

MATRIX INCOME & GROWTH 2 VCT PLC

A VENTURE CAPITAL TRUST

2

SECURITIES NOTE
WITH APPLICATION FORM



Sponsored by
Teather & Greenwood Limited
Offer for Subscription of up to
20,000,000 C Shares

Securities Note

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document you should consult your bank manager, solicitor, accountant or other independent financial adviser fully authorised pursuant to the Financial Services and Markets Act 2000, who specialises in advising upon investment in shares and other securities, without delay.

Copies of this securities note ("Securities Note") which together with a registration document ("Registration Document") which includes a summary note ("Summary Note") comprise listing particulars in the form of a prospectus (the "Prospectus") relating to Matrix Income & Growth 2 VCT plc (the "Company" or the "Fund") which has been prepared in accordance with the Listing Rules and the Prospectus Rules made under Part VI of the Financial Services and Markets Act 2000. In subscribing for Shares you will be treated as subscribing solely on the basis of this Prospectus. **Your attention is drawn to the risk factors set out on page 2 and to the terms and conditions of application set out on pages 31 to 34.**

Persons receiving this document should note that, in connection with this document, Teather & Greenwood Limited and Matrix-Securities Limited act for the Fund and no-one else, and will not be responsible for anyone other than the Fund for providing the protections afforded to customers of Teather & Greenwood Limited and Matrix-Securities Limited, or for providing advice in relation to this document. Both Teather & Greenwood Limited and Matrix-Securities Limited are authorised and regulated by the Financial Services Authority.

The Directors of the Fund, whose names appear on page 13, and the Company accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Fund (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

Application has been made to the UK Listing Authority for the Shares to be admitted to the Official List and to the London Stock Exchange for the admission of such Shares to trading on its market for listed securities. It is expected that admission will become effective and that dealings in the Shares will commence three Business Days following allotment.

Matrix Income & Growth 2 VCT plc

(Incorporated in England and Wales under the Companies Act 1985 with registered number 03946235)

Offer for Subscription
of up to 20 million C Shares

At an issue price of 100 pence per Share payable in full on subscription

Sponsor

Teather & Greenwood Limited

Promoter

Matrix-Securities Limited

The procedure for, and the terms and conditions of, application under this offer for subscription are set out at the end of this document together with an Application Form.

Completed Application Forms must be posted or delivered by hand to the Receiving Agents, Matrix Registrars Limited, One Jermyn Street, London, SW1Y 4UH. This offer for subscription will open on 20 September 2005.

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Risk factors

The Directors draw the attention of prospective Investors to the following risk factors that may affect the C Share Fund's performance and/or the availability of tax reliefs.

Prospective Investors should be aware that the value of Shares in the C Share Fund can fluctuate and that they may not get back the amount they invested. In addition, there is no certainty that the market price of C Shares will fully reflect the underlying net asset value or that any dividends will be paid. Prospective Investors should not expect that the share buyback policy will offer any certainty of selling their C Shares at a price that reflects the underlying net asset value. Investors should be aware that an investment in the C Share Fund should be considered as a long-term investment.

The past performance of the Manager is no indication of its future performance.

A portfolio of investments in unquoted companies can offer attractive investment returns but by its nature involves a higher degree of risk than a quoted portfolio.

Although it is anticipated that the C Shares will be admitted to the Official List of the UK Listing Authority and traded on the London Stock Exchange's market for listed securities, it is expected that there will be an illiquid market and Investors are expected to find it difficult to realise their investment.

Although the C Share Fund may receive conventional venture capital rights in connection with some of its investments, as a minority investor it may not be in a position to fully protect its interests.

Realisation of investments in unquoted companies can be difficult and may take a considerable time. There may also be constraints imposed on the realisation of investments in order to maintain the tax status of the Fund.

Whilst it will be the intention of the Directors that the Fund will be managed so as to qualify as a Venture Capital Trust, there can be no guarantee that it will qualify or that such status will be maintained. A failure to maintain the qualifying requirements could result in the Fund losing the tax reliefs previously obtained, resulting in adverse tax consequences for Investors including a requirement to repay the income tax relief obtained. Furthermore, should the Fund lose its Venture Capital Trust status, dividends and the disposal of C Shares would become subject to tax.

