
Business: Publisher and on-line auction platform operator
Location: London
History: Management buy-out
Income in year to I&G: £53,190
Audited financial information:

Year ended	Turnover	Operating profit	Net assets
30 September 2009	£6,118,000	£873,000	£2,010,000

DiGiCo Europe Limited

www.digico.org

Cost: £325,594
Valuation: £1,201,553
Basis of valuation: Earnings multiple
Equity % held: 4.3%
Business: Designer and manufacturer of digital audio mixing desks
Location: Chessington, Surrey
History: Management buy-out
Income in year to I&G: £56,311
Audited financial information:

Year ended	Turnover	Operating profit	Net assets
31 December 2009	£12,922,000	£3,026,000	£5,660,000

CB Imports Group Limited (Country Baskets) (formerly Calisamo Management Limited)

www.countrybaskets.co.uk

Cost: £1,000,000
Valuation: £1,199,310
Basis of valuation: Earnings multiple
Equity % held: 6.0%
Business: Importer and distributor of artificial flowers, floral sundries and home décor products.
Location: East Ardsley, West Yorkshire
History: Management buy-out
Income in year to I&G: £58,013
Unaudited financial information:

Year ended	Turnover	Operating profit	Net assets
31 December 2009 *	£19,755,000	2,437,000	£8,358,000

* Accounts are for the operating subsidiary CB Imports Limited

IDOX plc

www.idoxplc.com

Cost: £872,625
Valuation: £939,167
Basis of valuation: Bid price (AiM-quoted)
Equity % held: 2.4%
Business: Development and supply of knowledge management products and services
Location: London
History: AiM flotation
Income in year to I&G: £17,967
Audited financial information:

Year ended	Turnover	Operating profit	Net assets	Earnings per share
31 October 2009	£32,164,000	£6,147,000	£28,173,000	1.0p

Operating profit is stated before charging amortisation of goodwill where appropriate for all investee companies.

Westway Services Holdings (2010) Limited (formerly MC440 Limited)

Cost: £422,122 www.westwaycooling.co.uk
Valuation: £884,557
Basis of valuation: Earnings multiple
Equity % held: 4.7%
Business: Installation, service and maintainance of air conditioning systems
Location: Greenford, Middlesex
History: Management buy-out
Income in year to I&G: £44,176
Audited financial information:

Year ended	Turnover	Operating profit	Net assets
28 February 2010*	£17,369,000	£2,793,000	£4,401,000

*Accounts are for the operating subsidiary Westway Services Limited

Tikit Group plc www.tikit.com

Cost: £500,000
Valuation: £839,129
Basis of valuation: Bid price (AiM-quoted)
Equity % held: 3.0%
Business: Supplier of IT solutions and support services to the legal and accounting industries
Location: London
History: AiM flotation
Income in year to I&G: £26,522
Audited financial information:

Year ended	Turnover	Operating profit	Net assets	Earnings per share
31 December 2009	£25,196,000	£3,018,000	£15,183,000	12.6p

British International Holdings Limited www.islesofscillyhelicopter.com

Cost: £590,909
Valuation: £796,381
Basis of valuation: Earnings multiple
Equity % held: 5.0%
Business: Helicopter Service Operator
Location: Sherborne, Dorset
History: Management buy-out
Income in year to I&G: £9,086
Audited financial information:

Year ended	Turnover	Operating profit	Net assets
31 December 2009	£16,050,000	£976,000	£2,970,000

VSI Limited www.lightworkdesign.com

Cost: £245,596
Valuation: £777,937
Basis of valuation: Earnings multiple
Equity % held: 9.2% (fully diluted)
Business: Provider of software for CAD and CAM vendors
Location: Sheffield
History: Management buy-out
Income in year to I&G: £31,924
Audited financial information:

Year ended	Turnover	Operating profit	Net assets
31 December 2009	£4,399,000	£560,000	£976,000

Operating profit is stated before charging amortisation of goodwill where appropriate for all investee companies.

Monsal Holdings Limited www.monsal.co.uk

Cost:	£426,164
Valuation:	£768,505
Basis of valuation:	Independent third party investment
Equity % held:	4.3% (fully diluted)
Business:	Supplier of engineering services to the water and waste sectors
Location:	Mansfield, Nottinghamshire
History:	Management buy-out
Income in year to I&G:	£27,258

Audited financial information:

Year ended	Turnover	Operating profit	Net assets
30 September 2009	£6,743,000	£475,000	£1,864,000*

*Unaudited figure taken from the consolidated group accounts of Monsal Holdings Limited

Focus Pharma Holdings Limited www.focuspharmaceuticals.co.uk

Cost:	£516,900
Valuation:	£707,569
Basis of valuation:	Earnings multiple
Equity % held:	2.1%
Business:	Licensor and distributor of generic pharmaceuticals
Location:	Burton upon Trent, Staffordshire
History:	Management buy-out
Income in year to I&G:	£42,825

Audited financial information:

Year ended	Turnover	Operating profit	Net assets
31 December 2009	£16,997,000	£902,000	£2,917,000

Youngman Group Limited www.youngmangroup.com

Cost:	£1,000,052
Valuation:	£700,992
Basis of valuation:	Fair Value supported by review of loan stock security.
Equity % held:	8.5%
Business:	Manufacturer of ladders and access towers
Location:	Maldon, Essex
History:	Management buy-in/buy-out from SGB Group
Income in year to I&G:	£1,429

Audited financial information:

Year ended	Turnover	Operating profit	Net assets
30 June 2010	£26,752,000	£6,000	£3,681,000

The remaining 30 investments in the portfolio (including the seven acquisition vehicles in the portfolio at 30 September 2010) had a current cost of £14.3 million and were valued at 30 September 2010 at £3.8 million.

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

Operating profit is stated before charging amortisation of goodwill where appropriate for all investee companies

Investment Portfolio Summary
as at 30 September 2010

	Ordinary Shares Cost at 30-Sep-10	Ordinary Shares Valuation at 30-Sep-10	Other Investments [1] Cost at 30-Sep-10	Other Investments [1] Valuation at 30-Sep-10	Total Cost at 30-Sep-10	Total Valuation at 30-Sep-09	Additional investments	Total Valuation at 30-Sep-10	Interest receivable in period	Dividends receivable in period	Unrealised gains/(losses) in period	Realised gains in period	Proceeds	% of equity held [3 4]	% of portfolio by value	Description of loan stock
	£	£	£	£	£	£	£	£	£	£	£	£	£			
Camwood Limited [6] Provider of software repackaging services	361,514	1,516,025	666,667	666,667	1,028,181	1,013,233	-	2,182,692	46,667	-	1,169,459	-	-	31.6%	7.76%	Secured loan at 7% 2008
Amaldis (2008) Limited (Original Additions) Manufacturer and distributor of beauty products	13,167	759,211	67,146	1,206,375	80,313	1,586,734	-	1,965,586	-	-	378,852	-	-	9.2%	6.99%	Secured loan stock 2013 at 10%
Iglu.com Holidays Limited Online ski and cruise travel agency	150,000	616,116	850,001	1,000,000	1,000,001	-	1,000,001	1,616,116	53,322	-	616,115	-	-	8.1%	5.75%	Secured loan stock 2014 at 8%
Image Source Group Limited Royalty free picture library	300,000	1,394,114	5,000	5,000	305,000	2,259,232	-	1,399,114	-	-	(860,118)	-	-	44.0%	4.98%	-
ATG Media Holdings Limited Publisher and online auction platform operator	355,556	626,320	644,444	750,888	1,000,000	1,000,000		1,377,208	53,190	-	377,208	-	-	8.5%	4.90%	Secured loan stock 2013 at 10.0% and variable rate
DiGiCo Europe Limited Designer and manufacturer of digital audio mixing desks	253,906	1,124,548	71,688	77,005	325,594	1,131,870	-	1,201,553	10,579	45,732	272,222	-	202,539	4.3%	4.26%	Secured loan stock 2012 at 10.75%
CB Imports Group Limited (Country Baskets) Importer and distributor of artificial flowers, floral sundires and home decor products	175,000	199,310	825,000	1,000,000	1,000,000	1,000,000	-	1,199,310	58,013	-	199,310	-	-	6.0%	4.26%	Secured loan stock 2014 at 8.73%
Apricot Trading Limited Company seeking to acquire businesses in the marketing services and media sector	400,000	400,000	600,000	600,000	1,000,000	1,000,000	-	1,000,000	-	-	-	-	-	24.5%	3.56%	Secured variable loan 2013
Aust Recruitment Group Limited (formerly Aust Construction Investors Limited) Recruitment provider within the pharmaceutical, business intelligence and IT sectors	400,000	400,000	600,000	600,000	1,000,000	1,000,000	-	1,000,000	-	-	-	-	-	16.3%	3.56%	Secured variable loan 2012
Backbarrow Limited Company seeking to acquire businesses in the food manufacturing, distribution and brand management sectors	400,000	400,000	600,000	600,000	1,000,000	-	1,000,000	1,000,000	-	-	-	-	-	16.7%	3.56%	Secured variable loan 2013
Bladon Castle Management Limited Company seeking to acquire businesses in the brand management, consumer products and retail sectors	400,000	400,000	600,000	600,000	1,000,000	-	1,000,000	1,000,000	-	-	-	-	-	16.7%	3.56%	Secured variable loan 2013
Fullfield Limited Company seeking to acquire businesses in the food manufacturing, distribution and brand management sectors	400,000	400,000	600,000	600,000	1,000,000	-	1,000,000	1,000,000	-	-	-	-	-	16.7%	3.56%	Secured variable loan 2013
Rusland Management Limited Company seeking to acquire businesses in the brand management, consumer products and retail sectors	400,000	400,000	600,000	600,000	1,000,000	-	1,000,000	1,000,000	-	-	-	-	-	24.5%	3.56%	Secured variable loan 2013
Torvar Limited Company seeking to acquire businesses in the database management, mapping, data mapping and management services sectors	400,000	400,000	600,000	600,000	1,000,000	-	1,000,000	1,000,000	-	-	-	-	-	24.5%	3.56%	Secured variable loan 2013
I-Dox plc [8] Developer and supplier of knowledge management products	872,625	939,167	-	-	872,625	796,250	-	939,167	-	17,967	142,917	-	-	2.4%	3.34%	-
Westway Services Holdings (2010) Limited (formerly MC 440 Limited) Installation, service and maintainance of air conditioning systems	57,941	354,918	364,181	529,639	422,122	559,186	-	884,557	44,176	-	462,435	34,575	171,639	4.7%	3.15%	Secured loan stock 2014 at 10.7%
Tikit Group plc [8] Supplier of IT solutions and support services to legal and accounting businesses	500,000	839,129	-	-	500,000	595,651	-	839,129	-	26,522	243,478	-	-	3.0%	2.98%	-
British International Holdings Limited Helicopter service operator	112,500	149,663	478,409	646,718	590,909	359,765	90,909	796,381	9,086	-	345,707	-	-	5.0%	2.83%	Secured loan stock 2011 at 9% and 2014 at 12%
VSI Limited Provider of software for CAD and CAM vendors	38,896	530,307	206,700	247,630	245,596	794,146	-	777,937	20,465	11,459	(16,209)	-	-	10.0%	2.77%	Secured loan stock 2011 at 10%
Monsal Holdings Limited [4] Supplier of engineering services to the water and waste sectors	145,314	487,655	280,850	280,850	426,164	353,704	1,717	768,505	27,258	-	460,242	-	47,158	5.6%	2.73%	Secured loan stock 2012 at 8.62%
Focus Pharma Holdings Limited Licensor and distributor of generic pharmaceuticals	180,914	221,155	335,986	486,414	516,900	525,858	-	707,569	36,769	6,056	181,711	-	-	2.1%	2.52%	Secured loan stock 2012 at 10.97%
Youngman Group Limited Manufacturer of ladders and access towers	100,052	0	900,000	700,992	1,000,052	700,992	-	700,992	-	1,429	0	-	-	8.5%	2.49%	Secured loan stock 2010 at 7.75%
Duncary 8 Limited (formerly B G Consulting Group Limited/Duncary 4 Limited) Technical training business	126,590	175,413	508,333	508,333	634,923	115,027	-	683,746	2,740	-	568,719	-	-	25.5%	2.43%	Secured loan stock 2015 at 2%
Brookerpaks Limited [4] Importer and distributor of garlic and vacuum-packed vegetables	50,000	493,095	5,000	5,000	55,000	324,447	-	498,095	-	91,410	173,648	-	-	18.2%	1.77%	-
Aquasium Technology Limited [6] Manufacturing and marketing of bespoke electron beam welding and vacuum furnace equipment	166,667	0	533,333	396,581	700,000	564,739	-	396,581	-	-	(168,158)	-	-	16.7%	1.41%	Secured loans at 8.25% 2006 and at 7% 2008 and 2010
Vectair Holdings Limited Designer and distributor of washroom products	53,207	171,365	162,707	195,210	215,914	375,136	-	366,575	14,626	-	(8,561)	-	-	4.6%	1.30%	Secured loan stock 2011 at 9%

