MATRIX INCOME & GROWTH 4 VCT PLC

REPORT & ACCOUNTS

for the year ended 31 January 2008

MATRIX

www.mig4vct.co.uk

Investment Objective

Strategy
Matrix Income & Growth 4 VCT ("MIG 4") is a tax efficient company listed on the London Stock Exchange. It invests primarily in established and profitable unquoted companies.

Investment Objective
The VCT's objective is to provide investors with a regular income stream, by way of tax free dividends, and to generate capital growth through portfolio realisations, which can be distributed by way of additional tax free dividends.

Dividend Policy
The VCT intends to pay income dividends half-yearly. Subject to fulfilling certain regulatory requirements, the VCT also intends to pay capital dividends following portfolio realisations.

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Financial Highlights
as at 31 January 2008

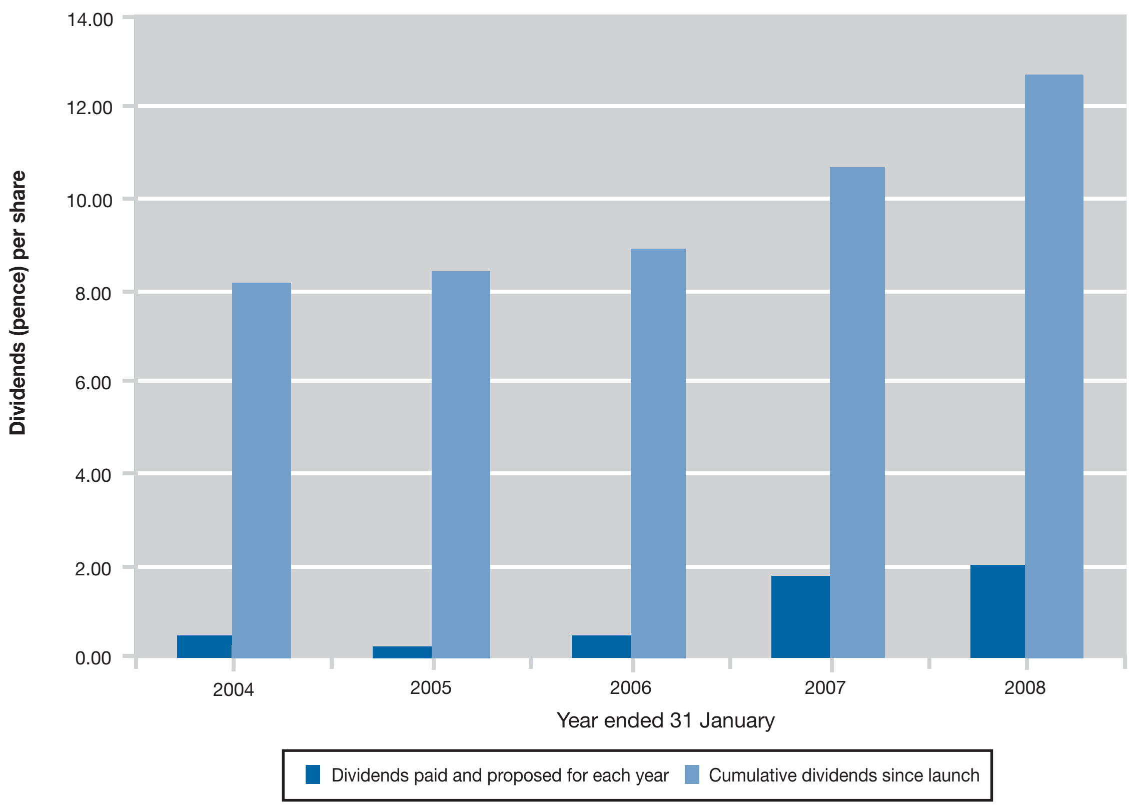
- Increase of 19% in year in cumulative dividends (paid & proposed)
- Increase of 11% in annual dividends (paid & proposed) over 2007
- Increase of 28.3% in shareholder total return (share price basis) in 18 month period since MPEP took over sole management of the Fund
- Increase of 5.2% in shareholder total return (net asset value basis) in 18 month period since MPEP took over sole management of the Fund

Dividends paid and proposed

Year ended 31 January	Dividends paid and proposed for each year per share (p)	Cumulative dividends paid and proposed since launch per share(p)
2008	*2.00	*12.70
2007	1.80	10.70
2006	0.50	8.90
2005	0.20	8.40
2004	0.50	8.20

*A final proposed dividend of 1.25 pence per share, which will be recommended to Shareholders at the AGM on 21 May 2008 to be paid on 11 June 2008, has been included in these figures.

Dividends paid and proposed



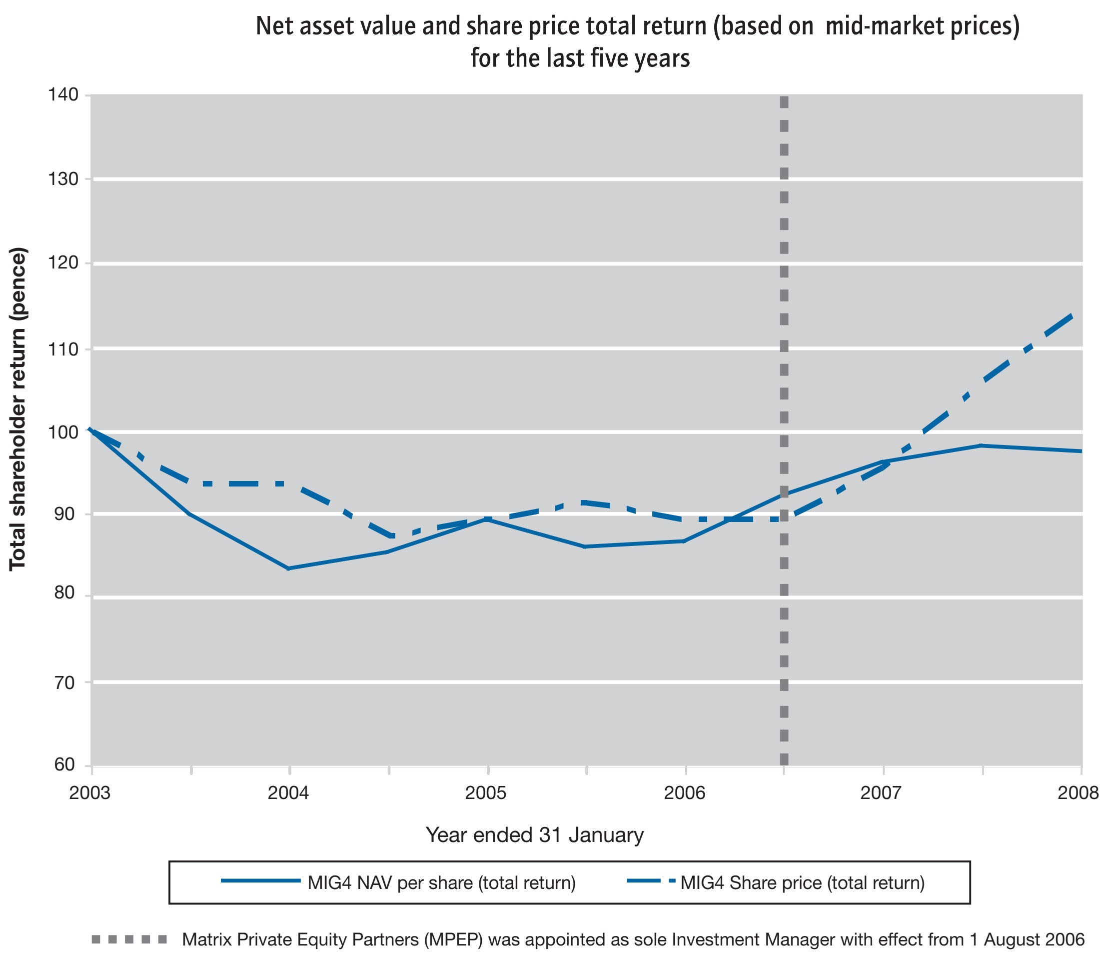
Performance Summary

Year ended 31 January	Net assets (£000s)	Net asset value per share (p)	NAV total return to shareholders since launch per share (p)	Share price (p)[1]	Share price total return to shareholders since launch per share (p)
2008	24,067	117.41	128.86	109.00	120.45
2007	9,772	116.34	125.24	91.00	101.70
2006	9,287	106.57	114.97	85.00	93.90
2005	10,108	110.29	118.49	85.00	93.40
2004	9,868	103.76	111.46	89.00	97.20

[1]Source: London Stock Exchange

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

In the graph below, the total return figures have been rebased to 100 pence at 1 February 2003.



Chairman's Statement

I am pleased to present to Shareholders the Annual Report of the Company for the year ended 31 January 2008.

In the light of the economic uncertainty and turmoil in financial markets during the last twelve months, this has not been an entirely easy period for investment companies. This is clearly evidenced by the stock market indices discussed below, all of which fell significantly. In contrast, the outcome for the year, when the Company's net assets per share have risen, albeit marginally, is encouraging given the difficult economic climate.

Performance

Although it is only relatively early (eighteen months ago) since the Company appointed MPEP as sole Investment Manager, a promising start to securing improved performance has occurred. Income dividends paid and proposed for the year are 11% higher than last year's payment. This year's dividends increase cumulative dividends paid and proposed by 19% since last year's total. Partly as a result of a more active management of the share price within the Company's agreed share buy-back policy, share price return to shareholders has increased by over 28% in these eighteen months.

At 31 January 2008, the Company's Net Asset Value (NAV) per share had risen by 0.92% to 117.41 pence (2007: 116.34 pence). Net assets, however, rose by 146.3% to £24.07 million almost entirely due to the successful fund raising last year. The Company, after the proposed final dividend of 1.25 pence per share, will have distributed dividends of 12.7 pence per share since the Company's launch. The total shareholder (NAV) return has risen by 5.2% since 1 August 2006, the date on which MPEP was appointed sole Investment Manager to the Company.

Economic and stock market background

During the last twelve months stock markets around the world have been dominated by the difficulties in the US sub-prime mortgage market, in the UK by the events surrounding the banking activities of Northern Rock, and more recently by the substantial losses suffered by Société Générale. At the time of writing this report, credit markets are suffering particular turmoil as investors unwind positions in structured products. This situation has been exacerbated by news of Credit Suisse unveiling a $2.8 billion write-down on asset-backed investments and by the near collapse of Bear Stearns in New York. As a result, credit spreads in both Europe and the US have widened to record levels. Whilst the worst of the turmoil may be over in the short term, there can be no certainty that further problems will not emerge, thus adding to stock market concerns.

During the twelve-month period ended 31 January 2008 the FTSE All Share Index fell by 3.56%, the Small Cap Index by 19.52% and the AIM Index by 8.99%.

Inevitably the general climate has affected sentiment in the corporate sector. There are two aspects: divestments may become more difficult later in the year, while acquisition prices could become more attractive. Some satisfactory exits have been achieved in 2007 and 2008, and the Investment Manager remains confident that there are still opportunities to invest selectively at attractive prices.

The portfolio

When considered by stage of development, the portfolio continues to be dominated by investments in management buy-out situations ("MBOs"), which has remained steady at 79.41% with 19.09% invested in development capital companies and the remaining 1.50% of the portfolio being invested in early stage investments. Following the change in investment strategy at the beginning of the period, the portfolio is invested in a wide range of market sectors with the largest of those being support services at 38.65%. Consumer services at 14.57% is the next largest investment sector. This spread of investments reflects the current investment strategy of spreading risks whilst trying to maintain a steady, if not increasing, dividend yield.

Within the portfolio, there were net gains of some £464,000 for the period following the disposal of three companies. These produced a total profit against original cost of some £791,000. Maven Management Limited was sold for cash proceeds of £429,000. This produced a further gain of £118,000 this year, and an overall gain of £254,000 on an investment which originally cost £175,000. Ministry of Cake (Holdings) Limited was sold for £797,000 giving a further gain in the year of £471,000 and an overall gain on the cost of the investment of £468,000. BBI Holdings plc was sold just before the year end realising a gain in the period of £46,000 and an overall profit of £69,000 against an original cost of £58,000.

During the year several new investments were made. These included £773,000 invested in Focus Pharma Holdings Limited, a licensing and distributor of generic pharmaceuticals company, £1 million in DiGiCo Europe Limited, a designer and manufacturer of audio mixing desks, and £634,000 into Monsal Holdings Limited, an engineering provider to the utilities sector. In addition, several minor secondary market purchases were made in BBI Holdings plc, Sectorguard plc, Higher Nature Limited and VSI Limited.

Within the previous Elderstreet portfolio, an additional investment of £4,871 was made in Mobile & Wireless Group Limited (now renamed Expansys plc and listed on AIM since April 2007).

Revenue account

The revenue return of the Income Statement has experienced a strong increase from £30,369 last year to £422,621 this financial year. Total income has nearly trebled from last year, increasing by £685,584. This is mainly due, first, to higher income of £629,387 from the liquidity funds into which the proceeds from the offer of new shares earlier this financial year were placed. Secondly, loan stock interest rose by £76,241, as further qualifying investments made in the current and previous years generated higher levels of such income.