There can be no guarantee that sufficient suitable investment opportunities will be identified in order to meet the investment objectives of the Company and satisfy the VCT qualifying requirement to invest 70% of the net funds raised in the Offer within three years.

The tax rules or their interpretation in relation to an investment in the C Share Fund and/or the rates of tax may change during the life of the Company.

If an Investor subscribes for C Shares under the Offer and disposes of those C Shares within three years, the Investor will be subject to clawback by HM Revenue & Customs of the income tax relief originally claimed.

Whilst the C Share Fund and the Ordinary Share Fund will be managed separately, VCT tax requirements and financial/distribution requirements will be assessed at Company level which may restrict the Company in its ability to pay dividends.

Offer timetable

Offer opens	20 September 2005
Deadline for receipt of applications for final allotment in 2005/2006 tax year	3 April 2006
Offer closes	3 April 2006
Allotment	Weekly (subject to the discretion of the Directors)
Effective date for the listing of C Shares and commencement of dealings	Expected to be three Business Days following allotment
Share certificates and tax certificates to be dispatched	Within seven Business Days of allotment
The Directors reserve the right to extend the date the Offer closes at their discretion. The Offer will close earlier than the date stated above if it is fully subscribed by an earlier date or at the discretion of the Directors.	

Offer statistics

Offer price per C Share	100p
Initial net asset value per C Share	94.5p
Minimum investment	£5,000

Costs relating to the Offer

Offer costs as a percentage of the gross proceeds	5.5%
Initial commission to financial intermediaries (included in 5.5% Offer costs)	2.25%
Annual commission (subject to maximum cumulative payment of 2.25% of the net asset value attributable to financial intermediaries' clients' holdings)	0.375%

Definitions

The following definitions are used throughout this document, except where the context requires otherwise:

AIM

Alternative Investment Market

Business Day

any day on which banks are generally open for business in London, other than a Saturday

BVCA

British Venture Capital Association

C Share(s)

"C" ordinary share(s) of 1p each in the capital of the Fund

C Shareholder(s)

holder(s) of C Shares

C Share Fund

the portfolio of assets relating to the C Shareholders

Directors or Board

Directors of Matrix Income & Growth 2 VCT plc

Existing Ordinary Shares

ordinary share(s) in issue at the date of this document

Existing Shareholder(s)

holder(s) of existing Ordinary Shares

Fund or Company or Matrix Income & Growth 2 VCT

Matrix Income & Growth 2 VCT plc

Investor

an individual aged 18 or over who is resident in the United Kingdom

Issue

the issue of new C Shares pursuant to the Offer

Manager or MPEP

Matrix Private Equity Partners Limited, the Fund's investment adviser, authorised and regulated by the Financial Services Authority

Matrix-Securities

Matrix-Securities Limited, the Fund's promoter, a wholly owned subsidiary of Matrix Group Limited. Matrix-Securities Limited is authorised and regulated by the Financial Services Authority

MIG

the initial Matrix Income & Growth VCT plc, a generalist VCT focusing on a range of industrial and commercial sectors which originally raised £22.0 million

MBO

Management Buy-Out

Offer

the offer for subscription of up to 20,000,000 C Shares pursuant to the terms of the Prospectus

Ordinary Share(s)

ordinary share(s) of 1p each in the capital of the Fund

Ordinary Shareholder(s)

holder(s) of Ordinary Shares

Ordinary Share Fund

the portfolio of assets relating to the Ordinary Shareholders

Prospectus

the combined registration document and summary note and the securities note

Qualifying Company or VCT Qualifying Investment

an unquoted or AIM quoted company which satisfies the requirements of schedule 28B of the Taxes Act

Share(s)

Ordinary Share(s) or C Share(s) as the context permits

Shareholder(s)

holder(s) of Shares

Taxes Act

the Income and Corporation Taxes Act 1988 (as amended)

Total Return

the aggregate value of an investment or collection of investments comprising valuation in accordance with BVCA guidelines, plus any capital repaid and income or dividends received

TriVen

TriVen VCT plc, a multi-managed VCT focusing on industrial and media, commercial and technology investment which originally raised £19.1 million

TriVest

TriVest VCT plc, a multi-managed VCT focusing on industrial and media, commercial and technology investment which originally raised £41.8 million

UK Listing Authority or UKLA

the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000

Venture Capital Trust or VCT

a company which is, for the time being, approved as a venture capital trust under Section 842AA of the Taxes Act

Note: Where information in this document has been sourced from a third party, this information has been accurately reproduced as far as the Company is aware and able to ascertain from information published by that third party, and no facts have been omitted which would render the reproduced information inaccurate or misleading.

