INVESTMENT PRODUCTS

MATRIX INCOME & GROWTH VCT PLC 2

A VENTURE CAPITAL TRUST

REPORT & ACCOUNTS

Annual Report and Accounts
for the year ended 30 April 2007

MATRIX

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

Investment Objective

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

Venture Capital Trust Status

Matrix Income & Growth 2 VCT has satisfied the requirements as a Venture Capital Trust under section 842AA of the Income and Corporation Taxes Act 1988 and the Directors intend to conduct the business of the Company so as to continue to comply with that section.

Contents

Corporate Information

Directors
Nigel Melville (Chairman)
Fredrik Adams (to 5 September 2006)
Michael Cumming (to 5 September 2006)
Adam Kingdon (from 29 September 2006)
Sally Leeson (from 1 January 2007)
Kenneth Vere Nicoll

Company's registered office and head office
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London SW1Y 4UH

Secretary
Matrix-Securities Limited
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VCT Tax Adviser
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WC2N 6RN

Sponsors and Stockbrokers
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London
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Promoter and Company Accountants
Matrix-Securities Limited
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London
SW1Y 4UH

Solicitors
Martineau Johnson
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Also at
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Registrar
Capita Registrars
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Huddersfield
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HD8 0LA

Company Registration Number : 3946235

Website: www.matrixgroup.co.uk
E-mail: info@matrixpep.co.uk

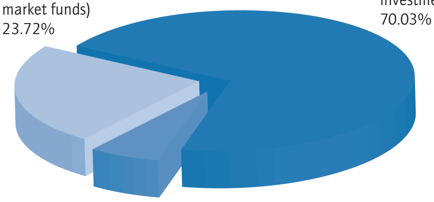
Financial Highlights

Ordinary Shares (listed on 11 July 2000)

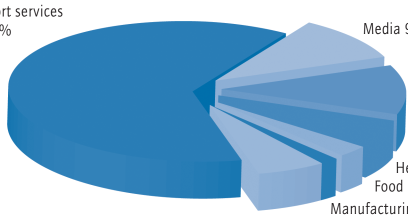
Initial net asset value per Ordinary Share	94.00 pence
Initial net assets	£12,388,236

	30 April 2007	30 April 2006
Net assets	£12,912,394	£10,938,976
Net asset value per Ordinary Share	107.24 pence	87.05 pence
Total dividends per Ordinary Share paid to date	14.79 pence	14.79 pence
Total return to shareholders since launch per share*	122.03 pence	101.84 pence
Share price (mid market price)	79.50 pence	69.50 pence
Earnings per Ordinary Share	19.20 pence	6.91 pence
Total dividends per Ordinary Share for the period	–	12.00 pence

Investments by asset class



Investments by market sector

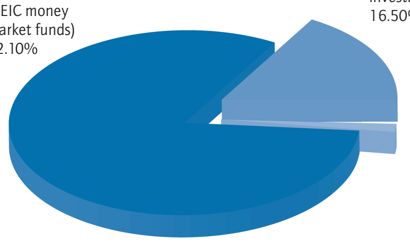


C Shares (listed on 21 December 2005)

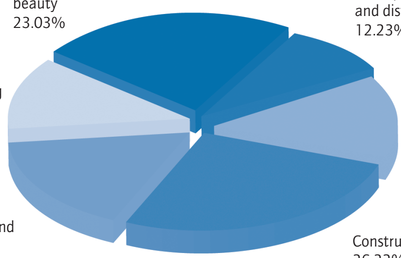
Initial net asset value per C Share	94.50 pence
Initial net assets	£8,648,486

	30 April 2007	30 April 2006
Net assets	£8,885,025	£8,626,295
Net asset value per C Share	97.15 pence	94.32 pence
Total return to shareholders since launch per share*	97.15 pence	94.32 pence
Share price (mid market price)	100.00 pence	100.00 pence
Earnings/(loss) per C Share for the year	2.83 pence	(0.56) pence
Total dividends per C Share for the period	–	–

Investments by asset class



Investments by market sector



* Net asset value per share plus cumulative dividends per share. This compares to an original investment cost of 80 pence per share for the Ordinary Share Fund and 60 pence per share for the C Share Fund after allowing for income tax relief of 20 pence and 40 pence per share respectively.

Chairman's Statement

I am pleased to present the seventh annual report and financial statements of Matrix Income & Growth 2 VCT.

Results for the year ended 30 April 2007

The results for the year ended 30 April 2007 are set out in the following pages. The total return (after tax) attributable to the Ordinary Shareholders was £2,378,445 (2006: £875,976) and the net asset value ("NAV") per Ordinary Share at 30 April 2007 was 107.24 pence compared with 87.05 pence as at 30 April 2006. The after tax revenue return before net capital gains was 1.54 pence per Ordinary Share for the year to 30 April 2007 (2006: loss 0.49 pence).

The total return (after tax) attributable to the C Shareholders was £258,730 (2006: £22,191) and the NAV per C Share at 30 April 2007 was 97.15 pence compared with 94.32 pence as at 30 April 2006. The after tax revenue return before net capital gains was 2.30 pence per Ordinary Share for the year to 30 April 2007 (2006: 0.05 pence).

These are pleasing results and, in the case of Ordinary Shareholders, already reflect the benefits of the change in investment strategy pursued since September 2005, which has begun to deliver strong income flows to the Ordinary Share Fund. This has been combined with some net increases in the valuations of both Funds.

New Investment Activity

Following the raising of the C Share Fund in the previous year, the period to 30 April 2007 saw increased investment in management buy-out ("MBO") transactions by your Investment Manager, Matrix Private Equity Partners.

The Ordinary Share and C Share Funds co-invested a total of £3.55 million in five transactions during the year, four of which were MBOs. Details of these are provided in the Investment Portfolio Summary and Investment Manager's Report on pages 4-12.

A feature of MBO investments is their ability to generate income to the Funds by investing in loan stocks as well as ordinary shares. The annualised yield from loan stocks is now running at 8.8% and 9.8% to the Ordinary and C Share Funds respectively. During the year interest and dividend income totalled in excess of £0.4 million.

Portfolio Activity

During August the Ordinary Share Fund realised its remaining investment in Miva Inc., bringing total proceeds to £757,000 against original cost of £612,000. This Fund now holds eleven investments made since the change of investment strategy in 2005, accounting for almost 60% by cost and 80% by valuation of the Fund's assets. Nine of these investments are MBOs.

The C Share Fund currently holds investments in seven companies, showing valuations at this early stage of this portfolio's life of some 12% above cost.

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

Dividend

The revenue account generated a net revenue return for the year of £190,379 for the Ordinary Share Fund (2006: (£62,412)) and £210,137 for the C Share Fund (2006: £2,090). As the Ordinary Share Fund's revenue reserve remained in deficit at the end of the year, your Directors will not therefore be recommending a final income dividend for Ordinary Shareholders. However, following some successful realisations, they will be recommending a final capital dividend of 6 pence per Ordinary Share at the Annual General Meeting to be held on 11 September 2007. For the C Share Fund your Directors will be recommending a final income dividend of 1.5 pence per C Share at the Annual General Meeting. If approved, the dividends will be paid on 19 September 2007 to Shareholders on the register on 24 August 2007.

Board of Directors

At the interim stage I reported the appointment to the Board of Adam Kingdon. I am now delighted to welcome Sally Leeson as a Non-Executive Director. Sally, who joined the Board on 1 January 2007, has held a range of roles in the financial services sector and in particular has worked in the private equity industry for a number of years.

Conclusion

I would like to express my thanks to all shareholders for your continuing support of the Company. I hope to have the opportunity of meeting you at the Annual General Meeting on 11 September 2007.

Nigel Melville
Chairman

18 June 2007

Investment Portfolio Summary
as at 30 April 2007

Ordinary Share Fund

	Date of initial investment	Total book cost £	Valuation £	% of investment portfolio by value
Qualifying investments				
AIM quoted investments				
Clarity Commerce Solutions plc Customer relationship management software	July 2000	510,000	489,600	3.9%
BBI Holdings plc Development and manufacture of rapid test diagnostic products	May 2006	118,738	176,191	1.3%
SectorGuard plc Provision of manned guarding, mobile patrolling, and alarm response services	August 2005	150,000	150,000	1.1%
		778,738	815,791	6.3%
Unquoted investments				
Youngman Group Limited Manufacturer of ladders and access towers	October 2005	1,000,000	2,981,455	22.8%
Gyro International Limited Brand Communications agency	February 2005	750,000	1,506,688	11.5%
Campden Media Limited Magazine publisher and conference organiser	January 2006	975,000	990,371	7.6%
British International Holdings Limited Supplier of helicopter services	June 2006	832,827	832,827	6.4%
VSI Limited Developer and marketer of 3D software	April 2006	365,764	657,465	5.0%
PXP Holdings Limited (Pinewood Structures) Designer, manufacturer and supplier of timber frames for housing	December 2006	588,886	588,886	4.5%
Blaze Signs Holdings Limited Signwriter	April 2006	339,546	535,644	4.1%
Racoon International Holdings Limited (formerly Castlegate 435 Limited) Supplier of hair extensions, hair care products and training	December 2006	517,350	517,350	4.0%
PastaKing Holdings Limited Supplier to the educational and food service market	June 2006	274,624	274,624	2.1%
Vectair Holdings Limited A provider of air care and sanitary washroom products	January 2006	243,784	258,567	2.0%
Award International Holdings plc Sales promotion activities	March 2004	250,000	-	0.0%
Callserve Communications Limited Voice over Internet Protocol	October 2000	300,000	-	0.0%
Flightstore Group plc In-flight retail services	March 2001	254,586	-	0.0%
Monactive Limited (in administration) Software asset management tools and services	March 2001	642,857	-	0.0%
Recite Limited Sales support software	August 2003	1,000,000	-	0.0%
		8,335,224	9,143,877	70.0%
Total qualifying investments		9,113,962	9,959,668	76.3%
Non-qualifying investments				
Money market funds [1]		3,095,867	3,095,867	23.7%
AIM quoted and unquoted investments		971	1,276	0.0%
Total non-qualifying investments		3,096,838	3,097,143	23.7%
Total investments		**12,210,800**	**13,056,811**	**100.0%**

C Share Fund

	Date of initial investment	Total book cost £	Valuation £	% of investment portfolio by value
Qualifying investments				
AIM quoted investments				
BBI Holdings plc	May 2006	82,893	123,002	1.4%
Development and manufacture of rapid test diagnostic products				
		82,893	123,002	1.4%
Unquoted investments				
PXP Holdings Limited (Pinewood Structures)	December 2006	411,114	411,114	4.7%
Designer, manufacturer and supplier of timber frames for housing				
Racoon International Holdings Limited (formerly Castlegate 435 Limited)	December 2006	361,177	361,177	4.1%
Supplier of hair extensions, hair care products and training				
VSI Limited	April 2006	122,897	220,911	2.5%
Developer and marketer of 3D software				
PastaKing Holdings Limited	June 2006	191,720	191,720	2.2%
Supplier to the educational and food service market				
British International Holdings Limited	June 2006	167,173	167,173	1.9%
Supplier of helicopter services				
Blaze Signs Holdings Limited	April 2006	58,953	93,001	1.1%
Signwriter				
		1,313,034	1,445,096	16.5%
Total qualifying investments		1,395,927	1,568,098	17.9%
Non-qualifying investments				
Money market funds [1]		7,193,154	7,193,154	82.1%
Unquoted investments		4	4	0.0%
Total non-qualifying investments		7,193,158	7,193,158	82.1%
Total investments		8,589,085	8,761,256	100.0%

1 Disclosed within Non-current assets (monies held pending investment) in the Balance Sheet

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

Investment Manager's Review

Strategy
Throughout the period Matrix Private Equity Partners LLP ("MPEP") has continued to pursue its strategy of investing in established, profitable, unquoted companies with its primary focus on investments in MBOs.