	Ordinary Shares Cost at 30-Sep-10 £	Ordinary Shares Valuation at 30-Sep-10 £	Other Investments [1] Cost at 30-Sep-10 £	Other Investments [1] Valuation at 30-Sep-10 £	Total Cost at 30-Sep-10 £	Total Valuation at 30-Sep-09 £	Additional investments £	Total Valuation at 30-Sep-10 £	Interest receivable in period £	Dividends receivable in period £	Unrealised gains/(losses) in period £	Realised gains in period £	Proceeds £	% of equity held [3 4]	% of portfolio by value	Description of loan stock
Racoon International Holdings Limited Supplier of hair extensions, hair care products and training	165,256	0	385,596	243,664	550,852	79,496	-	243,664	-	-	164,168	-	-	7.7%	0.87%	Secured loan stock 2011 at 12%
Blaze Signs Holdings Limited Manufacturer and installer of signs	401,550	0	936,950	242,090	1,338,500	132,589	-	242,090	23,195		109,501	-	-	12.5%	0.86%	Secured loan stock 2011 and 2012 at 10%
Biomer Technology Limited [7] Developer of biomaterials for medical devices	137,170	226,152	-	-	137,170	226,585	-	226,152	-	-	(433)	-	-	4.4%	0.80%	-
Letraset Limited Manufacturer and worldwide distributor of graphic art products	450,000	13,859	200,000	200,000	650,000	0	-	213,859	-	-	213,859	-	-	5.0%	0.76%	Unsecured subordinated loan stock 2009 at 8%
DCG Group Limited [6] Design, supply and integration of data storage solutions	83,324	7,901	173,772	173,870	257,096	262,861	-	181,771	13,134	-	(26,112)	-	54,978	11.3%	0.65%	Secured loan at 7% 2009
NexxtDrive Limited [7] Developer and exploiter of mechanical transmission technologies	487,014	0	325,000	162,500	812,014	203,004	-	162,500	-	-	(40,504)	-	-	7.1%	0.58%	Secured convertible loan stock at 10% 2011
ANT plc [6] Provider of embedded browser/email software for consumer electronics and Internet appliances	462,816	160,866	-	-	462,816	275,770	-	160,866	-	-	(114,904)	-	-	2.7%	0.57%	-
Campden Media Limited Magazine publisher and conference organiser	67,814	0	267,066	125,921	334,880	44,438	-	125,921	-	-	81,483	-	-	3.6%	0.45%	Secured variable loan 2011
Sarantel plc [6] Developer and manufacturer of antennae for mobile phones and other wireless devices	1,881,251	102,117	-	-	1,881,251	153,175	-	102,117	-	-	(51,058)	-	-	2.3%	0.36%	-
The Plastic Surgeon Holdings Limited Supplier of snagging and finishing services to the property sector	40,610	0	365,472	101,521	406,082	101,521	-	101,521	28,491	-	0	-	-	6.1%	0.36%	Secured loan stock 2013 at 8.62%
Alaric Systems Limited [6] Software developer and provider of support services for retail credit card payment systems	565,156	0	30,647	30,647	595,803	30,647	-	30,647	-	-	0	-	-	6.9%	0.11%	Secured variable rate loan stock 2009
Corero plc [6] Provider of e-business technologies	600,000	24,558	-	-	600,000	34,381	-	24,558	-	-	(9,823)	-	-	0.3%	0.09%	-
Oxonica plc [6] Leading international nanomaterials group	2,524,527	0	-	-	2,524,527	0	-	0	-	-	0	-	-	10.6%	0.00%	-
Legion Group plc Provider of manned guarding, mobile patrols and alarm response services	150,000	0	-	-	150,000	53,571	-	0	-	-	0	(53,571)	-	0.7%	0.00%	-
PastaKing Holdings Limited Manufacturer and supplier of fresh pasta meals	0	0	0	0	0	778,913	-	0	421	30	0	14,940	793,853	0.0%	0.00%	-
Aigis Blast Protection Limited [6] Specialist blast containment materials company	272,120	0	-	-	272,120	0	-	0	-	-	0	-	-	0.5%	0.00%	-
Inca Interiors Limited (In adminstration) Design, supply and installation of quality kitchens to house developers	50,000	0	300,000	0	350,000	0	-	0	-	-	-	-	-	0.0%	0.00%	Secured subordinated loan stock at 9% 2006
HWA Group Limited (Holloway White Allom) High value property restoration and refurbishment	76,696	0	379,545	0	456,241	1,457,407	421,688	0	-	-	(1,879,095)	-	-	24.5%	0.00%	Secured variable rate loan stock 2015
PXP Holdings Limited (Pinewood Structures) Designer, manufacturer and supplier of timber frames for buildings	227,784	0	692,392	0	920,176	0	-	0	-	-	0	-	-	6.8%	0.00%	Secured loan stock 2012 and 2013 at 8%
Secure Mail Services Limited - company sold in 2006	-	-	-	-	-	-	-	-	-	-	-	26,994 [5]	26,994 [5]	-	0.00%	-
Other investments in the portfolio [2]	-	-	-	-	-	-	-	-	-	-	-	2,562	2,562	-	0.00%	-
Total	**15,456,937**	**13,932,964**	**15,161,885**	**14,183,515**	**30,618,822**	**19,890,328**	**6,514,315**	**28,116,479**	**442,132**	**200,605**	**2,986,059**	**25,500**	**1,299,723**		**100.00%**	

Notes

[1] 'Other investments' comprise principally loan stock instruments, and/or relatively small amounts of preference shares.

[2] 'Other investments in the portfolio' comprises Stortext-FM Limited/Stortext (DO) Limited.

[3] The percentage of equity held, and the amounts co-invested, in these companies by funds managed by Matrix Private Equity Partners LLP are disclosed in Note 14 to the financial statements.

[4] The percentage of equity held for these companies may be subject to further dilution of an additional 1% or more if, for example, management of the investee company exercises share options.

[5] Proceeds represent realisation of contingent consideration payable when Secure Mail Services Limited was sold.

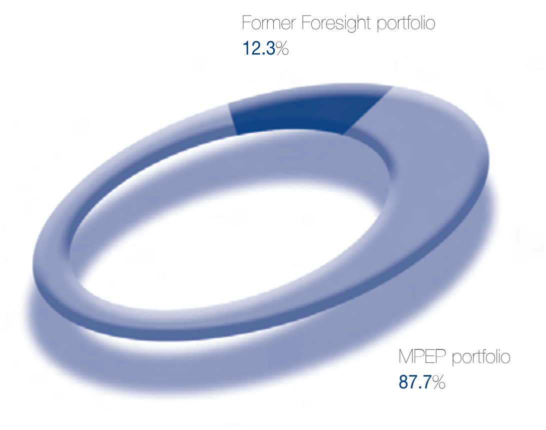
[6] Investment formerly managed by Foresight Group up to 10 March 2009.

[7] Investment formerly managed by Nova Capital Management Limited until 31 August 2007 and by Foresight Group until 10 March 2009.

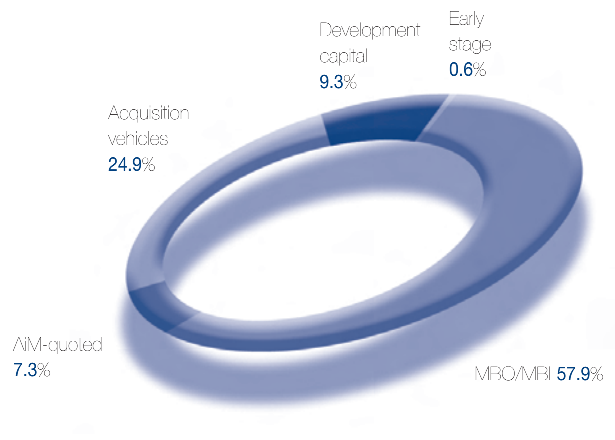
[8] Investment formerly managed by Nova Capital Management Limited until 31 August 2007.

Investments at valuation at 30 September 2010

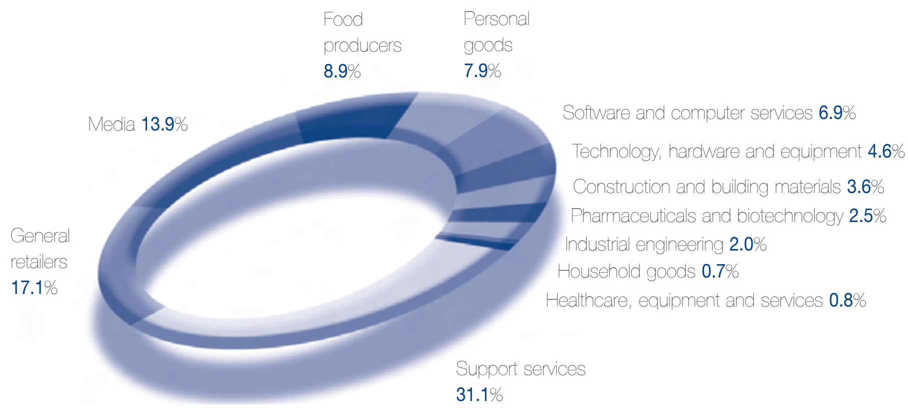
By investment manager



By stage of development



By market sector



Board of Directors

Colin Hook
Status: Non-Executive Chairman
Age: 68
Date of appointment: 13 October 2000
Experience: Colin has wide financial and commercial experience. He has worked in the City for more than 30 years. During this time he directed fund management operations for more than ten years. His City involvement includes mergers and acquisitions and flotations. From 1994 to 1997 he was Chief Executive of Ivory and Sime plc. He is currently Chairman of Pole Star Space Applications Limited, a leading provider of real-time tracking information for maritime applications via a global web-based satellite enabled solution. Until September 2010, he was the non-executive Chairman and a director of Matrix Income and Growth 4 VCT plc.

Last re-elected to the Board: February 2009. Standing for re-election at the AGM in 2011.
Committee memberships: Nominations and Remuneration Committee (Chairman), Audit Committee, Investment Committee.
Number of Board and Committee meetings attended 2009/10: 12/12.
Remuneration 2009/10: £41,000.
Relevant relationships with the Investment Manager or other service providers: Matrix Income & Growth 4 VCT plc, of which Colin was non-executive chairman until 24 September 2010, is also managed by MPEP.
Shared directorships with other I&G VCT Directors: Matrix Income & Growth 4 VCT plc (Chairman until 24 September 2010).
Shareholding in the Company: 30,587 Ordinary Shares.

Jonathan Cartwright
Status: Non-Executive Director
Age: 57
Date of appointment: 1 August 2010. Standing for election at the AGM in 2011.
Experience: Jonathan qualified as a Chartered Accountant. He has significant experience of the investment trust sector and of serving on the boards of both public and private companies in executive and non-executive roles. Jonathan joined Caledonia Investments plc in 1989, serving as Finance Director from 1991 to December 2009. Prior to this he was Group Financial Controller at Hanson plc 1984 - 1989. He was a non-executive Director of Bristow Group Inc. (1996 – 2009) and has been a non-executive director of Serica Energy plc (from 2008 to date), British Portfolio Trust plc (from March 2010) and Aberforth Geared Income Trust plc (from March 2010). Jonathan has served on the Self-Managed Investment Trust Committee of the Association of Investment Companies (to December 2009).

Last re-elected to the Board: Standing for election at the AGM in 2011 following appointment to the Board on 1 August 2010.
Committee memberships: Audit Committee (Chairman), Investment Committee, Nominations and Remuneration Committee.
Number of Board and Committee meetings attended 2009/10: 0/1.
Remuneration 2009/10: £5,167.
Relevant relationships with the Investment Manager or other service providers: None.
Relevant relationships with investee companies: None.
Shared directorships with other I&G VCT Directors: None.
Shareholding in the Company: Nil.

Helen Sinclair
Status: Non-Executive Director
Age: 44
Date of appointment: 29 January 2003
Experience: Helen has extensive experience of investing in a wide range of small and medium sized businesses. She graduated in economics from Cambridge University and began her career in banking. After an MBA at INSEAD business school, Helen worked from 1991 to 1998 at 3i plc based in their London office. She was a founding director of Matrix Private Equity Limited when it was established in early 2000 and has since raised two funds, Matrix Income & Growth 2 VCT plc and Matrix Enterprise Fund. After leaving Matrix in 2005, she was a non-executive director of Hotbed Fund Managers Limited from 2006-08. She is Chairman of British Smaller Companies VCT plc, a non-executive director of Matrix Income & Growth 4 VCT plc, Framlington AIM VCT plc and Spark Ventures plc.

Last re-elected to the Board: March 2010. Standing for re-election at the AGM in 2011
Committee memberships: Investment Committee (Chairman), Audit Committee, Nominations and Remuneration Committee.
Number of Board and Committee meetings attended 2009/10: 12/12.
Remuneration 2009/10: £31,000.
Relevant relationships with the Investment Manager or other service providers: Matrix Income & Growth 4 VCT plc is also managed by MPEP.
Shared directorships with other I&G VCT Directors: Matrix Income & Growth 4 VCT plc (until 24 September 2010 when Colin Hook resigned from the Board of this VCT).
Shareholding in the Company: 10,605 Ordinary Shares.

Directors' Report

The Directors present the tenth Annual Report and Accounts of the Company for the year ended 30 September 2010.

Principal activity and status as a Venture Capital Trust ("VCT")
The principal activity of the Company during the year under review was investment in unquoted or AiM-quoted companies in the United Kingdom. Details of the principal investments made by the Company are given in the Investment Manager's Review and Investment Portfolio Summary on pages 13 - 24 of this Annual Report.

The ordinary shares of 1p each in the capital of the Company ("'O' Shares") and the S ordinary shares of 1p each in the capital of the Company ("'S' Shares") were first admitted to the Official List of the UK Listing Authority ("UKLA") and to trading on 15 November 2000 and 8 February 2008 respectively. Following the merger of 'O' and 'S' Shares, detailed below, the listing of the 'S' Shares was amended on the Official List to ordinary shares of 1p in the capital of the Company ("Ordinary Shares") on 30 March 2010 and the 'O' Share listing was cancelled.

The Company has satisfied the requirements for full approval as a Venture Capital Trust under section 274 of the Income Tax Act 2007 ("the ITA"). It is the Directors' intention to continue to manage the Company's affairs in such a manner as to comply with section 274 of the ITA.

The Company revoked its status as an investment company on 30 November 2005 as defined by section 266 of the Companies Act 1985 ("the 1985 Act") subsequently superseded by section 833 of the Companies Act 2006 ("the 2006 Act") and does not intend to re-apply for such status.

Share premium account
The cancellation of the share premium accounts attributable to the 'O' and 'S' Shares were confirmed by Court Orders made on 1 May 2002 and 16 September 2009, respectively. The share premium accounts were cancelled for the purpose of providing a special reserve which is distributable and is capable of being used for the purpose, inter alia, of funding the purchase of its own shares in the future, maximising the ability to make distributions and other corporate purposes.

Merger of the 'O' and 'S' Share classes
Subsequent to resolutions approved by Shareholders at an extraordinary general meeting of the Company held on 26 March 2010, and separate class meetings of the holders of 'O' and 'S' Shares held on 29 March 2010, the 'O' and 'S' Shares were merged into one class of share: the Ordinary Shares. This was completed by: (i) such proportions of 'O' Shares held by each 'O' Share Fund Shareholder were redesignated 'S' Shares and Deferred Shares as was determined using a conversion ratio of

0.75784526; (ii) each of the issued and unissued 'S' Shares were redesignated Ordinary Shares; and the Deferred Shares were subsequently bought back by the Company for an aggregate nominal value of 1p and cancelled. The effective date for the share merger was 29 March 2010.

Future developments

The objective of the Directors continues to be to provide investors with an attractive return, by maximising the stream of dividend distributions from the income and capital gains generated by a diverse and carefully selected portfolio of investments.

The Directors intend to continue their policy of investing in companies at various stages of development. In some instances this will include investments in new and secondary issues of companies which may already be quoted on AiM or PLUS.

Business review

For a review of the Company's development and performance during the year and future prospects, please see the Chairman's Statement on pages 5 - 10 and the Investment Manager's Review and Investment Portfolio Summary on pages 13 - 24 of this Report. The Financial Highlights on pages 1 - 4 provides data on the Company's key performance indicators.

The Company's Investment Policy on pages 11 - 12 provides information on the Company's financial risk management objectives and exposure to risks.

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

- **Total return**

  The total return per share is the key measure of performance for the Company which comprises NAV plus cumulative dividends paid per share. NAV is calculated quarterly in accordance with the International Private Equity Venture Capital Valuation (IPEVCV) guidelines. The VCT's net assets increased during the year under review resulting in a 6.8% (as adjusted for dividends paid to Shareholders during the year) rise in total return per share. For further information on the relative performances of the two former Share Funds please see the Financial Highlights on pages 1 - 4.

- **Total expense ratio (TER)**

  The TER of the Company for the year under review was 3.84%. Under the terms of the Investment Advisers' Agreement, annual expenses, excluding any exceptional items, Investment Manager's performance fee and trail commission, are capped at 3.25% of closing net assets. Any expenses in excess of the 3.25% cap are borne by the Investment Manager and the Promoter. Removing these exceptional items and trail commission from the TER reduces the figure to 3.22% and therefore £nil was repayable this year (2009: £16,437).

Principal risks, management and regulatory environment

The Board believes that the principal risks faced by the Company 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 Company's qualifying investments.

- **Risk of loss of approval as a Venture Capital Trust** – the Company must comply with the provisions of section 274 of the Income Tax Act 2007 ("ITA") to continue to be exempted from capital gains tax on investment gains and to ensure that its investors continue to qualify for VCT tax reliefs. Any breach of these rules may lead to the Company losing its approval as a Venture Capital Trust (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 Company becoming subject to tax. The Company would also lose its exemption from corporation tax on capital gains.