Key features

The information set out below is derived from and should be read in conjunction with the full text of the Securities Note.

- **Investment objective**

To provide Investors with a regular and growing stream of income, arising both from the income generated by the companies selected for the portfolio and from realising any growth in capital.

- **Experienced investment manager**

The Manager has extensive experience with a team of eight private equity investment managers, three of whom have over two decades' experience.

- **Compelling investment strategy**

A generalist VCT investing primarily in a diversified portfolio of established profitable unquoted companies which are cash-generative. A particular focus will be on investing in Management Buy-Outs.

- **Proven track record**

All of the assets will be managed by Matrix Private Equity Partners Limited who have a proven track record of successful VCT investment. The team's track record dates from April 1999 and since that time the Manager has made 26 investments in VCT Qualifying Companies of a similar nature to those that will be made for the Fund. As at 30 June 2005, MPEP had invested approximately £17.0 million in 19 companies and the total return was £28.2 million, showing an uplift of £11.2 million over cost – i.e. an increase of 65.9%.

- **Dividend Policy**

The Fund's dividend policy will be to pay dividends to Investors on a regular basis, whenever appropriate and subject to other portfolio management considerations.

- **Liquidity**

The Directors intend to pursue a policy of buying back C Shares in the market, thereby seeking to manage the level of discount to net asset value at which C Shares may trade in normal markets.

- **Significant tax benefits for Investors**

An Investor can enjoy the following tax reliefs under the Offer:

- up-front 40% income tax relief
- tax free dividends
- gains on disposal of C Shares will be free from tax

Note:

Investments in VCT Qualifying Companies by their nature involve a higher degree of risk than investments in fully listed companies. The value of an investment in the C Share Fund, and the income derived from it, may go down as well as up and an Investor may not get back the amount invested. Prospective Investors are referred to the Risk factors on page 2.

Matrix Income & Growth 2 VCT plc

(Registered in England No.03946235)

One Jermyn Street, London SW1Y 4UH

T: 020 7925 3300 F: 020 7925 3301

20 September 2005

Dear Investor,

Welcome to the new Matrix Income & Growth 2 VCT plc Share Offer which aims to raise up to a further £20 million Shares in a separate C Share Fund of the Company.**Background to the Company**

Matrix Income & Growth 2 VCT plc (formerly Matrix Venture Fund VCT plc) was established in April 2000 with the original objective of providing Shareholders with an attractive return from a portfolio of investments in companies whose products or services depended to a significant extent on the application of technology.

The Ordinary Share Fund raised £13.2 million in its original fundraising. The unaudited net asset value per Ordinary Share of the Fund as at 31 July 2005 was 90.20p which represents a Total Return of 92.99p per Ordinary Share including cumulative dividends paid of 2.79p per share. Subsequently, an interim dividend of 6p per Ordinary Share was declared on 13 September 2005.

On 7 September 2005 Shareholders approved the change in the name of the Fund from Matrix Venture Fund VCT plc to Matrix Income & Growth 2 VCT plc. At this time, its investment remit was also changed from investing primarily in technology companies to a generalist investment strategy for both the Ordinary Share Fund and the new C Share Fund.

Reasons for the C Share Issue

Following the change in investment policy, the Directors have launched a new C Share Fund to give Investors the opportunity to invest in a new portfolio of assets which will be managed with an investment objective of providing Investors with a growing income stream, arising both from the income generated by the companies selected for the portfolio and from realising any growth in capital value.

We believe that a C Share fundraising will:

- enable the Manager to invest in a diverse selection of established profitable unquoted companies;
- expand the capital base of the Company which will mean a reduction in running costs as a percentage of the Company's assets, thereby providing the potential for enhanced dividends for Shareholders; and
- increase the Company's asset base, thereby improving the liquidity of the Shares in the longer term.