New Investment Activity
During the year five new joint investments were completed by the Ordinary and C Share Funds, four of which were MBOs, together with an investment in May in the AIM-quoted BBI. Details of the two investments made in June, PastaKing and British International, were set out in the Interim Report. These were followed in December by two further MBO transactions. In the first, the Ordinary and C Share Funds invested £588,886 and £411,114 respectively in the MBO of Pinewood Structures, a leading supplier of timber-frame sections to the UK building sector. The second, the MBO of Racoon International, the UK's largest supplier of hair extensions and related products, involved investments of £517,350 and £361,177 by the Ordinary and C Share Funds respectively.

Competition for deals has increased in the period due to the weight of debt and equity funding available. In the corporate finance market this is generally inflating purchase prices and also bringing forward more opportunities of lower quality. MPEP is therefore adopting a highly selective and cautious approach towards new investment in the current environment but remains confident of maintaining and meeting the relevant qualifying investment targets which apply to both Funds.

Ordinary Share Fund Portfolio Highlights
Following the divestment in August of the Ordinary Share Fund's investment in Miva, at the year-end the Fund held investments in eighteen companies at a cost of £9.1 million, valued at £10 million. Four of these remain at cost in accordance with IPEVCV guidelines, having been held for less than one year.

Of the AIM-quoted investments, BBI has made a number of acquisitions over the year and its share price has shown strong performance over the period. SectorGuard has also been acquisitive and became one of the first companies to be accredited under the Security Industry Authority's new "Approved Contractor" scheme. Clarity Commerce Systems' share price has, however, been disappointing and has recently led to shareholder action seeking to effect management change.

The newer unquoted investments are generally performing in line with or above expectations at the time of investment. Campden Media is busy developing its US conferencing business and is growing its online medical offering. Blaze Signs has benefited from significant growth amongst its retail client base and exceeded expectations. Vectair is growing well in a number of export markets. VSI hit its business plan profit and is now investing in further product development.

PastaKing has grown strongly and continues to develop and refresh its pasta and sauce product range; its products are now available in almost a thousand catering outlets, particularly schools. British International has enjoyed a successful year and has opportunities to expand further into offshore oil and gas helicopter service provision. Although Racoon International has had a disappointing few months since investment, it remains profitable and is focussing on significant export potential. PXP (Pinewood) has started in line with expectations and the outlook remains strong with timber frame construction continuing to gain market share in new house construction.

In terms of valuations, significant increases in valuations have been attributed to Youngman Group, whose performance has materially exceeded the expectations at investment, and Gyro International, which enjoyed excellent profit growth and raised additional funds during the year at a premium to the cost of the Fund's 2005 investment. Encouragingly, a number of more recent investments, notably Blaze Signs and VSI, are now valued above cost, following good performances since investment. The major disappointment has been the Fund's investment in Recite, which has experienced poor trading over the past year. The Fund's investment was fully provided against as at 30 April 2007.

MPEP continues to be encouraged by the overall performance of the Fund's portfolio and expects to see both further growth in value and realisation opportunities over the coming year.

C Share Fund Portfolio Highlights
The C Share Fund is at an earlier stage of its development. At the year-end the Fund held investments in seven companies at a cost of £1.4 million, valued at £1.6 million. Four of these remain valued at cost in accordance with IPEVCV guidelines. BBI's share price has shown a 48% increase since the investment was made last May and, as mentioned above, both Blaze Signs and VSI have performed well, leading to uplifts above cost now that a full year since investment has passed. The progress of the other investments, Racoon International, British International, PXP (Pinewood) and VSI is discussed in the Ordinary Share Fund Portfolio Highlights above.

Further details of the Company's investments are as follows:

Award International Holdings plc

	Ordinary Share Fund
Cost:	£250,000
Valuation:	£Nil
Basis of valuation:	Cost less impairment
Equity % held and voting rights:	7.7%
Income receivable in year:	Nil
Business:	Promotional goods and services agency
Location:	Margate, Kent
Nature of transaction:	AIM flotation, now unquoted

Audited financial information:

Year ended	Turnover	Operating loss	Net liabilities
30 September 2006	£0	£1,236,000	£651,000

BBI Holdings plc

	Ordinary Share Fund	C Share Fund
Cost:	£118,988	£82,893
Valuation:	£176,467	£123,002
Basis of valuation:	Bid price	Bid price
Equity % held and voting rights:	0.5%	0.3%
Income receivable in year:	£639	£446
Business:	Developer and manufacturer of rapid test diagnostic products	
Location:	Cardiff	
Nature of transaction:	AIM flotation	

Audited financial information:

Year ended	Turnover	Operating profit	Net assets	Earning per share
31 March 2006	£6,351,000	£1,118,000	£7,203,000	2.8p (fully diluted)

Blaze Signs Holdings plc

	Ordinary Share Fund	C Share Fund
Cost:	£339,545	£58,953
Valuation:	£535,644	£93,001
Basis of valuation:	Cost	Cost
Equity % held and voting rights:	9.6%	1.7%
Income receivable in year:	£23,408	£4,064
Business:	Manufacturing and installation of signs	
Location:	Broadstairs, Kent	
Nature of transaction:	MBO from private ownership	

Audited financial information:

Year ended	Turnover	Operating profit	Net assets
31 March 2006	£11,908,000	£1,320,000	£2,214,000

Note: Accounts are those of Blaze Neon Limited, the operating subsidiary.

Investment Manager's Review

British International Holdings Limited

	Ordinary Share Fund	C Share Fund
Cost:	£832,827	£167,173
Valuation:	£832,827	£167,173
Basis of valuation:	Cost	Cost
Equity % held and voting rights:	8.3%	1.7%
Income receivable in year:	£50,609	£10,159
Business:	Helicopter service operator	
Location:	Sherborne, Dorest	
Nature of transaction:	MBO	

Audited financial information:
First audited accounts will be for the period ended 31 December 2006

Callserve Communications Limited

	Ordinary Share Fund
Cost:	£300,000
Valuation:	£Nil
Basis of valuation:	Cost less impairment
Equity % held and voting rights:	0.8%
Income receivable in year:	Nil
Business:	Internet telephony and Voice over Internet Protocol ("VoIP")
Location:	London
Nature of transaction:	Expansion capital to roll out VoIP service

Audited financial information:

Year ended	Turnover	Operating loss	Net liabilities
31 December 2005	£9,183,000	£743,000	£5,976,000

Campden Media Limited

	Ordinary Share Fund
Cost:	£975,000
Valuation:	£990,371
Basis of valuation:	Earnings multiple
Equity % held and voting rights:	11.2%
Income receivable in year:	£70,056
Business:	Publishing and conferencing
Location:	London
Nature of transaction:	MBO from private ownership

Audited financial information:
First audited accounts will be for the period ended 31 December 2006

Clarity Commerce Solutions plc

	Ordinary Share Fund
Cost:	£510,552
Valuation:	£490,072
Basis of valuation:	Bid price
Equity % held and voting rights:	3.4%
Income receivable in year:	Nil
Business:	EPOS and CRM solutions provider
Location:	Salisbury, Wiltshire
Nature of transaction:	Expansion capital as part of flotation and placing on AIM

Audited financial information:

Year ended	Turnover	Operating profit	Net assets	Earning per share
31 March 2006	£18,884,000	£1,358,000	£10,320,000	5.8p (fully diluted)

Flightstore Group plc

	Ordinary Share Fund
Cost:	£750,000
Valuation:	£Nil
Basis of valuation:	Cost less impairment
Equity % held and voting rights:	0.1%
Income receivable in year:	Nil
Business:	Solar technology investment
Location:	Reigate, Surrey
Nature of transaction:	AIM flotation, now unquoted

Audited financial information:

Year ended	Turnover	Operating loss	Net assets
31 December 2005	£5,000	£355,000	£53,000

Gyro International Limited

	Ordinary Share Fund
Cost:	£750,000
Valuation:	£1,506,688
Basis of valuation:	Discounted earnings
Equity % held and voting rights:	5.7%
Income receivable in year:	£22,202
Business:	Brand communications agency
Location:	London
Nature of transaction:	Expansion/replacement capital

Audited financial information:

Year ended	Turnover	Operating profit	Net assets
31 October 2006	£24,796,000	£1,735,000	£5,838,000

Investment Manager's Review

Monactive Limited (in Administration)

	Ordinary Share Fund
Cost:	£642,857
Valuation:	£Nil
Basis of valuation:	Cost less impairment
Equity % held and voting rights:	13.6%
Income receivable in year:	Nil
Business:	Software asset management
Location:	Reading, Berkshire
Nature of transaction:	Expansion capital

Audited financial information:

Year ended	Turnover	Operating loss	Net liabilities
31 July 2005	£1,071,000	£32,000	£2,306,000

PastaKing Holdings Limited

	Ordinary Share Fund	C Share Fund
Cost:	£274,624	£191,720
Valuation:	£274,624	£191,720
Basis of valuation:	Cost	Cost
Equity % held and voting rights:	4.3%	3.0%
Income receivable in year:	£18,339	£12,803
Business:	Supplier to the educational and foodservice markets	
Location:	Newton Abbot, Devon	
Nature of transaction:	MBO from private ownership	

Audited financial information:

Year ended	Turnover	Operating profit	Net assets
30 June 2006	£5,934,000	£1,402,000	£1,922,000

Note: Accounts are those of Pastaking (UK) Limited, the operating subsidiary.

PXP Holdings Limited (Pinewood Structures)

	Ordinary Share Fund	C Share Fund
Cost:	£588,886	£411,114
Valuation:	£588,886	£411,114
Basis of valuation:	Cost	Cost
Equity % held and voting rights:	5.0%	3.5%
Income receivable in year:	£12,007	£8,410
Business:	Designer, manufacturer and supplier of timber frames for buildings	
Location:	Sandy, Bedfordshire	
Nature of transaction:	MBO from private ownership	

Audited financial information:

First audited accounts will be for the period ended 31 December 2006

Racoon International Holdings Limited (formerly Castlegate 435 Limited)

	Ordinary Share Fund	C Share Fund
Cost:	£517,350	£361,177
Valuation:	£517,350	£361,177
Basis of valuation:	Cost	Cost
Equity % held and voting rights:	7.2%	5.1%
Income receivable in year:	£15,565	£10,866
Business:	Supplier of hair extensions, hair care products and training	
Location:	Leamington Spa, Warwickshire	
Nature of transaction:	MBO from private ownership	

Audited financial information:

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

Recite Limited

	Ordinary Share Fund
Cost:	£1,000,000
Valuation:	£Nil
Basis of valuation:	Cost less impairment
Equity % held and voting rights:	25.2%
Income receivable in year:	£24,822
Business:	Salesforce management solutions
Location:	Maidenhead, Berkshire
Nature of transaction:	Replacement capital

Audited financial information:

Year ended	Turnover	Operating loss	Net liabilities
30 April 2006	£2,185,000	£517,000	£243,000

SectorGuard plc

	Ordinary Share Fund
Cost:	£150,000
Valuation:	£150,087
Basis of valuation:	Bid price (AIM-quoted)
Equity % held and voting rights:	1.4%
Income receivable in year:	£4,717
Business:	Provision of manned guarding, mobile patrolling and alarm response services
Location:	Waltham Cross, Essex
Nature of transaction:	Expansion finance as part of a £3 million capital raising

Year ended	Turnover	Operating profit	Net assets	Earning per share
30 September 2006	£17,782,000	£1,070,000	£8,886,000	0.22p (fully diluted)

Vectair Holdings Limited

	Ordinary Share Fund
Cost:	£243,784
Valuation:	£258,567
Basis of valuation:	Earnings multiple
Equity % held and voting rights:	5.2%
Income receivable in year:	£16,469
Business:	Design and sale of washroom products
Location:	Basingstoke, Hampshire
Nature of transaction:	MBO from private ownership

Audited financial information:

Year ended	Turnover	Operating profit	Net assets
31 July 2006	£6,518,000	£489,000	£1,605,000

VSI Limited

	Ordinary Share Fund	C Share Fund
Cost:	£365,764	£122,897
Valuation:	£657,481	£220,915
Basis of valuation:	Earnings multiple	Earnings multiple
Equity % held and voting rights:	9.4%	3.2%
Income receivable in year:	£32,256	£10,838
Business:	Software for CAD and CAM vendors	
Location:	Sheffield	
Nature of transaction:	MBO from private ownership	

Audited financial information:

First audited accounts will be for the period ended 31 December 2006

Youngman Group Limited

	Ordinary Share Fund
Cost:	£1,000,052
Valuation:	£2,981,880
Basis of valuation:	Earnings multiple
Equity % held and voting rights:	8.6%
Income receivable in year:	£80,454
Business:	Manufacture of ladders and access towers
Location:	Maldon, Essex
Nature of transaction:	Management buy-in/buy-out from SGB Group

Audited financial information:

9 months year ended	Turnover	Operating profit	Net assets
30 June 2006	£30,858,000	£2,720,000	£1,698,000

Further details of the investments in the MPEP portfolio, including links to the websites of investee companies, may be found on MPEP's website: www.matrixpep.co.uk

Board of Directors

Nigel Melville

Status: Independent, non-executive Chairman

Age: 62

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

Last re-elected to the Board: September 2004. Standing for re-election at the Annual General Meeting on 11 September 2007.