The fund management fee rose from £32,072 to £132,146. This was due to the 146% rise in net assets, arising from the raising of the new funds.

Other expenses have also risen, by £68,130 or 24%, again mainly due to the rise in net assets, which has caused trail commission and administration fees to rise.

The revenue return before taxation rose by £517,380, as a result of the above changes. The tax charge attributable to this revenue return also rose by £125,128. However, no taxation is payable by the Company overall as there are taxation losses brought forward from previous years.

Dividend

The Company's revenue gain per Ordinary Share was 2.21 pence per share (2007: 0.35 pence per share). Your Board paid an interim dividend of 0.75 pence on 8 November 2007. As noted above, your Board will be recommending a final dividend of 1.25 pence per Ordinary Share in respect of the year under review at the Annual General Meeting to be held on 21 May 2008. The dividend will be paid on 11 June 2008 to shareholders on the Register on 16 May 2008.

Valuation policy

As quoted stocks are valued at bid prices, rather than mid-market prices, it is worth commenting that the Fund does hold a small number of relatively early stage AIM listed stocks with limited marketability. In such cases, the price at which a sizeable block of shares could be traded, if at all, may vary significantly from the market price used.

Corporate governance laws

Corporate governance laws will, on 1 October 2008, impose a new statutory obligation on directors relating to conflicts and potential conflicts of interest with the interests of the Company and will, with your consent, give your Directors new powers to manage such conflicts in a way which is most likely to promote the interests of the Company. This is explained in more detail on pages 24 to 25.

Share buy-backs

During the year ended 31 January 2008 the Company continued to implement its buy-back policy and bought back 906,331 Ordinary Shares of 1p, representing 4.23% of the shares in issue at 1 February 2007 at a total cost of £802,864 (excluding expenses). These shares were subsequently cancelled by the Company.

MIG 4 website

May I remind you that the Company has its own website which is available at www.mig4vct.co.uk

UK Private Equity 2007 Awards

I am delighted to inform you that late last year MPEP made the short-list for the third year running for the award for the Small Buyout House of the Year by unquote", the UK private equity journal of record.

In summary, the Board continues to be pleased with the progress that the portfolio is making and we anticipate a number of profitable realisations over the forthcoming twelve months. Once again I would like to take this opportunity to thank Shareholders for their continued support.

Colin Hook
Chairman
1 April 2008

Investment Manager's Review

The VCT has continued to pursue its strategy of investing in established profitable unquoted companies. Typically these investee companies are cash-generative and therefore capable of producing dividend income as soon as the investment is made, as well as capital returns to Shareholders on their ultimate sale or flotation. MIG 4 VCT focuses principally on investments in management buy outs ("MBOs").

This year there has been further progress in building the qualifying investment portfolio, with four material further investments having been made totalling £2.86 million. In early July the Company invested £1 million to support the MBO of DiGiCo, a global market leading manufacturer of digital sound mixing consoles for the live performance, theatre, post-production and broadcast markets. This was followed in September by an additional investment of £445k million in Blaze Signs Holdings, the manufacturer of signage for major multiple retailers. This followed the VCT's original investment of £165k in April 2006 and enabled Blaze to complete the acquisition of Active Sign Maintenance, a complementary maintenance business located nearby. This has broadened Blaze's capabilities and will offer considerable cross-selling opportunities and operating synergies.

In October the Company invested £772k to support the MBO of Focus Pharmaceuticals, which is based in Burton-upon-Trent and specialises in the licensing and distribution of generic pharmaceuticals. In early December we completed the MBO of Monsal, a Mansfield-headquartered company which is engaged in anaerobic technology and consultancy in the water treatment and waste disposal industries and in which the Company invested £634k.

The year has also seen realisations of three successful investments. In April a February 2000 investment, Maven Management, was sold to Munro Global Limited. The proceeds of £429k may be supplemented by additional consideration of up to £114k if certain targets are achieved during the company's next two financial years. This would bring total capital proceeds from the original £550k investment to £1.14 million. In early December, Ministry of Cake was sold to Greencore Group. The Company's £329k investment, made in September 2005, was realised in cash for a total of £797k, representing a £289k uplift from the most recent previous valuation at 31 October 2007.

Shortly before the year end BBI Holdings, the AiM-listed manufacturer and distributor of point-of-care medical diagnostic products, was sold to Inverness Medical Innovations Inc., a US company quoted on the American Stock Exchange ("AMEX"). Favourable exchange rate movements and the strengthening share price of Inverness, which offered a share alternative to the cash offer of 185p per BBI share, enabled the Company to sell its shares in the market in January at just over 205p per share. The proceeds of £127k compared to the Company's investment cost of £58k and represent a £30k increase over the valuation as at 31 October 2007.

The MPEP portfolio, excluding the earlier stage technology investments, now comprises twenty two investments at a total cost of £7.7 million and a valuation of £8.8 million, 114% of cost. The performance of the investments remains generally good, with a number continuing to exhibit strong trading although there is growing evidence of a generally weakening UK economic background.

Foremost amongst these are VSI, Youngman, Vectair and PastaKing, which have all enjoyed strong trading. Youngman and PastaKing reported record profits during the year and Vectair more than doubled in profit over the comparable figures in 2006. BG Consulting Group has also made excellent progress and Higher Nature has produced solid, albeit somewhat lower earnings. Tottel Publishing has continued to grow its reputation as a specialist taxation and legal publisher.

PXP and British International have both delivered performances broadly in line with their investment plans. Whilst SectorGuard has made acquisitions, its commercial progress has not yet been reflected in its share price. More disappointingly, the performance of both Campden Media and Racoon International has been less positive. Whilst both are profitable, they are trading at levels of profitability much lower than anticipated at the time of investment and their valuations reflect this. The performances of Inca, Letraset and Stortext FM have also continued to disappoint.

It would be surprising if the value of the Company's unquoted investments were immune from the concerns surrounding the wider economic environment. However, we are confident that we have generally invested in well-established, profitable businesses alongside management teams who are highly motivated to deliver performance for shareholders over the coming years, and that the performance of the portfolio performance will continue to reflect this.

Details of the Company's ten largest investments by value, representing 72% by cost and 84% by value of the core portfolio, are set out below. For all investments below, the figures for audited financial information are rounded to the nearest thousand pounds.

Youngman Group Limited

Cost: £500,026
Valuation: £1,439,740
Basis of valuation: Discounted earnings
Equity % held and voting rights: 4.2%
Business: Manufacturer of ladders and access towers
Location: Maldon, Essex
History: Management buy-in/buy-out from SGB Group
Income in year: £38,629
Audited financial information:

Year ended	Turnover	Operating profit	Net assets
30 June 2007	£49,313,000	£5,878,000*	£4,434,000

Higher Nature Limited

Cost: £500,127
Valuation: £1,243,246
Basis of valuation: Discounted earnings
Equity % held: 10.7%
Business: Mail order distribution of vitamins and natural medicines
Location: Burwash Common, East Sussex
History: Expansion capital
Income in year: £23,887
Audited financial information:

Year ended	Turnover	Operating profit	Net assets
31 March 2007	£10,171,000	£1,517,000*	£3,649,000

DiGiCo Europe Limited

Cost: £1,000,000
Valuation: £1,000,000
Basis of valuation: Cost
Equity % held: 6.5%
Business: Manufacturer of digital sound mixing consoles
Location: Chessington, Surrey
History: Management buy-out
Income in year: £33,255
Audited financial information: First audited accounts will be for the period ended 31 December 2007

Blaze Signs Holdings Limited

Cost: £610,016
Valuation: £776,914
Basis of valuation: Price of recent investment
Equity % held: 5.7%
Business: Manufacture and installation of signs
Location: Broadstairs, Kent
History: Management buy-out
Income in year: £26,695
Audited financial information:

Year ended	Turnover	Operating profit	Net assets
31 March 2007	£14,245,000	£1,732,000*	£1,588,000

Focus Pharma Holdings Limited

Cost: £772,451
Valuation: £772,451
Basis of valuation: Cost
Equity % held: 3.1%
Business: Licensing and distribution of generic pharmaceuticals
Location: Burton upon Trent, Staffordshire
History: Management buy-out
Income in year: £15,807
Audited financial information: First audited accounts will be for the period ending 31 December 2008

Monsal Holdings Limited

Cost: £634,296
Valuation: £634,296
Basis of valuation: Cost
Equity % held: 9.8%
Business: Engineering services to water and waste sectors
Location: Mansfield, Nottinghamshire
History: Management buy-out
Income in year: £5,749
Audited financial information: First audited accounts will be for the period ending 30 September 2008

PXP Holdings Limited (Pinewood Structures)

Cost: £584,088
Valuation: £485,818
Basis of valuation: Discounted earnings
Equity % held: 5.0%
Business: Design, manufacture and supply of timber frames for buildings
Location: Sandy, Bedfordshire
History: Management buy-out
Income in year: £33,172
Audited financial information: First audited accounts will be for the period ended 31 December 2007

Tottel Publishing Limited

Cost: £235,200
Valuation: £382,173
Basis of valuation: Discounted earnings
Equity % held: 6.3%
Business: Publisher specialising in legal and tax titles
Location: Haywards Heath, West Sussex
History: Management buy-out
Income in year: £18,900
Audited financial information:

Year ended	Turnover	Operating profit	Net assets
28 February 2007	£4,590,000	£414,000*	£952,000

Stortext FM Limited

Cost: £561,820
Valuation: £375,968
Basis of valuation: Cost less impairment
Equity % held: 4.6%
Business: Document management software and services
Location: Houghton Regis, Bedfordshire
History: Expansion capital
Income in year: £33,696 (excluding £69,899 of loan interest due converted into further loan stock)
Audited financial information:

Year ended	Turnover	Operating loss	Net assets
31 March 2007	£4,873,000	£426,000	£2,091,000

PastaKing Holdings Limited

Cost: £133,055
Valuation: £351,877
Basis of valuation: Discounted earnings
Equity % held: 2.1%
Business: Manufacturer and supplier of fresh pasta meals
Location: Newton Abbot, Devon
History: Management buy-out
Income in year: £10,007
Audited financial information:

Year ended†	Turnover	Operating profit	Net assets
30 June 2007	£9,456,000	£2,104,000*	£1,588,000

†Period beginning 21 March 2006

*Operating profit is stated before charging amortisation of goodwill

The equity percentage holdings disclosed above are on a fully diluted basis.

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

Investment Portfolio Summary

as at 31 January 2008

	Ordinary Shares		Other Investments (loan stock/preference shares)		Total									
	Cost at 31-Jan-08 £	Valuation at 31-Jan-08 £	Cost at 31-Jan-08 £	Valuation at 31-Jan-08 £	Cost at 31-Jan-08 £	Valuation at 31-Jan-07 £	Additional investments £	Valuation at 31-Jan-08 £	Impairments and unrealised gains/(losses) in year £	Realised gains/(losses) in year £	Proceeds in year £	% of equity held	% of portfolio by value	Description of loan stock/ preference shares
Matrix Private Equity Partners LLP														
Youngman Group Limited Manufacturer of ladders and access towers	50,027	989,741	449,999	449,999	500,026	1,372,182	-	1,439,740	67,558	-	-	4.24%	16.22%	7.75% secured subordinated loan stock
Higher Nature Limited Mail order distributor of vitamins and natural medicines	500,127	1,243,246	-	-	500,127	1,574,137	127	1,243,246	(331,018)	-	-	10.69%	14.01%	
DiGiCo Europe Limited Designer and manufacturer of audio mixing desks	386,522	386,522	613,478	613,478	1,000,000	-	1,000,000	1,000,000	-	-	-	6.52%	11.27%	Variable rate secured loan stock
Blaze Signs Holdings Limited Manufacturer and installer of signs	183,005	349,903	427,011	427,011	610,016	164,510	445,506	776,914	166,898	-	-	5.70%	8.75%	Secured loan stock at 10%
Focus Pharma Holdings Limited Licensor and distributor of generic pharmaceuticals	270,359	270,359	502,092	502,092	772,451	-	772,451	772,451	-	-	-	3.10%	8.70%	Secured loan stock 2012
Monsal Holdings Limited Supplier of engineering services to water and waste sectors	214,596	214,596	419,700	419,700	634,296	-	634,296	634,296	-	-	-	9.80%	7.15%	8.62% fixed rate secured loan stock 2012
PXP Holdings Limited (Pinewood Structures) Designer, manufacturer and supplier of timber frames for buildings	168,217	69,947	415,871	415,871	584,088	584,088	-	485,818	(98,270)	-	-	4.98%	5.47%	Secured loan stock at 12%
Tottel Publishing Limited Publisher specialising in legal and tax titles	58,800	143,837	176,400	238,336	235,200	375,664	-	382,173	6,509	-	-	6.27%	4.31%	9.6% secured loan stock 2009 and participating preference shares
Stortext FM Limited Provider of document management software and services	185,852	-	375,968	375,968	561,820	375,968	-	375,968	-	-	-	4.60%	4.24%	9% unsecured subordinated 'A' loan stock 2010
Pastaking Holdings Limited Manufacturer and supplier of fresh pasta meals	53,222	255,927	79,833	95,950	133,055	133,055	-	351,877	218,822	-	-	2.10%	3.96%	Secured loan stock at 10%
VSI Limited Provider of software for CAD and CAM vendors	17,726	170,687	159,491	175,347	177,217	177,213	4	346,034	168,817	-	-	4.56%	3.90%	Secured loan stock at 10%
British International Holdings Limited Helicopter service operator	56,250	18,625	193,750	232,450	250,000	250,000	-	251,075	1,075	-	-	2.50%	2.83%	Secured loan stock at 9%
Racoon International Limited Supplier of hair extensions, hair care products and training	122,043	-	284,762	203,403	406,805	406,805	-	203,403	(203,402)	-	-	5.70%	2.29%	Secured loan stock at 8% and 10% participating preference shares
Vectair Holdings Limited Designer and distributor of washroom products	24,643	50,338	75,357	90,411	100,000	100,818	-	140,749	39,931	-	-	2.14%	1.59%	Variable rate secured loan stock
Campden Media Limited Magazine publisher and conference organiser	30,906	-	121,714	113,785	152,620	154,040	-	113,785	(40,255)	-	-	1.69%	1.28%	Variable rate unsecured loan notes 2010 and A ordinary shares
BG Consulting Group Limited/Duncary 4 Limited Provider of financial training services	22,041	99,495	208,755	1,667	230,796	52,383	-	101,162	48,779	-	-	See note 3 below	1.14%	Variable rate unsecured loan notes 2007 and preference shares
SectorGuard plc [1] Provider of manned guarding, patrolling and alarm response services	150,102	75,044	-	-	150,102	160,714	102	75,044	(85,772)	-	-	1.38%	0.85%	
Inca Interiors Limited Designer, supplier and installer of contract kitchens	50,000	-	300,000	50,000	350,000	50,000	-	50,000	-	-	-	14.75%	0.55%	9% secured subordinated loan stock 2006 and preference shares
Letraset Limited Manufacturer and distributor of graphic art products	150,000	-	-	-	150,000	-	-	-	-	-	-	17.35%	0.00%	
F H Ingredients Limited (in administration) Processor of frozen herbs to the food processing industry	38,197	-	145,607	-	183,804	-	-	-		-	-	8.04%	0.00%	12% secured loan stock
Ministry of Cake (Holdings) Limited Manufacturer of frozen cakes and desserts for the foodservice industry	-	-	-	-	-	325,635	-	-	-	471,304	796,939		0.00%	
Maven Management Limited Market research agency	-	-	-	-	-	482,206	-	-	-	(53,551)	428,655		0.00%	
BBI Holdings plc Manufacturer of gold conjugate for medical diagnostics industry	-	-	-	-	-	81,034	148	-	-	45,942	127,124		0.00%	
Total	2,732,635	4,338,267	4,949,788	4,405,468	7,682,423	6,820,452	2,852,634	8,743,735	(40,328)	463,695	1,352,718		98.51%	