- **Investment and strategic risk** – inappropriate strategy or consistently weak VCT qualifying investment recommendations might lead to underperformance 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 risk** – the Company is required to comply with the Companies Act 2006 ("the Companies Act"), the listing rules of the UKLA and United Kingdom Accounting Standards. Breach of any of these might lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report.

- **Financial and operating risk** – inadequate controls that might lead to misappropriation of assets. Inappropriate accounting policies might lead to misreporting or beaches 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 Company'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.

- **Counterparty risk** - A counterparty may fail to discharge an obligation or commitment that it has entered into with the Company. For further information, please see page 7 of the Chairman's Statement under 'Cash available for investment' and the discussion on 'credit risk' in Note 20 to the accounts on pages 73 - 74.

  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 mitigation and the 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 which seeks to mitigate the Market Liquidity risk. This policy is reviewed at each quarterly Board Meeting.

Issue and buy-back of shares

During the year under review, the Company issued a total of 112,768 'O' Shares (2009: 127,403) and 6,674 'S' Shares (2009: nil) under the Dividend Investment Scheme approved by Shareholders on 31 January 2006 and amended on 1 February 2010.

The Board believes that it is in the best interests of the Company and its Shareholders for the Company to make market purchases of its shares to seek both to enhance net asset value and to discourage excessive discounts to market prices quoted. An Authority for the Company to purchase its own shares pursuant to section 701 of the Companies Act was in place throughout the year under review. For further details please see Note 16 to the accounts on pages 69 - 70 of this Annual Report. A resolution to renew this authority will be proposed at the Annual General Meeting to be held on 16 February 2011.

During the year the Company bought back 369,937 'O' Shares (six months to 31 March 2009: 523,538; year to 30 September 2009: 754,444) representing 1.1% (six months to 31 March 2009: 1.5%; year to 30 September 2009: 2.1%) of the 'O' Shares in issue at the beginning of the year at a cost of £175,456 (six months to 31 March 2009: £241,551; year to 30 September 2009: £353,751).

Following the merger of 'O' and 'S' Shares on 29 March 2010, the Company bought back 1,037,821 Ordinary Shares (representing 2.7% of the Ordinary Shares in issue on the date of the merger) at a cost of £790,660. The shares bought back were subsequently cancelled by the Company.

The issued Ordinary Share capital of the Company as at 30 September 2010 was £369,709 (2009: 'O' Shares: £348,244; 'S' Shares: £118,065) and the number of Ordinary Shares in issue as at this date was 36,970,891 (2009: 'O' Shares: 34,824,397; 'S' Shares: 11,806,467).

Results and dividend

The basic revenue loss after taxation attributable to Shareholders for the period was £50,860 (2009: return of £193,683).

The Directors declared an interim capital dividend in respect of the year ended 30 September 2010 on 4 November 2010 of 2 pence per Ordinary Share to be paid to Shareholders on the Register on 28 January 2011 on 22 February 2011 to Shareholders.

The Directors are recommending a final dividend of 2 pence per Ordinary Share. in respect of the year ended 30 September 2010. The dividend will be paid from capital and will be proposed to Shareholders at the Annual General Meeting of the Company to be held on 16 February 2010 and paid to Shareholders on the Register on 4 March 2011, on 28 March 2011.

On 17 March 2010, the two sub-funds distributed the following final dividends in respect of the year ended 30 September 2009:

	Income	***Capital***	***Total***	***Year-ended 30 September 2008***
'O' Share Fund	0.5p	1.5p	2.0p	4.0p
'S' Share Fund	0.5p	-	0.5p	0.0p

Dividend Investment Scheme

The Company's Dividend Investment Scheme ("the Scheme") will apply to both of these dividends and elections under the Scheme should be received by the Scheme Administrator, Capita Registrars, no later than Monday, 7 February 2011 in the case of the interim dividend and Monday, 14 March 2011 in the case of the final dividend.

Consequent to the merger of the two share classes on 29 March 2010, the Directors have resolved that all references in the Terms & Conditions of the Scheme to either the 'O' Shares or the 'S' Shares will apply to the Company's existing class of Ordinary Shares.

Directors and their interests

The names of the Directors appear below and on pages 25 - 26 of this Annual Report. Jonathan Cartwright was appointed to the Board on 1 August 2010 and Christopher Moore resigned from the Board on 24 September 2010.

The Directors' interests in the issued Ordinary Shares of the Company as at 30 September 2010 were:

	Ordinary Shares held on 30 September 2010	***'O' Shares held on 30 September 2009***	***'S' Shares held on 30 September 2009***
Director			
Colin Hook	30,587	11,889	21,100
Jonathan Cartwright	-	-	-
Helen Sinclair	10,605	-	10,550

During the year, Colin Hook was allotted 484 'O' Shares and 111 'S' Shares and Helen Sinclair was allotted 55 'S' Shares in respect of their memberships of the Company's Dividend Investment Scheme. There have been no changes to the Directors' share interests between the year-end and the date of this Annual Report.

Jonathan Cartwright was appointed to the Board on 1 August 2010 and is therefore standing for election at the forthcoming Annual General Meeting in accordance with the Company's Articles of Association.

In accordance with the AIC Code, Colin Hook who has served on the Board for 10 years has agreed to retire annually from the Board and being eligible offers himself for re-election at the forthcoming Annual General Meeting. The Board confirms that, following a review of his performance, Colin Hook continues to make a substantial contribution to the Board as its Chairman and that his length of service is an asset to the Company. The remaining directors have no hesitation in recommending his re-election to Shareholders.

With the exception of Helen Sinclair, all the Directors are considered to be independent of the Investment Manager. Helen Sinclair also sits on the Board of Matrix Income & Growth 4 VCT plc, which is managed by Matrix Private Equity Partners, and as such she has agreed to retire annually from the Board. In accordance with the AIC Code, and being eligible, she will offer herself for re-election at the forthcoming Annual General Meeting. The Board confirms that, following a review of her performance, Helen Sinclair has considerable experience both of making investments in the types of companies in which the VCT invests and of being a VCT director. She has shown herself to be a committed and independent director who continues to make a substantial contribution to the Board as Chairman of the Investment Committee. The remaining directors have no hesitation in recommending her re-election to Shareholders.

Copies of the Directors' appointment letters shall be available for inspection at the place of the Annual General Meeting for at least fifteen minutes prior to and during the meeting. The Directors do not have any service contracts with the Company.

It is the policy of the Directors not to participate in decisions concerning investee companies in which they hold an interest. None of the Directors held interests in investee companies throughout the year.

No options over the share capital of the Company have been granted to the Directors. The Company does not have any employees.

Investment management

Matrix Private Equity Partners LLP (MPEP) acts as Investment Manager and provides administrative and company secretarial services to the Company. The principal terms of the Company's Investment Manager's Agreement with the Investment Manager dated 29 March 2010 and the previous contractual arrangements prior to this date are set out in Note 4 to the Accounts on pages 60 - 61 of this Annual Report.

The Board reviews annually, and at other times as and when necessary, the Investment Management Agreement and the performance of the Investment Manager, and the other service providers including the auditors, VCT status adviser, solicitors, bankers and registrars. Particular emphasis is placed on reviewing the Investment Manager, in terms of investment performance, quality of information provided to the Board and remuneration. This work forms part of the Board's overall internal control procedures as discussed in the Corporate Governance Report on pages 41 - 48. As part of this review the Board considers the quality and continuity of the investment management team, the investment process and the results achieved to date. The Board places significant emphasis on the Company's performance against benchmarks and was satisfied that the VCT's performance remained ahead of the benchmark used on a consistent basis. It was noted that the investment team had been strengthened during the year by the appointment of Chris Price as an additional investment manager. The Board further considered the Manager's commitment to the promotion of the Company and was satisfied that this was prioritised highly by the Manager as evidenced by the forthcoming joint fundraising with other MPEP VCTs.

The continued appointment of MPEP on the existing terms was approved by the Board on 16 September 2010. The Directors believe that the continuing appointment of MPEP as the Investment Manager on the terms currently agreed is in the interests of its Shareholders as a whole because MPEP is one of the leading VCT managers in the market.

MPEP also acts as both Company Administrator and Company Secretary under the terms of the agreement.

Voting rights of Shareholders

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

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

VCT status monitoring

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

Independent auditors

PKF (UK) LLP were re-appointed as auditor during the year. Resolutions to re-appoint PKF (UK) LLP as auditor to the Company and to authorise the Directors to determine its remuneration will be proposed at the Annual General Meeting.

Auditors' right to information

So far as the Directors in office at 30 September 2010 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.

Substantial interests

As at the date of this report the Company had not been notified of any beneficial interest exceeding 3% of the issued share capital of either class.

Financial Instruments

The main risks arising from the Company's financial instruments are due to fluctuations in the market price and interest rates, credit risk and liquidity risk. The Board regularly reviews and agrees policies for managing these risks and full details can be found in Note 20 to the Accounts on pages 71 - 77 of this Annual Report.

Creditors' payment policy

The Company's policy is to pay all creditors' invoices within 30 days of the invoice date unless otherwise agreed. At the year-end trade creditors were £33,262 (2009: £64,700). At 30 September 2010 the average credit period for trade creditors was 11 days (2009: 7 days).

Environmental and social responsibility

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

Directors and officers liability insurance

The Company maintains a Directors' and Officers' liability insurance policy. The policy does not provide cover for fraudulent or dishonest actions by the Directors.

Annual General Meeting

The Notice of the Annual General Meeting, which will be held on 16 February 2011, is set out on pages 79 - 82 of the Annual Report.

Resolutions 1 to 9 are being proposed as ordinary resolutions requiring more than 50% of the votes cast at the meeting to be in favour and resolutions 10 to 11 will be proposed as special resolutions requiring the approval of 75% of the votes cast at the meeting.

An explanation of Resolutions 9 to 11 is set out below:

Authorities for the Directors to allot shares (Resolution 9) and disapply pre-emption rights of members (Resolution 10) - These two resolutions grant the Directors the authority to allot Ordinary Shares for cash to a limited and defined extent otherwise than pro rata to existing Shareholders.

Resolution 9 will enable the Directors to allot new shares up to an aggregate nominal amount not exceeding £393,000 representing approximately 106% of the existing issued share capital of the Company as at the date of the notice of the meeting. The authority granted by this resolution will expire on the fifth anniversary of the date of the passing of this resolution.

Under section 561(1) of the 2006 Act, if the Directors wish to allot new shares or transfer treasury shares for cash they must first offer such shares to existing Shareholders in proportion to their current holdings. It is proposed by Resolution 10 to sanction the disapplication of such pre-emption rights in respect of the allotment of equity securities (i) with an aggregate nominal value of £300,000 in connection with offer(s) for subscription, (ii) with a nominal value of up to 10% of the issued share capital of the Company from time to time, pursuant to any dividend investment scheme operated by the Company, (iii) with a nominal value of up to 10% of the issued share capital of the Company from time to time and (iv) with a nominal value of up to 5% of the issued share capital from time to time. The proceeds of these allotments may be used in whole or part to purchase the Company's Shares.

Resolution 10 will expire on the conclusion of the Annual General Meeting of the Company to be held in 2012.

In accordance with an authority approved by Shareholders at the Annual General Meeting of the Company held on 3 March 2010, the Directors are authorised to allot shares pursuant to the Company's Dividend Investment Scheme at their mid market price, even if this is less than net asset value per share.

The Directors may allot securities after the expiry dates given above in pursuance of offers or agreements made prior to the expiration of these authorities. Both resolutions generally renew previous authorities approved at an extraordinary general meeting of the Company held on 26 March 2010.

The Directors launched a joint Offer for Subscription with Matrix Income & Growth VCT plc and Matrix Income & Growth 4 VCT plc on 12 November 2010 to raise up to £7 million for each VCT and it is the Directors' intention that new shares may be issued pursuant to the Offer under this authority (to the extent that existing authorities do not apply). It is further intended to allot shares under the Dividend Investment Scheme in respect of the proposed dividends to be paid to Shareholders on 22 February and 28 March 2011. The Directors have no further immediate intention of exercising the above powers.

Authority to make market purchases of the Company's own shares (Resolution 11)

This resolution authorises the Company to purchase its own shares pursuant to section 701 of the 2006 Act. The authority is limited to an aggregate of 5,541,937 Ordinary Shares representing approximately 14.99% of the issued Share capital of the Company as at the date of the Notice convening the Annual General Meeting. The resolution specifies the minimum and the maximum price which may be paid for an Ordinary Share.

Venture Capital Trusts experience restricted market liquidity in their shares. The Board believes that it is in the best interests of the Company and Shareholders for the Company to be in a position to make occasional market purchases of its shares. This resolution will enable the Directors to carry out this policy.

Shareholders should note that the Directors will not exercise this authority unless they believe to do so would result in an increase in net assets per share and would be in the interests of Shareholders generally. The Directors currently intend to cancel all shares purchased under this authority. This resolution, will expire on the conclusion of the Company's Annual General Meeting to be held in 2012.

Post Balance Sheet Events

(1) On 11 October 2010, ATG Media Holdings Limited made a partial loan stock repayment of £111,111.

(2) On 28 October 2010, the Company's acquisition vehicle Aust Construction Investors Limited changed its name to Aust Recruitment Group Limited, and invested £1 million, alongside £441,667 from the Company itself, towards the acquisition of RDL Corporation Limited.

(3) On 1 November 2010, the VCT sold 23% of its equity holding in Tikit Group plc at a price of 196.5 pence per share.

(4) On 15 November 2010, the VCT made a commitment to make an equity investment of £280,000 into the AiM listed company Omega Diagnostics Group Plc.

(5) On 17 November 2010, DCG Group Limited repaid its outstanding loan of £173,802 in full plus a loan premium and overdue interest totaling £232,349.

(6) On 24 November 2010, Camwood Limited completed a de-merger of its AppDNA business. The VCT now holds two identical investments of £333,333 loan stock and a 31.5% equity stake in both Camwood Limited and AppDNA Limited.

(7) On 24 November 2010 Westway Services Holdings (2010) Limited repaid part of their loan stock realising £99,681 proceeds, of which £31,148 was premium.

(8) On 8 December 2010, the VCT invested £487,744 to support the MBO of Faversham House Group Limited.

By order of the Board

Matrix Private Equity Partners LLP
Secretary
16 December 2010

Directors' Remuneration Report

This report has been prepared by the Directors in accordance with the requirements of Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. A resolution to approve the report will be proposed at the Annual General Meeting to be held on 16 February 2011. The Company's independent auditors are required to give their opinion on the information provided on Directors' emoluments on page 39 of this report and this is explained further in their report to Shareholders on pages 51 - 52.

Remuneration Committee

The remuneration of individual Directors is determined by the Nominations and Remuneration Committee within the framework set by the Board. The Committee comprises the full Board and is chaired by Colin Hook. The Committee meets at least once a year and is responsible for reviewing the remuneration of the Directors. The Committee has access to independent advice where and when it considers it appropriate. However, it was not considered necessary to take any such advice during the year under review. The Directors fees have remained at £35,000 (Chairman) and £25,000 (Director) per annum since 1 January 2006. The supplement paid to members of the Investment Committee was increased from £5,000 to £6,000 per annum with effect from 1 October 2008.