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

Number of Board and Committee meetings attended 2006/07: 12/12

Remuneration 2006/07: £16,298.

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

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

Shareholdings in investee companies: None

Adam Kingdon

Status: Independent, non-executive Director

Age: 48

Adam has over twenty years experience as a turnaround specialist and of restoring companies to profitability. He is also a director of i²O Water Limited and Kingdon Burrows Performance Aircraft Limited. In 2002 he set up Adam Kingdon Associates Limited.

Last re-elected to the Board: Appointed by the Board September 2006, subject to re-election at the Annual General Meeting on 11 September 2007.

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

Number of Board and Committee meetings attended 2006/07: 5/5

Remuneration 2006/07: £7,036.

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

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

Shareholdings in investee companies: None.

Sally Leeson

Status: Independent, non-executive Director

Age: 38

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

Last re-elected to the Board: Appointed by the Board January 2007, subject to re-election at the Annual General Meeting on 11 September 2007.

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

Number of Board and Committee meetings attended 2006/07: 2/2

Remuneration 2006/07: £4,000.

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

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

Shareholdings in investee companies: None.

Kenneth Vere Nicoll

Status: Non-Executive Director

Age: 64

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

Last re-elected to the Board: September 2005.

Committee memberships: Nominations Committee, Remuneration Committee.

Number of Board and Committee meetings attended 2006/07: 10/11

Remuneration 2006/07: £12,000

Relevant relationships with the Investment Manager or other service providers: Director and shareholder of Matrix Group Limited and Director of Matrix-Securities Limited (for further details please see related party transactions in the Directors' Report on page 15).

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

Shareholdings in investee companies: None.

Directors' Report

The Directors present their seventh annual report together with the audited financial statements of the Company for the year ended 30 April 2007.

Principal activity and status

The principal activity of the Company is the making of investments in unquoted or AIM-quoted companies in the UK. Matrix Income & Growth 2 VCT has satisfied the requirements as a Venture Capital Trust under Section 842AA of the Income and Corporation Taxes Act 1988 ("ICTA"). The Directors have managed, and it is their intention to continue to manage, the Company's affairs in such a manner as to comply with this section of the ICTA.

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

The Ordinary Shares were first admitted to the Official List of the UK Listing Authority on 11 July 2000. The C Shares were first admitted to the Official List of the UK Listing Authority on 21 December 2005.

A review of the Company's business during the period and consideration of its future development and prospects are contained in the Chairman's Statement on pages 2-3 of this Annual Report.

Business review and performance review

For a review of the Company's development and performance during the year, please see the Chairman's Statement on pages 2-3 and the Investment Portfolio Summary and Investment Manager's Review on pages 4-12 of this Report. The Financial Highlights on page 1 provides data on the Company's key performance indicators.

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

Total return

- The total return per share is the key measure of performance for the Company which comprises NAV plus cumulative dividends paid per share. The Company's NAV is calculated quarterly in accordance with the IPEVCV guidelines. The net assets of the Ordinary Share Fund increased during the year under review resulting in a 23.2% increase in NAV per share and a 19.8% increase in total return per share. The net assets of the C Share Fund increased during the year under review resulting in a 3% increase in both NAV and total return per share as the Fund has not, to date, paid any dividends.

Total expense ratio (TER)

- The TER of the Company for the year under review was 3.5%.

Results

	Ordinary Share Fund		C Share Fund	
	30 April 2007	30 April 2006	30 April 2007	30 April 2006
	£	£	£	£
Capital return transferred to/(from) reserves	2,188,066	938,388	48,593	(24,281)
Revenue return, before taxation	227,476	(62,412)	261,391	(2,090)
Taxation	(37,097)	-	(51,254)	-
Revenue return for the year	190,379	(62,412)	210,137	(2,090)

Dividends

The Directors will not be recommending a final income dividend for Ordinary Shareholders, however your Directors will be recommending a final capital dividend of 6 pence per Ordinary Share at the Annual General Meeting to be held on 11 September 2007. For the C Share Fund your Directors will be recommending a final income dividend of 1.5 pence per C Share at the Annual General Meeting. If approved, the dividends will be paid on 19 September 2007 to Shareholders on the register on 24 August 2007.

Issue and buy-back of shares

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

Shareholders granted the Company the power to purchase its own shares at the Annual General Meeting held on 5 September 2006. A resolution to renew this authority will be proposed at the Annual General Meeting to be held on 11 September 2007 (see below).

During the year the Company purchased 525,000 (2006: 254,751) Ordinary Shares for cancellation (being 4.18% of the opening issued share capital) at a cost of £403,000 (2006: £179,888) (excluding expenses). The issued Ordinary Share capital of the Company as at 30 April 2007 was £120,411 (2006: £125,661). The number of Ordinary Shares in issue as at this date was 12,041,147 (2006: 12,566,147). The issued C Share capital of the Company as at 30 April 2007 was £91,460 (2006: £91,460). The number of C Shares in issue as at this date was 9,145,990 (2006: 9,145,990).

Directors

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

	Ordinary Shares held on		C Shares held on	
	1 May 2006	30 April 2007	1 May 2006	30 April 2007
Nigel Melville	20,450	20,450	21,100	21,100
Adam Kingdon (from 29 September 2006)	-	-	-	-
Sally Leeson (from 1 January 2007)	-	-	-	-
Kenneth Vere Nicoll	20,450	20,450	26,375	26,375
Michael Cumming (to 5 September 2006)	10,225	N/A	7,912	N/A
Fredrik Adams (to 5 September 2006)	2,556	N/A	-	-

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

Biographical notes on the Directors are given on page 13 of this Annual Report.

Directors' Report

During the year Fredrik Adams and Michael Cumming retired from the Board following the Annual General Meeting on 5 September 2006. The Board has since appointed Adam Kingdon on 29 September 2006 and Sally Leeson on 1 January 2007 as Non-executive Directors, who will both stand for re-election at the Annual General Meeting on 11 September 2007. Nigel Melville will also retire from the Board by rotation at the AGM in accordance with the Articles of Association of the Company and being eligible offers himself for re-election

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

Management

Matrix Private Equity Partners Limited was appointed as Investment Manager in respect of the venture capital investments on 20 September 2005. On 20 October 2006 Matrix Private Equity Partners Limited transferred its business to Matrix Private Equity Partners LLP and the Company novated the existing Investment Adviser's Agreement and Incentive Agreement to Matrix Private Equity Partners LLP. For further information please see Note 3 to the financial statements on page 31.

The Directors regularly review the performance of the Investment Manager and have introduced an annual evaluation in respect of the year under review. They believe that the continuing appointment of the Matrix Private Equity Partners LLP on the terms agreed is in the interests of the Shareholders as a whole.

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

Auditors

Following the merger of MRI Moores Rowland LLP with Mazars LLP, MRI Moores Rowland LLP resigned on 1 May 2007 and the Directors appointed its successor Mazars LLP, as auditors to fill the casual vacancy arising thereon. A resolution to re-appoint Mazars LLP as auditors to the Company and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Auditors' right to information

So far as the Directors in office at 30 April 2007 are aware, there is no relevant audit information of which the auditors are unaware. They have individually taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

VCT status monitoring

PricewaterhouseCoopers LLP succeeded Martineau Johnson as VCT Status Advisers with effect from 20 September 2005 and 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.

Substantial shareholdings

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

Related party transactions

Kenneth Vere Nicoll is a director and shareholder of Matrix Group Limited, which owns Matrix-Securities Limited and MPE Partners Limited, a member of Matrix Private Equity Partners LLP. Kenneth is also a director of Matrix-Securities Limited. Matrix-Securities Limited acted as promoter to the Company but received no fees in respect of this appointment during the year under review. (2006: £497,504). It also provided accountancy and company secretarial services to the Company for which it received payment of £89,531 (2006: £56,801) including VAT during the year. Matrix Private Equity Partners LLP is the Company's Investment Manager in respect of venture capital investments and earned fees of £478,225 (2006: £288,429 as Matrix Private Equity Partners Limited), including VAT for the year.

Policy of paying creditors

The Company does not subscribe to a particular code but follows a policy whereby suppliers are paid by the due date and investment purchases are settled in accordance with the stated terms. At 30 April 2007, the average credit period for trade creditors was 17 days excluding the impact of a buy-back of 300,000 Ordinary Shares just before the year-end (2006: 20 days).

Directors' and Officers' liability insurance

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

Annual General Meeting

Formal notice convening the Annual General Meeting of the Company on 11 September 2007 is set out on pages 45-46 of this Annual Report.

Special business

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

Resolution 9: Electronic Communications

The Companies Act 2006 allows companies to, with shareholder approval, send or supply documents and information to shareholders in electronic form and by a website. The Directors are of the opinion that this could be beneficial for both the Company and its Shareholders, in particular as it may help reduce administration costs.

As an initial step the Directors propose by Resolution 9 to authorise the Company to send electronic communications to shareholders and make documents and information available on a website. If Shareholders approve this resolution the Directors will then review the procedures required to enable electronic communications and, if in the best interests of Shareholders, will provide further information to Shareholders at the appropriate time.

Resolution 10: Allotment of shares

This resolution will authorise the Directors to allot relevant securities generally, in accordance with Section 80 of the Companies Act 1985 (as amended) ("the Act"), up to a nominal amount of £74,940 representing approximately 25% of the issued Ordinary Share capital and/or the issued C Share capital of the Company as at the date of this Annual Report plus the maximum number of Ordinary Shares that may be allotted in connection with the performance warrant rights as set out in the Carried Interest Agreement dated 10 May 2000. The authority will expire on the fifth anniversary of the passing of the resolution and is proposed as an ordinary resolution.

Resolution11: Disapplication of pre-emption rights

Under Section 89 of the Act, if the Directors wish to allot any of the unissued share capital for cash they must first offer such shares to existing shareholders in proportion to their current holdings. Resolution 11 will enable the Directors to allot equity securities for cash without first offering the securities to existing Shareholders in connection with

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

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

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

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

This resolution is proposed as a special resolution and unless previously renewed or revoked, will expire on the earlier of the Annual General Meeting to be held in 2008 and the date which is fifteen months after the date on which this resolution is passed.