Investment Portfolio Summary
as at 31 January 2008

	Ordinary Shares		Other Investments (loan stock/preference shares)		Total									
	Cost at 31-Jan-08	Valuation at 31-Jan-08	Cost at 31-Jan-08	Valuation at 31-Jan-08	Cost at 31-Jan-08	Valuation at 31-Jan-07	Additional investments	Valuation at 31-Jan-08	Impairments and unrealised gains/(losses) in year	Realised gains/(losses) in year	Proceeds in year	% of equity held	% of portfolio by value	Description of loan stock/ preference shares
Former Elderstreet Private Equity Limited Portfolio														
Cashfac Limited Provider of virtual banking application software solutions to corporate customers	260,101	86,372	-	-	260,101	33,163	-	86,372	53,209	-	-	3.42%	0.97%	
Expansys plc (formerly Mobile and Wireless Group Limited)[1] Retailer of handheld electrical products	31,000	46,923	-	-	31,000	65,773	4,871	46,923	(23,721)	-	-	0.58%	0.52%	
Sparesfinder Limited Supplier of industrial spare parts on-line	250,000	-	-	-	250,000	25,683	-	-	(25,683)	-	-	2.19%	0.00%	
Other investments in the portfolio [2]	898,062	-	-	-	898,062	-	-	-	-	-	-	-	0.00%	
Total	1,439,163	133,295	-	-	1,439,163	124,619	4,871	133,295	3,805	-	-		1.49%	
Investment Managers' Total	**4,171,798**	**4,471,562**	**4,949,788**	**4,405,468**	**9,121,586**	**6,945,071**	**2,857,505**	**8,877,030**	**(36,523)**	**463,695**	**1,352,718**	**-**	**100.00%**	

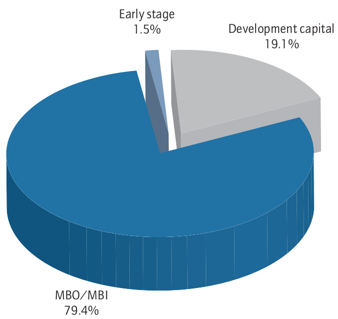
[1] Quoted on AIM

[2] Other investments in the Elderstreet portfolio comprise those investments that have been valued at nil and from which the Directors only expect to receive small recoveries i.e. ComponentSource Holding Corporation, Sapphire International Limited, Computer Software Group plc, Sift Group Limited and Shopcreator plc.

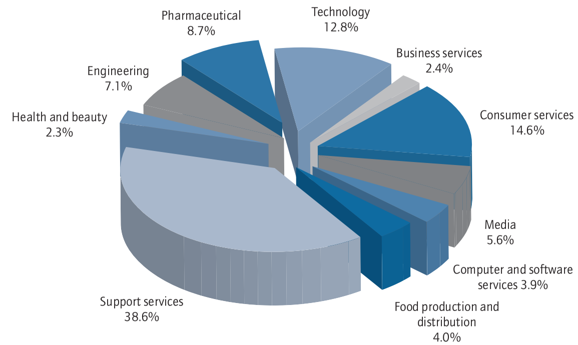
[3] The percentage of equity held in BG Consulting Group Limited is 2.6% and in Duncary 4 Limited is 6.64%.

Investments at valuation at 31 January 2008

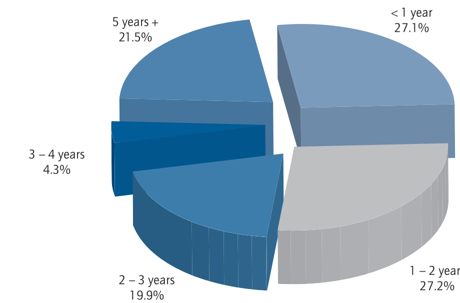
Investments by stage of development



Investments by market sector



Investments by number of years held



Board of Directors

Colin Hook

Status: Independent, Non-Executive Chairman

Age: 66

Experience: Experience: Colin has wide industrial and commercial experience. He has directed fund management operations for more than ten years and his City involvement includes flotations, mergers and acquisitions and general corporate finance. From 1994 to 1997 he was Chief Executive of Ivory and Sime plc. He is currently the non-executive Chairman of The Income & Growth VCT plc and Chairman of Pole Star Space Applications Limited, a leading provider of real-time tracking information for maritime applications via a global web-based satellite enabled solution.

Last re-elected to the Board: May 2007.

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

Number of Board and Committee meetings attended 2007/08: 25/25

Remuneration 2007/08: £30,000

Relevant relationships with the Investment Managers or other service providers: Chairman of The Income & Growth VCT plc which, as at the date of this Report, is now advised solely by Matrix Private Equity Partners LLP.

Shareholding in the Company: 22,793 Ordinary Shares

Christopher Moore

Status: Independent, Non-Executive Director

Age: 63

Experience: After qualifying with Price Waterhouse, Christopher worked for Robert Fleming Inc., Lazard, Jardine Fleming and then Robert Fleming, latterly as a main board director for 9 years (1986-95). During this period he was involved in various unquoted and venture capital investments and remained chairman of Fleming Ventures Limited, an international technology venture capital fund, until 2003. His recent advisory roles included acting as senior adviser to the chairman of Lloyds, the insurance group, for 4½ years. He is a non-executive director of Matrix Income & Growth VCT plc, Matrix Income & Growth 3 VCT plc and The Income & Growth VCT plc.

Last re-elected to the Board: May 2005; Standing for re-election at the Annual General Meeting on 21 May 2008.

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

Number of Board and Committee meetings attended 2007/08: 21/25

Remuneration 2007/08: £25,000

Relevant relationships with the Investment Managers or other service providers:

Director of Matrix Income & Growth VCT plc and Matrix Income & Growth 3 VCT plc which are both advised by Matrix Private Equity Partners LLP and The Income & Growth VCT plc which, as at the date of this Report, is now advised solely by Matrix Private Equity Partners LLP.

Shareholding in the Company: 26,690 Ordinary Shares

Helen Sinclair

Status: Independent, Non-Executive Director

Age: 42

Experience: Helen has extensive experience of investing in a wide range of small and medium sized businesses. She graduated in economics from Cambridge University and began her career in banking. After a MBA at INSEAD business school, Helen worked from 1991 to 1998 at 3i plc based in their London office. She was a founding director of Matrix Private Equity Limited when it was established in early 2000. She is a non-executive director of The Income & Growth VCT plc, Hotbed Fund Managers Limited and British Smaller Companies VCT plc.

Last re-elected to the Board: May 2006

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

Number of Board and Committee meetings attended 2007/08: 18/25

Remuneration 2007/08: £25,000

Relevant relationships with the Investment Managers or other service providers: Director of The Income & Growth VCT plc which, as at the date of this Report, is now advised solely by Matrix Private Equity Partners LLP.

Shareholding in the Company: 6,672 Ordinary Shares

Directors' Report

The Directors present the Annual Report and Audited Accounts of the Company for the year ended 31 January 2008.

Business and principal activities

The principal activity of the Company during the year was the investment in unlisted or AIM quoted companies in the United Kingdom.

The Company's Ordinary Shares in the capital of the Company were first admitted to the Official List of the UK Listing Authority and to trading on the London stock Exchange on 9 March 1999. In relation to the new Ordinary Shares issued under the Offer for Subscription dated 2 November 2006, the Company cancelled its share premium account on 19 December 2007 for the purposes of providing a special reserve which is distributable and is capable of being used for the purposes, inter alia, of funding the purchase of its own shares in the future.

The Company is an investment company as defined by section 266 of the Companies Act 1985 ("the 1985 Act"). It has satisfied the requirements for full approval as a Venture Capital Trust by HM Revenue & Customs (HMRC) under section 274 of the Income Tax Act 2007 (the "ITA") throughout the year ended 31 January 2008. It is the Directors' intention to continue to manage the Company's affairs in such a manner so as to comply with section 274 and remain as a Venture Capital Trust.

All the businesses of the investee companies are within the United Kingdom with the exception of ComponentSource Holding Corporation which is incorporated in the USA.

Business review

For a review of the Company's development and performance during the year, please see the Chairman's Statement on pages 5 to 8 and the Investment Manager's Review and Investment Portfolio Summary on pages 9 to 15 of this Report. The Financial Highlights on pages 3 to 4 provide 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. NAV is calculated quarterly in accordance with the IPEVCV guidelines. The Company's net assets increased during the year under review resulting in a 0.9% increase in NAV per share and a 2.9% increase in total return per share.

- **Total expense ratio (TER)**
  The TER of the Company for the year under review was 3.8%. More details on these expenses are shown in notes 3, 4 and 5 of the financial statements. Under the terms of the Investment Adviser's Agreement, annual expenses, excluding any exceptional items and irrecoverable VAT

are capped at 3.4% of closing net assets. Any expenses in excess of the 3.4% cap are borne wholly by the Investment Manager. On this basis, the figure is reduced to 3.2% of closing net assets.

- **Investment Policy**

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

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

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

- **UK Companies**

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

- **VCT regulation**

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

- **Asset mix**

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

- **Risk diversification and maximum exposures**

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

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

- **Borrowing**
  The Company has no current plans to undertake any borrowing.

- **Management**
  The Board has overall responsibility for the Company's affairs including the determination of its investment policy. Investment and divestment proposals are originated, negotiated and recommended by the Investment Manager and are then subject to formal approval by the Board of Directors. Matrix-Securities Limited provides Company Secretarial and Accountancy services to the Company.

Principal risks, management and regulatory environment
The Board believes that the principal risks faced by the Company are:

- **Economic risk** – events such as an economic recession and movement in interest rates could affect trading conditions for smaller companies and consequently the value of the Company's qualifying investments.

- **Loss of approval as a Venture Capital Trust** – the Company must comply with section 274 of the ITA which allows it to be exempted from capital gains tax on investment gains. Any breach of these rules may lead to the Company losing its approval as a Venture Capital Trust (VCT), qualifying shareholders who have not held their shares for the designated holding period having to repay the income tax relief they obtained and future dividends paid by the Company becoming subject to tax. The Company would also lose its exemption from corporation tax on capital gains.

- **Investment and strategic** – inappropriate strategy or consistently weak VCT qualifying investment recommendations might lead to underperformance and poor returns to shareholders.

- **Regulatory** – the Company is required to comply with the 1985 Act and Companies Act 2006 ("the 2006 Act"), the listing rules of the UK Listing Authority and United Kingdom Accounting Standards. Breach of any of these might lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report.