The use of C Shares also enables new Investors to buy Shares at a fixed price of 100p during the Offer period and ensures there is no dilution to Existing Shareholders.

The Manager, Matrix Private Equity Partners Limited, has extensive experience and a proven track record of successful VCT investment performance. Further details of its VCT track record can be found on page 8.

In order to enhance the liquidity of the Shares in the C Share Fund and to seek to manage the level of the discount to net asset value at which C Shares may trade in normal markets, the Directors intend to pursue a share buyback policy.

In the 2004 Finance Act, the Government introduced significant tax law changes that had a major impact on the returns that individuals could expect from VCTs. The most significant of these changes was the increase in up-front income tax relief from 20% to 40%, which made VCTs one of the most tax efficient investment products available in the UK. This means that any income tax paying Investor could receive up to 40% of their investment back in the form of an income tax rebate if they invest in the 2005/2006 tax year.

You can invest between £5,000 and £200,000 per tax year and you will find the Application Form on page 36 of this Securities Note.

The Directors and the directors and employees of the Manager have committed to invest a minimum aggregate amount of £80,000 in the Offer. We very much look forward to welcoming you as a Shareholder.

Yours sincerely,

Michael Cumming
Chairman

**This statement should not be taken as a forecast of profits.*

Part I: Why invest in Matrix Income & Growth 2 VCT C Share Fund?

The investment objective of the C Share Fund is to provide Investors with a growing income stream, arising both from the income generated by the companies selected for the portfolio and from realising any growth in capital value. The Manager intends to structure investments in unquoted companies as part loan and part equity, expecting to receive regular income and to generate capital gains from trade sales and flotations.

Access to generalist private equity investment

The C Share Fund will be managed as a generalist portfolio, investing across a broad spread of established, primarily unquoted companies.

In recent years the UK private equity market has consistently produced superior medium to long term returns compared with UK quoted markets. For instance, the latest BVCA Performance Measurement Survey published in July 2005 found that the annual compound return for private equity of **14.8%** per annum over the ten years to 31 December 2004 significantly exceeded the return from the FTSE All-Share Index of 8.1% per annum for the same period.

Annual compound investment returns to 31 December 2004

	Three years	Five years	Ten years
Private Equity	11.5%	9.4%	14.8%
FTSE All-Share	1.8%	-3.0%	8.1%

The BVCA survey states that, within private equity, generalist funds were the best performing private equity category over 10 years.

Source: Latest BVCA Performance Measurement Survey 2004, published July 2005.

Twin sources of tax free dividends

A particular feature of the Manager's approach will be to invest a substantial proportion of its assets in mature unquoted companies in the form of yield-bearing instruments such as preference shares or loan stock. The Manager aims to use these instruments to generate contractual streams of income for the C Share Fund to enhance its capacity to pay tax free dividends.

Furthermore, as an overriding objective when making investments, the Manager will endeavour to ensure that the companies in which the C Share Fund invests have the potential for further growth and ultimate capital realisation. Such realisations, which are expected to comprise primarily trade sales, should enable the C Share Fund to pay significant additional tax free dividends.

The Manager

The team at Matrix Private Equity Partners Limited has extensive experience and a proven track record of successful VCT investment performance.

The Manager has a team of eight private equity investment managers, three of whom have over two decades' experience of venture capital. With an average of over fifteen years' experience of relevant venture capital transactions, the team has demonstrated its ability to make successful VCT investments.

The core of the team was formed in 1998 when four experienced private equity fund managers came together at GLE Development Capital Limited ("GLEDC"). This team raised £40 million from VCT and institutional clients and recruited two additional private equity fund managers in 2000.

The team successfully invested this capital and built a reputation and track record that attracted Matrix Group Limited to combine with the team in acquiring GLEDC in March 2004. At this time GLEDC was renamed Matrix Private Equity Partners Limited.

Generalist funds under management

The Manager has a proven record of investing in unquoted companies to generate income and growth within the generalist sector and has managed the three generalist VCTs listed below since their respective launches: -

MIG VCT plc - The Manager is the sole adviser to the funds raised for this generalist VCT and is responsible for making and managing investments across a range of industrial and commercial sectors from an original £22.0 million VCT fundraising which closed in June 2005.