Resolution 12: Authority for the Company to purchase its own shares

It is proposed by Resolution 12 that the Directors be given authority to make market purchases of the Company's own shares. Under this authority, the Directors may purchase shares with an aggregate nominal amount up to but not exceeding 14.99% of the Company's issued Ordinary Share capital or C Share capital (as the case may be) at the date the resolution is passed. When buying shares, the Directors cannot pay a price per share which is more than 105% of the average of the middle market quotations for an Ordinary Share or a C Share (as the case may be) taken from the London Stock Exchange Daily Official List for the 5 business days immediately before the date on which shares are purchased or less than 1 penny (the nominal value of the shares).

This authority will expire on the earlier of the Annual General Meeting of the Company to be held in 2008 and the date which is fifteen months after the date on which this resolution is passed.

Resolution 13: Change of Accounting Reference Date - Amendment to the Articles of Association

Article 2.2.7 of the Company's Articles of Association states that the selection of an accounting reference date other than 30 April 2007 must be approved by the holders of "C" Shares as a class and the holders of Ordinary Shares as a class by extraordinary resolution. It is proposed that this Article be amended to enable the holders of each class of shares to authorise the Directors to select an accounting reference date other than 30 April.

Under VCT tax legislation the Company is required to hold 70% of its investments in qualifying investments and the date from which the funds raised under the C Share Offer will be required to be included in this calculation is the beginning of the next accounting period.

This amendment is being proposed to enable the Directors, subject to approval at the two separate class meetings, to extend the accounting reference date, if required, to provide more time for the Investment Manager to achieve this objective. It is most likely that the Directors will decide to extend the accounting reference date by six months from 30 April to 31 October.

Holders of each class of shares will subsequently be asked to approve extraordinary resolutions authorising the Directors to select an alternative accounting reference date and change to that date.

Separate Meetings of the Ordinary Shareholders and C Shareholders

The Annual General Meeting will be followed on 11 September 2007 by separate class meetings of the Ordinary Shareholders and C Shareholders and formal notice of these meetings is included on pages 47-48 of this Annual Report. An extraordinary resolution will be proposed at both meetings to approve the passing of the ordinary and special resolutions numbered 10 to 13 to be proposed at the Annual General Meeting and will sanction any modification of the rights of the Ordinary Shareholders and C Shareholders resulting therefrom.

A further extraordinary resolution will also be proposed at both meetings to approve extraordinary resolutions authorising the Directors to select an alternative accounting reference date and change to that date.

By order of the Board

Matrix-Securities Limited
Company Secretary
18 June 2007

Directors' Remuneration Report

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

Remuneration policy

The Directors' fees are reviewed annually by the Remuneration Committee. When considering the level of Directors' fees, the Committee takes account of remuneration levels elsewhere in the Venture Capital Trust industry and considers the time commitment involved and responsibilities of the roles and other relevant information. No portion of the fees paid to any of the Directors is related to performance. Details of the Directors' remuneration are disclosed below and in the Notes to the Financial Statements. The annualised fees for the year ended 30 April 2007 were: Chairman: £18,000; Audit Committee Chairman: £15,000; Director: £12,000. The Board has agreed that with effect from 1 May 2007 these fees be increased to: Chairman: £20,000; Audit Committee Chairman: £17,500; Director: £15,000.

Terms of appointment

The Articles of Association provide that Directors may be appointed either by an ordinary resolution of the Company or by the Board provided that a person appointed by the Board shall be subject to re-election at the first Annual General Meeting following their appointment. Directors retiring by rotation are then eligible for re-election. Subject to the provisions of the Companies Act 1985 such number of the Directors shall retire from office by rotation at each Annual General Meeting of the Company as will ensure that each Director retires once every three years.

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

Pensions

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

Share options and long-term incentive schemes

Former Board members including Michael Cumming and Fredrik Adams, who both resigned from the Board with effect from 5 September 2006, are entitled to be issued with conditional performance warrants Under an Incentive Agreement dated 10 May 2000.

The Board has agreed that it will seek Shareholder approval on the introduction of long-term incentive schemes in the future in accordance with the provisions of the 2003 FRC Combined Code. It has no intention of introducing any such schemes at the current time.

Audited information

Details of individual emoluments and compensation

The emoluments in respect of qualifying services of each person who served as a Director during the year were as set out in the table below. There are no schemes in place to pay any of the Directors bonuses or benefits in addition to their Directors' fees. Expenses paid to the Directors during the year amounted to £nil in total (2006: £nil).

	Directors' fees	Total emoluments	
	30 April 2007 £	30 April 2007 £	30 April 2006 £
Nigel Melville	16,298	16,298	12,500
Adam Kingdon (from 29 September 2006)	7,036	7,036	-
Sally Leeson (from 1 January 2007)	4,000	4,000	-
Kenneth Vere Nicoll	12,000	12,000	6,000
Michael Cumming (to 5 September 2006)	6,277	6,277	16,500
Fredrik Adams (to 5 September 2006)	4,137	4,137	11,000

Aggregate emoluments in respect of qualifying services amounted to £49,748 (2006: £46,000) net of VAT.

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

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

Total shareholder return

The graph below shows the total cumulative shareholder return of the Ordinary Share Fund since the Ordinary Shares were first admitted to the Official List of the UKLA (assuming all dividends have been re-invested) compared to the total shareholder return of the FTSE All-Share, SmallCap and AIM indices. These indices represent broad equity market indices against which investors can measure the performance of the Fund and are appropriate indices against which to measure the Fund's performance over the medium to long term. The total shareholder return of the Fund has been re-based to 100 at 11 July 2000, ie the date on which the Ordinary Shares were first admitted to the Official List of the UKLA.

The NAV per share total return has been shown separately on the graph because the Directors believe it provides a more accurate reflection of the Company's performance than the share price. Also shown on the graph is the NAV total return including 20 pence tax relief which shows the effective total return after allowing for income tax relief of 20 pence per share that Shareholders received on investment.

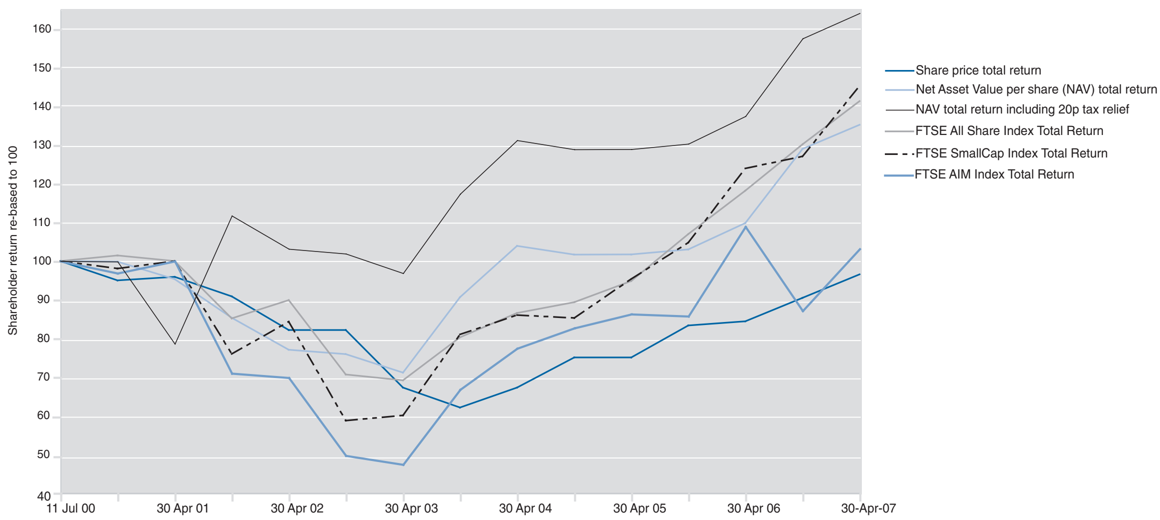
The C Shares were first admitted to the Official List of the UK Listing Authority on 21 December 2005 and the shares have remained priced at 100 pence per share throughout the period from this date until 30 April 2007.

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

Signed on behalf of the Board by:

Nigel Melville
Chairman
18 June 2007

Total shareholder return of the Ordinary Share Fund since the Ordinary Shares were admitted to the Official List of the UKLA compared to the FTSE All-Share, FTSE SmallCap and FTSE AIM Indices



Corporate Governance Statement

The Directors of Matrix Income & Growth 2 VCT have adopted the 2003 FRC Combined Code ("the Code") in respect of the year ended 30 April 2007 and confirm that the Company has taken the appropriate steps to enable it to comply with the Code throughout the year. Except as noted below, the requirements of the Code were complied with throughout the year ended 30 April 2007 in so far as they are appropriate to VCTs.

The Company's auditors, Mazars LLP, have reviewed this statement for whether it reflects the Company's compliance with the nine provisions of the Code specified for review by the Company's external auditors in the Listing Rules of the Financial Services Authority and their review report is set out on page 25 of this Annual Report

The Board

The Company has a Board of four non-executive Directors. The Directors regularly review the size and composition of the Board and have agreed that a Board of four is the most appropriate for the Company given its current size and the nature of its business.

The Board has considered whether each Director is independent in character and judgement and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement. It has concluded that all the Directors with the exception of Kenneth Vere Nicoll are fully independent and meet the independence criteria set out in provision A.3.1 of the Code. Kenneth Vere Nicoll is not regarded as independent of the Investment Manager, the Promoter or the Company Secretary/Administrator. (For further information please see Related Party Transactions on page 15 of the Directors' Report).

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

Details of the Chairman's other significant time commitments are disclosed on page 13 of this Annual Report.

The Board is responsible to Shareholders for the proper management of the Company. It meets at least quarterly and is in regular contact with the Investment Manager between meetings. It met on five occasions during the year. The Board has concluded that four formal meetings per annum is normally sufficient for it to carry out the business of the Company. It has formally adopted a schedule of matters that are required to be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues. These include compliance with the requirements of the Companies Act, the UK Listing Authority and the London Stock Exchange; changes relating to the Company's capital structure or its status as a plc; Board and committee appointments as recommended by the Nominations Committee and terms of reference of committees; material contracts of the Company and contracts of the Company not in the ordinary course of business. With effect from 20 September 2005 the Board is also now responsible for those matters which previously fell within the remit of the Investment Committee. It considers investment proposals submitted by Matrix Private Equity Partners LLP (formerly Matrix Private Equity Partners Limited) and decides which of these should be accepted by the Company and is responsible for the ongoing monitoring of investee companies and the Company's investments therein. Kenneth Vere Nicoll does not participate in any decisions involving investment proposals submitted by Matrix Private Equity Partners LLP.

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

All the Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with. Both the appointment and removal of the Company Secretary are matters for the Board as a whole.

Board committees

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

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

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

The Nominations Committee comprises all of the Directors, Nigel Melville (Chairman), Adam Kingdon, Sally Leeson and Kenneth Vere Nicoll. The Committee meets at least once a year and is responsible for making recommendations to the Board concerning new appointments of Directors to the Board and Board committees. It carries out a periodic review of the composition of the Board and its committees and considers actual or potential conflicts of interest which may arise as a result of the outside business activities of Board members. Appointment letters include an assessment of the expected time commitment for each Board position and new directors are asked to give an indication of their other significant time commitments. An induction procedure, including appropriate training for new Directors, was introduced during the year under review, and will continue for any subsequent appointments. Letters of appointment are available for inspection on written request to the Company Secretary. The effectiveness of the Board and the Chairman is reviewed regularly as part of the internal control process led by the Board. The Board also carried out an informal performance evaluation of the Directors and the Chairman on 18 June 2007 in respect of the year under review and considered performance in relation to specific headings. It concluded that the composition and performance of the Board was effective. The Nomination Committee met once during the year with full attendance.

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 Matrix Group website at www.matrixgroup.co.uk.

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

Relations with shareholders

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

Internal financial controls

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

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

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

Pursuant to the terms of its appointment, Matrix Private Equity Partners LLP advises the Company on venture capital investments. Martineau Johnson, in its capacity as solicitor to the Company, provides custodial services in relation to

Corporate Governance Statement

documents of title relating to equity investments forwarded to them by the Company Secretary.