- **Financial and operating risk** – inadequate controls that might lead to misappropriation of assets. Inappropriate accounting policies might lead to misreporting or breaches of regulations. Failure of the Investment Manager's and Administrator's accounting systems or disruption to its business might lead to an inability to provide accurate reporting and monitoring.

- **Market risk** – Investment in unquoted companies, by its nature, involves a higher degree of risk than investment in companies traded on the London Stock Exchange main market. In particular, smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals.

- **Asset liquidity risk** – The Company's investments may be difficult to realise.

- **Market liquidity risk** – Shareholders may find it difficult to sell their shares at a price which is close to the net asset value.

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

Future developments

The objective of the Company continues to be to provide shareholders with an attractive investment return, principally by maximising the stream of dividend distributions from the income and capital gains generated by a portfolio of investments in a wide variety of unquoted companies in the United Kingdom. The Directors intend to continue to pursue this objective throughout the coming year.

Share capital

A total of 13,006,193 new Ordinary Shares were issued and allotted between 1 February and 5 April 2007 pursuant to the Offer for Subscription made by the Company on 2 November 2006.

The Company currently has authority to purchase its own shares pursuant to section 166 of the 1985 Act as approved by Shareholders on 13 June 2007. For further details please see Note 14 to the accounts on page 48 of this Report. A resolution to renew this authority will be put to members at the Annual General Meeting to be held on 21 May 2008 (see below). During the year the Company bought back 906,331 Ordinary Shares of 1 penny each (representing 4.23% of the shares in issue at 1 February 2007 at a total cost of £846,932 (excluding expenses). These shares were subsequently cancelled by the Company.

The issued Ordinary Share capital of the Company as at 31 January 2008 was £204,992 and the number of Ordinary Shares in issue as at this date was 20,499,199.

Results and dividend

The revenue profit attributable to equity shareholders for the year to 31 January 2008 was £422,621 (2007: £30,369) after taxation. Your Board paid an interim dividend of 0.75 pence on 8 November 2007 and will be recommending a final dividend of 1.25 pence per Ordinary Share in respect of the year under review at the Annual General Meeting to be held on 21 May 2008, payable on 11 June 2008 to Shareholders who are on the Register of Members at 6.00 pm on 16 May 2008. In addition, a dividend of 1.8p per share for the year ended 31 January 2007 was also ratified on 16 April 2007.

Directors and their interests

The Directors who held office throughout the year under review and their interests in the issued Ordinary Shares of the Company as at 31 January 2008 were:

Director	***Ordinary Shares held***	
	31 January 2008	***31 January 2007***
Colin Hook	22,793	10,000
Christopher Moore	26,690	–
Helen Sinclair	6,672	–

Christopher Moore will retire by rotation at the Annual General Meeting to be held on 21 May 2008 and being eligible offers himself for re-election.

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

Management

On 31 July 2006 two of the Company's three original Investment Managers, Elderstreet Private Equity Limited and Nova Capital Management Limited resigned as Investment Managers to the Company. On 1 August 2006 Matrix Private Equity Partners Limited assumed responsibility for the entire portfolio. On 23 October 2006 Matrix Private Equity Partners Limited transferred its business to Matrix Private Equity Partners LLP (MPEP). Under a new Investment Adviser's Agreement dated 1 November 2006 (effective from 18 October 2006) MPEP is the sole adviser to the Company on investments in qualifying companies. For further information on this agreement please see note 3 on page 42.

The Directors believe that the continuing appointment of MPEP as the Investment Manager on the terms currently agreed is in the interests of its shareholders as a whole because MPEP is one of the best performing VCT managers in the market, a fact which is additionally demonstrated by the performance of the Company's portfolio over the past year during this period of economic uncertainty.

Matrix-Securities Limited acts as both Company Administrator and Company Secretary to the Company for which it received a fee of £83,065 (2007: £27,855).

VCT Status monitoring

The Company has retained PricewaterhouseCoopers LLP as its VCT status adviser. PricewaterhouseCoopers LLP review at the request of the Investment Manager, for VCT status purposes, new investment opportunities as appropriate and carry out regular reviews of the Company's investment portfolio.

Independent auditors

PricewaterhouseCoopers LLP resigned as auditors of the Company on 22 June 2007 and the Directors appointed PKF (UK) LLP, as auditors to fill the casual vacancy thereby arising. Resolutions to appoint PKF (UK) 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 31 January 2008 are aware, there is no relevant audit information of which the auditors are unaware. They have individually taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Substantial interests

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

Financial instruments

The Company's financial instruments comprise its investment portfolio, cash balances, liquid resources, debtors and creditors that arise directly from its operations, such as sales and purchases awaiting settlement and accrued income. For an explanation of the Board's risk management objectives and policies and the Company's exposure to market price risk, credit risk and liquidity risk please see Note 19 of the Notes to the Accounts on pages 50 to 54 of this Annual Report.

Creditors' payment policy

It is the Company's policy to pay all creditors' invoices within 30 days of the invoice date, or as otherwise agreed. At 31 January 2008 the average credit period for trade creditors was 26 days (2007: 36 days). The 2006 and 2007 figures were both exceptionally high due to the receipt of large invoices just before the year-end.

Directors' and officers' liability insurance

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

Annual general meeting

The Notice of the Annual General Meeting, which will be held on 21 May 2008 is set out on pages 55 to 57 of this Annual Report. The following explains the principal business to be proposed.

Authorities for the Directors to allot shares (Resolution 7) and disapply pre-emption rights (Resolution 8) under sections 80 and 95 of the Companies Act 1985 ("the 1985 Act").

The authorities proposed under Resolutions 7 and 8 will grant the Directors the authority to allot Ordinary Shares and, in respect of allotments for cash, to a limited and defined extent otherwise than pro rata to existing Shareholders. Resolution 7 will authorise the Directors to allot relevant securities generally, in accordance with section 80 of the 1985 Act, up to a nominal amount of approximately of £3,795,008 (representing the authorised, unissued share capital of the Company at the date of the Notice of the Annual General Meeting). Resolution 7 is being proposed as an ordinary resolution. The authority conferred by resolution 7 will expire on the fifth anniversary of the passing of the resolution.

Under section 89 of the 1985 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 8 will enable this requirement to be disapplied in the specific circumstances set out in the Resolution. These circumstances are in connection with a rights issue carried out by the Company and in respect of any further issues of up to 15 per cent of the issued share capital of the Company.

Resolution 8 is being proposed as a special resolution and unless previously renewed or revoked, the authority granted by this resolution will expire on the earlier of the Annual General Meeting of the Company to be held in 2009 and the date which is fifteen months after the date on which this resolution is passed.

The Directors have no immediate intention of exercising these authorities. Both resolutions replace previous authorities under sections 80 and 95 of the 1985 Act approved by Shareholders on 13 June 2007.

Authority for the Company to purchase its own Shares (Resolution 9)

This resolution will authorise the Company to purchase its own shares in the capital of the Company pursuant to section 166 of the 1985 Act. The authority is limited to a maximum number of Ordinary Shares of 3,072,830 representing 14.99 per cent of the issued ordinary share capital of the Company at the date of the Notice of the Meeting. It will expire on the earlier of the conclusion of the Annual General Meeting to be held in 2009 and the date which is fifteen months after the date on which this resolution is passed. The maximum price that may be paid for an Ordinary Share will be the higher of (i) an amount that is not more than five per cent above the average of the middle market quotations of the Ordinary Shares as derived from the Daily Official List of the UK Listing Authority for the five business days preceding such purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid at the time the purchase is carried out. The minimum price that may be paid for an Ordinary Share is 1 penny, being the nominal value of an Ordinary Share. This resolution will renew an existing authority granted at the Annual General Meeting held on 13 June 2007 that will expire at the conclusion of this Annual General Meeting. The Company has no immediate plans to hold shares in treasury and intends to continue its practice of cancelling any shares which are re-purchased.

Shareholders should note however, that the Directors do not intend to exercise this authority unless in the light of prevailing market conditions, to do so would result in an increase in net asset value per share and would be in the interests of Shareholders generally. Any shares so purchased will be cancelled and the number of shares in issue reduced accordingly.

The cancellation of the share premium account of the Company which became effective on 19 December 2007 has provided the Company with a special reserve (which is distributable) which can now be used, inter alia, to fund buy-backs of Ordinary Shares. All VCTs experience restricted market liquidity in their shares. The Board believes that it is in the best interests of the Company and Shareholders for the Company to be in a position to make occasional market purchases of its Ordinary Shares. This resolution, to be proposed as a Special Resolution, will enable the Directors to carry out this policy.

Adoption of new Articles of Association (Resolution 10)

The Company proposes to adopt new Articles of Association (the “New Articles”). These will incorporate amendments to the current Articles of Association to reflect certain provisions of the Companies Act 2006 (“the 2006 Act”) which have come into force, or will shortly come into force during the course of the next year. The principal changes are described below.

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

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

It is the intention of the Board to continue to manage and report on conflicts of interest.

The 2006 Act has repealed those specific references in the 1985 Act relating to extraordinary resolutions and extraordinary general meetings - all resolutions are now either ordinary resolutions or special resolutions: all meetings of the Company (other than the Annual General Meeting) may be called upon 14 days notice. The articles of association of the Company now reflect this new terminology and the new provisions regarding the notice of meetings.

Other minor consequential or typographical changes have been made in the new articles of association to reflect the foregoing, but otherwise the new articles of association are unchanged from the Company's existing articles of association.

By order of the Board

Matrix-Securities Limited
Company Secretary
1 April 2008

Directors' Remuneration Report

This report has been prepared by the Directors in accordance with the requirements of Schedule 7A of the Companies Act 1985. A resolution to approve the report will be proposed at the Annual General Meeting to be held on 21 May 2008. The Company's independent Auditors are required to give their opinion on the information provided in respect of Directors' emoluments and this is clearly identified as audited information below. This is explained further in their report to Shareholders on pages 35 to 36.

Nominations and Remuneration Committee

The remuneration of individual Directors is determined by the Nominations and Remuneration Committee within the framework set by the Board. The Committee comprises the full Board and is chaired by Colin Hook. The Committee meets at least once a year and is responsible for reviewing the remuneration of the Directors. It held one formal meeting during the year under review. The Committee has access to independent advice where it considers it appropriate. However, it was not considered necessary to take any such advice during the year under review.

Remuneration policy

The remuneration policy is set by the Board. The Directors' fees are reviewed annually by the Nominations and Remuneration Committee which determines the amount of fees to be paid to the Directors. When considering the level of Directors' fees, the Committee takes account of remuneration levels elsewhere in the VCT industry and other relevant information. The Company's Articles of Association state that the aggregate of the remuneration (by way of fees) of all the Directors shall not exceed £120,000 per annum. Directors' fees were reviewed by the Nominations and Remuneration Committee in April 2007, at which time it was decided to maintain such fees at the 2007 level. Details of the Directors' remuneration are disclosed below and in the Notes to the Accounts. The Company does not have any employees.

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 based on the advice of the Nominations and Remuneration Committee provided that a person appointed by the Board shall be subject to election at the first Annual General Meeting following their appointment. One-third of the Directors retire from office by rotation at each Annual General Meeting and the retiring Directors then become eligible for re-election in accordance with the Articles of Association.

All Directors receive a formal letter of appointment setting out the terms of their appointment and their specific duties and responsibilities. All of the Directors are non-executive and none of the Directors has a service contract with the Company. No portion of the fees paid to any of the Directors is related to performance. A Director's appointment may be terminated on three month's notice being given by the Company and in certain other circumstances. The Company does not provide pension benefits to any of the Directors; it has not granted any Director any options over the share capital of the Company; and it does not operate any long-term incentive plans for the Directors. No arrangements have been entered into between the Company and the Directors to entitle any of the Directors to compensation for loss of office.