TriVen VCT plc - The Manager is one of three advisers to the funds raised for this multi-manager VCT and is responsible for making and managing investments across a range of industrial and commercial sectors from an original £6.0 million allocation of the fundraising which closed in 1999.

TriVest VCT plc - The Manager is one of three advisers to the funds raised for this multi-manager VCT and is responsible for making and managing investments across a range of industrial and commercial sectors from an original £13.2 million allocation of the fundraising which closed in 2001.

Generalist VCT Qualifying Investment performance

The team's track record dates from April 1999 and since that time the Manager has made 26 investments in VCT Qualifying Companies of a similar nature to those that will be made for the Fund. As at 30 June 2005, MPEP had invested approximately £17.0 million in 19

companies and the Total Return was £28.2 million, showing an uplift of £11.2 million over cost – i.e. an increase of **65.9%**.

The table below sets out a summary of this track record:-

Aggregate MPEP generalist VCT Qualifying Investments*	
FIRST INVESTMENT MADE	APRIL 1999
Number of investments in VCT Qualifying Companies	26
	£MILLION
Total cost of the investments	16.97
a) Income received from loan stock and dividends	2.30
b) Capital returned in cash to VCTs	7.82
c) Valuation of current investments	18.03
Total Return (a + b + c)	28.15
Absolute Return	+65.9%
% growth of FTSE All-Share Index over same period	+2.9%
Source of FTSE All-Share Index return: Reuters Hindsight, bid to bid, gross dividends reinvested, from 22 April 1999 to 30 June 2005.	

*Please note that past performance is not a guide to future performance and the Fund's returns and performance may be different from those outlined above.

The breakdown of this aggregate return is shown in greater detail in Part IV on page 15.

The above return is before the Manager's remuneration including, where applicable, performance related fees, but excludes any tax related benefits.

The return quoted for MPEP's VCT investments above reflects only those returns from VCT Qualifying Investments made by MPEP, and is not representative of the returns of the VCTs as a whole; the return quoted does not take into account either income from non-qualifying investments or the costs of running the VCTs.

The return does not include any VCT Qualifying Investments from the Ordinary Share Fund, as these investments were made under a different investment strategy.

The portfolio return data in the table has been derived from the accounting records of each VCT up to and including 30 June 2005. Valuations of the individual investments that make up each of these portfolios have been carried out in accordance with BVCA guidelines or, in the case of AIM quoted investments, are based on the mid-market price as at 30 June 2005.

The investment management team

Mark Wignall (48) is Chief Executive of the Manager and commenced his career in 1980 with MAI Plc. He joined GLEDC's then parent company in 1987 and from 1994 was Managing Director of GLEDC, building an investment team with £50 million private equity funds under management. In 1997, he founded a factoring and invoice discounting company, Independent Growth Finance, in which GLEDC funds invested. In March 2004 he led the management team that acquired GLEDC to form Matrix Private Equity Partners Limited. He has seventeen years' experience of private equity investment.

John Brandon (61) is a director of the Manager. He is a qualified civil engineer and entered the venture capital industry in 1981 joining Midland Montagu Ventures. From 1992–2003 he was an investment director at HSBC Ventures, becoming Managing Director in 1998 following Bob Henry's departure. He joined MPEP in 2004 and has over twenty years' experience of private equity investment.

Ashley Broomberg (35) is a director of the Manager and joined Matrix Private Equity Limited in 2001. He is a chartered accountant with a background in corporate finance and strategy consulting, having previously worked with Arthur D. Little and Arthur Andersen. He is a non-executive director of a number of the Manager's VCT investee companies. He has five years' experience of private equity investment.

Jonathan Gregory (44) is a director of the Manager. He qualified as a chartered accountant with Baker Tilly and has been a director of GLEDC, responsible for new investment, since 1995. He has over twenty years' experience working with unquoted companies and he is a non-executive director of BBI Holdings Plc, a company quoted on AIM. He has nine years' experience of private equity investment.

Bob Henry (51) is a director of the Manager. He entered the private equity industry with County Bank in 1979 and established and ran HSBC Ventures from 1992, leaving to join GLEDC as a director in 1998. He is a former non-executive chairman of Connaught Plc, a company quoted on AIM and he has over twenty years' experience of private equity investment.