In the light of the responsibilities retained by the Board and its committees and of the responsibilities delegated to Matrix Private Equity Partners LLP, Matrix-Securities Limited and PricewaterhouseCoopers LLP, the Company has not appointed a chief executive officer. The provisions of the Combined Code which relate to the division of responsibilities between a chairman and a chief executive officer are, accordingly, not applicable to the Company.

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

The Audit Committee has carried out a review of the effectiveness of the system of internal control, together with a review of the operational and compliance controls and risk management, as it operated during the year and reported its conclusions to the Board, which was satisfied with the outcome of the review.

Accountability and Audit

The Statement of Directors' Responsibilities in respect of the accounts is set out on page 22 of this report.

The report of the independent auditors is set out on page 25 of this Annual Report.

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

Internal audit

The Board reviews annually the need for an internal audit function and has decided in respect of the year ended 30 April 2007 that the systems and procedures employed by the Investment Manager and the Administrator provide sufficient assurance that a sound system of internal financial control, which safeguards Shareholders' investments and the Company's assets, is maintained. An internal audit function, specific to the Company, is therefore considered unnecessary.

Going concern

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

Social, environmental and ethical matters

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

Statement of Directors' Responsibilities

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

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

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

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

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

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

Profit and Loss Accounts for the year ended 30 April 2007

	Notes	Ordinary Share Fund Revenue £	Ordinary Share Fund Capital £	Ordinary Share Fund Total £	C Share Fund Revenue £	C Share Fund Capital £	C Share Fund Total £
Unrealised gains on investments held at fair value		-	2,540,352	2,540,352	-	172,171	172,171
Realised losses on investments held at fair value		-	(205,547)	(205,547)	-	-	-
Income		466,244	-	466,244	440,445	-	440,445
Investment management fees		(68,701)	(206,102)	(274,803)	(50,856)	(152,566)	(203,422)
Other expenses		(170,067)	-	(170,067)	(128,198)	-	(128,198)
Return on ordinary activities before taxation		227,476	2,128,703	2,356,179	261,391	19,605	280,996
Taxation on ordinary activities		(37,097)	59,363	22,266	(51,254)	28,988	(22,266)
Return attributable to equity shareholders		190,379	2,188,066	2,378,445	210,137	48,593	258,730
Return per share	8	1.54p	17.66 p	19.20p	2.30 p	0.53p	2.83p
Average number of shares in issue				12,391,147			9,145,990

Balance Sheets as at 30 April 2007

	Ordinary Share Fund		C Share Fund		Adjustments (see note below)	Total of both Funds (per statutory Balance Sheet)	
	£	£	£	£	£	£	£
Non-current assets							
Assets held at fair value through profit and loss - investments		9,960,944		1,568,102			11,529,046
Monies held pending investment		3,095,867		7,193,154			10,289,021
		13,056,811		8,761,256			21,818,067
Current assets							
Debtors and prepayments	208,815		51,936		(113,447)	147,304	
Cash at bank	59,403		268,076			327,479	
	268,218		320,012		(113,447)	474,783	
Creditors: amounts falling due within one year	(412,635)		(196,243)		113,447	(495,431)	
Net current assets		(144,417)		123,769			(20,648)
Net assets		12,912,394		8,885,025			21,797,419
Capital							
Called up share capital		120,411		91,460			211,871
Capital redemption reserve		11,395		-			11,395
Share premium account		-		-			-
Capital reserve - unrealised		3,096,007		172,171			3,268,178
Special distributable reserve		5,680,611		8,409,167			14,089,778
Profit and loss account		4,003,970		212,227			4,216,197
Equity shareholders' funds		12,912,394		8,885,025			21,797,419
Number of shares in issue:		**12,041,147**		**9,145,990**			
Net asset value per 1p share:		**107.24p**		**97.15p**			

Note: The adjustment above nets off the inter-fund debtor and creditor balances, so that the "Total of both funds" balance sheet agrees to the Statutory Balance Sheet on page 27.

Reconciliation of Movements in Shareholders' Funds

	Ordinary Share Fund £	C Share Fund £
Opening shareholders' funds	10,938,976	8,626,295
Net share capital bought back in the year	(405,027)	-
Profit for the year	2,378,445	258,730
Dividends paid in year	-	-
Closing shareholders' funds	**12,912,394**	**8,885,025**

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

We have audited the financial statements of Matrix Income & Growth 2 VCT plc for the year ended 30 April 2007, which comprise the Profit and Loss Account, the Note of Historical Cost Profit and Losses, the Balance Sheet, the Cash Flow Statement, the Reconciliation of Movements in Shareholders' Funds and the related notes. These financial statements have been prepared under the historical cost convention, modified to include the revaluation of investments, in accordance with applicable accounting standards and the Statement of Recommended practice, 'Financial Statements of Investment Trust Companies' 2003. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

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

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

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

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

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

Basis of opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 April 2007 and of its result for the year then ended;
- the financial statements and that part of the Directors' Remuneration Report to be audited, have been properly prepared in accordance with Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Mazars LLP *Chartered Accountants*
Registered Auditor
18 June 2007

3 Sheldon Square
Paddington
London

Profit and Loss Account
for the year ended 30 April 2007

	Notes	Year ended 30 April 2007 Revenue £	Capital £	Total £	Year ended 30 April 2006 Revenue £	Capital £	Total £
Unrealised gains /(losses) on investments held at fair value	9	-	2,712,523	2,712,523	-	(1,458,362)	(1,458,362)
Realised (losses)/gains on investments held at fair value	9	-	(205,547)	(205,547)	-	2,588,791	2,588,791
Income	2	906,689	-	906,689	311,585	-	311,585
Investment management fees	3	(119,557)	(358,668)	(478,225)	(72,107)	(216,322)	(288,429)
Other expenses	4	(298,265)	-	(298,265)	(299,800)	-	(299,800)
Profit on ordinary activities before income tax		488,867	2,148,308	2,637,175	(60,322)	914,107	853,785
Taxation on ordinary activities	6	(88,351)	88,351	-	-	-	-
Profit on ordinary activities after taxation		**400,516**	**2,236,659**	**2,637,175**	**(60,322)**	**(914,107)**	**853,785**
Earnings per share:							
Ordinary Shares	8	1.54p	17.66p	19.20p	(0.49)p	7.40p	6.91p
C Shares	8	2.30p	0.53p	2.83p	0.05p	(0.61)p	(0.56)p

All the items in the above statement derive from continuing operations. No operations were discontinued in the year.

There were no other gains or losses in the year.

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

Note of Historical Cost Profits and Losses
for the year ended 30 April 2007

	Year ended 30 April 2007 £	Year ended 30 April 2006 £
Profit on ordinary activities before taxation	2,637,175	853,785
(Less)/add unrealised (gains)/losses on investments	(2,712,523)	1,458,362
(Less)/add realisation of revaluation (losses)/gains of previous years	(1,596,829)	480,868
Historical cost (loss)/profit on ordinary activities before taxation	(1,672,177)	2,793,015
Historical cost (loss)/profit for the year after taxation and dividends	**(1,672,177)**	**1,256,892**

The notes on pages 29 to 42 form part of these financial statements.

Balance Sheet
as at 30 April 2007

	Notes	30 April 2007 £	30 April 2006 £
Non-current assets			
Assets held at fair value through profit and loss - investments	9a	11,529,046	5,643,559
Monies held pending investment	9b,17	10,289,021	9,751,436
		21,818,067	15,394,995
Current assets			
Debtors and prepayments	10	147,304	1,936,269
Cash at bank	17	327,479	2,462,495
		474,783	4,398,764
Creditors: amounts falling due within one year	11	(495,431)	(228,488)
Net current (liabilities)/assets		(20,648)	4,170,276
Net assets		**21,797,419**	**19,565,271**
Capital and reserves			
Called up share capital	13	211,871	217,121
Capital redemption reserve	14	11,395	6,145
Share premium account	14	-	8,557,026
Capital reserve - unrealised	14	3,268,178	(1,041,174)
Special distributable reserve	14	14,089,778	8,034,754
Profit and loss account	14	4,216,197	3,791,399
Equity shareholders' funds		**21,797,419**	**19,565,271**
Net asset value per share			
Ordinary Shares	15	**107.24p**	**87.05p**
C Shares	15	**97.15p**	**94.32p**

The financial statements were approved and authorised for issue by the Board of Directors on 18 June 2007 and are signed on their behalf by:

Nigel Melville
Director

Adam Kingdon
Director

The notes on pages 29 to 42 form part of these financial statements.

Reconciliation of Movements in Shareholders' Funds
for the year ended 30 April 2007

	Notes	Year ended 30 April 2007 £	Year ended 30 April 2006 £
Opening shareholders' funds		19,565,271	11,780,212
Net share capital (bought back) /subscribed in the year	14	(405,027)	8,467,397
Profit for the year		2,637,175	853,785
Dividends paid in year	7	-	(1,536,123)
Closing shareholders' funds		**21,797,419**	**19,565,271**

Cash Flow Statement
for the year ended 30 April 2007

	Notes	Year ended 30 April 2007 £	Year ended 30 April 2006 £
Net cash inflow/(outflow) from operating activities	16	100,740	(227,203)
Capital expenditure and financial investment			
Purchase of investments - equities and loan stock	9	(3,546,925)	(3,286,309)
Disposals of equities and loan stock	9	2,016,346	5,462,960
Net cash (outflow)/inflow from investing activities		(1,530,579)	2,176,651
Dividends			
Equity dividends paid		-	(1,536,123)
Net cash (outflow)/inflow before financing and liquid resource management		(1,429,839)	413,325
Financing			
Purchase of own shares		(167,592)	(181,089)
Share capital raised		-	8,648,486
Net cash (outflow)/inflow from financing		(167,592)	8,467,397
Management of liquid resources			
Movement in money market investments	17	(537,585)	(7,892,613)
Net cash (outflow)/inflow as at 30 April 2007	**17**	**(2,135,016)**	**988,109**

Notes to the Financial Statements
for the year ended 30 April 2007

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 the fair value rules of the Companies Act 1985, and in accordance with applicable accounting standards in the United Kingdom and with the Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies', revised December 2005.

As a result of the Directors' decision to distribute capital profits by way of a dividend, the Company revoked its investment company status as defined under section 266 (3) of the Companies Act 1985, on 7 September 2005.

b) Investments

Sales and purchases of investments are recognised on a trade date basis.

All investments held by the Company are classified as "fair value through profit and loss". For investments actively traded in 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.

Unquoted investments are valued at fair value by the Directors in accordance with the following rules, which are consistent with the International Private Equity Venture Capital Valuation (IPEVCV) guidelines:

(i) Recent investments which have been made in the last 12 months are at fair value which, unless another methodology gives a better indication of fair value, will be cost.

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

(iii) Where investments have gone beyond the stage in their development in (ii) above, the shares may be valued, in the absence of overriding factors, by applying a suitable price-earnings ratio to that company's historic, current or forecast earnings (the ratio used being based on a comparable listed company or sector but the resulting value being discounted to reflect lack of marketability). Where overriding factors apply, alternative methods of valuation will be used. These will include the application of a material arms length transaction by an independent third party, cost, cost less provision for impairment, discounted cash flow, or a net asset basis;

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

(v) Where a company's underperformance against plan indicates a permanent diminution in the value of the investment, provision against cost is made and charged to the realised reserve.

Capital gains and losses on investments, whether realised or unrealised, are dealt with in the capital reserve – realised and unrealised respectively, and shown in the Profit and Loss Account.

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

c) Capital reserves

Realised

The following are accounted for in this reserve:

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

Unrealised

Increases and decreases in the valuation of investments held at the period end are accounted for in this reserve.