Remuneration policy

The remuneration policy is set by the Board. The Directors' fees are reviewed annually by the Nominations and Remuneration Committee which determines the amount of fees to be paid to the Directors. When considering the level of Directors' fees, the Committee takes account of remuneration levels elsewhere in the Venture Capital Trust industry and other relevant information. Since all the Directors are non-executive, the Company is not required to comply with the provisions of the Combined Code in respect of Directors' remuneration, except in so far as they relate specifically to non-executive directors. No portion of the fees paid to any of the Directors is related to performance. Details of the Directors' remuneration are disclosed on page 39 and in Note 6 to the Accounts on page 62. All the Directors are non-executive and the Company does not provide pension benefits to any of the Directors. The Company has not granted any Director any options over the share capital of the Company and the Company does not operate any long-term incentive plans for the Directors.

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. One-third of the Directors retire from office by rotation at each Annual General Meeting and the retiring Directors then become eligible for re-election in accordance with the Articles of Association. All Directors receive a formal letter of appointment setting out the terms of their appointment and their specific duties and responsibilities. A Director's appointment may be terminated on three months' notice being given by the Company and in certain other circumstances. All of the Directors are non-executive and none of the Directors has a service contract with the Company. No arrangements have been entered into between the Company and the Directors to entitle any of the Directors to compensation for loss of office.

Details of individual emoluments and compensation (audited information)

The 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. The Company does not have any schemes in place to pay to any of the Directors bonuses, benefits, share options or compensation for loss of office in addition to their Directors' fees.

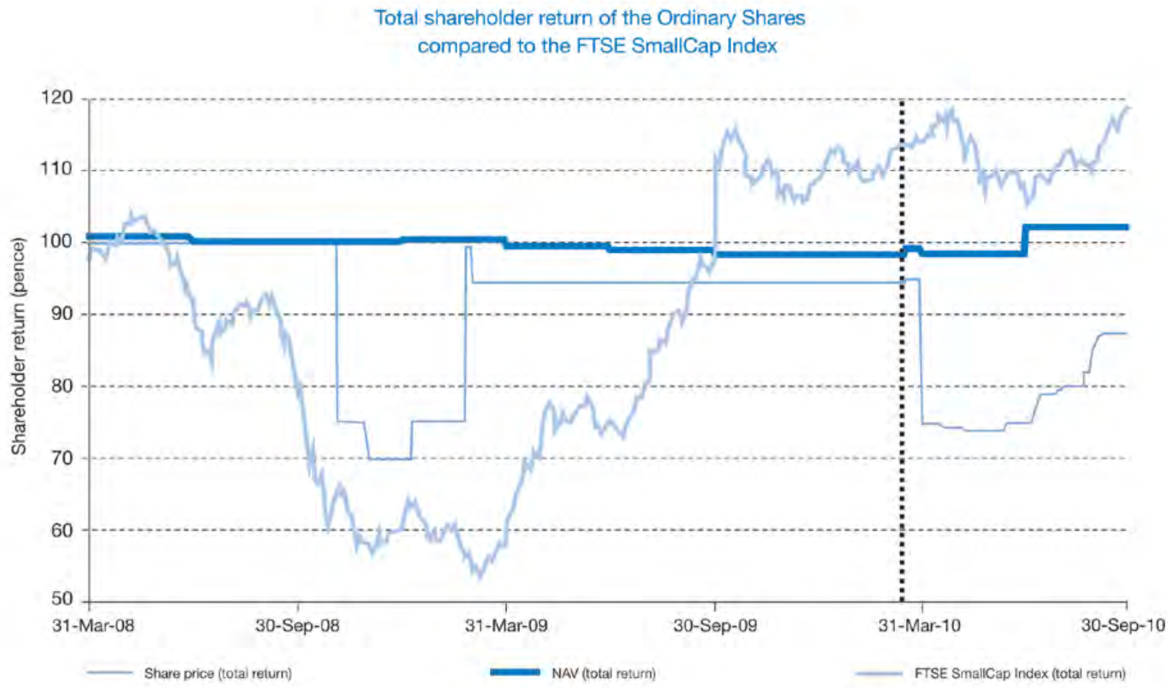
	Total emoluments year to:	
	30 September 2010	30 September 2009
	£	£
Colin Hook	41,000	41,000
Jonathan Cartwright	5,167	-
Christopher Moore	30,647	31,000
Helen Sinclair	31,000	31,000

Aggregate emoluments in respect of qualifying services amounted to £107,814 (2009: £103,000). No sums were paid to third parties in respect of any of the Directors' services during the year under review.

Total shareholder return

The graph below charts the total cumulative shareholder return of the Ordinary Shares (assuming all dividends have been re-invested and excluding the tax reliefs available to Shareholders) since the Shares were first admitted to trading on 8 February 2008 compared to the FTSE SmallCap Index. The FTSE SmallCap is an industry recognised index of listed companies. Some consider it to be an appropriate index against which to measure the Company's performance. The total shareholder return has been re-based to 100 pence as at the beginning of the period shown. The Net Asset Value (NAV) total return has been shown separately on the graphs because the Directors believe it is a more accurate reflection of the Company's performance.

An explanation of the performance of the Company is given in the Chairman's Statement on pages 5 – 10 and in the Investment Manager's Review and Investment Portfolio Summary on pages 13 – 24.



The former 'O' Share class was merged with the former 'S' Share class on 29 March 2010. The Ordinary Share class is the former 'S' Share class. This graph therefore shows the performance of the former 'S' Share class, up until the merger on 29 March 2010, which became the Ordinary Share class on this date. An illustrative example of the performance of the former 'O' Share class has been included in the Financial Highlights on pages 1 – 4 of this Summary Annual Report.

By order of the Board

Matrix Private Equity Partners LLP
Secretary

16 December 2010

Corporate Governance Statement

The Directors have adopted the Association of Investment Companies (AIC) Code of Corporate Governance 2009 ("the AIC Code") for the financial year ended 30 September 2010. The AIC Code was endorsed by the Financial Reporting Council (FRC) on 3 February 2006, and 20 February 2009 in respect of the 2009 edition. The FRC has confirmed that in complying with the AIC Code, the Company will meet its obligations in relation to the FRC Combined Code on Corporate Governance 2008 ("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, and by reference to the AIC Code (which incorporates the Combined Code), will provide better information to Shareholders. The AIC Code is available online at:

www.theaic.co.uk/Documents/Technical/AICCodeofCorporateGovernanceMarch2009.pdf

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

Compliance with the Combined Code

There are certain areas of the Combined Code that the AIC believes 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 as follows:

- The role of the chief executive
- Executive directors' remuneration
- The need for an internal audit function.

As an externally managed investment company, the Company does not employ a chief executive or 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, gives 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 has further considered the principles detailed in the Combined Code and believes that, insofar as they are relevant to the Company's business, the Company has complied with the provisions of the Combined Code throughout the financial year ended 30 September 2010 with the following exceptions:

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 whom Shareholders may contact if they have concerns which contact through the Chairman or Investment Manager has failed to resolve or for which such contact is inappropriate.

As is common practice among Venture Capital Trusts, the Directors are not appointed for specific terms. A Director's appointment may be terminated on three months' notice being given by the Company. For further information please see the Directors' Remuneration Report on pages 38 - 40.

Compliance with the AIC Code

The Board considers that the Company has fully complied with the AIC Code throughout the year under review with the following exception and other exceptions noted elsewhere in the Annual Report:

The AIC Code stipulates that directors who sit on the boards of more than one company managed by the same manager will not be regarded as independent for the purposes of either fulfilling the requirement that there must be an independent majority on the Board or serving as chairman. A similar provision also became mandatory for VCTs under the Listing Rules with effect from 28 September 2010. During the year, the Directors have reviewed the composition of the Board to ensure that it was compliant with the Listing Rules prior to this date. At the year-end, the Board comprised a majority of independent directors, including the Chairman.

The Board

The Company has a Board of three non-executive Directors. The Board has considered whether each Director is independent in character and judgment and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgment. It has concluded that all three Directors are independent except in respect of the contracts or investee companies in which they have declared an interest. It is the policy of the Directors not to participate in decisions concerning investee companies in which they hold an interest.

Helen Sinclair remains a Director of Matrix Income & Growth 4 plc and is therefore not considered to be independent of the Investment Manager.

The Board assessed the independence of the Chairman on appointment and concluded that he fully met the independence criteria as identified in the Combined Code, as re-stated in principle 1 of the AIC Code. As recommended by the AIC Code, the remaining Directors monitor the continuing independence of the Chairman, and inform the Chairman of their discussions.

For the reasons described above, as well as in terms of their professional and personal integrity and experience, the Board has no hesitation in emphasising to Shareholders the independent nature of each individual director in terms of both their character and judgement.

The Board meets at least quarterly and is in regular contact with the Investment Manager between these meetings. The Board held seven formal meetings during the year with full attendance from each of the Directors at six of those meetings. The Board met informally on numerous other occasions.

All the Directors are equally responsible under the law for the proper conduct of the Company's affairs. In addition, the Directors are responsible for ensuring that their policies and operations are in the best interests of all the Company's Shareholders and that the best interests of creditors and suppliers to the Company are properly considered.

The Board has agreed a schedule of matters specifically reserved for decision by the Board. These include compliance with the requirements of the Companies Act, the UK Listing Authority and the London Stock Exchange; changes relating to the Company's capital structure or its status as a plc; board and committee appointments as recommended by the Nominations and Remuneration Committee and terms of reference of committees; material contracts of the Company and contracts of the Company not in the ordinary course of business. A procedure has been adopted for individual Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company. The Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring board procedures are followed. Both the appointment and removal of the Company Secretary is a matter for the Board as a whole. Where 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. The Board has satisfied itself that each of its Committees has sufficient resources to undertake their duties.

The effectiveness of the Board and the Chairman is reviewed regularly as part of the internal control process led by the Audit Committee. The Board has carried out an annual performance evaluation review during the year ended 30 September 2010.

A formal training programme has not been required during the year under review as all the Directors were experienced directors of listed companies.

The Directors were subject to election by Shareholders at the first Annual General Meeting after their appointment, and retire by rotation thereafter. For further details please see the Directors' Remuneration Report on pages 38 - 40. The Directors are therefore not appointed for specific terms.

Jonathan Cartwright was appointed to the Board with effect from 1 August 2010 and will therefore be seeking election at the forthcoming AGM. Colin Hook will retire by rotation and be seeking re-election to the Board at the AGM.

The Chairman's other significant directorships and time commitments are disclosed on page 25.

The Board has considered a policy on tenure and agreed that for a Company of this size and structure, it is not appropriate to insist on a director's period of service being limited to a set number of years or to set an age limit for the retirement of directors. The AIC Code does not explicitly make recommendations on the overall length of tenure for directors and the AIC has stated that it does not believe that there is any evidence that an individual director's lengthy service on a board may compromise his independence in the case of investment companies. The AIC therefore does not recommend that long-serving directors be prevented from forming part of an independent majority. It is however a recommendation of the AIC Code that where a director has served for more than nine years, the board should state its reasons for believing that the individual remains independent in the annual report. Some market practitioners feel that considerable length of service (which has generally been defined as a limit of nine years) may lead to the compromise of a Director's independence and the Board is aware that this is a recommendation of the Combined Code. The Board, however, concurs with the arguments put forward by the AIC that investment companies are more likely than most to benefit from having Directors with lengthy service.

As part of its annual performance review, the Board has come to the conclusion that the length of service, experience and ability of its Directors enhances its performance. It does not believe that the length of service of any of the Directors has a negative effect on their independence and is satisfied with the balance of experience on the current Board. In particular, the Board considers that the Chairman's service of ten years as a Director of Company is an asset that he brings to the Board.

The Board reviews annually, and at other times as and when necessary, the Investment Services Agreement and the performance of the Investment Manager, as well as service providers including the administrator, auditors, VCT status adviser, solicitors, bankers and registrars. Particular emphasis is placed on reviewing the Investment Manager, in terms of investment performance, quality of information provided to the Board and remuneration. This work forms part of the Board's overall internal control procedures as discussed elsewhere.

The Board has considered the appointment of a management engagement committee and has concluded that this is not necessary because the Board is comprised entirely of non-executive directors.

Internal control

The Board acknowledges that it is responsible for the Company's system of internal control. Internal control systems are designed to manage the particular needs of the Company and the risks to which it is exposed and can by their nature only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has delegated, contractually to third parties, the management of the investment portfolio, the custodial services (the safeguarding of the documents of title of the Company's assets), the day-to-day accounting, company secretarial and administration requirements and the registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered, including the financial control systems in operation in so far as they relate to the affairs of the Company. The Board receives and considers regular reports from the Investment Manager and ad hoc reports and information are supplied to the

Board as required. It remains the role of the Board to keep under review the terms of the Investment Services Agreement with the Investment Manager.

The Directors are responsible for the internal control systems of the Company and for reviewing their effectiveness. These aim to ensure the maintenance of proper accounting records, the reliability of the financial information used for publication and upon which business decisions are made, and that the assets of the Company are safeguarded. The financial controls operated by the Board include the authorisation of the investment strategy and regular reviews of the financial results and investment performance.

The Board has put in place ongoing procedures for identifying, evaluating and managing the significant risks faced by the Company. As part of this process an annual review of the control systems is carried out in accordance with the Turnbull guidelines for internal control. The review covers a consideration of the key business, operational, compliance and financial risks facing the Company and includes a review of the risks in relation to the financial reporting process. Each risk is considered with regard to: the controls exercised at Board level; reporting by service providers; controls relied upon by the Board; exceptions for consideration by the Board; responsibilities for each risk and its review period; and risk rating. As part of this process, investment risk is spread by means of a diverse investment portfolio, as more fully described in the Investment Manager's Review and Investment Portfolio Summary on pages 13 - 24). The Board reviews a schedule of key risks at each Board meeting which identifies the risk, controls, any deficiencies that have arisen in the quarter and action to be taken. Each Board meeting reviews the management accounts, and annual or half-yearly reports arising therefrom, prepared by the administrator.

This system of internal control and the procedure for the review of control systems referred to above has been in place and operational throughout the year under review and up to the date of this Report. The assessment of the effectiveness of internal controls in managing risk was conducted on the basis of reports from the relevant service providers. The last review took place on 8 December 2010. The Board has identified no significant problems with the Company's internal control mechanisms.

The Board, assisted by the Audit Committee, carries out separate assessments in respect of the Annual and Half-Yearly Reports and other published financial information. As part of these reviews, the Board appraises all the relevant risks ensuing from the internal control process referred to above. The main aspects of the internal controls which have been in place throughout the year in relation to financial reporting are:

- The valuations prepared by the Investment Manager are entered into the accounting system and reconciled by the Administrator. Controls are in place to ensure the effective segregation of these two tasks;
- Independent reviews of the valuations of investments within the portfolio are undertaken quarterly by the Board and annually by the external auditors;

- Bank and money-market fund reconciliations are carried out monthly by the Administrator;
- The information contained in the Annual Report and other financial reports is reviewed separately by the Audit Committee prior to consideration by the Board; and
- The Board reviews all financial information prior to publication.

Board committees

The Investment Committee comprises all three Directors, Helen Sinclair (Chairman), Colin Hook and Jonathan Cartwright. The Committee meets as necessary to consider the investment proposals put forward by the Investment Manager. Investment guidelines have been issued to the Investment Manager and the Committee ensures that these guidelines are adhered to. New investments and divestments are approved by written resolution of the Committee following discussion between committee members and are subsequently ratified by the Board. Investment matters are discussed extensively at Board meetings. During the year the Committee formally approved 15 investment/divestment approvals and met informally on numerous occasions.