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

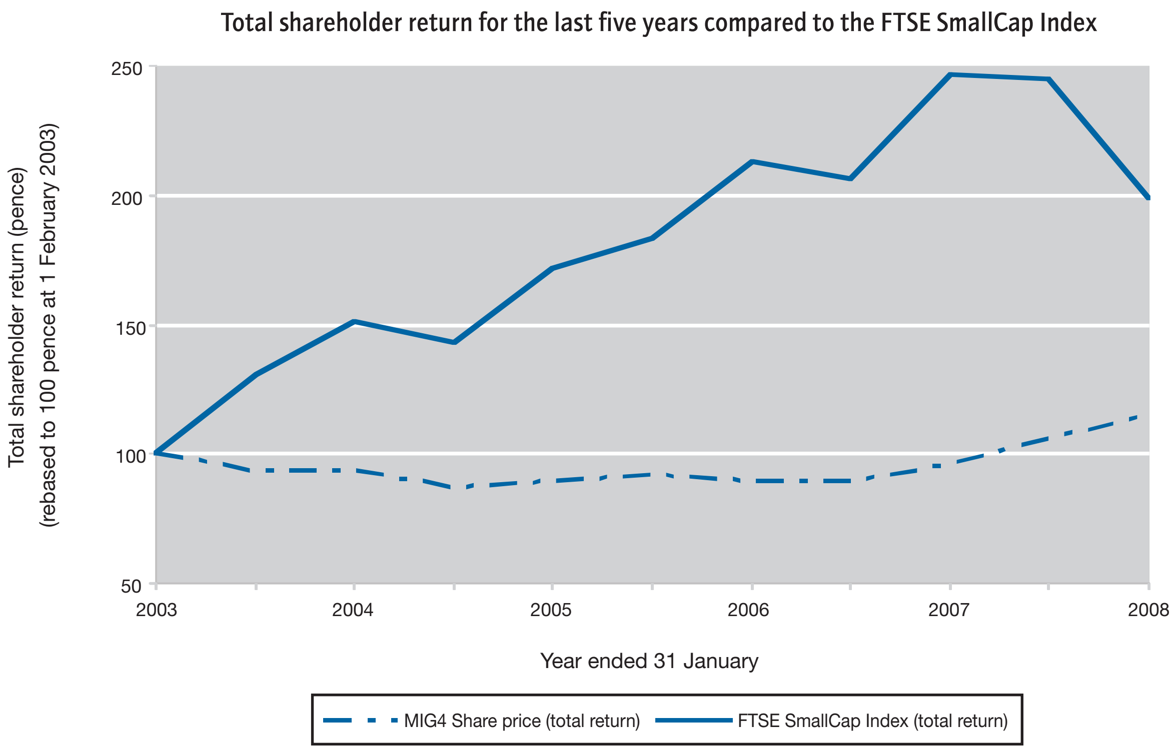
The emoluments in respect of qualifying services of each person who served as a Director during the year were as set out in the table below. The Company does not have any schemes in place to pay any of the Directors bonuses or benefits in addition to their Directors' fees. Expenses paid to the Directors during the year amounted to £198 (2007: £1,165) in total.

	Total emoluments for year to:	
	31 January 2008	31 January 2007
	£	£
Colin Hook	30,000	30,000
Christopher Moore	25,000	25,000
Helen Sinclair	25,000	25,000
Total emoluments	80,000	80,000

Aggregate emoluments in respect of qualifying services amounted to £80,000 (2007: £80,000).

Total shareholder return

The following graph charts the total cumulative shareholder return of the Company (assuming all dividends had been re-invested) for the last five years compared to the FTSE SmallCap Index. The FTSE SmallCap is an industry recognised index of listed companies. The index comprises companies with the smallest capitalisation of the capital and industry segments and represents approximately 2% of the UK market capitalisation. An explanation of the performance of the Company is given in the Chairman's Statement and Investment Manager's Review.



By order of the Board

Matrix-Securities Limited
Company Secretary
1 April 2008

Corporate Governance Statement

The Company is a member of the Association of Investment Companies (AIC) and the Directors have adopted the AIC Code of Corporate Governance ("the AIC Code") for the financial year ended 31 January 2008. The AIC Code addresses all the principles set out in section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The Financial Reporting Council (FRC) has confirmed that in complying with the AIC Code the Company will meet its obligations in relation to the Combined Code and paragraph 9.8.6 of the Listing Rules.

The Board considers that reporting against the principles and recommendations of the AIC Code will provide more relevant information to shareholders.

Compliance with the Combined Code

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

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

Compliance with the AIC Code

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. The Chairman of the Audit Committee fulfills this role where appropriate.

As is common practice among Venture Capital Trusts, the Directors are not appointed for fixed terms, as the AIC Code requires. A Director's appointment may be terminated on three months' notice being given by the Company. For further information please see the Directors' Remuneration Report on pages 26 to 27.

The AIC Code stipulates that directors who sit on the boards of more than one company managed by the same manager will not be regarded as independent for either the purpose of fulfilling the requirement that there must be an independent majority or for serving as chairman. This provision is currently subject to the transitional arrangements of the Listing Rules, and will not be mandatory for the Company until 2010. The Board intends to keep this matter under review, in keeping with the spirit of the Combined Code, and will report on it in succeeding years.

The Board

The Company has a Board of three non-executive Directors. The Board meets at least quarterly and is in regular contact with the Investment Manager between these meetings. The Board held nine substantive meetings during the year with full attendance from each of the Directors at six of those meetings, and met informally on other occasions.

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

The Board has 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 three Directors are independent except in respect of the contracts or investee companies in which they have declared an interest and that all the Directors are independent of the Investment Manager. Helen Sinclair was employed by Matrix Private Equity Partners LLP during the last five years. The Board does not believe that this former relationship any longer has sustained relevance or influence upon Helen Sinclair's independence.

For the year under review, none of the Directors was a director of any of the investee companies.

The Board has given consideration to Christopher Moore's directorships of The Income & Growth VCT plc, of Matrix Income & Growth VCT plc and of Matrix Income & Growth 3 VCT plc and has concluded that in the circumstances the independence of this director has not been materially prejudiced.

The Board has assessed the independence of the Chairman and concluded that he fully met the independence criteria as identified in the Combined Code, as re-stated in principle 1 of the AIC Code.

For the reasons given and bearing in mind the relationships referred to above, the Board has no hesitation in emphasizing the personal integrity, experience and professionalism of the individual Directors, and their overall independence in character and judgement.

It is the policy of the Directors not to participate in decisions concerning investee companies in which they hold an interest. With the exception of Colin Hook, none of the Directors has served for nine years or more.

The Board has agreed a schedule of matters specifically reserved for decision by the Board. These include: compliance with the requirements of the Companies Act, the UK Listing Authority and the London Stock Exchange; changes to the Company's capital structure or its status as a plc; Board and committee appointments as recommended by the Nominations and Remuneration Committee and terms of reference of committees; and material contracts of the Company and contracts of the Company not in the ordinary course of business.

The primary focus at each quarterly Board meeting is overall strategy and a review of investment performance. The Board monitors the investments made by the Investment Manager to ensure that the overall investment portfolio is in line with the Company's Investment Policy. The Board also considers peer group performance, asset allocation and wider industry and economic issues in reviewing investment performance and strategy.

A procedure has been adopted for individual Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company. The Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring board procedures are followed. Both the appointment and removal of the Company Secretary are matters for the Board as a whole. Where Directors have concerns about the running of the Company or about a proposed action which cannot be resolved, they are asked to ensure that their concerns are recorded in the Board minutes. On resignation, a Director who has any such concerns should provide a written statement to the Chairman for circulation to the Board. The Board has satisfied itself that each of its Committees has sufficient resources to undertake their duties.

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

The individual Directors are appraised/reviewed separately as part of the internal control processes led by the Audit Committee. In discussion with the Audit Committee, the Board has also kept under review its own performance and that of its various Committees and can confirm its satisfaction with their composition and efficiency.

The Directors were subject to election by Shareholders at the first Annual General Meeting after their appointment, and retire by rotation thereafter. For further details please see the Directors' Remuneration Report on pages 26 to 27. In terms of overall length of tenure, the AIC Code does not explicitly make recommendations. Some market practitioners feel that considerable length of service (which has generally been defined as a limit of 9 years) may lead to the compromise of a Director's independence. The Chairman has served for 9 years as a Director. The Board agrees with the arguments put forward by the AIC that investment companies are more likely than most to benefit from having Directors with lengthy service.

Christopher Moore has been nominated for re-election to the Board at the forthcoming AGM. His contribution to the Board as Chairman of the Audit Committee is highly respected and the Board has no hesitation in recommending his re-election to Shareholders.

The Chairman's other significant directorships and time commitments are disclosed on pages 16 to 17.

Board committees

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

The Nominations and Remuneration Committee comprises all three Directors: Colin Hook (Chairman), Christopher Moore and Helen Sinclair. All members of the Committee are independent of the Investment Manager. The Committee meets at least once a year and is responsible for proposing candidates for appointment to the Board and for reviewing the remuneration policy to ensure that it reflects the duties, responsibilities and value of time spent by the Directors on the business of the Company and makes recommendations to the Board accordingly. The Committee held one formal meeting during the year, fully attended by all three Directors, and met informally on other occasions. Appointment letters for new directors will include an assessment of the expected time commitment for each Board position and new directors will be asked to give an indication of their other significant time commitments.

The Investment Committee comprises all three Directors: Helen Sinclair (Chairman), Colin Hook and Christopher Moore. The Committee meets as necessary to discuss and, if appropriate, to approve investment recommendations from the Investment Manager. The Committee held three formal meetings during the year fully attended by all the Directors and met informally on other occasions. The Committee and the Investment Manager endeavour to operate in a supportive, co-operative and open environment and the Committee regularly reviews the performance of the Investment Manager and the terms of the Investment Management Agreement and agrees policies with the Investment Manager on key operational matters. The continued appointment of the Investment Manager on the current terms was recommended by the Committee and agreed by the Board on 28 November 2007. The Company remains satisfied with the investment performance to date and will continue to strive for the achievement of excellence. Summaries of the performance of the Company's Fund are contained in the Investment Manager's Review and in the Investment Portfolio Summary on pages 9 to 15 and the Financial Highlights on pages 3 to 4.

All of the above Committees have written terms of reference, which detail their authority and duties. Shareholders may obtain copies of these by making a written request to the Company Secretary or via the Company's website: www.mig4vct.co.uk

During the previous financial year the Management Engagement Committee was dissolved and the responsibilities of the Committee added to the schedule of matters specifically reserved for decision by the Board. With effect from this year therefore, the Board will annually review, and at other times as and when necessary, the Investment Services Agreement and the performance of the Investment Managers.

Internal control

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

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

The Board has put in place procedures for identifying, evaluating and managing the significant risks faced by the Company. As part of this process an annual review of the control systems is carried out in accordance with the Turnbull guidelines for internal control. The review covers a consideration of the key business, operational, compliance and financial risks facing the Company. Each risk is considered with regard to: the controls exercised at Board level; reporting by service providers; controls relied upon by the Board; exceptions for consideration by the Board; responsibilities for each risk and its review period; and risk rating. As part of this process, investment risk is spread by means of a diverse investment portfolio, as more fully described in the Investment Manager's Review.

The Board has delegated, contractually to third parties, the management of the investment portfolio, the custodial services (the safeguarding of the documents of title of the Company's assets), the day-to-day accounting, company secretarial and administration requirements and the registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered, including the financial control systems in operation in so far as they relate to the affairs of the Company. The Board receives and considers regular reports from the Investment Manager, and ad hoc reports and information are supplied to the Board as required. It remains the responsibility of the Board to keep under review the terms of the Investment Services Agreement with the Investment Manager. The Directors carry out an Annual Review of the performance of and contractual arrangements with the Investment Manager.

This system of internal controls and the procedure for the review of control systems referred to above has been in place and operational throughout the year under review and up to the date of this Report. The assessment of the effectiveness of internal controls in managing risk included consideration of reports from the relevant service providers. The last review took place on 27 March 2008. The Board has not identified any issues with the Company's internal control mechanisms that warrant disclosure in the Annual Report.

Directors' remuneration

A Directors' Remuneration Report, prepared in compliance with the Directors' Remuneration Report Regulations 2002, is contained on pages 26 to 27 of this Annual Report.

Investor relations

The Company communicates regularly with its Shareholders by means of periodic performance reporting, newsletters, and its website. The Board welcomes feedback from Shareholders who are encouraged to attend the Annual General Meeting. The Directors and the Investment Manager are present and available to answer questions and discuss any issues at this meeting. Shareholders may contact the Chairman of the Audit Committee, Christopher Moore, if they have concerns which contact through the Chairman or Investment Manager has failed to resolve or for which such contact is inappropriate.

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

The notice of the Annual General Meeting accompanies this Annual Report, which is normally sent to shareholders allowing a minimum of 20 working days before each meeting. Separate resolutions are proposed for each substantive issue. The number of proxy votes received for each resolution is announced after each resolution has been dealt with on a show of hands and is published on the Company's website: www.mig4vct.co.uk

Accountability and audit

The Statement of Directors' Responsibilities in respect of the accounts is set out on page 34 of this report.

The report of the independent auditors is set out on pages 35 to 36 of this Annual Report.

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

Directors' and officers' liability insurance

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

Going concern

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts as the Company has adequate financial resources to continue in operational existence for the foreseeable future.

By order of the Board

Matrix-Securities Limited
Company Secretary

1 April 2008

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements the Directors are required to:

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent Auditors' Report to the Members of Matrix Income & Growth 4 VCT plc

We have audited the Financial Statements of Matrix Income & Growth 4 VCT plc for the year ended 31 January 2008 which comprise the Income Statement, the Balance Sheet, the Reconciliation of Movement in Shareholders' Funds, the Cash Flow Statement and the related notes. These Financial Statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective responsibilities of directors and auditors

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 (United Kingdom Generally Accepted Accounting Practice) 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 whether, in our opinion the information given in the Directors' Report is consistent with the Financial Statements. The information in the Directors' Report includes that specific information presented in the Chairman's Statement that is cross referenced from the business review section of the Directors' Report.

In addition we report to you if, in our opinion, 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 information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance statement reflects the Company's compliance with the nine provisions of the 2006 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. The other information comprises only the Chairman's Statement, the Investment Manager's Review, the Investment Portfolio Summary, the Report of the Directors, the unaudited part of the Directors' Remuneration Report 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 audit 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 judgments made by the directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to 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 the 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 31 January 2008 and of its profit for the year then ended;

- 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; and

- the information given in the Directors' Report is consistent with the Financial Statements.

