

THE INCOME & GROWTH VCT PLC



I&G VCT UPDATE FEBRUARY 2010

Welcome to the latest Newsletter from The Income & Growth VCT plc (I&G VCT), providing an update of activity since the Annual Report was circulated to Shareholders in earlier this month.

	NET ASSET VALUE	SHARE PRICE
'O' SHARE FUND	72.2P	49.0P
'S' SHARE FUND	93.1P	94.5P

As at 31 December 2009, the 'O' Share Fund's total return (NAV basis) was 92.7p comprising NAV of 72.2p plus cumulative dividends paid of 20.5p. On a comparable basis, this represents an increase of 0.9% in total shareholder return from 91.9p in the three month period since 30 September 2009. The 'S' Share Fund's NAV per share and therefore total return was 93.1p. The 'S' Share Fund has not yet started to pay dividends. On a comparable basis, this represents a decrease of 0.1% in total shareholder return from 93.2p in the three month period since 30 September 2009.

FINAL DIVIDENDS IN RESPECT OF THE YEAR ENDED 30 SEPTEMBER 2009 ANNOUNCED ON 16 DECEMBER 2009

Share class	Payment Date	Amount per Share
'O' Shares	17 March 2010	2.00p
'S' Shares	17 March 2010	0.50p

SHAREHOLDER CIRCULAR AND EGM TO BE HELD ON 22 MARCH 2010

Shareholders will have received a Circular setting out the Board's proposals to merge the share classes of the Company, approve revised management and administration arrangements, amend the Company's investment policy, make consequential amendments to the Articles and renew and increase the authority to issue and buy-back Shares. The Circular is also available on the Company's website: www.incomeandgrowthvct.co.uk

LATEST INVESTMENTS AND DIVESTMENTS

CB IMPORTS GROUP (COUNTRY BASKETS)



The UK's leading importer of artificial flowers, floral sundries glassware and basketware

I&G VCT has invested £1 million ('O' Share Fund: £697; 'S' Share Fund £303k) to support the management buy-out of CB Imports plc, a profitable company trading under the name of Country Baskets. The investment comprises loan stock and a 6% combined equity stake.

Founded in 1990 and operating from a national distribution centre in Leeds, the Group employs 270 people and has a turnover of circa £20 million.

The company is planning to roll out further outlets across the UK as part of a new growth phase funded by this investment.

IGLU.COM HOLIDAYS

I&G VCT has invested £1 million ('O' Share Fund: £697k; 'S' Share Fund: £303k) in the management buyout and recapitalisation of Iglu.com, the UK's largest specialist ski and fastest growing cruise holiday travel agent. The investment comprises loan stock and a combined equity stake of 8.14%.

Iglu is a profitable and cash generative business. Based in Wimbledon, South London, the company employs more than 95 people. Iglu.com's cruise sales have doubled year on year and this growth looks set to continue. Repeat business and referrals from satisfied customers, plus an increasing share of the growing cruise market have helped Iglu.com secure total sales of £45m this year, up from £38m last year.



An Ocean Village cruise booked through Iglu.com

DIVESTMENT OF PASTAKING HOLDINGS

The 'O' Share Fund has successfully sold its investment in PastaKing, the Newton Abbott based foodservice company for initial proceeds of £779k, to NBGI Private Equity. PastaKing has profited from the Government-backed healthy eating campaign, enjoying rapid growth since investment in 2006 and now has a staff of 71 and an annual turnover of £12 million.

This realisation contributed to total proceeds of some £949k to the Fund over the life of the investment, representing a 3.25 fold gain on the Fund's original investment of £292k.