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

d) Income

Dividends receivable on quoted equity shares are brought into account on the ex-dividend date. Dividends receivable on unquoted equity shares are brought into account when the Company's right to receive payment is established and there is no reasonable doubt that payment will be received. Fixed returns on non-equity shares are recognised on a time apportionment basis so as to reflect the effective yield, provided there is no reasonable doubt that payment will be received in due course. Fixed returns on debt securities are recognised on a time-apportioned basis so as to reflect the effective yield. Provisions are made against such income receivable as soon as it is considered doubtful that such income will be received.

e) Expenses

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

f) Taxation

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

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

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

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

g) Liquid resources

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

Notes to the Financial Statements
for the year ended 30 April 2007

2 Income

	Year ended 30 April 2007 £	Year ended 30 April 2006 £
Investment income receivable		
- from ordinary shares	48,588	30,536
- from preference shares	17,144	16,511
- from OEIC money marker funds	461,891	163,623
	527,623	210,670
Interest receivable		
- from loan stocks	363,438	74,668
- from bank deposits	15,628	26,247
	379,066	100,915
Total income	906,689	311,585

3 Investment management fees

	Revenue 2007 £	Capital 2007 £	Total 2007 £	Revenue 2006 £	Capital 2006 £	Total 2006 £
Matrix Private Equity Partners LLP	119,557	358,668	478,225	72,107	216,322	288,429

Ordinary Share Fund

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

This agreement was novated to Matrix Private Equity Limited on 3 July 2001, a subsidiary of Matrix Group Limited which had previously provided the services of Mark Burgess and Helen Sinclair to Matrix Private Equity (Managers) Limited. This agreement was further novated to Matrix Private Equity Partners Limited (MPEP) on 20 September 2005. The annual fee payable to MPEP was decreased from 2.5% to 2% of the net assets attributable to the Ordinary Share Fund, with effect from 21 December 2005 by this Novation Agreement. The Investment Manager's fee is reduced by an amount equivalent to the excess total annual expenses (excluding VAT (previously included) and exceptional costs) over 3.6% (previously 3.75%) of opening net assets at the start of each quarter, being the agreed cap on the management fee. Matrix Private Equity Partners Limited transferred its business to the Matrix Private Equity Partners LLP on 20 October 2006 and therefore the agreement was again novated to Matrix Private Equity Partners LLP on 20 October 2006.

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

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

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

C Share Fund

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

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

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

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

4 Other expenses

	2007 £	2006 £
Directors' remuneration (note 5)	57,259	50,996
IFA trail commission	51,635	35,256
Administration fees	89,551	56,800
Broker's fees	13,689	6,639
Auditors' fees –audit	17,625	12,309
Auditors' fees –non audit	12,573	13,147
Registrar's fees	9,186	8,578
Professional fees	19,372	70,222
Printing	5,364	13,274
Insurance	7,770	13,790
Subscriptions	12,812	13,478
Sundry expenses	1,429	5,311
	298,265	299,800

Charges for non-audit services provided by the auditors for the year ended 30 April 2007 relate to the provision of corporation tax compliance - £2,468 (2006: £2,421) and a review of the interim financial statements of the Company - £10,105 (2006: £8,306) and a review of the C Share prospectus £nil (2006: £2,420). The Directors consider the auditors were best placed to provide these services. The Audit Committee reviews the nature and extent of non-audit services to ensure that independence is maintained.

Notes to the Financial Statements
for the year ended 30 April 2007

5 Directors' remuneration

	Fees £	Irrecoverable VAT £	Employers' NI £	Total 2007 £	Total 2006 £
Directors' emoluments					
Nigel Melville	16,298	3,623	-	19,921	14,688
Fredrik Adams (to 5 September 2006)	4,137	-	22	4,159	11,527
Michael Cumming (to 5 September 2006)	6,277	-	185	6,462	17,731
Adam Kingdon (from 29 September 2006)	7,036	1,231	-	8,267	-
Sally Leeson (from 1 January 2007)	4,000	-	350	4,350	-
Kenneth Vere Nicoll	12,000	2,100	-	14,100	7,050
	49,748	6,954	557	57,259	50,996

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

No pension scheme contributions or retirement benefit contributions were paid. There are no share option contracts held by the Directors over and above the right of Fredrik Adams and Michael Cumming to be issued with performance warrants described in Note 3 above. The Company has no employees other than Directors.

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

6 Taxation on ordinary activities

	Revenue 2007 £	Capital 2007 £	Revenue 2006 £	Capital 2006 £
Current year				
UK Corporation tax on profits for the period	-	-	-	-
Adjustment in respect of prior periods	-	-	-	-
Total current tax charge/(relief)	-	-	-	-
Profit/(loss) on ordinary activities before tax	488,867	2,148,308	(60,322)	914,107
Profit/(loss) on ordinary activities multiplied by standard small company rate of corporation tax in the UK of 19% (2006: 19%)	92,885	408,179	(11,461)	173,680
Effect of:				
UK dividends – not taxable	(6,789)	-	(8,939)	-
Capital gains and losses – not taxable	-	(476,326)	-	(214,781)
Expenses not tax allowable	2,255	-	-	-
Unrelieved expenses brought forward	-	(20,204)	20,400	41,101
Total amount of current taxation	88,351	(88,351)	-	-

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

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

No deferred tax asset has been recognised for surplus management fees. At present, it is not envisaged that any tax will be recovered in the foreseeable future. The amount not recognised is £146,978 (2006: £167,182).

7 Dividends and other appropriations

	2007 £	2006 £
Dividends on Equity Shares		
Ordinary Share Fund		
– interim dividends paid of nil p (2006: capital 12p) per share	-	1,536,123
– final paid of nil (2006: nil) per share	-	-
	-	1,536,123
C Share Fund	-	-
– nil dividends paid in year (2006: nil) per share	-	-
Total dividends paid (both funds)	-	1,536,123
Proposed final dividend		
Ordinary Share Funds – capital dividend 6p per share (2006: nil p)	722,469	-
C Share Fund – income dividend of 1.5p per share (2006: nil p)	137,190	-

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

Set out below are the total income dividends payable in respect of the financial year, which is the basis on which the requirements of Section 842 of the Income and Corporation Taxes Act 1988 are considered.

	2007 £	2006 £
Ordinary Share Fund		
Revenue available for distribution by way of dividends for the year	190,379	(62,412)
Interim dividend for the year ended 30 April 2007	-	-
Proposed final dividend for the year ended 30 April 2007	-	-
The revenue reserve of the Ordinary Share Fund remained in deficit at the year-end, notwithstanding the revenue available for distribution for the year above, due to negative revenue returns in previous years.		
C Share Fund:		
Revenue available for distribution by way of dividends for the year	210,137	2,090
Interim dividend for the year ended 30 April 2007	-	-
Proposed final dividend for the year ended 30 April 2007	137,190	-

Notes to the Financial Statements
for the year ended 30 April 2007

8 Earnings and return per share

	2007 Ordinary Share Fund £	2007 C Share Fund £	2006 Ordinary Share Fund £	2006 C Share Fund £
Total earnings after taxation:	2,378,445	258,730	875,976	(22,191)
Basic earnings per share (note a)	19.20p	2.83p	6.91p	(0.56)p
Net revenue from ordinary activities after taxation	190,379	210,137	(62,412)	2,090
Revenue return per share (note b)	1.54p	2.30p	(0.49)p	0.05p
Net realised capital (losses)/gains	(205,547)	-	2,588,791	-
Net unrealised capital gains/(losses)	2,540,352	172,171	(1,458,362)	-
Capital expenses	(146,739)	(123,578)	(192,041)	(24,281)
Total capital return	2,188,066	48,593	938,388	(24,281)
Capital return per share (note c)	17.66p	0.53p	7.40p	(0.61)p
Weighted average number of shares in issue in the year	12,391,147	9,145,990	12,679,005	3,939,573

Notes

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

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

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

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

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

Company	Traded on AIM £	Unlisted shares £	Preference shares £	Loan stock £	Overseas quoted shares £	Total venture capital investments £
Valuation as at 30 April 2006	633,725	1,530,858	284,556	2,820,459	373,961	5,643,559
Purchases at cost	201,987	963,162	5,398	2,376,378	-	3,546,925
Sales – proceeds	-	-	-	-	(169,023)	(169,023)
Realised losses	-	-	-	-	(204,938)	(204,938)
Unrealised gains	103,916	2,608,607	-	-	-	2,712,523
Valuation as at 30 April 2007	939,628	5,102,627	289,954	5,196,837	-	11,529,046
Book cost at 30 April 2007	1,367,125	3,278,377	289,954	5,575,408	-	10,510,864
Unrealised (losses)/gains	(427,497)	2,174,250	650,000	(378,571)	-	2,018,182
Permanent impairment at 30 April 2007	-	(350,000)	(650,000)	-	-	(1,000,000)
Valuation as at 30 April 2007	939,628	5,102,627	289,954	5,196,837	-	11,529,046

Transaction costs of £609 were incurred in the year and are treated as realised losses on investments in the Profit and Loss Account. Adding these to realised losses above gives £205,547 of losses as shown in the Profit and Loss account.

Ordinary Share Fund	Traded on AIM £	Unlisted shares £	Preference shares £	Loan stock £	Overseas quoted shares £	Total venture capital investments £
Valuation as at 30 April 2006	633,725	1,500,882	283,172	2,669,969	373,961	5,461,709
Purchases at cost	119,094	622,100	3,423	1,588,227	-	2,332,844
Sales – proceeds	-	-	-	-	(169,023)	(169,023)
Realised losses	-	-	-	-	(204,938)	(204,938)
Unrealised gains	63,807	2,476,545	-	-	-	2,540,352
Valuation as at 30 April 2007	816,626	4,599,527	286,595	4,258,196	-	9,960,944
Book cost at 30 April 2007	1,284,232	2,907,339	286,595	4,636,767	-	9,114,933
Unrealised (losses)/gains	(467,606)	2,042,188	650,000	(378,571)	-	1,846,011
Permanent impairment at 30 April 2007	-	(350,000)	(650,000)	-	-	(1,000,000)
Valuation as at 30 April 2007	816,626	4,599,527	286,595	4,258,196	-	9,960,944

Transaction costs of £609 were incurred in the year and are treated as realised losses on investments in the Profit and Loss Account. Adding these to realised losses above gives £205,547 of losses as shown in the Profit and Loss.

C Share Fund	Traded on AIM £	Unlisted shares £	Preference shares £	Loan stock £	Overseas quoted shares £	Total venture capital investments £
Valuation as at 30 April 2006	-	29,976	1,384	150,490	-	181,850
Purchases at cost	82,893	341,062	1,975	788,151	-	1,214,081
Sales – proceeds	-	-	-	-	-	-
Realised losses	-	-	-	-	-	-
Unrealised gains	40,109	132,062	-	-	-	172,171
Valuation as at 30 April 2007	123,002	503,100	3,359	938,641	-	1,568,102
Book cost at 30 April 2007	82,893	371,038	3,359	938,641	-	1,395,931
Unrealised (losses)/gains	40,109	132,062	-	-	-	172,171
Valuation as at 30 April 2007	123,002	503,100	3,359	938,641	-	1,568,102

Reconciliation of cash movements in investment transactions

Adding the annual movement in net unsettled investment transactions of £1,847,323 to sale proceeds above of £169,023 gives proceeds of £2,016,346 as shown in the cash flow statement.

b) Monies held pending investment comprise cash invested in four Dublin based OEIC money market funds managed by Barclays Global Investors, Royal Bank of Scotland, Scottish Widows Investment Partnership and Blackrock Investment Management UK Limited (formerly Merrill Lynch Investment Managers). £36,992 (2006: £35,257) of this sum is subject to 2 day access, while £10,252,029 (2006: £9,716,179) is subject to immediate access.