The Audit Committee comprises all three Directors, Jonathan Cartwright (Chairman), Colin Hook and Helen Sinclair. The Committee meets at least twice a year to review the half-yearly and annual financial statements before submission to the Board, including meeting with the independent auditors. The Committee makes recommendations to the Board on the appointment, re-appointment and removal of the external auditors. It is responsible for monitoring the effectiveness of the Company's internal control systems and for reviewing the scope and results of the audit and ensuring its cost effectiveness. The Audit Committee held four formal meetings during the year with full attendance from each of the Directors on each occasion. The Committee met informally on other occasions.

The Nominations and Remuneration Committee comprises the full Board and is chaired by Colin Hook. The Committee comprises a majority of independent directors. The Committee meets at least once a year and is responsible for proposing candidates for appointment to the Board and for reviewing the remuneration of the Directors. The Committee held two formal meetings during the year, fully attended by all Directors, and met informally on other occasions. Appointment letters for new directors 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. The Board has adopted a formal process of recruitment for the appointment of new directors including, as appropriate, the use of advertising and recruitment consultants as well as drawing on Board members' extensive range of business contacts to attract the optimum number of high quality candidates. The selection process involves interviews with the Board and meetings with representatives of members of the manager. New directors are provided with an induction pack and an induction session is arranged in conjunction with the Board, the Manager and the Administrator. All of the Directors regularly attend conferences and workshops relevant to the VCT industry.

The Directors have declared any existing or potential conflicts of interest and these have been approved by the Board in accordance with section 175 of the Companies Act as appropriate.

The Nominations and Remuneration Committee is responsible for conducting an annual performance review of Board members including a review of each director's conflict authorisations.

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:

www.incomeandgrowthvct.co.uk.

Directors' remuneration

The Directors' Remuneration Report, prepared in compliance with the Directors' Remuneration Report Regulations 2002, is contained on pages 38 - 40 of this Annual Report.

Investor relations

The Company communicates with Shareholders and solicits their views where it is appropriate to do so. Shareholders are welcome at the Annual General Meeting which provides a forum for Shareholders to ask questions of the Directors and to discuss issues affecting the Company with them. Shareholders may contact the Chairman of the Audit Committee if they have concerns which contact through the Chairman or Investment Manager has failed to resolve or for which such contact is inappropriate.

The Board as a whole approves the Chairman's Statement and the Investment Manager's Review which form part of the Annual Report to shareholders in order to ensure that they present a balanced and understandable assessment of the Company's position and future prospects.

The notice of the Annual General Meeting accompanies this Annual Report, which is normally sent to shareholders allowing a minimum of 20 working days before each meeting. Separate resolutions are proposed for each substantive issue. The number of proxy votes received for each resolution is announced after each resolution has been dealt with on a show of hands and is published on the Company's website: www.incomeandgrowthvct.co.uk.

Accountability and audit

The Statement of Directors' Responsibilities in respect of the accounts is set out on pages 49 - 50 of this report.

The report of the independent auditor is set out on pages 51 - 52 of this Annual Report.

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

Substantial interests
As at the date of this Report the Company had not been notified of any beneficial interest exceeding 3% of the issued share capital of either class.

Restrictions on voting rights
There are no restrictions on voting rights.

Appointment and replacement of directors
The rules concerning the election of directors are set out in the paragraph headed 'Terms of appointment' on page 38 of the Directors' Remuneration Report.

Amendment of the Company's Articles of Association
The Company may amend its articles of association ("the Articles") by special resolution in accordance with section 21 of the Companies Act.

Powers of the directors
The powers of the Directors have been granted by company law, the Company's Articles and resolutions passed by the Company's members in general meeting. Resolutions are proposed annually at each annual general meeting of the Company to authorise the Directors to allot shares, disapply the pre-emption rights of members and buy-back the Company's own shares on behalf of the Company. These authorities are currently in place and resolutions to renew them will be proposed at the next AGM of the Company to be held on 16 February 2011.

Going concern
The Board has assessed the Company's operation as a going concern. The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Management Report which is included within the Chairman's Statement, the Investment Portfolio Summary, the Investment Manager's Review and the Directors' Report. The Directors have satisfied themselves that the Company continues to maintain a significant cash position and is currently raising additional funds. The majority of companies in the portfolio continue to trade profitably and the portfolio taken as a whole remains resilient and well diversified. The major cash outflows of the Company (namely investments, buy-backs and dividends) are within the Company's control. The Board's assessment of liquidity risk and details of the Company's policies for managing its capital and financial risks are shown in note 20 on pages 71 - 77. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

By order of the Board

Matrix Private Equity Partners LLP
Secretary
16 December 2010

Statement of Directors’ Responsibilities

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

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

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

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

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

The Directors confirm to the best of their knowledge that:

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

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

The names and functions of the Directors are stated on pages 25 - 26.

For and on behalf of the Board:

Colin Hook
Chairman
16 December 2010

Independent Auditor's Report
To the Members of The Income & Growth VCT plc

We have audited the financial statements of The Income & Growth VCT plc for the year ended 30 September 2010 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Reconciliation of Movements in Shareholders' Funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

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

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion :

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook issued by the Financial Services Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures) is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on pages 48 , in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Rosemary Clarke (Senior statutory auditor)
for and on behalf of PKF (UK) LLP, Statutory auditors
London, UK
16 December 2010

Income Statement

for the year ended 30 September 2010

	Notes	30 September 2010 Revenue £	30 September 2010 Capital £	30 September 2010 Total £	30 September 2009 Revenue £	30 September 2009 Capital £	30 September 2009 Total £
Net unrealised gains/(losses) on investments	10	**-**	**2,986,059**	**2,986,059**	-	(3,547,286)	(3,547,286)
Net gains on realisation of investments	10	**-**	**15,412**	**15,412**	-	597,637	597,637
Income	2	**730,447**	**-**	**730,447**	931,359	67,950	999,309
Recoverable VAT	3	**12,295**	**36,886**	**49,181**	-	-	-
Investment management fees	4	**(204,246)**	**(612,738)**	**(816,984)**	(192,882)	(578,645)	(771,527)
Other expenses	5	**(513,840)**	**-**	**(513,840)**	(511,764)	-	(511,764)
Merger costs	21	**(75,516)**	**-**	**(75,516)**			
(Loss)/profit on ordinary activities before taxation		**(50,860)**	**2,425,619**	**2,374,759**	226,713	(3,460,344)	(3,233,631)
Tax on (loss)/profit on ordinary activities	7	**-**	**-**	**-**	(33,030)	33,030	-
(Loss)/profit on ordinary activities after taxation for the financial year		**(50,860)**	**2,425,619**	**2,374,759**	193,683	(3,427,314)	(3,233,631)
Basic and diluted earnings per Ordinary Share (formerly 'S' Share):	9	**(0.20)p**	**9.75p**	**9.55p**	0.09p	(1.50)p	(1.41)p
Basic and diluted earnings per former 'O' Share:	9	**-**	**-**	**-**	0.52p	(9.25)p	(8.73)p

All the items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period. The total column is the Profit and Loss Account of the Company. There were no other recognised gains and losses in the year.

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

The notes on pages 57 - 78 form part of these financial statements.

Balance Sheet
as at 30 September 2010

	Notes	as at 30 September 2010			as at 30 September 2009		
		£	£	£	£	£	£
Fixed assets							
Investments at fair value	10			**28,116,479**			19,890,328
Current assets							
Debtors and prepayments	11	**162,076**			185,876		
Current investments	12	**8,708,573**			15,962,070		
Cash at bank	19	**106,536**			55,638		
			8,977,185			16,203,584	
Creditors: amounts falling due within one year	13		**(488,968)**			(210,815)	
Net current assets				**8,488,217**			15,992,769
Net assets				**36,604,696**			35,883,097
Capital and reserves							
Called up share capital	15			**369,709**			466,309
Share premium account	16			**369,141**			308,614
Capital redemption reserve	16			**170,811**			73,017
Capital reserve - unrealised	16			**422,183**			(5,279,832)
Special reserve	16			**23,105,248**			27,952,006
Profit and loss account	16			**12,167,604**			12,362,983
Equity Shareholders' funds				**36,604,696**			35,883,097
Basic and diluted net asset value per share							
Ordinary Shares (formerly 'S' Shares)	17			**99.01p**			**93.18p**
Former 'O' Shares	17			**-**			**71.45p**

The notes on pages 57 - 78 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 16 December 2010 and were signed on its behalf by:

Colin Hook
Director

Reconciliation of Movements in Shareholders' Funds

for the year ended 30 September 2010

	Notes	Year ended 30 September 2010 £	Year ended 30 September 2009 £
Opening shareholders' funds		**35,883,097**	40,791,712
Net share capital bought back in the year	**15**	**(966,118)**	(353,751)
Net share capital subscribed for in the year	**15**	**61,721**	96,826
Profit/(loss) for the year		**2,374,759**	(3,233,631)
Dividends paid in the year	**8**	**(748,763)**	(1,418,059)
Closing shareholders' funds		**36,604,696**	35,883,097

The notes on pages 57 - 78 form part of these financial statements.

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Cash Flow Statement

for the year ended 30 September 2010

	Notes	Year ended 30 September 2010 £	£	Year ended 30 September 2009 £	£
Operating activities					
Investment income received		**687,327**		1,081,127	
VAT received and interest thereon		**144,206**		388,292	
Other income		**4,053**		20,013	
Investment management fees paid		**(595,053)**		(1,200,016)	
Other cash payments		**(508,610)**		(477,847)	
Merger costs paid by the company		**(75,516)**		-	
Net cash outflow from operating activities	18		**(343,593)**		(188,431)
Investing activities					
Acquisition of investments	10	**(6,514,315)**		(735,608)	
Disposal of investments	10	**1,289,635**		2,215,027	
Net cash (outflow)/inflow from investing activities			**(5,224,680)**		1,479,419
Equity Dividends					
Payment of equity dividends	8		**(748,763)**		(1,418,059)
Net cash outflow before liquid resource management and financing			**(6,317,036)**		(127,071)
Management of liquid resources					
Decrease in monies held pending investment	19		**7,253,497**		373,944
Financing					
Issue of Ordinary Shares	15	**61,721**		96,826	
Purchase of own shares		**(947,284)**		(353,751)	
			(885,563)		(256,925)
Increase/(decrease) in cash for the year	19		**50,898**		(10,052)

The notes on pages 57 - 78 form part of these financial statements.

Notes to the Accounts

For the year ended 30 September 2010

1 Accounting policies

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

a) Basis of accounting

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

The results for the year to 30 September 2010 reflect the activities of what were previously the 'O' Share Fund and the 'S' Share Fund of the Company, which were merged on 29 March 2010, for the whole period. Further details are contained in note 21 below.

b) Presentation of the Income Statement

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

c) Investments

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

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

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

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

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

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

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

or:-

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

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

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

d) Current investments

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

e) Income

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

f) Capital reserves

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

The following are accounted for in this reserve:

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

(ii) Revaluation reserve (Unrealised capital reserve)

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

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

(iii) Special distributable reserve

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

g) Expenses

All expenses are accounted for on an accruals basis.

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

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

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

h) Taxation

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

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

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

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

2 Income

	2010	2009
	£	£
Income from investments		
– from equities	200,605	199,022
– from OEIC funds	73,446	291,911
– from loan stock	442,132	399,866
– from bank deposits	664	21,480
– from VAT recoverable	9,547	36,050
	726,394	**948,329**
Other income	4,053	50,980
Total income	**730,447**	**999,309**

	2010	2009
Total income comprises		
Revenue dividends received	274,051	422,983
Capital dividends received	-	67,950
Interest	452,343	457,396
Other income	4,053	50,980
Total Income	**730,447**	999,309

	2010	2009
Income from investments comprises		
Listed overseas securities	73,446	291,911
Unlisted UK securities	642,737	598,888
Total Income	**716,183**	890,799

Income from VAT recoverable relates to interest received on VAT recoverable recognised in the year ended 30 September 2010 as per note 3 below.

Loan stock interest above is stated after deducting an amount of £216 (2009: £nil), being a provision made against loan stock interest regarded as collectable in previous years.

Total loan stock interest due but not recognised in the year was £538,899 (2009: £512,386).

3 Recoverable VAT

	Revenue 2010	Capital 2010	Total 2010	Revenue 2009	Capital 2009	Total 2009
	£	£	£	£	£	£
Recoverable VAT	12,295	36,886	49,181	-	-	-

As a result of the European Court of Justice ruling and subsequent HMRC briefing that management fees be exempt for VAT purposes, at 30 September 2010, a total of £533,084 of VAT recoverable had been received. During the year to 30 September 2010, VAT amounts totalling £124,779 were received. An additional £49,181 VAT was recognised in the Income Statement, of which the amount of £34,370 disclosed in Note 11 remained due at the year end and £48,260, disclosed in Note 13, remains due back to the Investment Manager as a result of expense caps incurred in the years in question.

4 Investment Managers' fees

	Revenue 2010 £	Capital 2010 £	Total 2010 £	Revenue 2009 £	Capital 2009 £	Total 2009 £
Matrix Private Equity Partners LLP	204,246	612,738	816,984	178,890	536,670	715,560
Foresight Group LLP	-	-	-	13,992	41,975	55,967
	204,246	612,738	816,984	192,882	578,645	771,527

From the start of the year to the date of the Merger on 29 March 2010, the following agreements were in place:

'O' Share Fund

At the start of the previous year, the Investment Manager operated under an agreement dated 13 October 2000. Under this Agreement, fees equal to one quarter of 1.6% of the amount of their respective allocation values (which usually equates to carrying value) were payable quarterly in arrears to each of the Investment Managers.

Nova Capital Management Limited (Nova) resigned with effect from 31 August 2007. Matrix Private Equity Partners LLP (MPEP) and Foresight Group LLP (Foresight) assumed responsibility for half each of the Nova portfolio value with effect from 1 September 2007 and earned fees calculated upon the allocation value of their share of the Nova portfolio from that date.

Under a new investment management agreement dated 12 September 2007, but effective from 31 August 2007, MPEP and Foresight advised the Company on investments in qualifying companies. The agreement was for an initial period of three years and thereafter until the appointment was terminated by not less than one year's notice in writing at any time after the initial period.

MPEP and Foresight were entitled to an annual advisory fee of 1.6% of the closing net assets attributable to the Fund. The annual management fees were calculated and payable quarterly in advance.

A new incentive agreement replaced the old incentive agreement dated 13 October 2000. The new arrangements entitled Foresight and MPEP to receive performance related incentive payments (payable in cash or shares) based on realised gains in their individual portfolios. Each Investment Manager was entitled to receive its own annual performance payment of 20% of any excess (over the investment growth hurdle detailed below) of realised gains over realised losses from its own portfolio during each calculation period, provided that in respect of its own portfolio:

- at any calculation date, the value of portfolio assets contained in the audited accounts adjusted for net realised gains and losses and total surplus income since 20 June 2007 was equal to or greater than the embedded value, as adjusted by new investments and the value of the Nova portfolio (as at 30 June 2007) transferred to the relevant manager; and
- at any calculation date, such excess was calculated after carrying forward all realised losses not previously offset in respect of any calculation period after 30 June 2008; and
- such excess was subject to an investment growth hurdle of 6% per annum calculated from 1 July 2007.

On 11 March 2008, the Company gave Foresight notice of their termination being one year from the date therein. Fees were payable to Foresight during the notice period as the portfolio was handed over to MPEP during the one year notice period. MPEP became the sole Investment Manager from 11 March 2009, but had assumed practical responsibility for this portfolio from 1 October 2008.