PKF (UK) LLP
Registered Auditors
London, UK
1 April 2008

Income Statement

for the year ended 31 January 2008

	Notes	Year ended 31 January 2008 Revenue £	Capital £	Total £	Year ended 31 January 2007 Revenue £	Capital £	Total £
Unrealised (losses)/gains on investments held at fair value	9	-	(36,523)	(36,523)	-	601,177	601,177
Realised gains on investments held at fair value	9	-	463,591	463,591	-	270,668	270,668
Income	2	1,039,725	-	1,039,725	354,141	-	354,141
Investment management fees	3	(132,146)	(396,439)	(528,585)	(32,072)	(96,215)	(128,287)
Other expenses	4	(356,711)	-	(356,711)	(288,581)	-	(288,581)
Return on ordinary activities before taxation		550,868	30,629	581,497	33,488	775,630	809,118
Taxation on ordinary activities	6	(128,247)	128,247	-	(3,119)	3,119	-
Return on ordinary activities after taxation	15	422,621	158,876	581,497	30,369	778,749	809,118
Return per Ordinary Share (basic and diluted)	8	2.21p	0.83p	3.04p	0.35p	9.06p	9.41p

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

The revenue return as stated does not differ materially from that under the historical cost basis of accounting.

The notes on pages 40 to 54 form part of these financial statements.

Balance Sheet
as at 31 January 2008

	Notes	as at 31 January 2008 £	£	£	as at 31 January 2007 £	£	£
Fixed assets							
Investments at fair value	9			8,877,030			6,945,071
Current assets							
Debtors and prepayments	10	221,203			223,072		
Investments at fair value	11	15,124,308			694,526		
Cash at bank	18	23,865			2,040,442		
			15,369,376			2,958,040	
Creditors: amounts falling due within one year	12		(179,089)			(130,963)	
Net current assets				15,190,287			2,827,077
Net assets				**24,067,317**			**9,772,148**
Capital and reserves							
Called up share capital	14			204,992			83,994
Capital redemption reserve	15			879,829			870,765
Special reserve	15			30,141,575			16,248,945
Capital reserve - realised	15			(8,169,767)			(7,735,927)
Capital reserve - unrealised	15			743,099			150,383
Revenue reserve	15			267,589			153,988
Equity shareholders' funds				**24,067,317**			**9,772,148**
Net asset value per Ordinary Share	16			**117.41p**			**116.34p**

The financial statements on pages 37 to 39 and the notes on pages 40 to 54 were approved and authorised for issue by the Board of Directors on 1 April 2008 and were signed on its behalf by:

C P Hook
Director

Reconciliation of Movements in Shareholders' Funds
for the year ended 31 January 2008

	Notes	Year ended 31 January 2008 £	Year ended 31 January 2007 £
Opening shareholders' funds		9,772,148	9,286,678
Share capital subscribed	14	14,869,624	-
Share capital bought back	15	(846,932)	(280,076)
Return for the year		581,497	809,118
Dividends paid in year	7	(155,032)	(43,572)
Dividends ratified in year	7	(153,988)	-
Closing shareholders' funds		24,067,317	9,772,148

The notes on pages 40 to 54 form part of these financial statements.

Cash Flow Statement

for the year ended 31 January 2008

	Notes	Year ended 31 January 2008 £	Year ended 31 January 2007 (restated) £
Interest income received		265,744	257,875
Dividend income		722,262	90,573
Investment management fees paid		(509,142)	(164,838)
Cash payments for other expenses		(276,845)	(439,056)
Net cash inflow/(outflow) from operating activities	17	202,019	(255,446)
Investing activities			
Sale of investments	9	1,225,594	1,716,004
Purchase of investments	9	(2,857,505)	(1,799,354)
Net cash outflow from investing activities		**(1,631,911)**	**(83,350)**
Cash outflow before financing and liquid resource management		**(1,429,892)**	**(338,796)**
Dividends			
Equity dividends paid	7	(155,032)	(43,572)
Financing			
Issue of own shares		14,869,624	(217,320)
Purchase of own shares		(871,495)	-
Payment to Ordinary Shareholders	7	-	(153,988)
		13,998,129	**(371,308)**
Management of liquid resources			
(Increase)/decrease in monies held in money market funds	18	(14,429,782)	1,344,389
(Decrease)/increase in cash for the year	18	**(2,016,577)**	**590,713**

The notes on pages 40 to 54 form part of these financial statements.

Notes to the Accounts
for the year ended 31 January 2008

1 Accounting policies

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

a) Basis of accounting
The accounts have been prepared under the fair value rules of the Companies Act 1985, in accordance with applicable accounting standards in the United Kingdom and with the Statement of Recommended Practice ("the SORP"), 'Financial Statements of Investment Trust Companies', revised December 2005.

b) Presentation of Income Statement
In order to better reflect the activities of a VCT and in accordance with the SORP, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. The revenue column of return on ordinary activities after taxation is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 274 Income Tax Act 2007.

c) Investments
Investments are recognised on a trade date basis. All investments held by the Company are classified as "fair value through profit and loss" as the Company's business is to invest in financial assets with a view to profiting from their total return in the form of capital growth and income. Purchases and sales of quoted investments are recognised on the trade date where a contract of sale exists whose terms require delivery within a time frame determined by the relevant market. Purchases and sales of unlisted investments are recognised when the contract for acquisition or sale becomes unconditional.

Investments are stated at "fair value through profit and loss", in accordance with the International Private Equity and Venture Capital Valuation ("IPEVCV") guidelines.

The fair value of quoted investments is the bid price value of those investments at the close of business on 31 January 2008.

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

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

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

(iii) Where investments have been held for more than 12 months or have gone beyond the stage in their development in (i) or (ii) above, the shares may be valued by applying a suitable price-earnings ratio to that company's historic, current or forecast post-tax earnings before interest and amortisation (the ratio used being based on a comparable sector but the resulting value being discounted to reflect points of difference identified by the Investment Manager compared to the sector, as well as to reflect lack of marketability). Where overriding factors apply, alternative methods of valuation will be used. These will include the application of a material arms-length transaction by an independent third party, cost less provision for impairment, discounted cash flow, or a net asset basis.

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

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

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

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

d) Capital reserves
Realised
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 management fee expenses, together with the related tax effect to this reserve in accordance with the policies; and

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

In accordance with stating all investments at fair value though profit and loss, all such movements are also recorded in the Income Statement.

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

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

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

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

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

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

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

i) Cash Flow Statement
The Cash Flow Statement for the year ended the 31 January 2007 has been restated to reclassify receipts between interest income received and dividend income.

2 Income

	2008	2007
Interest receivable	**£**	**£**
– from loan stock	260,576	184,335
– from bank deposits	12,611	3,336
Total interest receivable	273,187	187,671
Dividends		
– from investments – all unlisted securities	49,861	79,180
– from OEIC money market funds – listed overseas	716,677	87,290
Total dividends	766,538	166,470
Total income	1,039,725	354,141

3 Investment management fees

	Revenue 2008 £	Capital 2008 £	Total 2008 £	Revenue 2007 £	Capital 2007 £	Total 2007 £
Matrix Private Equity Partners LLP	132,146	396,439	528,585	26,689	80,069	106,758
Elderstreet Private Equity Limited	–	–	–	5,383	16,146	21,529
	132,146	396,439	528,585	32,072	96,215	128,287

Included in the above is irrecoverable VAT of £78,725 (2007: 19,107).

Under a new investment management agreement dated 1 November 2006, but effective from 18 October 2006, Matrix Private Equity Partners LLP (MPEP LLP) is the sole adviser to the Company on investments in qualifying companies. The agreement is for an initial period of 3 years and thereafter until the appointment is terminated by not less than one year's notice in writing at any time after the initial period.

MPEP LLP is entitled to an annual advisory fee of 2 per cent of the closing net assets attributable to the Fund. The annual management fees are calculated and payable quarterly in advance one month after the end of the quarter, together with any applicable VAT. This fee is subject to a reduction by an amount equivalent to the excess total annual expenses (excluding irrecoverable VAT and exceptional costs) over 3.4% of closing net assets, being the agreed cap on the management fee. No such cap has applied this year.

Under the terms of a separate agreement dated 1 November 2006, from the end of the accounting period ending on 31 January 2009 and in each subsequent accounting period throughout the life of the company, the Investment Manager will be entitled to receive a performance related incentive fee of 20% of the excess above 6 per cent of the net asset value per share of the annual dividends paid to Shareholders. The performance fee will be payable annually, with any cumulative shortfalls below the 6 per cent hurdle having to be made up in later years. The incentive payment will be shared between the Investment Manager 75% and the Promoter 25%.

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, MPEP LLP retain the right to charge arrangement and syndication fees and Directors' or monitoring fees ("deal fees") to companies in which the Company invests.

4 Other expenses

	2008	2007
	£	£
Directors' remuneration including NIC (see Note 5)	88,236	88,054
IFA trail commission	68,656	20,548
Administration fees	83,065	27,855
Broker's fees	5,875	6,365
Auditors' remuneration – audit	21,803	22,208
– other services supplied relating to taxation	1,938	2,938
– other services supplied pursuant to legislation	4,121	–
Monitoring fees	11,632	8,813
Professional fees	11,396	60,336
Registrar's fees	13,495	11,792
Printing	10,566	7,385
Sundry	35,928	27,804
Provision against loan interest and dividends receivable	–	4,483
	356,711	288,581

Included within audit fees above is £4,765 payable to the Company's former auditors, PricewaterhouseCoopers LLP.

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

5 Directors' remuneration

	2008	2007
	£	£
Directors' emoluments		
Colin Hook	30,000	30,000
Christopher Moore	25,000	25,000
Helen Sinclair	25,000	25,000
	80,000	80,000
Employer's NIC or irrecoverable VAT on above (as appropriate)	8,236	8,054
	88,236	88,054

Details of the Directors' remuneration are disclosed in the Directors' Remuneration Report.

The Company has no employees other than Directors.

6 Taxation on ordinary activities

	2008	2007
	£	£
Note a) Analysis of tax charge:		
– revenue charge	128,247	3,119
– credited to capital return	(128,247)	(3,119)
– current and total tax charge (note 6b)	–	–
Note b) Factors affecting tax charge for the year:		
Total return on ordinary activities before tax	581,497	809,118
Add: unrealised losses/(gains)	36,523	(601,177)
Less: non-taxable realised gains	(463,591)	(270,668)
Add: transaction costs and investment management expense		

charged to capital	396,439	96,215
Revenue return on ordinary activities before taxation	550,868	33,488
Corporation tax @ 19.83 % (2006: 19%)	109,237	6,363
Non-taxable UK dividends	(9,886)	(15,044)
Non-allowable expenditure	2,033	11,800
Effect of marginal rate of corporation tax	26,863	–
Taxation on revenue return	128,247	3,119
Taxation on allowable expenditure charged to capital return	(78,614)	(18,280)
Unrelieved expenses	–	15,161
Utilisation of previous tax losses	(22,770)	–
Effect of marginal relief	(26,863)	–
Credited to capital return	(128,247)	(3,119)
Tax charge for year (note 6a)	–	–

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

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

There is no potential liability to deferred tax (2007: nil). There is an unrecognised deferred tax asset of £129,320 (2007: £144,669). The deferred tax asset relates to prior year unutilised expenses.

7 Dividends

	2008 £	2007 £
Amounts recognised as distributions to Shareholders in the year:		
Interim dividend for the year ended 31 January 2008 of 0.75 of a penny per Ordinary Share of 1 pence paid 11 November 2007	155,032	–
Interim dividend for the year ended 31 January 2007 of 1.8 pence per Ordinary Share of 1 pence paid 26 October 2006 and ratified on 16 April 2007 – see note below	153,988	–
Final dividend for the year ended 31 January 2006 of 0.5 of a penny per Ordinary Share of 1 pence paid 7 June 2006	–	43,572
	309,020	43,572

Last year, it came to the Company's attention that, when the Company paid its interim dividend on 26 October 2006, appropriate interim accounts showing the requisite level of distributable profits were not filed with the Registrar of Companies. The interim statement for the six month period ended 31 July 2006 showed a revenue reserve of £160,894 out of which the aggregate interim dividends of £153,988 were paid. The omission to file the appropriate interim accounts with the Registrar of Companies before the payment of the dividend means the dividend was paid in technical infringement of the Companies Act 1985, the relevant sum paid being £153,988. The Company took the steps necessary to rectify this technical breach, including the transfer of the sum of £7,674 from the Special Reserve to the revenue reserve so as to eliminate the potential deficit on revenue reserve at the previous year-end.

The accounts for the year ended 31 January 2007 accordingly show a sum of £153,988 (representing sums receivable from recipients of the interim dividend as shown in note 10 analysing debtors) in its revenue reserves for the year. The directors took all steps to rectify this breach, and to ensure that all shareholders who received the payment on 26 October 2006 can retain it as an interim dividend.

In order to rectify the technical breach relating to the payment of the interim dividend, as described above, a further dividend was declared by the Board on 16 April 2007. This enabled shareholders to retain the interim dividend paid on 26 October 2006. Following this, the Company's revenue reserves were reduced by the aggregate amount of the interim dividend of £153,988.