10 Debtors

	2007 £	2006 £
Amounts due within one year:		
Other debtors	134,069	1,908,656
Prepayments	13,235	27,613
	147,304	1,936,269

11 Creditors: amounts falling due within one year

	2007 £	2006 £
Trade creditors	276,626	64,520
Accruals	218,805	163,968
	495,431	228,488

12 Significant interests

At 30 April 2007 the Company held significant investments, amounting to 3% or more of the equity capital of an undertaking, in the following companies:

Company	Equity investment £	Investment in loan stock and preference shares £	Total investment £	Percentage of investee company's total equity %
Award International Holdings plc	250,000	-	250,000	7.69
Blaze Signs Holdings Limited	119,549	278,949	398,498	11.21
British International Limited	225,000	774,250	999,250	10.04
Campden Media Limited	195,000	780,000	975,000	11.20
Clarity Commerce Solutions plc	510,552	-	510,552	3.42
Gyro International Limited	225,000	525,000	750,000	5.70
Monactive Limited in administration	264,286	378,571	642,857	13.60
Pastaking Holdings Limited	186,537	279,743	466,280	7.30
PXP Holdings Limited	288,000	712,000	1,000,000	8.54
Racoon International Holdings	263,558	614,969	878,527	12.3
Recite Limited	1,000,000	-	1,000,000	25.20
Vectair Holdings Limited	60,075	183,709	243,784	5.22
VSI Limited	48,867	439,794	488,661	12.60
Youngman Group Limited	100,000	900,000	1,000,000	8.57

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.

Further information concerning each of the Company's investments is contained in the Investment Manager's Review on pages 6 - 12.

13 Called up share capital

	2007 £	2006 £
Authorised:		
Ordinary Shares of 1p each: 42,000,000	420,000	420,000
C Shares of 1p each: 42,000,000	420,000	420,000
Total	840,000	840,000
Issued:		
Ordinary Shares of 1p each: 12,041,147 (2006: 12,566,147)	120,411	125,661
C Shares of 1p each: 9,145,990 (2006: 9,145,990)	91,460	91,460
Total	211,871	217,121

During the year, the Company purchased 525,000 (2006: 254,751) of its own Ordinary 1p shares for cash at the prevailing market price for a total cost of £405,027 (2006: £181,088).

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

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

14 Reserves

	Capital redemption reserve £	Share premium account £	Capital reserve (unrealised) £	Special distributable reserve £	Profit and loss account £
Company in total					
As at 30 April 2006	6,145	8,557,026	(1,041,174)	8,034,754	3,791,399
Own shares purchased during the year	5,250	-	-	(405,027)	-
Loss for the year	-	-	-	-	(75,348)
Realisation of previously unrealised depreciation	-	-	1,596,829	-	(1,596,829)
Transfer of realised losses to special distributable reserve – see note below	-	-	-	(2,096,975)	2,096,975
Increase in valuation	-	-	2,712,523	-	-
Cancellation of the share premium account – see note below	-	(8,557,026)	-	8,557,026	-
As at 30 April 2007	11,395	-	3,268,178	14,089,778	4,216,197
Ordinary Share Fund					
As at 30 April 2006	6,145	-	(1,041,174)	8,034,754	3,813,590
Own shares purchased during the year	5,250	-	-	(405,027)	-
Loss for the year	-	-	-	-	(161,907)
Realisation of previously unrealised depreciation	-	-	1,596,829	-	(1,596,829)
Transfer of realised losses to special distributable reserve – see note below	-	-	-	(1,949,116)	1,949,116
Increase in valuation	-	-	2,540,352	-	-
As at 30 April 2007	11,395	-	3,096,007	5,680,611	4,003,970
C Share Fund					
As at 30 April 2006	-	8,557,026	-	-	(22,191)
Profit for the year	-	-	-	-	86,559
Transfer of realised losses to special distributable reserve – see note below	-	-	-	(147,859)	147,859
Increase in valuation	-	-	172,171	-	-
Cancellation of the share premium account – see note below	-	(8,557,026)	-	8,557,026	-
As at 30 April 2007	-	-	172,171	8,409,167	212,227

The capital reserve (unrealised) represents the Company's revaluation reserve. The transfer of £2,096,974 to the cancelled share premium account from the profit and loss account is the total of realised losses incurred by the Company in the year, and brought forward.

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

Under Resolution 7 of the Annual General Meeting held on 5 September 2006, the shareholders authorised the Company to purchase its own shares pursuant to section 166 of the Companies Act 1985. The authority is limited to a maximum of 14.99% of the issued Ordinary Share Capital and of the issued C Share Capital of the Company and will, unless previously revoked or renewed, expire on the conclusion of the Annual General Meeting of the Company to be held on 11 September 2007. The maximum price that may be paid for Ordinary Shares and C Shares will be an amount equal to 105% of the average of the middle market quotation as taken from the London Stock Exchange daily official list for the five business days immediately preceding the day on which that Ordinary Share or, as the case maybe, C Share, is purchased. The minimum price that may be paid for Ordinary Shares and C Shares is 1 penny per share. The authority provides that the Company may make a contract to purchase Ordinary Shares or, as the case maybe, C Shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares or C Shares pursuant to such contract. A resolution to renew this Authority will be be proposed at the Annual General Meeting of the Company to be held on 11 September 2007.

15 Net asset value per share

Net asset value per Ordinary Share is based on net assets at the end of the year, and on 12,041,147 Ordinary Shares (2006: 15,566,147), being the number of Ordinary Shares in issue on that date.

Net asset value per C Share is based on net assets at the end of the year, and on 9,145,990 C Shares (2006: 9,145,990), being the number of C Shares in issue on that date.

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

	2007 £	2006 £
Net revenue profit/(loss) before taxation	488,867	(60,322)
Investment management fees charged to capital	(358,668)	(216,322)
Transaction costs	(609)	-
Increase in debtors	(58,361)	(33,562)
Increase in creditors and accruals	29,511	83,003
Net cash inflow/(outflow) from operating activities	100,740	(227,203)

17 Analysis of changes in net funds

	Cash £	Liquid resources £	Total £
At 30 April 2006	2,462,495	9,751,436	12,213,931
Cash flows	(2,135,016)	537,585	(1,597,431)
At 30 April 2007	327,479	10,289,021	10,616,500

18 Management of risk

The Company's financial instruments comprise:

- Equity and non-equity shares and fixed interest securities that are held in accordance with the Company's investment objective as set out at the beginning of this Annual Report.
- Cash, liquid resources and short-term debtors and creditors that arise directly from the Company's operations.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

The Board regularly reviews and agrees policies for managing the main risks associated with the Company's financial instruments which are summarised below.

(a) **Risk**

Business risk: Companies in which the VCT invests are at risk of failure or underperformance to budget.

Credit risk: Failure by counterparties to deliver securities which the Company has paid for, or pay for securities which the Company has delivered.

Market price: Quoted equities and fixed interest stocks have values which are determined by market forces.

Interest rate: Assets and net revenue may be affected by interest rate movements.

(b) **Management of risk**

Business Risk: Investments made are based on a wide variety of criteria and the Investment Manager to invest in top quality management teams. Extensive due diligence, including customer and management referencing and technical due diligence (as appropriate) is undertaken.

Credit risk: All transactions are settled on the basis of delivery against payment.

Market price: The Board manages the market price risk inherent in the Company's portfolio by ensuring full and timely access to relevant information from the Investment Manager. It regularly reviews the investment performance and financial results of investee companies, as well as their compliance with the Company's objectives.

Interest rate: The Company's assets include fixed interest stocks, the values of which are regularly reviewed by the Board.

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

	Financial assets on which no interest paid £	Fixed financial assets £	Variable financial assets £	Total £	Weighted average interest rate %	Average period to maturity Years
Equity shares	6,042,255	-	-	6,042,255		
Preference shares	-	289,954	-	289,954	6.06	1.39
Loan stocks	-	5,196,837	-	5,196,837	8.87	3.59
Money market investments	-	-	10,289,021	10,289,021		
Cash	327,479	-	-	327,479		
Debtors	147,304	-	-	147,304		
Creditors	(495,431)	-	-	(495,431)		
Total	6,021,607	5,486,791	10,289,021	21,797,419		

Interest Rate

The interest rate profile of the Company's financial assets at 30 April 2006 was:

	Financial assets on which no interest paid £	Fixed financial assets £	Variable financial assets £	Total £	Weighted average interest rate %	Average period to maturity Years
Equity shares	2,538,544	-	-	2,538,544		
Preference shares	-	284,556	-	284,556	6.04	2.33
Loan stocks	-	2,820,459	-	2,820,459	8.18	3.50
Money market investments	-	-	9,751,436	9,751,436		
Cash	2,462,495	-	-	2,462,495		
Debtors	1,936,269	-	-	1,936,269		
Creditors	(228,488)	-	-	(228,488)		
Total	6,708,820	3,105,015	9,751,436	19,565,271		

Financial liabilities: The Company finances its operations through its issued share capital and existing reserves. The only financial liabilities of the Company are creditors which are due within one year and which are disclosed in Note 11. No interest is paid on these liabilities.

All assets and liabilities are carried at fair value as determined by the Board of Directors.

19 Related party transactions

Kenneth Vere Nicoll is a director and shareholder of Matrix Group Limited, which owns Matrix-Securities Limited and MPE Partners Limited. MPE Partners Limited has a 50% interest in Matrix Private Equity Partners LLP, the Company's Investment Manager. He is also a director of Matrix-Securities Limited who acts as promoter to the Company and received fees of £nil (2006: £497,504) during the year in respect of this appointment, and provided accountancy and company secretarial services to the Company for which it received payment of £89,551 (2006: £56,800) including VAT during the year. £22,202 (2006: £17,184) was payable to Matrix-Securities Limited at the year-end. Matrix Private Equity Partners LLP is the Company's Investment Manager in respect of venture capital investments and earned fees of £478,225 (2005: £288,429), including VAT for the year. £Nil (2006: £42,496) was due to Matrix Private Equity Partners LLP at the year-end.

20 Segmental analysis

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

Shareholder Information

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

The Company circulates a bi-annual newsletter to Shareholders in the quarters in which it does not publish annual or interim accounts. The next edition will be distributed in October 2007.

Net asset value per share

The Company's NAV per share as at 30 April 2007 was 107.24 pence per Ordinary Share and 97.15 pence per C Share. The Company announces its unaudited NAV on a quarterly basis.

Dividend

The Directors will be recommending a final dividend of 6 pence per Ordinary Share and 1.5 pence per C Share at the Annual General Meeting to be held on 11 September 2007. The dividends will be paid on 19 September 2007 to Shareholders on the register on 24 August 2007.

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

Financial calendar

Mid July 2007	Annual Report for the period ended 30 April 2007 to be circulated to Shareholders
24 August 2007	Dividend record date for dividends to be proposed at the Annual General Meeting
11 September 2007	Annual General Meeting and Separate Class Meetings of holders of Ordinary Shares and C Shares
19 September 2007	Payment date for dividends of 6 pence per Ordinary Share and 1.5 pence per C Share
Mid October 2007	Newsletter to be circulated to Shareholders
Mid December 2007	Preliminary Announcement of Interim Results
Early January 2008	Interim Report for the six months ended 31 October 2007 to be circulated to Shareholders
Mid April 2008	Newsletter to be circulated to Shareholders
30 April 2008	Year-end

Annual General Meeting

The Annual General Meeting of the Company and Separate Class Meetings of holders of Ordinary Shares and C Shares will be held on 11 September 2007 from 12 noon at One Jermyn Street, London SW1Y 4UH. The meetings will take place on the sixth floor at the offices of Matrix Group Limited. Please try to arrive 10 minutes before the meeting starts when tea and coffee will be served to Shareholders. The Notices of the meetings are included on pages 45-48 of this Annual Report. Proxy forms have been included with Shareholders' copies of this Annual Report and should be completed in accordance with the instructions printed thereon and sent to the Company's Registrars, Capita Registrars, to arrive no later than 12 noon on 9 September 2007.

Shareholder enquires:

For enquiries concerning the investment portfolio, please contact the Investment Manager, Matrix Private Equity Partners LLP, on 020 7925 3300 or by e-mail to info@matrixpep.co.uk.