'S' Share Fund

MPEP received a fund management fee of 2% per annum of the NAV of the 'S' Share Fund. The fund management fees were to be calculated and payable quarterly in advance.

MPEP was to receive a performance related incentive fee to reward exceptional performance. MPEP was entitled to receive a performance fee equivalent to 20% of the excess above 6p, of the annual dividends paid to 'S' Fund Shareholders. The performance fee would only be payable if the NAV per 'S' Share over the year relating to payment remained at or above 100p per 'S' Share. The performance fee was to be payable annually, with any cumulative shortfalls below the 6p threshold having to be made up in later years.

Company

Under the terms of a revised investment management agreement dated 29 March 2010, MPEP provides investment advisory, administrative and company secretarial services to the Company, for a fee of 2.4% per annum of closing net assets, calculated on a quarterly basis by reference to the net assets at the end of the preceding quarter. One sixth of this fee is subject to minimum and maximum limits of £130,000 and £150,000 per annum respectively. These minimum and maximum limits will be increased to £150,000 and £170,000 respectively if the Matrix VCTs Linked Offer (launched on 12 November 2010 raises at least £3 million for the Company.

This agreement replaced the previous agreements with MPEP described above and with Matrix-Securities Limited dated 13 October 2000 (but amended by a deed of variation dated 12 September 2007), which were all terminated on 29 March 2010.

The investment management expense disclosed above is stated after applying a cap on expenses excluding IFA trail commission and exceptional items set at 3.25% of closing net assets at the year-end at the company level. In accordance with the investment management agreement any excess expenses are wholly borne by the Investment manager. The excess expenses during the year attributable to the Investment Manager amounted to £nil (2009: £12,328 - 75% to the Manager, 25% to the then administrator). In 2009, this was applied between the 'O' Share Fund and the 'S' Share Fund in the same proportion to which expenses common to both Funds are allocated as detailed in the accounting policies.

Under a Deed of Termination and Variation relating to Performance Incentive Agreements dated 29 March 2010, the Investment Manager's Incentive Agreement for the former 'O' Share Fund has been continued while the former 'S' Share Fund's Incentive Agreement has been terminated. Under the terms of the pre-merger 'O' Share Fund Incentive Agreement, each of the ongoing Investment Manager, Matrix Private Equity Partners LLP ("MPEP") and a former Investment Manager, Foresight Group LLP ("Foresight") are entitled to a performance fee equal to 20% of the excess of the value of any realisation of an investment made after 30 June 2007, over the value of that investment in an Investment Manager's portfolio at that date ("the Embedded Value"), which value is itself uplifted at the rate of 6% per annum. No fee is payable in any year if the value of that Investment Manager's portfolio at that year-end plus the cumulative value of any realisations made up to that year-end is less than the value of that Investment Manager's portfolio at 30 June 2007, "the High Watermark test".

However, two amendments were made to this agreement for MPEP, the ongoing Investment Manager. Firstly, the High Watermark was increased by £811,430, being the 'S Share Fund's shortfall in total net assets from net asset value of £1 per 'S' Share, at 31 December 2009. Secondly, only 70% of any new investment made by MPEP after the Merger will be added to the calculation of the Embedded Value, the value of the Investment Manager's portfolio and the value of any realisations, for the purposes of assessing any excess.

Under the above agreements, the Investment Manager is not entitled to an Incentive fee for the year ended 30 September 2010 (2009: 'O' Share Fund - £nil, 'S' Share Fund - £nil).

5 Other expenses

	2010	**2009**
	£	£
Directors' remuneration (including NIC) (see note 6)	118,758	113,815
IFA trail commission	138,907	114,120
Administration fees - see note	77,662	147,879
Broker's fees	11,687	6,664
Auditors' fees – audit	24,455	23,274
– other services supplied relating to taxation	2,099	1,912
– other services supplied pursuant to legislation	4,242	4,088
VCT monitoring fees	12,227	11,460
Registrar's fees	26,774	21,699
Printing	32,032	33,315
Legal & professional fees	25,693	6,023
Directors' insurance	8,925	8,925
Listing and regulatory fees	20,930	17,404
Sundry	9,449	1,186
	513,840	511,764

The Administration fees above arose from the Agreement with Matrix-Securities Limited referred to in Note 4 above, which was terminated on 29 March 2010.

6 Directors' remuneration

Directors' emoluments	2010 £	2009 £
Colin Hook	41,000	41,000
Christopher Moore (resigned 24 September 2010)	30,647	31,000
Helen Sinclair	31,000	31,000
Jonathan Cartwright (appointed 1 August 2010)	5,167	-
	107,814	103,000
Employer's NIC and VAT	10,944	10,815
	118,758	113,815

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

7 Tax on ordinary activities

	2010 Revenue £	2010 Capital £	2010 Total £	2009 Revenue £	2009 Capital £	2009 Total £
a) Analysis of tax charge:						
UK Corporation tax on profits/(losses) for the year	-	-	-	33,030	(33,030)	-
Total current tax charge/(credit)	-	-	-	33,030	(33,030)	-
Corporation tax is based on a rate of 21% (2009:21%)						
b) (Loss)/profit on ordinary activities before tax	(50,860)	2,425,619	2,374,759	226,713	(3,460,344)	(3,233,631)
(Loss)/profit on ordinary activities multiplied by small company rate of corporation tax in the UK of 21% (2009: 21%)	(10,681)	509,380	498,699	47,610	(726,672)	(679,062)
Effect of:						
UK dividends	(42,121)	-	(42,121)	(27,525)	(14,270)	(41,795)
Unrealised (gains)/losses not allowable	-	(627,072)	(627,072)	-	744,930	744,930
Realised gains not taxable	-	(3,237)	(3,237)	-	(125,504)	(125,504)
Income not yet taxable	450		450	12,945	-	12,945
Unrelieved expenditure	36,494	120,929	157,423	-	88,486	88,486
Expenses not deductible	15,858		15,858	-	-	-
Actual current tax charge	-	-	-	33,030	(33,030)	-

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

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

There is no potential liability to deferred tax (2009: nil). There is an unrecognised deferred tax asset of £464,000 (2009: £317,000).

8 Dividends paid and payable

	2010 Revenue	2010 Capital	2010 Total	2009 Revenue	2009 Capital	2009 Total
	£	£	£	£	£	£
Dividends on equity shares						
Ordinary Shares (formerly S' Shares) - final paid of 0.5p revenue in March 2010	52,668	-	52,668	-	-	-
'O' Shares - final paid of 0.5p revenue and 1.5p capital in March 2010 (2009: 1p revenue and 3p capital) per share:	178,754	517,341	696,095	1,063,544	354,515	1,418,059
Total paid in year	231,422	517,341	748,763	1,063,544	354,515	1,418,059
Proposed final dividend	**nil**	**739,418**	**739,418**	**233,154**	**522,366**	**755,520**

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

In addition, an interim capital dividend of 2p for the year has been declared by the board.

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.

	2010	2009
	£	£
Company		
Revenue available by way of dividends for the year	(50,860)	193,683
Proposed final dividend for the year - nil p (2009: 0.5p)	N/A	233,154
'O' Shares:		
Revenue available by way of dividends for the year	N/A	182,551
Proposed final dividend for the year - 0.5p (2009: 0.5p)	N/A	174,122
'S' Shares:		
Revenue available by way of dividends for the year	N/A	11,132
Proposed final dividend for the year - n/a (2009: 0.5p)	N/A	59,032

9 Basic and diluted earnings per share

	2010 Ordinary Shares Total (formerly 'S' Share Fund)	2009 'O' Share Fund	2009 'S' Share Fund	2009 Total
	£	£	£	£
Total earnings after taxation:	2,374,759	(3,067,355)	(166,276)	(3,233,631)
Basic and diluted earnings per share (note a)	**9.55p**	**(8.73)p**	**(1.41)p**	
Revenue (loss)/profit from ordinary activities after taxation	(50,860)	182,551	11,132	
Basic and diluted revenue earnings per share (note b)	**(0.20)p**	**0.52p**	**0.09p**	
Net unrealised capital gains on investments	2,986,059	(3,522,533)	(24,753)	
Net realised capital gains on investments	15,412	597,637	-	
Income from capital dividends	-	67,950	-	
Recoverable VAT	36,886	-	-	
Capitalised management fees less taxation	(612,738)	(392,960)	(152,655)	
Total capital return	2,425,619	(3,249,906)	(177,408)	
Basic and diluted capital earnings per share (note c)	**9.75p**	**(9.25)p**	**(1.50)p**	
Weighted average number of shares in issue in the year	24,854,456	35,148,192	11,806,467	

Notes

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

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

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

d) Diluted earnings per share in each case are the same as basic earnings per share as no investment manager's incentive fee is payable in respect of the current year..

10 Investments

	2010	2009
	£	£
Traded on AiM	2,065,837	1,908,798
Unquoted equity shares	11,867,127	9,000,829
Unquoted preference shares	35,738	25,403
Loan stock	14,147,777	8,955,298
Total	28,116,479	19,890,328
Brought forward net unrealised (losses)/gains now realised	(2,869,899)	859,565
Realised gains during the year	25,500	623,721
Transaction costs	(10,088)	(26,084)
Total realised (losses)/gains for the year	(2,854,487)	1,457,202
Unrealised gains/(losses) for the year	2,986,059	(3,547,286)
Total gains/(losses) for the year	131,572	(2,090,084)

A full list of the portfolio holdings by their aggregate market value is on pages 22 - 24.

Summary of movement on investments during the period

Company

	Traded on AiM or OFEX	Unquoted Ordinary shares	Preference shares	Qualifying loans	Total
	£	£	£	£	£
Cost at 30 September 2009	4,466,693	9,502,392	167,689	11,587,328	25,724,102
Impairment	-	-	-	-	-
Unrealised losses	(2,557,895)	(501,563)	(142,286)	(2,632,030)	(5,833,774)
Valuation at 30 September 2009	1,908,798	9,000,829	25,403	8,955,298	19,890,328
					-
Purchases at cost	-	2,193,860	2,326	4,318,129	6,514,315
Sales - proceeds	-	(820,891)	(824)	(478,008)	(1,299,723)
- realised (losses)/gains	(53,571)	27,839	-	51,232	25,500
Unrealised gains	210,610	1,465,490	8,833	1,301,126	2,986,059
Valuation at 30 September 2010	2,065,837	11,867,127	35,738	14,147,777	28,116,479
Cost at 30 September 2010	4,466,693	10,990,244	169,190	14,992,695	30,618,822
Impairment	(450,000)	(2,474,526)	-	-	(2,924,526)
Unrealised (losses)/gains at 30 September 2010	(1,950,856)	3,351,409	(133,452)	(844,918)	422,183
Valuation at 30 September 2010	2,065,837	11,867,127	35,738	14,147,777	28,116,479

Transaction costs on the purchase and disposal of investments in the old 'O' Share Fund of £10,088 were incurred in the year. These are excluded from realised gains shown above of £25,500, but were included in arriving at gains on realisation of investments in the Income Statement of £15,412.

Reconciliation of cash movements in investment transactions
The difference between disposals per the investment note above and disposals per the Cash Flow Statement is £10,088 relating to transaction costs.

The amounts provided below cost at the end of the year or written-off against unlisted investments were as follows:

	Total Provisions at end of year	Write-offs in year
Financial Year	£	£
2010	11,575,422	2,524,527
2009	10,537,427	300,000
2008	8,588,728	1,439,350
2007	6,690,435	592,011
2006	6,268,991	5,522,339
2005	8,665,187	523,651
2004	7,483,325	989,815

Details of the movements in unrealised gains and losses in the year are disclosed within the Investment Portfolio Summary on pages 22 – 24.

PastaKing Holdings Limited was disposed of during the year realising net proceeds of £793,853 for the former 'O' Share Fund from an original cost of £292,405. The carrying value as at 30 September 2009 was £778,913. There was a part disposal of the DigiCo Europe Limited "B" loan stock realising proceeds of £131,015, a premium of £14,037 on the original cost of £116,978 and there was a part repayment of Westway Services Holdings (2010) Limited's loan stock realising proceeds of £119,617, a premium of £24,095 on the original cost of £174,619.

11 Debtors and prepayments

	2010	2009
	£	£
Amounts due within one year:		
Accrued income	112,032	92,391
Prepayments	15,674	31,777
Other debtors	34,370	61,708
	162,076	185,876

Other debtors include £34,370 held on behalf of the Company by Matrix Income & Growth 4 VCT plc, being VAT repaid by a previous manager, upon previous management fee charges. This amount has been received after the year end.

12 Current Investments

	2010	2009
	£	£
Company		
Royal Bank of Scotland Sterling Liquidity Fund	1,080,206	4,251,045
Royal Bank of Scotland Sterling Liquidity Fund plus	-	93,515
Blackrock Investment Management (UK) Institutional Sterling Fund	966,062	3,149,166
Fidelity Institutional Cash Fund	4,182,636	4,164,843
Scottish Widows Investment Partnership Sterling Liquidity Fund	1,424,000	4,303,501
Prime Rate Capital Management	1,055,669	-
Monies held pending investment	8,708,573	15,962,070

This comprises cash invested in five Dublin based OEIC money market funds as shown in the table above. £nil (2009: £93,515) of this sum is subject to two day access, while £8,708,573 (2009: £15,868,555) is subject to immediate access. These sums are regarded as monies held pending investment.

13 Creditors: amounts falling due within one year

	2010	2009
	£	£
Trade creditors	33,262	64,700
Other creditors	62,819	11,701
Accruals	392,887	134,414
	488,968	210,815

14 Significant interests

At 30 September 2010 the Company held significant investments, amounting to 3% or more of the equity capital of an undertaking, in the following companies:

	Equity investment (Ordinary Shares)	Investment in loan stock and preference shares	Total investment (at cost)	Percentage of investee company's total equity	
	£	£	£		
Image Source Group Limited	300,000	5,000	305,000	44.00%	*
Camwood Limited	361,514	666,667	1,028,181	31.60%	
Duncary 8 Limited	126,590	508,333	634,923	25.49%	
Apricot Trading Limited	400,000	600,000	1,000,000	24.50%	
Rusland Management Limited	400,000	600,000	1,000,000	24.50%	
Torvar Limited	400,000	600,000	1,000,000	24.50%	
HWA Group Limited	76,696	379,545	456,241	24.45%	

	Equity investment (Ordinary Shares)	Investment in loan stock and preference shares	Total investment (at cost)	Percentage of investee company's total equity	
Brookerpaks Limited	50,000	5,000	55,000	18.18%	*
Aquasium Technology Limited	166,667	533,333	700,000	16.67%	
Backbarrow Limited	400,000	600,000	1,000,000	16.67%	
Bladon Castle Management Limited	400,000	600,000	1,000,000	16.67%	
Fullfield Limited	400,000	600,000	1,000,000	16.67%	
Aust Construction Investors Limited	400,000	600,000	1,000,000	16.33%	
Blaze Signs Holdings Limited	401,550	936,950	1,338,500	12.50%	
DCG Group Limited	83,324	173,772	257,096	11.30%	
Oxonica Limited	2,524,527	-	2,524,527	10.62%	
VSI Limited	38,896	206,700	245,596	10.01%	
Amaldis (2008) Limited	13,167	67,146	80,313	9.20%	
ATG Media Holdings Limited	355,556	644,444	1,000,000	8.53%	
Youngman Group Limited	100,052	900,000	1,000,052	8.49%	
IGLU.com Holidays Limited	150,000	850,001	1,000,001	8.14%	
Racoon International Holdings Limited	165,256	385,596	550,852	7.71%	
NexxtDrive Limited	487,014	325,000	812,014	7.10%	
Alaric Systems Limited	565,156	30,647	595,803	6.93%	
PXP Holdings Limited	227,783	692,393	920,176	6.75%	
The Plastic Surgeon Holdings Limited	40,610	365,472	406,082	6.09%	
CB Imports Group limited	175,000	825,000	1,000,000	6.00%	
Monsal Holdings Limited	145,314	280,850	426,164	5.59%	*
Letraset Limited	450,000	200,000	650,000	5.00%	
British International Holdings Limited	112,500	478,409	590,909	4.99%	
Westway Services Holdings (2010) Limited	57,941	364,181	422,122	4.72%	
Vectair Holdings Limited	53,207	162,707	215,914	4.63%	
Biomer Technology Limited	137,170	-	137,170	4.40%	
DiGiCo Europe Limited	253,906	71,688	325,594	4.28%	
Campden Media Limited	67,814	267,066	334,880	3.60%	

* The percentage of equity held for these companies may be subject to further dilution of an additional 1% or more if, for example, management of the investee company exercise share options.