Set out below are the total dividends payable in respect of the financial year, which is the basis on which requirements of Section 274 of the Income Taxes Act 2007 are considered.

	2008 £	**2007** £
Revenue available for distribution for the year	422,621	30,369
Interim income dividend paid (2007: proposed) for the year of 0.75p pence (2007 1.8 pence) per share	155,032	153,988
Proposed final dividend for the year of 1.25p (2007: nil pence) per share	256,240	–
Total dividend	411,272	153,988

8 Return per share

The returns per Ordinary Share are based on:

	2008 £	**2007** £
Total earnings after taxation:	581,497	809,118
Basic earnings per share (note a)	**3.04p**	**9.41p**
Net revenue from ordinary activities after taxation	422,621	30,369
Revenue return per share (note b)	**2.21p**	**0.35p**
Net realised capital (losses)/gains	(36,523)	601,177
Net unrealised capital gains	463,591	270,668
Net capital expenses	(268,192)	(93,096)
Total capital return	158,876	778,749
Capital return per share (note c)	**0.83p**	**9.06p**
Weighted average number of shares in issue in the year	19,094,986	8,594,860

Notes:

a) The total return per Ordinary Share is based on the total return from ordinary activities after taxation, divided by the weighted average number of Ordinary Shares in issue.

b) The revenue return per Ordinary Share is based on the revenue return from ordinary activities after taxation, divided by the weighted average number of Ordinary Shares in issue.

c) The capital return per Ordinary Share is based on the capital return after taxation, divided by the weighted average number of Ordinary Shares in issue.

There is no difference between basic earnings per share and diluted earnings per share as there are no instruments that are potentially dilutive.

9 Investments at fair value

Movements in investments during the year are summarised as follows:

	Traded on AIM £	**Unquoted equity Shares** £	**Unquoted Preference Shares** £	**Loan stock** £	**Total** £
Cost at 31January 2007	207,528	3,226,653	119,763	3,271,533	6,825,477
Unrealised gains/(losses) at 31 January 2007	34,220	688,069	(100,862)	(471,044)	150,383
Permanent impairment brought forward	–	–	–	(30,789)	(30,789)
Valuation at 31 January 2007	241,748	3,914,722	18,901	2,769,700	6,945,071

Reclassification	65,773	(65,773)	–	–	–
Purchases at cost	5,121	1,005,260	7,210	1,839,914	2,857,505
Sale proceeds	(127,124)	(865,205)	(1,604)	(358,785)	(1,352,718)
Realised gains	45,942	345,996	–	71,757	463,695
Unrealised (losses)/gains	(109,493)	14,595	(581)	58,956	(36,523)
Valuation at 31 January 2008	121,967	4,349,595	23,926	4,381,542	8,877,030
Cost at 31January 2008	181,102	3,990,696	125,369	4,824,419	9,121,586
Permanent impairment carried forward	–	(811,259)	(862)	(175,534)	(987,655)
Unrealised (losses)/gains at 31 January 2008	(59,135)	1,170,158	(100,581)	(267,343)	743,099
Valuation at 31 January 2008	121,967	4,349,595	23,926	4,381,542	8,877,030

All qualifying investments within the portfolios are based in the UK. A full list of the portfolio holdings by cost and their aggregate market value, and realised and unrealised gains and losses for the year is shown in the Investment Portfolio Summary on pages 14 to 15.

Realised gains in the year were £463,591, as reported in the Income Statement. This figure is net of realised gains of £463,695 reported above less purchase transaction costs of £104 incurred in the year.

Deducting unsettled trades of £127,124 from sale proceeds above of £1,352,718 leaves sale proceeds of £1,225,594 as shown in the Cash Flow Statement.

The reclassification of £65,773 is an investment in Expanysys plc that was previously treated as unquoted equity shares which was actually quoted on the AIM market.

During the year investments previously reduced in value by £956,866 were deemed to be permanently impaired. Accordingly, these losses were transferred to the realised reserve as disclosed in note 15.

The assets deemed permanently impaired were:

	£
Opening balance – (Duncary 4 Limited)	30,789
Shopcreator plc	375,000
Component Source Holding Corporation	249,973
FH Ingredients Limited	183,804
Sapphire International Limited	148,089
Total for year	956,866
Total at year end	987,655

Within unrealised losses/gains for the year, there are amounts where valuations are below cost at the end of the year or written off against unlisted investments, as follows:

Financial year	**Total provisions at end of year** £	**Write-offs in year** £
2008	2,379,153	956,866

No individual provisions or write-offs for the year exceeded 5% of the gross assets of the Company.

The investment portfolio summary on pages 14 to 15 summarises the movements on each investment.

10 Debtors

	2008 £	**2007** £
Amounts due within one year:		
Receivable from shareholders (see note 7)	–	153,988
Accrued interest	90,456	39,045
Prepayments	3,343	25,168
Other debtors	127,404	4,871
	221,203	223,072

11 Current asset investments

	2008 £	2007 £
Money held pending investment	15,124,308	694,526

These comprise investments in six Dublin based OEIC money market funds. £15,114,381 (2007: £563,685) of this sum is subject to same day access while £9,927 (2007: £130,841) is subject to two day access. These sums are regarded as monies held pending investment and are treated as liquid resources in the Cash Flow Statement and in note 18.

12 Creditors: amounts falling due within one year

	2008 £	2007 £
Other creditors	74,042	69,435
Accruals	105,047	61,528
	179,089	130,963

13 Significant interests

At 31 January 2008 the Company held significant investments, amounting to 3% or more of the equity capital of an undertaking, in the following companies:

Company	Equity investment (at cost)	Investment in loan stock and preference shares (at cost)	Total% investment (at cost)	% of investee company's total equity
Letraset Limited	150,000	–	150,000	17.35
Inca Interiors Limited	50,000	300,000	350,000	14.75
Higher Nature Limited	500,127	–	500,127	10.69
Monsal Holdings Limited	214,596	419,700	634,296	9.80
F H Ingredients Limited	38,197	145,607	183,804	8.04
Duncary 4 Limited	7	207,088	207,095	6.64
DiGiCo Europe Limited	386,522	613,478	1,000,000	6.52
Tottel Publishing Limited	58,800	176,400	235,200	6.27
Racoon International Limited	122,043	284,762	406,805	5.70
Blaze Signs Holdings Limited	183,005	427,011	610,016	5.70
Stortext FM Limited	185,852	445,867	631,719	4.60
PXP Holdings Limited	168,217	415,871	584,088	4.98
VSI Limited	17,726	159,491	177,217	4.56
Youngman Group Limited	50,027	449,999	500,026	4.24
Cashfac Limited	260,101	–	260,101	3.42
Focus Pharma Holdings Limited	270,359	502,092	772,451	3.10

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

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

Matrix Private Equity Partners LLP also advises The Income and Growth VCT plc, Matrix Income and Growth VCT plc, Matrix Income and Growth 2 VCT plc and Matrix Income and Growth 3 VCT plc who have investments as at 31 January 2008 in the following:

	The Income & Growth VCT plc at cost £	Matrix Income & Growth VCT plc at cost £	Matrix Income & Growth 2 VCT plc at cost £	Matrix Income & Growth 3 VCT plc at cost £	Total at cost £	% of equity held by other funds managed by MPEP
Blaze Signs Holdings Limited	1,699,469	1,573,750	1,398,498	379,236	5,050,953	53.6
DiGiCo Europe Limited	656,900	1,000,000	1,000,000	943,100	3,600,000	30.0
PXP Holdings Limited	790,912	1,000,000	1,000,000	1,000,000	3,790,912	37.3
Racoon International Holdings Limited	550,852	874,199	878,527	789,617	3,093,195	49.0
Focus Pharma Holdings	516,900	656,987	660,238	593,424	2,427,549	13.0
British International Holdings Limited	500,000	1,000,000	1,000,000	750,000	3,250,000	34.9
Youngman Group Limited	1,000,000	1,000,052	1,000,000	-	3,000,052	29.7
Monsal Holdings Limited	424,447	615,918	769,000	556,339	2,365,704	46.5
Letraset Limited	1,000,000	–	–	–	1,000,000	34.7
Campden Media Limited	334,880	975,000	975,000	–	2,284,880	28.4
PastaKing Holdings Limited	292,405	464,047	466,344	419,148	1,641,944	27.5
VSI Limited	388,842	618,071	488,661	227,231	1,722,805	47.4
FH Ingredients Limited	403,303	212,893	–	–	616,196	35.0
Vectair Holdings Limited	215,914	560,302	243,784	–	1,020,000	24.0
SectorGuard plc	150,000	150,106	150,000	–	450,106	5.4
Stortext FM Limited	380,435	–	–	–	380,435	5.8
Inca Interiors Limited	350,000	–	–	–	350,000	19.5
BG Consulting Group Limited	118,502	–	–	–	118,502	15.6
Duncary 4 Limited	1,035,474	–	–	–	1,035,474	30.6

14 Called up share capital

	2008 £	2007 £
Authorised:		
Ordinary Shares of 1 pence each: 400,000,000 (2007: 400,000,000)	4,000,000	4,000,000
Issued: (allotted and fully paid)		
Ordinary Shares of 1 pence each: 20,499,199 (2007: 8,399,337)	204,992	83,994

Between 1 February 2007 and 5 April 2007, the Company issued 13,006,193 Ordinary Shares in a series of allotments, arising from the Offer for Subscription of shares in the Company, for net consideration of £14,869,624, increasing nominal share capital by £130,062. These shares were allotted at prices of 118.58 pence and 121.18 pence per share, being the latest net asset value per share announced at the date of allotment, uplifted for issue costs of 5.5%.

During the year the Company purchased 906,331 (2007: 455,000) of its own shares for cash (representing 4.4% (2007: 5.4%) of the shares in issue at the year end) at the prevailing market price for a total cost of £846,932 (2007: £280,076).

		£
Purchased:		
35,000	on 17 April 2007	350
491,250	on 18 May 2007	4,912
145,000	on 25 May 2007	1,450
29,089	on 17 July 2007	291
34,250	on 31 July 2007	343
82,850	on 31 October 2007	829
22,392	on 14 December 2007	224
31,500	on 17 December 2007	315
35,000	on 31 January 2008	350
906,331	Nominal value	9,064

15 Reserves

	Capital redemption reserve £	Share premium account £	Special reserve (see note a £	Capital reserve (realised) £	Capital reserve (unrealised) £	Revenue reserve £
At 31 January 2007	870,765	–	16,248,945	(7,735,927)	150,383	153,988
Realisation of previously unrealised appreciation	–	–	–	327,627	(327,627)	–
Permanent impairment in year (note b)	–	–	–	(956,866)	956,866	–
Gains on disposal of investments	–	–	–	463,695	–	–
Increase in unrealised depreciation	–	–	–	–	(36,523)	–
Capitalised management fees less tax charge	–	–	–	(268,192)	–	–
Share capital subscribed in year	–	15,593,177	–	–	–	–
Expenses of share issue	–	(853,615)	–	–	–	–
Own shares purchased during the year	9,064	–	(846,932)		–	–
Cancellation of the share premium account	–	(14,739,562)	14,739,562	–	–	–
Transaction costs	–	–	–	(104)	–	–
Dividends paid	–	–	–	–	–	(155,032)
Dividends ratified	–	–	–	–	–	(153,988)
Net revenue for the year	–	–	–	–	–	422,621
At 31 January 2008	879,829	–	30,141,575	(8,169,767)	743,099	267,589

Notes

a) The cancellation of the Company's Share Premium Account (as approved by a Special Resolution of the Company passed on 20 June 2001 and confirmed by an Order of the Court dated 5 September 2001) and the cancellation of the share premium on the further allotted shares (by an Order of the Court dated 19 December 2007) has provided the Company with a special reserve. One of the purposes of the special reserve is to be treated as distributable profits for the purposes of funding purchases of the Company's own shares. The Company will also be able to write off of existing and future realised losses against this reserve, should the Company revoke its investment company status and be obliged to take into account capital losses in determining distributable reserves.

b) The permanent impairment in the year is the transfer of previously unrealised losses now deemed impaired from the unrealised capital reserve and treated as realised losses. Details of the investments comprising this figure are disclosed in note 9.

16 Net asset value per share

Net asset value per Ordinary Share is based on net assets at the end of the year and on 20,499,199 Ordinary Shares of 1 pence (2007: 8,399,337), being the number of Ordinary Shares in issue on that date.
There is no difference between basic net asset value per Ordinary Share and diluted net asset value per Ordinary Share as there are no instruments that are potentially dilutive.