For information on your holding, to notify the Company of a change of address or to request a dividend mandate form (should you wish to have future dividends paid directly into your bank account) please contact the Company's Registrars, Capita Registrars, on 0870 162 3100 or write to them at Northern House, Woodsome Park, Fennay Bridge, Huddersfield, West Yorkshire, HD8 0LA. Alternatively you can contact them via their web site at www.capitaregistrars.com.

VCT Tax Benefits

Taxation Benefits

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

Personal Taxation Benefits

The tax reliefs set out below are available to individuals aged 18 or over who subscribe for new ordinary shares[1]. Whilst there is no specific limit in the amount of an individual's acquisitions of shares in a VCT, each of the following tax reliefs will only be given to the extent that the individual's total acquisitions of shares in VCTs in any tax year do not exceed the specified limit, currently £200,000 (see below).

Changes to VCT tax reliefs introduced in 2006

The Chancellor announced changes to the tax reliefs available to investors in new VCT shares in his budget speech on 22 March 2006 and these are to be incorporated into the Finance Act 2006. The following is an outline of the tax reliefs available to VCT investors with effect from 6 April 2006.

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

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

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

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

(3) **Dividend Relief**

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

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

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

(5) **Purchases in the market**

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

(6) **Withdrawal of relief**

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

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

Notes:

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

[2] The C shares issued pursuant to the offer for subscription dated 20 September 2005 were all issued on or before 5 April 2006 and are therefore eligible for the 40% income tax relief.

NOTICE of the ANNUAL GENERAL MEETING

Notice is hereby given that an Annual General Meeting of Matrix Income & Growth 2 VCT plc will be held on Tuesday, 11 September 2007 at 12 noon at One Jermyn Street, London SW1Y 4UH.

The meeting will be held for the purposes of passing the following resolutions as, in the case of Resolutions 1 to 10, ordinary resolutions and, in the case of Resolutions 11 to 13, special resolutions:

Ordinary Business

1. To receive the financial statements for the year ended 30 April 2007, together with the reports of the Directors and Auditors thereon.
2. To approve the Directors' Remuneration Report for the year ended 30 April 2007, which is set out in the Annual Report of the Company for the year ended 30 April 2007.
3. That Mazars LLP (having been appointed by the directors to fill the casual vacancy arising by reason of the resignation of MRI Moores Rowland LLP) be reappointed auditors of the Company to hold office until the conclusion of the next annual general meeting at which the accounts are laid before the Company and that their remuneration be fixed by the Directors.[1]
4. To re-elect Adam Kingdon as a Director of the Company.
5. To re-elect Sally Leeson as a Director of the Company.
6. To re-elect Nigel Melville as a Director of the Company.
7. To approve the payment of a final dividend to Ordinary Fund Shareholders for the year ended 30 April 2007 of 6 pence per Ordinary Share.
8. To approve the payment of a final dividend to C Fund Shareholders for the year ended 30 April 2007 of 1.5 pence per C Share.

Special Business

9. That the Company be and hereby is authorised generally and unconditionally to use electronic communications with its shareholders, in particular to authorise the Company to send or supply documents or information to its shareholders by making them available on a website.
10. That (i) subject to the passing of the resolutions to be proposed at the separate meeting of the holders of Ordinary Shares and the separate meeting of the holders of C Shares convened for 12.20 pm and 12.30 pm respectively on 11 September 2007 ("Separate Meetings") and (ii) in substitution for any existing authorities pursuant to Section 80 of the Companies Act 1985 ("the Act"), the Directors be and are hereby authorised to exercise all of the powers of the Company to allot, grant options over, offer or otherwise deal with or dispose of any relevant securities of the Company (as defined in Section 80(2) of the Act) up to an aggregate nominal value of £74,940 provided that this authority shall expire on the fifth anniversary of the date of the passing of this resolution unless renewed, varied or revoked by the Company in general meeting (except that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot equity securities in pursuance of such offers or agreements).
11. That (i) subject to the passing of the resolutions to be proposed at the Separate Meetings and (ii) in substitution for any existing authorities pursuant to section 95(1) of the Companies Act 1985 ("the Act"), the Directors be and are hereby empowered pursuant to Section 95(1) of the Act to allot or make offers or agreements to allot equity securities (which expression shall have the meaning ascribed to it in Section 94(2) of the Act) for cash pursuant to the authority sought in accordance with Section 80 of the Act by Resolution 10 set out in this notice of Annual General Meeting as if Section 89(1) of the Act did not apply to such allotment provided that this power shall expire on the earlier of the conclusion of the Annual General Meeting to be held in 2008 and the date which is fifteen months after the date on which this resolution is passed and provided further that the power conferred by this resolution shall be limited to:
    (i) the allotment of up to 2,197,208 Ordinary Shares pursuant to performance warrant rights as set out in the carried interest agreement dated 10 May 2000 between the Company (1) and Matrix Private Equity Limited (2), Michael Cumming and others (3) and Mark Burgess and Helen Sinclair (4);
    (ii) the allotment of equity securities with an aggregate nominal value of up to but not exceeding 10 per cent of the issued Ordinary Share capital and/or the issued C Share capital of the Company as at the date this resolution is passed in connection with any dividend investment or similar scheme that may be operated by the Company from time to time;
    (iii) the allotment (otherwise than pursuant to sub-paragraphs (i) and (ii) above) of equity securities with an aggregate nominal value or up to but not exceeding 10 per cent of the issued Ordinary Share capital and/or the issued C Share capital of the Company as at the date this resolution is passed where the proceeds of the allotment are to be used in whole or in part to purchase the Company's Ordinary Shares or, as the case may be, C Shares in the market;

[1] Following the merger of MRI Moores Rowland LLP with Mazars LLP, MRI Moores Rowland LLP resigned as auditors on 1 May 2007, and the Directors appointed its successor, Mazars LLP, to fill the casual vacancy created by the resignation.

(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 Ordinary Share capital and/or the issued C Share capital of the Company at the date this resolution is passed.

12. That, subject to the passing of the resolutions to be proposed at the Separate Meetings, the Company be empowered to make market purchases (within the meaning of Section 163 of the Act) of its own Ordinary Shares and C Shares provided that:

(i) the aggregate nominal amount of the Ordinary Shares and C Shares to be purchased shall not exceed 14.99 per cent of the issued Ordinary Share capital of the Company as at the date this resolution is passed or, as the case may be 14.99 per cent of the C Share capital of the Company as at the date this resolution is passed;

(ii) the minimum price which may be paid for an Ordinary Share or a C Share is 1 penny per share;

(iii) the maximum price which may be paid for an Ordinary Share or a C Share is 105 per cent of the average of the middle market prices of an Ordinary Share or, as the case may be, C Share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which that Ordinary Share or, as the case may be C Share, is purchased;

(iv) this authority shall expire on the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2008 and the date which is fifteen months after the date on which this resolution is passed; and

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

and provided further that any purchase by the Company of its own shares does not prejudice the ability of the Company to disregard, to the fullest possible extent pursuant to Section 842AA (5B) of the Income and Corporation Taxes Act 1988, the use to which money raised pursuant to a share issue is put, for the purposes of complying with the 70% test and the 30% test, as those terms are defined in the Venture Capital Trust (Winding up and Mergers) (Tax) Regulations 2004.

13. That the final sentence of Article 2.2.7 of the Company's Articles of Association be amended to read:

"…provided that in the case of sub-paragraph (d) above, the holders of "C" Shares as a class and the holders of Ordinary Shares as a class may authorise the Directors to select an accounting reference date other than 30 April."

By order of the Board
Matrix-Securities Limited
Company Secretary

Registered Office
One Jermyn Street
London SW1Y 4UH
18 June 2007

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and on a poll to vote on his or her behalf. A proxy need not also be a member. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should he or she subsequently decide to do so.
2. A personalised reply-paid form of proxy for your use is enclosed with Shareholders' copies of this Annual Report. To be valid, it should be completed, signed and sent (together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority) to the Company's Registrars, Capita Registrars, Proxies, The Registry, 34 Beckenham Road, Beckenham BR3 4ZB so as to be received not later than forty-eight hours before the time appointed for holding the meeting, 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 not later than twenty-four hours before the time appointed for taking the poll.
3. In accordance with the requirements of the Companies Act 1985, the Register of Directors' interests will be available for inspection at the place of the Annual General Meeting for at least fifteen minutes prior to and during the meeting.

NOTICE of SEPARATE MEETING of ORDINARY SHAREHOLDERS

Notice is hereby given that a separate meeting of the holders of Ordinary Shares of 1 pence each in the capital of the Company ("Ordinary Shares") will be held at 12.20 pm (or as soon thereafter as the Annual General Meeting convened for 12 noon on that day has been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolutions as extraordinary resolutions:

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

   (1) the passing and carrying into effect, as ordinary and special resolutions of the Company, resolutions 10-13 as set out in the notice of the Annual General Meeting convened for 12 noon on 11 September 2007 (a copy of which is produced to the meeting and signed by the Chairman for the purposes of identification); and

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

2. That the Directors be authorised to select an accounting reference date other than 30 April, and to change the Company's accounting reference date to the date so selected, provided that this power shall expire on the earlier of the conclusion of the Annual General Meeting to be held in 2008 and the date which is fifteen months after the date on which this resolution is passed.

By order of the Board

Matrix-Securities Limited
Company Secretary

Registered Office
One Jermyn Street
London SW1Y 4UH

18 June 2007

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and on a poll to vote on his or her behalf. A proxy need not also be a member. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should he or she subsequently decide to do so.
2. A personalised reply-paid form of proxy for your use is enclosed with Shareholders' copies of this Annual Report. To be valid, it should be completed, signed and sent (together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority) to the Company's Registrars, Capita Registrars, Proxies, The Registry, 34 Beckenham Road, Beckenham BR3 4ZB so as to be received not later than forty-eight hours before the time appointed for holding the meeting, 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 not later than twenty-four hours before the time appointed for taking the poll.
3. In accordance with the requirements of the Companies Act 1985, the Register of Directors' interests will be available for inspection at the place of the Annual General Meeting for at least fifteen minutes prior to and during the meeting.

NOTICE of SEPARATE MEETING of C SHAREHOLDERS

Notice is hereby given that a separate meeting of the holders of C Ordinary Shares of 1 pence each in the capital of the Company ("C Shares") will be held at 12.30 pm (or as soon thereafter as the separate meeting of the holders of Ordinary Shares convened for 12.20 pm on that day has been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolutions as extraordinary resolutions:

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

   (1) the passing and carrying into effect, as ordinary and special resolutions of the Company, Resolutions 10-13 as set out in the notice of the Annual General Meeting convened for 12 noon on 11 September 2007 (a copy of which is produced to the meeting and signed by the Chairman for the purposes of identification); and

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

2. That the Directors be authorised to select an accounting reference date other than 30 April, and to change the Company's accounting reference date to the date so selected, provided that this power shall expire on the earlier of the conclusion of the Annual General Meeting to be held in 2008 and the date which is fifteen months after the date on which this resolution is passed.

By order of the Board
Matrix-Securities Limited
Company Secretary

Registered Office
One Jermyn Street
London SW1Y 4UH

18 June 2007

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and on a poll to vote on his or her behalf. A proxy need not also be a member. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should he or she subsequently decide to do so.
2. A personalised reply-paid form of proxy for your use is enclosed with shareholders' copies of this Annual Report. To be valid, it should be completed, signed and sent (together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority) to the Company's Registrars, Capita Registrars, Proxies, The Registry, 34 Beckenham Road, Beckenham BR3 4ZB so as to be received not later than forty-eight hours before the time appointed for holding the meeting, 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 not later than twenty-four hours before the time appointed for taking the poll.
3. In accordance with the requirements of the Companies Act 1985, the Register of Directors' interests will be available for inspection at the place of the Annual General Meeting for at least fifteen minutes prior to and during the meeting.