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

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

MPEP also advises Matrix Income and Growth VCT plc, Matrix Income and Growth 2 VCT plc and Matrix Income and Growth 4 VCT plc who have investments as at 30 September 2010 in the following:

	Matrix Income and Growth VCT plc * at cost	Matrix Income and Growth 2 VCT plc at cost	Matrix Income and Growth 4 VCT plc at cost	Total at cost	% of equity held by funds managed by MPEP
	£	£	£	£	%
PXP Holdings Limited	2,326,872	1,163,436	679,549	4,169,857	37.3
Blaze Signs Holdings Limited	1,952,986	1,398,498	610,016	3,961,500	52.5
British International Limited	2,068,182	1,160,000	295,455	3,523,637	34.9

	Matrix Income and Growth VCT plc *	Matrix Income and Growth 2 VCT plc	Matrix Income and Growth 4 VCT plc	Total	% of equity held by funds managed by MPEP
ATG Media Holdings Limited	1,636,105	863,895	1,000,000	3,500,000	40.0
IGLU.com Holidays Limited	1,421,750	1,000,001	878,249	3,300,000	35.0
CB Imports Group Limited	2,000,000	-	1,000,000	3,000,000	24.0
Racoon International Limited	1,663,816	878,527	406,805	2,949,148	49.0
Monsal Holdings Limited	1,172,257	770,717	704,771	2,647,745	30.1
Focus Pharma Holdings Limited	1,250,411	660,238	772,451	2,683,100	13.0
Youngman Group Limited	1,000,052	1,000,052	500,026	2,500,130	29.7
Campden Media Limited	975,000	975,000	152,620	2,102,620	28.0
Aust Construction Limited	2,000,000	-	-	2,000,000	50.0
Backbarrow Limited	-	1,000,000	1,000,000	2,000,000	50.0
Bladon Castle Management Limited	1,000,000		1,000,000	2,000,000	50.0
Fullfield Limited	1,000,000		1,000,000	2,000,000	50.0
DiGiCo Europe Limited	963,102	495,651	495,652	1,954,405	30.0
The Plastic Surgeon Holdings Limited	742,817	392,264	458,837	1,593,918	30.0
Apricot Trading Limited	1,000,000	-	-	1,000,000	24.5
Rusland Management Limited	-	-	1,000,000	1,000,000	49.0
Torvar Limited	-	-	1,000,000	1,000,000	49.0
VSI Limited	533,888	308,643	111,928	954,459	48.9
Vectair Holdings Limited	560,302	243,784	100,000	904,086	24.0
Westway Services Holdings (2010) Limited	456,281	-	281,856	738,137	13.0
Legion Group plc	150,106	150,106	150,102	450,314	3.9
Inca Interiors Limited	-	-	350,000	350,000	19.5
Letraset Limited	-	-	150,000	150,000	34.7
Duncary 8 Limited	-	-	126,995	126,995	30.6

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

15 Called up share capital

	2010	2009
	£	£
Allotted, called-up and fully paid:		
New Ordinary Shares (formerly S Shares) of 1p each: 36,970,891 (2009: 11,806,467)	369,709	118,065
Former 'O' Shares of 1p each: nil (2009: 34,824,397)	-	348,244
	369,709	466,309

Under the terms of the Dividend Investment Scheme, a total of 112,768 (2009: 127,403) ‘O’ Shares were allotted during the year for a total consideration of £55,414 (2009: £96,826) and a total of 6,674 ‘S’ Shares were allotted for a total consideration of £6,307.

During the year the Company purchased 1,407,758 (2009: 754,444) of its own ordinary shares for cash (representing 3.8% (2009: 2.2%) of the ordinary shares in issue at the year end) at the prevailing market price for a total cost of £966,118 (2009: £353,751).

The Companies Act 2006 (“CA06”) abolished the requirement for a company to have an authorised share capital. The Company’s Articles of Association were updated to take account of this, and other changes resulting from CA06 and the merger of the O Share fund and S Share fund, and approved for adoption by shareholders at the EGM on 26 March 2010.

Purchased	**Date of purchase**	**Nominal value**
(all Ordinary shares)		£
203,770	21 December 2009	2,038
132,508	28 January 2010	1,325
33,659	26 February 2010	337
78,742	31 March 2010	787
70,950	1 June 2010	710
99,682	3 June 2010	997
157,819	9 June 2010	1,578
147,884	24 June 2010	1,479
103,388	21 July 2010	1,034
92,641	4 August 2010	926
60,692	27 August 2010	607
183,445	13 September 2010	1,834
42,578	30 September 2010	426
1,407,758	Nominal value	14,078

16 Movement in share capital and reserves

	Called up share capital	**Share premium account**	**Capital redemption reserve**	**Capital reserve (unrealised) (non-distributable)**	**Special reserve* (note b)**	**Profit and loss account* (note a)**
	£	£	£	£	£	£
At 1 October 2009	466,309	308,614	73,017	(5,279,832)	27,952,006	12,362,983
Shares bought back	(14,078)	-	14,078	-	(966,118)	-
Dividends re-invested into new shares	1,194	60,527	-	-	-	-
Adjustment for the conversion of The Income & Growth VCT plc 'S' shares into Ordinary shares	(83,716)	-	83,716	-	-	-
Dividends paid	-	-	-	-	-	(748,763)
Transfer between reserves (note b)	-	-	-	-	(3,880,640)	3,880,640
Other expenses net of taxation	-	-	-	-	-	(612,738)
Net unrealised gains on investments	-	-	-	2,986,059	-	-
Gains on disposal of investments (net of transaction costs)	-	-	-	-	-	15,412
Realisation of previously unrealised losses	-	-	-	2,869,899	-	(2,869,899)
Write back of permanent impairment following realisation	-	-	-	(153,943)		153,943
Capital element of VAT recoverable	-	-	-	-	-	36,886
Loss for the year	-	-	-	-	-	(50,860)
At 30 September 2010	369,709	369,141	170,811	422,183	23,105,248	12,167,604

* Included within these reserves is an amount of £35,272,852 (2009: £40,314,989) which is considered distributable. The Special reserve has been treated as distributable in determining the amounts available for distribution.

Note a – the realised capital reserve and the revenue reserve together comprise the Profit and Loss Account of the Company shown in the Balance Sheet.
Note b – the cancellation of the ‘O’ Share Fund Share Premium Account (as approved at the Annual General Meeting held on 13 February 2002 and Order of the Court dated 1 May 2002) and the cancellation of the ‘S’ Share Fund Share Premium Account (as approved at the Extraordinary General Meeting of the Company held on 9 October 2007 and Order of the Court dated 16 September 2009) has provided the Company with a special reserve out of which it can fund buy-backs of shares as and when it is considered by the Board to be in the interests of the Shareholders, and to absorb any existing and future realised losses. As a result, the Company has a special reserve of £23,105,248. The transfer of £3,880,640 to the special reserve from the realised capital reserve above is the total of realised losses incurred by the Company this year.

The Shareholders authorised the Company to purchase its own shares pursuant to section 701 of the Companies Act 2006 at the Annual General Meeting held on 3 March 2010. The authority was limited to a maximum number of 5,220,175 ‘O’ Shares and 1,769,790 ‘S’ Shares (this being approximately 14.99% of the issued Share capital of each class at the date of the Notice of the meeting and being equal to 5,725,874 new Ordinary Shares following the merger of the share classes on 29 March 2010). An additional authority was authorised by Shareholders at an Extraordinary General Meeting of the Company held on 26 March 2010 which is limited to a maximum number of 6,000,000 new Ordinary Shares following the Merger. Both authorities will, unless previously revoked or renewed, expire on the conclusion of the Annual General Meeting of the Company to be held in 2011. The minimum price which may be paid for an Ordinary Share is 1 penny per share, the nominal value thereof. The maximum price that may be paid for an Ordinary Share is an amount that is not more than 5% above the average of the middle market quotations of the shares as derived from the Daily Official List of the London Stock Exchange for the five business days preceding such purchase. The authorities provide that the Company may make a contract or contracts to purchase its own shares prior to the expiry of the authority which may be executed in whole or part after the expiry of such authority, and may purchase its shares in pursuance of any such contract. A resolution to renew these authorities will be proposed at the Annual General Meeting to be held on 16 February 2011.

17 Net asset value per share

	2010 Ordinary Shares Total (formerly 'S' Share Fund)	2009 'O' Share Fund	2009 'S' Share Fund
	£	£	£
Net assets	36,604,696	24,881,881	11,001,216
Number of shares in issue	36,970,891	34,824,397	11,806,467
Basic and diluted net asset value per share	99.01p	71.45p	93.18p

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

	2010	2009
	£	£
Profit/(loss) on ordinary activities before taxation	2,374,759	(3,233,631)
Net unrealised (gains)/losses on investments	(2,986,059)	3,547,286
Net gains on realisation of investments	(15,412)	(597,637)
Decrease in debtors	23,800	412,760
Increase/(decrease) in creditors and accruals	259,319	(317,209)
Net cash outflow from operating activities	(343,593)	(188,431)

19 Analysis of changes in net funds

	Cash	Liquid resources	Total
	£	£	£
At beginning of year	55,638	15,962,070	16,017,708
Cash flows	50,898	(7,253,497)	(7,202,599)
At 30 September 2010	106,536	8,708,573	8,815,109

20 Financial Instruments

The Company's financial instruments in both years comprise:

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

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

Classification of financial instruments

The Company held the following categories of financial instruments at 30 September 2009:

	2010 (Book value) £	2010 (Fair value) £	2009 (Book value) £	2009 (Fair value) £
Assets at fair value through profit and loss:				
Investment portfolio	28,116,479	28,116,479	19,890,328	19,890,328
Current investments	8,708,573	8,708,573	15,962,070	15,962,070
Cash at bank	106,536	106,536	55,638	55,638
Loans and receivables				
Accrued income	112,032	112,032	92,391	92,391
Other debtors	34,370	34,370	61,708	61,708
Liabilities at amortised cost or equivalent				
Other creditors	(488,968)	(488,968)	(210,815)	(210,815)
Total for financial instruments	36,589,022	36,589,022	35,851,320	35,851,320
Non financial instruments	15,674	15,674	31,777	31,777
Total net assets	36,604,696	36,604,696	35,883,097	35,883,097

The investment portfolio principally consists of unquoted investments (92.7%; 2009: 90.4%) and AiM quoted stocks (7.3%; 2009: 9.6%). The investment portfolio has a 100% (2009:100%) concentration of risk towards small UK based, sterling denominated companies, and represents 76.8% (2009: 55.4%) of net assets at the year-end.

Current investments are money market funds, discussed under credit risk below, which represent 23.8% (2009: 44.5%) of net assets at the year-end.

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

Market price risk

Market price risk arises from uncertainty about the future valuations of financial instruments held in accordance with the Company's investment objectives. These future valuations are determined by many factors but include the operational and financial performance of the underlying investee companies, as well as market perceptions of the future performance of the UK economy and its impact upon the economic environment in which these companies operate. This risk represents the potential loss that the Company might suffer through holding its investment portfolio in the face of market movements, which was a maximum of £28,116,479 at the year-end.

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

The Board's strategy in managing the market price risk inherent in the Company's portfolio of equities and loan stock investments is determined by the requirement to meet the Company's investment objective, as set out at the front of this Annual Report. 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 Managers. 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 £ 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 Managers in unquoted companies, irrespective of the instruments the Company actually holds, (whether shares, preference shares or loan stock) carry a full market risk, even though some of the loan stocks may be secured on assets, but behind any prior ranking bank debt in the investee company.

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

The sensitivity analysis below assumes that each of these sub categories of investments (shares, preference shares and loan stocks) held by the Company produces a movement overall of 20%, 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.

	2010 £ **Profit and net assets**	**2009** £ **Profit and net assets**
If overall share prices fell by 20% (2009: 20%), with all other variables held constant – decrease	(5,623,296)	(3,978,066)
Decrease in earnings, and net asset value, per Ordinary share (formerly S share) (in pence)	(37.69)p	(1.01)p
Decrease in earnings, and net asset value, per Ordinary share (in pence)	-	(11.08)p
If overall share prices increase by 20% (2009:20%), with all other variables held constant – increase	5,623,296	3,978,066
Increase in earnings, and net asset value, per Ordinary share (formerly S share) (in pence)	37.69p	1.01p
Increase in earnings, and net asset value, per Ordinary share (in pence)	-	11.08p

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

Credit risk

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

The Company's maximum exposure to credit risk is:

	2010	2009
	£	£
Loan stock investments	14,147,777	8,955,298
Money market funds	8,708,573	15,962,070
Accrued income and other debtors	112,032	92,391
VAT recoverable	34,370	61,708
Cash at bank	106,536	55,638
	23,109,288	25,127,105

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 and other debtor shown above was all due within two months of the year-end.

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

	2010	2009
Repayable within	£	£
0 to 1 year	1,871,459	210,037
1 to 2 years	548,170	2,106,973
2 to 3 years	5,972,794	718,519
3 to 4 years	3,075,862	2,394,834
4 to 5 years	2,679,492	3,524,935
Total	14,147,777	8,955,298

Included within loan stock investments above are loans at a carrying value of £695,833 (2009: £203,004) which are past their repayment date but have been re-negotiated. Loans which are past their repayment date but which have not been renegotiated have a carrying value of £1,572,176 (2009: £1,197,396). These loan stock investments are made as part of the qualifying investments within the investment portfolio, and the risk management processes applied to the loan stock investments have already been set out under market price risk above.

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

	0-6 months	6-12 months	over 12 months	Total
	£	£	£	£
				2010
Loans to investee companies past due	1,391,392	173,870	2,677,906	4,243,168
				2009
Loans to investee companies past due	2,567,197	829,902	2,416,411	5,813,510

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 triple A rated funds, except for one double A rated fund, 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.