Eric Tung (44) is a director of the Manager. He qualified as a chartered accountant with KPMG and joined Enterprise Ventures in 1990 becoming Head of Investment, leaving to join GLEDC in 2000 as a new investment director. He has fourteen years' experience of private equity investment.

Mike Walker (52) is a director of the Manager. He originally trained at 3i Plc and was a director of Gresham Trust Plc for seven years, becoming head of its Portfolio Management Unit. He joined GLEDC as a director in 1998 and is a non-executive director of several of the Manager's investee companies. He has over twenty years' experience of private equity investment.

Katia Frank (35) is an associate director of the Manager. She joined GLEDC in 2000 as an investment manager with particular responsibility for deal flow and origination. She is a qualified engineer and prior to joining the Manager, she worked for Pi Capital and Nat West Development Capital. She has six years' relevant experience of private equity investment.

Enhanced liquidity

The Directors are aware that in the past it has often been difficult for Investors to sell VCT shares at or close to net asset value. In accordance with the overall policy of the Company, the Directors intend to pursue a policy of buying back C Shares in the market subject to the provisions of the Act and VCT Regulations, thereby seeking to manage the level of discount to net asset value at which C Shares may trade in normal markets.

At their regular quarterly board meetings the Directors will review, inter alia, the levels of discounts to net asset value at which comparable quoted private equity funds are trading.

Based on this review and other relevant factors, the Directors will agree the Company's share buyback policy for the forthcoming period. It is intended that the Directors will maintain frequent communication with the market and that, whenever a significant number of C Shares comes on offer, the Directors will be notified.

In pursuing this policy, the Directors' highest priority will be to ensure that they are acting prudently and in the interests of remaining Shareholders. C Share buybacks will be transacted entirely at the Directors' discretion and will be subject to the C Share Fund having sufficient distributable reserves available for such a purpose. They will also be subject to the rules of the UK Listing Authority and any other applicable law relevant at the time. Although the Directors' intent is that Investors who wish to sell their holding in the C Share Fund should be able to do so, Investors should be aware that there is a risk that this may not be possible.

Tax benefits

The Offer provides a tax efficient investment opportunity for Investors, with the following attractive tax reliefs:

- up to 40% of the amount invested can be deducted from the Investor's income tax liability;
- all dividends are tax free; and
- any capital gain on disposal of C Shares is free from capital gains tax.

Investors can invest up to £200,000 per person per tax year benefiting from the tax benefits above.

This is only a brief summary of the tax benefits of investing under the Offer. Further information appears on pages 21 and 22.

Dividend policy

A privileged feature of a VCT not available to an Investment Trust is the ability to distribute net realised capital profits. The Directors intend to take advantage of this feature, by paying dividends out of net realised capital profits resulting from successful realisations of the C Share Fund's portfolio investments.

Therefore, in accordance with the overall policy of the Company, the C Share Fund's dividend policy will be to pay dividends to Investors on a regular basis, whenever appropriate and subject to other portfolio management considerations.

Details relating to the C Shares

The capital raised by the issue of C Shares will be managed and invested separately unless the Directors are satisfied that it is in the best interests of both classes of Shareholders for the Funds to be merged. The Directors' current intention is to review the merits of conversion no earlier than April 2009, by which time they believe that the majority of the Ordinary Share Fund qualifying holdings will be similar to those in the C Share Fund.

At conversion, the C Shares would convert into Ordinary Shares at a rate determined by the ratio between the net asset value attributable to each C Share and to each existing Ordinary Share. The Directors will apply their normal valuation principles in calculating the net asset values of both the Ordinary Shares and the C Shares.

The Ordinary Shares arising on conversion would be divided amongst the C Shareholders pro rata to their respective holdings of C Shares. Conversion will take place on such a Business Day as may be selected by the Directors as soon as practicable.

The Ordinary Shares arising on conversion would rank equally with the Ordinary Shares then in issue. After conversion, all Shareholders in the Fund would benefit from having a wider portfolio of companies.

The C Shares, and in the event of their conversion, the Ordinary Shares arising from such conversion will be listed on the Official List of the UK Listing Authority and will be admitted to trading on the London Stock Exchange's market for listed securities and may be sold at any time. Investors should note however that they will lose income tax relief obtained on subscription in whole or in part if the C Shares have not been held for three years.