FUND BREAKDOWN AT 31 DECEMBER 2009

	'O' SHARE FUND		'S' SHARE FUND	
	31-Dec-09	30-Sept-09	31-Dec-09	30-Sept-09
	£	£	£	£
Unquoted loan stock	8,997,248	8,518,656	1,025,449	436,642
Unquoted equities	8,288,736	8,864,480	224,308	161,752
AiM quoted investments	1,786,597	1,908,798	-	-
Money market funds	5,004,810	5,440,722	10,199,639	10,521,348
Cash	221,889	37,925	16,292	17,713
Net other assets/(liabilities)	695,814	111,300	(470,651)	(136,239)
Net assets	24,995,094	24,881,881	10,995,037	11,001,216
Number of shares in issue	34,620,627	34,824,397	11,806,467	11,806,467
Net asset value per share	72.20p	71.45p	93.13p	93.18p

CONTACT MATRIX

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MATRIX

SIX MONTHLY UPDATE FEBRUARY
2010

ASSET MANAGEMENT

QUALIFYING INVESTMENT PORTFOLIO AS AT 30 JUNE 2009

COMPANY	BUSINESS	INVESTMENT COST £	INVESTMENT VALUATION £	% OF THE INVESTMENT PORTFOLIO
Ten largest investments				
Image Source	Royalty free images	305,000	2,269,347	11.2%
Amaldis 2008 (Original Additions)	Beauty products	80,313	1,496,217	7.4%
HWA (Holloway White Allom)	Specialist property contractor	34,553	1,457,610	7.2%
DiGiCo Europe	Audio mixing desks	371,291	1,039,247	5.1%
Apricot Trading	Marketing services/media acquisitions	1,000,000	1,000,000	4.9%
Aust Construction Investors	Construction sector acquisitions	1,000,000	1,000,000	4.9%
CB Imports Group (Country Baskets)	Floral sundries	1,000,000	1,000,000	4.9%
Iglu.com Holidays	On-line ski and cruise and agency	1,000,000	1,000,000	4.9%
VSI	Software for CAD and CAM vendors	245,596	821,332	4.0%
Youngman Group	Ladders and access towers	1,000,052	700,992	3.4%
Total for ten largest investments		6,036,805	11,784,745	58.0%
Other investments		20,219,487	8,537,593	42.0%
Total portfolio		26,256,292	20,322,338	100.0%

MANAGER'S COMMENTARY

The continued economic deterioration in the UK and worldwide has made this a challenging time for the Company and specifically for new investment. Whilst there have been some encouraging signs that the rate of new deal activity was starting to increase towards the end of 2009 it is still too early to say whether this will be sustained. Some sellers have lowered their price expectations in order to stimulate interest from buyers but it is premature to see this as a clear trend. We therefore continue to be cautious and selective in our consideration of potential new deals. We think this caution has been a significant factor in maintaining value in the portfolio through a very volatile period.

The majority of investee companies have managed their cashflow well and remain cash-generative. Some of the companies in the portfolio in particular continue to be strongly cash generative and amongst these Westway repaid £38,922 of loan stock considerably earlier than expected in October 2009. DiGiCo Europe has continued to roll out new products and this has led to rising profit growth this year. The company repaid a further £142,804 of loan stock in December 2009 plus the premium due. We have been working actively with the management teams of investee companies encouraging them to take cost cutting measures and looking with them at planning, forecasting and cost systems, where appropriate, to ensure that they as resilient as possible in the current market.

We expect that follow-on finance to support portfolio companies may become a focus over the coming months. The Company's significant cash reserves means that it is well placed to cover both the portfolio needs and new investment opportunities that may arise. The 'O' Share Fund has made two follow-on investments towards the end of last year. The first of these was of £423k into HWA Group which trades as Holloway White Allom, the specialist contractor in the high-end residential and heritage property refurbishment market bringing the Fund's total investment to £458k. The second was an investment of £91k into British International to provide additional working capital, bringing its total investment in this provider of helicopter services to £295k.

The Company's investments in PXP, Youngman Group and Plastic Surgeon each have exposure to the house building and construction markets and all have continued to suffer from the decline of this sector over the last two years. Blaze Signs has also continued to experience a fall in activity arising from much reduced levels of new signage rollouts from its major customers. Again it has responded by reducing its cost base. The performance of Monsal during the year has also improved materially and the outlook is further enhanced by the prospect of new capital contracts as water companies commit to new waste management projects and the company exploits its expertise in anaerobic digestion. ATG Media has performed in line with expectations over last year and the progress of its online auction platform looks particularly promising.

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