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

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

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

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

	Financial net assets on which no interest paid	**Fixed rate financial assets**	**Variable rate financial assets**	**Total**	Weighted average interest rate	Average period to maturity
		£	£	£	%	(years)
Equity shares	13,932,964	-	-	13,932,964		
Preference shares	-	35,738	-	35,738	4.00	1.27
Loan stocks	-	9,653,006	4,494,771	14,147,777	3.12	3.11
Money market funds	-	-	8,708,573	8,708,573	0.57	
Cash	-	-	106,536	106,536		
Debtors	146,402	-	-	146,402		
Creditors	(488,968)	-	-	(488,968)		
Total for financial instruments	13,590,398	9,688,744	13,309,880	36,589,022		
Non-financial instruments	15,674	-	-	15,674		
Total net assets	13,606,072	9,688,744	13,309,880	36,604,696		

The interest rate profile of the Company's financial net assets at 30 September 2009 was:

	Financial net assets on which no interest paid	**Fixed rate financial assets**	**Variable rate financial assets**	**Total**	Weighted average interest rate	Average period to maturity
		£	£	£	%	(years)
Equity shares	10,909,627	-	-	10,909,627		
Preference shares	-	25,403	-	25,403	-	1.46
Loan stocks	-	6,660,450	2,294,848	8,955,298	3.76	3.01
Money market funds	-	-	15,962,070	15,962,070	0.51	
Cash	-	-	55,638	55,638		
Debtors	154,099	-	-	154,099		
Creditors	(210,815)	-	-	(210,815)		
Total for financial instruments	10,852,911	6,685,853	18,312,556	35,851,320		
Non-financial instruments	31,777	-	-	31,777		
Total net assets	10,884,688	6,685,853	18,312,556	35,883,097		

Floating rate cash earns interest based on LIBOR rates.

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

Cash flow interest rate sensitivity

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

	2010	**2009**
	£	**£**
	Profit and net assets	**Profit and net assets**
If interest rates fell by 1%, with all other variables held constant – decrease	(105,148)	(144,230)
Decrease in earnings, and net asset value, per Ordinary Share (formerly S share) (in pence)	(0.28)p	(0.71)p
Decrease in earnings, and net asset value, per Ordinary share (in pence)	N/A	(0.17)p
If interest rates rose by 1%, with all other variables held constant – increase	105,148	144,230
Increase in earnings, and net asset value, per Ordinary share (formerly S share) (in pence)	0.28p	0.71p
Increase in earnings, and net asset value, per Ordinary share (in pence)	N/A	0.17p

Liquidity risk

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

To counter these risks to the Company's liquidity, the Investment Manager maintains sufficient cash and money market funds to meet running costs and other commitments. The Company invests its surplus funds in high quality money market funds which are, as reported in Note 12, all accessible on an immediate basis.

Currency risk

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

Fair value hierarchy

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

Financial assets at fair value through profit and loss
At 30 September 2010

	Level 1	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Equity investments	2,065,837	-	11,867,127	13,932,964
Preference shares	-	-	35,738	35,738
Loan stock investments	-	-	14,147,777	14,147,777
Money market funds	8,708,573	-	-	8,708,573
Total	10,774,410	-	26,050,642	36,825,052

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

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

Level 1 – valued using quoted prices in active markets for identical assets
Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1.
Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

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

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

	Equity investments	Preference shares	Loan stock investments	Total
	£'000	£'000	£'000	£'000
Opening balance at 1 October 2009	9,000,829	25,403	8,955,298	17,981,530
Purchases	2,246,901	2,326	4,568,177	6,817,404
Sales	(873,932)	(824)	(728,056)	(1,602,812)
Total (losses)/gains included in (losses)/gains on investments in the Income Statement:				-
- on assets sold	27,839	-	51,232	79,071
- on assets held at the year end	1,465,490	8,833	1,301,126	2,775,449
Closing balance at 30 September 2010	**11,867,127**	**35,738**	**14,147,777**	**26,050,642**

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

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

	30 September 2010	30 September 2009
	£	£
Investment methodology		
Cost (reviewed for impairment)	7,294,668	5,030,488
Asset value supporting security held	700,992	700,992
Recent investment price	994,657	559,186
Earnings multiple	17,060,325	11,690,864
	26,050,642	17,981,530

The unquoted equity investments had the following movements between valuation methodologies between 30 September 2010 and 30 September 2009:

Change in investment methodology (2009 to 2010)	Carrying value as at 30 September 2010 £	Explanatory note
Cost (reviewed for impairment) to recent investment price	994,657	More appropriate basis for determining fair value
Cost (reviewed for impairment) to earnings multiple	2,790,377	More appropriate basis for determining fair value
Earnings multiple to recent investment price	226,152	More appropriate basis for determining fair value
Recent investment price to earnings multiple	884,557	More appropriate basis for determining fair value

The valuation will be the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the September 2009 IPEVCV guidelines. The directors believe that, within these parameters, there are no other possible methods of valuation which would be reasonable as at 30 September 2010.

FRS 29 requires disclosure, by class of financial instruments, if the effect of changing one or more inputs to reasonably possible alternative assumptions would result in a significant change to the fair value measurement. The information used in determination of the fair value of Level 3 investments is chosen with reference to the specific underlying circumstances and position of the investee company. The portfolio has been reviewed and both downside and upside reasonable possible alternative assumptions have been identified and applied to the valuation of each of the unquoted investments. Applying the downside alternatives, the value of the unquoted investments would be £1,918k or 6.8% lower. Using the upside alternatives the value would be increased by £3,706k or 13.2%. In arriving at both these figures, a 5% change to earnings multiples was applied. In addition, the earnings of four investee companies were increased and one was decreased where it was considered reasonable to do so.

21 Merger of share classes

On 29 March 2010, the ordinary shares of 1p each in the capital of the Company (" 'O' Shares") were merged with the S ordinary shares of 1p each in the capital of the Company (" 'S' Shares"). A proportion of the 'O' Shares were redesignated as 'S' Shares, calculated by reference to the relative net asset values of each Share class as at 31 December 2009, adjusted for subsequent dividends paid to each class before the merger. The resultant 38,008,712 ‘S’ Shares in issue, being 11,813,141 already in issue plus 26,195,571 created by the conversion, were then re-designated as Ordinary Shares in the capital of the Company. The residual balance of 8,371,657 'O' Fund Shares not redesignated as 'S' Shares were instead redesignated as deferred shares and bought back by the Company for an aggregate amount of 1p, cancelled as issued and redesignated as Ordinary Shares.

The net asset values (NAV) of each Fund used for the purposes of conversion at the calculation date of 29 March 2010, and the resultant conversion ratios into Ordinary Shares were:

Company	**NAV per share**	**Conversion ratio applied to 'O' Share to obtain new number of 'S' Shares**
'O' Share Fund	70.20	0.75784526
'S' Share Fund	92.63	1.00000000

Share certificates reflecting the new shareholdings totalling 38,008,712 Ordinary Shares in the capital of the Company were sent to shareholders on 5 April 2010.

Total merger costs of £75,516 were incurred to merge the 'O' and 'S' Share Funds, principally being legal and professional fees, registrars' fees and printing costs.

22 Management of capital

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern, so that it can continue to provide returns for Shareholders and to provide an adequate return to Shareholders by allocating its capital to assets commensurately 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.

23 Segmental analysis

There is only one class of business and the operations of the Company are wholly in the United Kingdom.

24 Related party transactions

Christopher Moore, a director during the year, is a shareholder in Oxonica plc ("Oxonica") in which the Company had invested £2,524,527 to the end of the year (total carrying value: £nil). He owns 0.21% of the equity of Oxonica.

£34,370 was owed to the Company by Matrix Income & Growth 4 VCT plc, as explained in note 11. The Company and Matrix Income & Growth 4 VCT plc share the same Investment Manager.

25 Post balance sheet events

On 11 October 2010, ATG Media Holdings Limited made a partial loan stock repayment of £111,111.

On 28 October 2010, the Company's acquisition vehicle Aust Construction Investors Limited changed its name to Aust Recruitment Group Limited, and invested £1 million, alongside £441,667 from the Company itself, towards the acquisition of RDL Corporation Limited.

On 1 November 2010, 100,000 shares of Tikit Group plc costing £115,000 were sold for proceeds of £195,913.

On 15 November 2010, the Company committed £280,000 to an equity investment in the AiM listed company Omega Diagnostics Group Plc.

On 17 November 2010, DCG Group Limited repaid its outstanding loan of £173,802 in full plus a loan premium and overdue interest totalling £232,349.

On 24 November 2010, Camwood Limited completed a de-merger of its AppDNA business. The VCT now holds two identical investments of £333,333 loan stock and a 31.5% equity stake in both Camwood Limited and AppDNA Limited.

On 24 November 2010 Westway Services Holdings (2010) Limited repaid part of their loan stock realising £99,681 proceeds, of which £31,148 was premium.

On 8 December 2010, the Company invested £487,744 into Faversham House Group.

. The Income & Growth VCT plc
(Registered in England and Wales No. 4069483)

NOTICE of the ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the tenth Annual General Meeting of The Income & Growth VCT plc ("the Company") will be held at 11.00 am on Wednesday, 16 February 2011 at Matrix Group Limited, One Vine Street, London, W1J 0AH for the purposes of considering and, if thought fit, passing the following resolutions of which resolutions 1 to 9 will be proposed as ordinary resolutions and resolutions 10 to 11 will be proposed as special resolutions:-

1. To receive and adopt the Annual Report and Accounts of the Company for the year ended 30 September 2010, together with the auditors' report thereon.

2. To approve the Directors' Remuneration Report for the year ended 30 September 2010 which is set out in the Annual Report and Accounts of the Company for the year ended 30 September 2010.

3. To appoint PKF (UK) LLP of Farringdon Place, 20 Farringdon Road, London EC1M 3AP as auditors to the Company until the conclusion of the next annual general meeting of the Company.

4. To authorise the Directors to determine the remuneration of the auditors.

5. To elect Jonathan Cartwright as a director of the Company.

6. To re-elect Colin Hook as a director of the Company.

7. To re-elect Helen Sinclair as a director of the Company.

8. To approve the payment of a final dividend in respect of the year ended 30 September 2010 of 2 pence per ordinary share of 1 penny each.

9. That, in substitution for any existing authorities, the directors be and hereby are generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £393,000 provided that this authority shall expire on the fifth anniversary of the date of the passing of this resolution unless renewed, revoked or varied by the Company in general meeting (except that the Company may, before such expiry, make offers or agreements which would or might require shares to be allotted or rights to be granted after such expiry and notwithstanding such expiry the directors may allot shares or grant rights in pursuance of such offers or agreements).

10. That, in substitution for any existing authorities, the Directors be and are hereby empowered in accordance with section 570(1) and section 573 of the Act to allot or make offers or agreements to allot equity securities (as defined in section 560(1) of the Act) for cash, pursuant to the authority given in accordance with section 551 of the Act by Resolution 9 set out in this notice of Annual General Meeting, or by way of sale of treasury shares, as if section 561(1) of the Act did not apply to the allotment or sale provided that this power shall expire on the conclusion of the Annual General Meeting to be held in 2012, and provided further that this power shall be limited to:-

(i) the allotment of equity securities with an aggregate nominal value of £300,000 in connection with offer(s) for subscription;

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

(iii) the allotment, otherwise than pursuant to sub-paragraphs (i) and (ii) above, of equity securities with an aggregate nominal value of up to but not exceeding 10 per cent. of the issued share capital of the Company from time to time; and

(iv) the allotment, otherwise than pursuant to sub-paragraphs (i), (ii) and (iii) above, of equity securities from time to time with an aggregate nominal value of up to but not exceeding 5 per cent. of the issued share capital of the Company from time to time

where the proceeds of the allotment may be used in whole or in part to purchase the Company's shares in the market.

11. That, in substitution for any existing authorities, the Company be and is hereby generally authorised pursuant to section 701 of the Act to make market purchases (as defined in section 693(4) of the Act) of its own ordinary shares of 1 penny each ("Ordinary Shares") provided that:-

(i) the aggregate number of Ordinary Shares hereby authorised to be purchased shall not exceed 5,541,937;

(ii) the minimum price which may be paid for such Ordinary Shares is 1 penny per share, the nominal amount thereof;

(iii) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall be the higher of (i) five per cent. above the average of the middle market price for such share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made; and (ii) the amount stipulated by article 5(1) of the Buyback Regulations 2003.

(v) the authority hereby conferred shall (unless previously renewed or revoked) expire on the conclusion of the annual general meeting of the Company to be held in 2012; and

(vi) the Company may make a contract or contracts to purchase its own Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of its own shares in pursuance of any such contract.

BY ORDER OF THE BOARD

Matrix Private Equity Partners LLP
Secretary
Registered Office
One Vine Street
London W1J 0AH

16 December 2010

Notes

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact Matrix Private Equity Partners LLP, the Company Secretary at One Vine Street, London W1J 0AH or by email to: iandg@matrixgroup.co.uk or telephone on 020 3206 7000.

2. To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received not later than 11.00 am on Monday,14 February 2011 or 48 hours before the time appointed for any adjourned meeting or, in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll.

3. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in paragraph 8 below) will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.

4. 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 shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General 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.

5. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

6. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), Shareholders must be registered in the Register of Members of the Company at 11.00 am on Monday, 14 February 2011 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

8. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RO55) by 11.00 am on 14 February 2011. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

9. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

10. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

11. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

12. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

13. (i) Members representing at least 5% of the total voting rights of all the Members or (ii) at least 100 members who have a relevant right to vote and hold shares in the company on which there has been paid up an average sum, per member, of at least £100 (in accordance with section 525 of the Companies Act 2006) can require the Company to publish a statement on its website setting out any matter relating to (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (b) any circumstances connected with an auditor of the Company ceasing to hold office since the last annual general meeting, that the Members propose to raise at the meeting. The Company cannot require the Members requesting the publication to pay its expenses. Any statement required to be placed on the Company's website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the Meeting includes any statement that the Company has been required to publish on its website. By attending the Meeting, Members and their proxies and representatives are understood by the Company to have agreed to receive any communications relating to the shares of the Company made at the Meeting.

14. As at 16 December 2010 (being the last business day prior to the publication of this Notice) the Company's issued share capital consisted of 36,970,891 Ordinary Shares, each carrying one vote. Therefore, the total voting rights in the Company as at 16 December 2010 were 36,970,891.

15. The Register of Directors' Interests and Directors' appointment letters shall be available for inspection at the place of the Annual General Meeting for at least fifteen minutes prior to and during the meeting. The Directors do not have any service contracts with the Company.

16. A copy of this notice, and other information required by s311A of the Companies Act 2006, can be found at www.incomeandgrowthvct.co.uk.

Corporate Information

Directors
Colin Hook
Jonathan Cartwright
Helen Sinclair

Company's Registered Office
One Vine Street
London
W1J 0AH

Company Secretary
Matrix Private Equity Partners LLP
One Vine Street
London
W1J 0AH

Investment Manager
Matrix Private Equity Partners LLP
One Vine Street
London
W1J 0AH
www.matrixpep.co.uk

Company Registration Number: 4069483
www.incomeandgrowthvct.co.uk

Independent Auditor
PKF (UK) LLP
Farringdon Place
20 Farringdon Road
London
EC1M 3AP

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

Bankers
National Westminster Bank plc
Mayfair Commercial Banking
Centre (First Floor)
65 Piccadilly
London
W1A 2PP

Promoter and Administrator
Matrix Private Equity Partners LLP
One Vine Street
London
W1J 0AH

Solicitors
Martineau
No 1 Colmore Square
Birmingham
B4 6AA

Stockbroker
Matrix Corporate Capital LLP
One Vine Street
London
W1J 0AH

Sponsor
Charles Stanley Securities
131 Finsbury Pavement
London
EC2A 1NT

VCT Status Advisers
PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Receiving Agent
The City Partnership (UK) Limited
Thistle House
21 Thistle Street
Edinburgh EH2 1DF