Definitive certificates for the Ordinary Shares will be issued following conversion and certificates for C Shares will then cease to be of value and should be destroyed.

Further details of the C Shares, including the method of conversion, are set out in Part IX of this document.

Part II: How will the Fund be invested?

Investment policy

The Manager will aim to invest approximately 80% of the net funds raised in the Offer in VCT Qualifying Companies within three years. Initially the net proceeds of the Offer will be invested in a portfolio of readily realisable interest bearing investments and deposits.

The Manager will seek to invest primarily in a diversified portfolio of established profitable unquoted companies. The Manager will also consider investment in AIM and OFEX traded businesses but only where it has or has had an investment in that company prior to flotation, or where it believes there is a compelling investment opportunity. Investments in VCT Qualifying Companies will generally be made in amounts ranging from £200,000 to £1 million. Not more than 10% of the Fund's investments, based on cost, will be invested in any one company.

The fully invested C Share Fund

The Manager aims to construct a portfolio of investments that in aggregate are structured up to 70% as loan stock or preference shares with attractive income terms so that a regular and growing stream of income and capital distributions should be generated for the C Share Fund which can be distributed to Investors.

When the C Share Fund reaches its 80% investment target, the balance of the net assets will remain invested in readily realisable interest bearing investments. These assets are expected to provide the capacity to support any future cash needs of investee companies, and to provide funds for any possible share buybacks.

Everyday products and services with profit growth potential

The Manager will focus on established companies with credible plans and solid profit growth prospects. Typically these will be companies that make or supply the products and services that we see used around us in our daily lives. The investment team will seek to invest in companies that are already profitable and cash-generative and therefore able to sustain a stream of contractual payments of income and capital to the C Share Fund.

The Manager has extensive experience of making investments across a broad range of industries and will seek to invest in those companies that it believes to have a sustainable competitive advantage in their market, representing a barrier to entry to potential competitors. Such companies may also have a highly defensible position in a niche market where growth is being driven by external factors such as legislative, economic or demographic change.

Investment process

The Manager will focus on unquoted investment opportunities, which it has routinely found to be more attractively priced than those presented by companies accessing public markets, such as AIM and OFEX. Unquoted companies also offer the opportunity for intensive appraisal, due diligence and negotiation of terms. Unquoted investment opportunities will be originated from the Manager's own extensive network of chartered accountants and corporate financiers who act as intermediaries on behalf of management teams looking to raise equity finance. Prior to an investment being made, each selected company will be subject to a rigorous process of due diligence which concentrates on the following:

- the quality of the management team;
- the track record of profitability;
- evidence of the company's competitive advantage in its markets;
- a sufficiently attractive valuation at the time of investment;
- the opportunity to structure an investment that can deliver regular income for the Fund; and
- the prospect of achieving an exit, usually by way of a trade sale, within an appropriate timescale.

The Manager considers a broad range of sectors and different transaction types and has a particular focus on investing to support incumbent management teams in acquiring the business they manage, but do not own. This type of transaction, commonly referred to as a Management Buy-Out or MBO, forms a significant proportion of UK private equity financing activity and accounted for 71% of all activity by amount invested in 2004 (Source – Latest BVCA Report On Investment Activity 2004 published in July 2005). The Manager

believes MBOs offer particularly attractive investment attributes for three reasons. These are: -

- the incumbent management's unique and privileged understanding of the financial risks and opportunities within their business,
- their preparedness to invest personal capital to purchase shares at the same time as the Fund; and
- their alignment of interest with the Fund in seeking to buy their company at the lowest possible price with the objective of crystallising value in their investment.

The Manager's focus on MBOs is illustrated in the track record set out on page 8, where 22 of the 26 investments in Qualifying Companies were originally MBO transactions.

All unquoted investments will be valued in accordance with BVCA guidelines under which investments are not normally re-valued above cost within twelve months of acquisition unless third party funding has occurred. Any AIM or other quoted investment will be valued at the bid price of its shares in accordance with Generally Accepted Accounting Principles.

Post-investment management

Once an investment has been made, the Manager will seek to add value to investee companies in a number of ways including:

- reviewing strategic plans;
- helping with the development of the business;
- assisting with acquisitions or mergers and additional fundraisings; and
- structuring companies for sale.