17 Reconciliation of return on ordinary activities before taxation to net cash inflow/(outflow) from operating activities

	2008 £	2007 £
Return on ordinary activities before taxation	581,497	809,118
Unrealised loses/(gains) on investments held at fair value	36,523	(601,177)
Realised gains on investments held at fair value	(463,591)	(270,668)
Increase in debtors	(24,995)	(1,615)
Increase/(decrease) in creditors and accruals	72,689	(188,020)
Transaction costs charged to capital	(104)	(3,084)
Net cash inflow/(outflow) from operating activities	202,019	(255,446)

18 Analysis of changes in net funds

	Cash £	Liquid Funds £	Total £
At 1 February 2007	2,040,442	694,526	2,734,968
Cash flows	(2,016,577)	14,429,782	12,413,205
At 31 January 2008	23,865	15,124,308	15,148,173

19 Financial instruments

The Company's financial instruments in both years comprise:

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

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

Classification of financial instruments

The Company held the following categories of financial instruments, all of which are included in the balance sheet at fair value, at 31 January 2008:

	2008 (Book value) £	2008 (Fair value) £	2007 (Book value) £	2007 (Fair value) £
Assets at fair value through profit and loss				
Investment portfolio	8,877,030	8,877,030	6,945,071	6,945,071
Current investments	15,124,308	15,124,308	694,526	694,526
Cash at bank	23,865	23,865	2,040,442	2,040,442
Loans and receivables				
Accrued income	90,456	90,456	39,045	39,045
Other debtors	130,747	130,747	184,027	184,027
Other creditors	(179,089)	(179,089)	(130,963)	(130,963)
	24,067,317	24,067,317	9,772,148	9,772,148

The investment portfolio principally consists of unquoted investments 98.6% (2007: 96.5%). The investment portfolio has a 100% concentration of risk towards small UK based, sterling denominated companies, and represents 36.9% (2007: 71.1%) of net assets at the year-end.

Current investments are money market funds, discussed under credit risk management below, which represent 62.8% (2007: 7.1%) of net assets at the year-end.

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

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

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

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

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

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

The Board considers that the value of investments in equity and loan stock instruments are ultimately sensitive to changes in quoted share prices, insofar as such changes eventually affect the enterprise value of unquoted companies. The table below shows the impact on profit and net assets if there were to be a 15% movement in overall share prices, which might in part be caused by changes in interest rate levels. However, it is not considered possible to evaluate separately the impact of changes in interest rates upon the value of the Company's portfolios of investments in small, unquoted companies.

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

	2008 **£** **Profit and net assets**	**2007** **£** **Profit and net assets**
If overall share prices fell by 15%, with all other variables held constant – decrease	(1,331,555)	(1,041,761)
Decrease in earnings, and net asset value, per Ordinary share (in pence)	(6.50)p	(12.40)p

	2008 **£** **Profit and net assets**	**2007** **£** **Profit and net assets**
If overall share prices increase by 15%, with all other variables held constant – increase	1,331,555	1,041,761
Increase in earnings, and net asset value, per Ordinary share (in pence)	6.50p	12.40p

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

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

The Company's maximum exposure to credit risk is:

	2008 £	2007 £
Financial assets		
Money market funds	15,124,308	694,526
Loan stock investments	4,381,542	2,769,700
Accrued income	90,456	2,040,442
Cash at bank	23,865	39,045
Total	**19,620,171**	**5,543,713**

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

The accrued income shown above was all due within 3 months of the year-end. The following table shows the maturity of the loan stock investments referred to above.

	2008 £	2007 £
Repayable within		
Less than 1 year	50,000	–
1 to 2 years	235,200	50,000
2 to 3 years	932,610	–
3 to 4 years	1,630,103	977,384
4 to 5 years	1,533,629	1,742,316
Total	4,381,542	2,769,700

These loan stock investments are made as part of the qualifying investments within the investment portfolio, and the risk management processes applied to the loan stock investments have already been set out under market price risk above.

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

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

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

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

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

The interest rate profile of the Company's financial net assets at 31 January 2008 was:

	Financial net assets on which no interest	Fixed rate financial assets	Variable rate financial assets	Total	Weighted average interest rate	Average period to maturity
	£	£	£	£	%	years
Equity shares	4,471,562	–	–	4,471,562	–	–
Preference shares	–	23,926	–	23,926	3.47	–
Loan stocks	–	3,944,826	436,716	4,381,542	7.75	3.2
OEIC money market funds	–	–	15,124,308	15,124,308	5.53	–
Cash	–	–	23,865	23,865	–	–
Debtors	221,203	–	–	221,203	–	–
Creditors	(179,089)	–	–	(179,089)	–	–
Total	4,513,676	3,968,752	15,584,889	24,067,317		

The interest rate profile of the Company's financial net assets at 31 January 2007 was:

	Financial net assets on which no interest	Fixed rate financial assets	Variable rate financial assets	Total	Weighted average interest rate	Average period to maturity
	£	£	£	£	%	years
Equity shares	4,156,470	–	–	4,156,470	–	–
Preference shares	–	18,901	–	18,901	5.23	–
Loan stocks	–	2,399,454	370,246	2,769,700	8.85	4.0
OEIC money market funds	–	–	694,526	694,526	5.01	–
Cash	–	–	2,040,442	2,040,442	–	–
Debtors	223,072	–	–	223,072	–	–
Creditors	(130,963)	–	–	(130,963)	–	–
Total	4,248,579	2,418,355	3,105,214	9,772,148		

Floating rate cash earns interest based on LIBOR rates.

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

Interest rate sensitivity

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

	2008 £ Profit and net assets	2007 £ Profit and net assets
If interest rates were 1% lower, with all other variables held constant – decrease	(123,321)	(7,212)
Decrease in earnings, and net asset value, per Ordinary share (in pence)	(0.60)p	(0.09)p

	2008 £ Profit and net assets	2007 £ Profit and net assets
If interest rates were 1% higher, with all other variables held constant – increase	123,321	7,212
Increase in earnings, and net asset value, per Ordinary share (in pence)	0.60p	0.09p

Liquidity risk

The investments in equity and fixed interest stocks of unquoted companies that the Company holds are not traded, and thus they are not readily realisable. The ability of the Company to realise the investments at their carrying value may at times not be possible if there are no willing purchasers. The Company's ability to sell investments may also be constrained by the requirements set down for VCTs. The maturity profile of the Company's loan stock investments disclosed within the consideration of credit risk above indicates that these assets are also not readily realiseable until dates up to 5 years from the year-end.

To counter these risks to the Company's liquidity, the Investment Manager maintains sufficient cash and money market funds to meet running costs and other commitments. The Company invests its surplus funds in high quality money market funds which are, as reported in Note 11, nearly all accessible on an immediate basis.

Currency risk

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

20 Management of capital

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

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

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

21 Segmental analysis

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

MATRIX INCOME & GROWTH 4 VCT PLC

(Registered in England and Wales No. 3707697)

NOTICE of the ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Company will be held at 12.00 noon on Wednesday, 21 May 2008 at One Jermyn Street, London SW1Y 4UH for the purpose of considering and, if thought fit, passing the following resolutions of which, resolutions numbered 1 to 7 will be proposed as ordinary resolutions and resolutions numbered 8 to 10 will be proposed as special resolutions:

ORDINARY BUSINESS

1. To receive the audited annual accounts of the Company for the financial year ended 31 January 2008 together with the Directors' Report and the Auditors' report on those accounts and on the auditable part of the Directors' Remuneration Report.
2. To approve the Directors' Remuneration Report for the year ended 31 January 2008 which is set out in the Annual Report of the Company for the year ended 31 January 2008.
3. To appoint PKF (UK) LLP as Auditors to the Company until the conclusion of the next Annual General Meeting.
4. To authorise the Directors to determine the remuneration of the Auditors.
5. To re-elect Christopher Moore as a Director of the Company.
6. To approve a final dividend for the year ended 31 January 2008 of 1.25 pence per share, payable on 11 June 2008 to shareholders of the Company registered on the Register of Members of the Company at 6.00 pm on 16 May 2008.
7. THAT in substitution for any existing authorities pursuant to section 80 of the Companies Act 1985 (the "1985 Act") for the purpose of the said section 80 (and so that expressions used in this resolution shall bear the same meanings as in the said section 80) the Directors be and are generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities up to a maximum nominal amount of £3,795,008 to such persons and at such times and on such terms as they think proper during the period expiring on the fifth anniversary of the date of the passing of this resolution unless renewed, revoked or varied by the Company in general meeting (except that the Company may, before such expiry, make offers or agreements which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot relevant securities in pursuance of such offers or agreements).

   To consider and, if thought fit, to pass the following resolution as a special resolution:

8. THAT in substitution for any existing authorities pursuant to section 95 of the Act the Directors be and are empowered in accordance with section 95 of the Companies Act 1985 ("the 1985 Act") to sell treasury shares (as defined in section 162 of the 1985 Act) and, subject to the passing of Resolution 7 set out in the Notice convening this Meeting, make other allotments of equity securities (and the expression "allotment of equity securities" and like expressions used in this resolution shall have the meaning given to them by virtue of section 94 of the 1985 Act) for cash, pursuant to the authority conferred on them to allot relevant securities (as defined in Section 80 of the Act) by that resolution, in each case as if section 89(1) and sub-sections (1)-(6) of section 90 did not apply to any such sale or allotment, provided that the power conferred by this resolution shall be limited to:-

   (i) the allotment of equity securities in connection with an issue or offering in favour of holders of equity securities and any other persons entitled to participate in such issue or offering (other than the company itself in respect of any shares held by it as treasury shares) where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective number of equity securities held by or deemed to be held by them on the record date of such allotment, subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or stock exchange in any territory; and

   (ii) the allotment, otherwise than pursuant to sub-paragraph (i) above, of equity securities with an aggregate nominal value of up to but not exceeding fifteen per cent. of the issued ordinary share capital of the Company immediately following the passing of this resolution;

This power, unless previously renewed or revoked, shall expire on the earlier of the end of the next Annual General Meeting of the Company and the date which is fifteen months after the date on which this resolution is passed save that the Company may, before expiry of this power, make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot securities in pursuance of any such offers or agreements as if the power conferred hereby had not expired.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as special resolutions:

9. THAT the Company be and is hereby generally and unconditionally authorised for the purpose of section 166 of the Companies Act 1985 ("the Act") to make a market purchase or market purchases (as defined in section 163 of the said Act) of Ordinary Shares of 1 pence each in the capital of the Company ("Ordinary Shares") at any time or times provided that:-

   (i) the maximum aggregate number of Ordinary Shares authorised to be purchased is 3,072,830;

   (ii) the minimum price which may be paid for such Ordinary Shares is 1 penny per Ordinary Share, being the nominal value of an Ordinary Share;

   (iii) the maximum price which may be paid for any Ordinary Share shall be the higher of (a) an amount equal to five per cent above the average of the middle market quotations for such shares taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day the Ordinary Share is contracted to be purchased and (b) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange Official List at the time the purchase is carried out;

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

   (v) 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 274 of the Income Tax Act 2007 ("the ITA"), 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 ITA.

   The authority hereby conferred shall (unless previously renewed or revoked) expire on the earlier of the end of the next Annual General Meeting of the Company and the date which is fifteen months after the date on which this resolution is passed.

10. THAT Articles of Association produced to the meeting, and initialled by the Chairman for the purposes of identification, be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, all existing Articles of Association of the Company.

BY ORDER OF THE BOARD

Matrix-Securities Limited
Company Secretary

Registered Office
One Jermyn Street
London SW1Y 4UH

1 April 2008

NOTES:

(i) A person entitled to receive notice of, attend and vote at the above meeting is entitled to appoint one or more proxies to attend and on a poll, vote in his place. A proxy need not be a member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy you should identify each proxy and to what shares they are appointed on the proxy form.

(ii) In accordance with section 325 of the Companies Act 2006 ("the 2006 Act"), the right to appoint proxies does not apply to persons nominated to receive information rights under section 146 of the 2006 Act. Persons nominated to receive information rights under section 146 of the 2006 Act who have been sent a copy of this notice of meeting are hereby informed, in accordance with section 149 (2) of the 2006 Act, that they may have a right under an agreement with the registered member by whom they were nominated to be appointed, or to have someone else appointed, as a proxy for this meeting. If they have no such right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements. The only exception to this is where the Company expressly requests a response from you.

(iii) To be valid the enclosed Form of Proxy for the Annual General Meeting, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified or office copy thereof must be deposited by 12.00 noon on 19 May 2008 at the offices of the Company's Registrars, Capita Registrars, Proxy Department, PO Box 25, Beckenham, Kent, BR3 4BR.

(iv) Completion and return of the enclosed Form of Proxy will not prevent a Shareholder from attending and voting in person at the Annual General Meeting.

(v) The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those Shareholders registered in the Register of Members of the Company as at midnight on 19 May 2008 or, in the event that the Meeting is adjourned, in the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at the relevant time. Changes to entries in the Register of Members after midnight on 19 May 2008 or, in the event that the Meeting is adjourned, in the Register of Members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.

(vi) 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.

(iv) A copy of the proposed new Articles of Association of the Company and a copy of the existing Articles of Association of the Company will be available for inspection at the Company's registered office given above during normal business hours (Saturdays, Sundays and public holidays excepted) and at the place of the Annual General Meeting for at least fifteen minutes prior to and during the Meeting.

Corporate Information

Directors (Non-executive)
Colin Hook (Chairman)
Christopher Moore
Helen Sinclair

Secretary
Matrix-Securities Limited
One Jermyn Street
London SW1Y 4UH

Company's Registered Office and Head Office
One Jermyn Street
London SW1Y 4UH

Website: www.mig4vct.co.uk

Company Registration Number
3707697

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(formerly Matrix Private Equity Partners Limited)
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www.matrixgroup.co.uk

Promoter and Administrator
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