Normally, a member of the Manager's team or an experienced individual well known to the Manager will be appointed to the board of each investee company as a non-executive director or chairman.

The Fund expects to co-invest with other VCT funds advised by the Manager, participating in equity investments of up to £5 million in order to target more developed companies.

Where more than one of the Manager's VCT funds wish to participate in an investment opportunity, the VCTs' allocations will be made in the ratio of the net funds raised and allocated to the Manager. This will be subject to the availability of funds to make the investment and other portfolio considerations such as sector exposure and the requirement to achieve or maintain a minimum of 70% of a VCT fund's portfolio in VCT Qualifying Investments.

Where a VCT is in its fundraising period, its net funds raised for the purpose of allocation will be assumed to be the value of shares allotted at the time the allocation calculation is made.

When a VCT has insufficient funds available to satisfy its allocation, the balance shall be offered to the remaining VCT clients who have funds available for new investments pro rata as between themselves.

In the event that the Ordinary Share Fund has funds available for investment, any new investment made by the Company will be drawn pro rata from the Ordinary Share Fund and C Share Fund, based on respective net asset values. Notwithstanding the above, the Directors reserve the right to allocate investment opportunities on a different basis where considered appropriate, for example to protect the VCT status of the Company as a whole or to balance the portfolio of a particular Share Fund.

Any variation from this co-investment policy, insofar as it affects the Fund or where the Fund makes any investment not at the same time and on the same terms as that made by other VCT funds, may only be made with the prior approval of the Directors who are independent of the Manager.

Co-investment relationships

Part III: The Board

The Board

The Board comprises four non-executive Directors, each of whom, apart from Ken Vere Nicoll, is independent of the Manager. The Board has overall responsibility for the Fund's affairs including the determination of its investment policy. Investment proposals will be originated, transacted and recommended by the Manager and then formally approved by the Directors.

Michael Cumming, aged 65, (Chairman) has considerable experience of the venture capital industry. Between 1981 and 1995 he was Managing Director of Barclays Private Equity Limited and was involved in numerous private equity transactions in the UK. Prior to working at Barclays, he was a director of Midland Montagu Industrial Finance Limited, also a private equity house. Currently, he is Chairman of the Mercia Fund Management Limited, Private & Commercial Finance Group PLC, and Edinburgh UK Smaller Companies Tracker Trust PLC. He is also a non-executive director of Graphite Enterprise Trust PLC, World Gaming PLC and Forelle Estates Holdings Limited.

Fredrik Adams, aged 35, is currently a Venture Partner with Viventures/VPSA, a Paris-based €277m technology venture capital fund. He currently serves as Chairman of Petra, and on the board of Whatsonwhen, Betclick, LeT Systems (Ireland) and Terraplay Systems (Sweden). Prior to this, he was a partner at the €53m venture capital fund, European Equity Partners, from 1999 until 2004. He previously worked in corporate finance at the investment bank Nomura in London. He holds a BA in economics from Lund University, Sweden and a MSc from the Royal Agricultural College.

Nigel Melville aged 60, is Executive Chairman of Emtelle Holdings Limited, the UK's leading supplier of fibre-optic ducting systems, and a director of a number of other public and private companies. Between 1972 and 1995, he worked as investment banker, latterly as a director of Barings responsible for international corporate finance. In 1995 he established Melville Partners to provide strategic consultancy to a range of international companies.

Ken Vere Nicoll, aged 63, has over 30 years' corporate finance experience and is Managing Director of Matrix Corporate Finance Limited ("MCF") and a director of Matrix-Securities Limited. MCF specialises in providing corporate finance advice to companies from early stage to flotation on AIM, and Ken has overseen numerous transactions, advisory assignments and fundraisings. He is also a director of Unicorn AIM VCT II plc. Prior to joining Matrix, he spent 18 years with Baring Brothers in various locations including London, South Africa and Australia.

The Directors and the directors and employees of the Manager have committed to invest a minimum aggregate amount of £80,000 in the Offer.

Directors' and other interests

The interests, following the Offer, all of which are beneficial, which:

- a) have been notified by each Director to the Company pursuant to section 324 or section 328 of the Act;
- b) are required pursuant to section 325 of the Act to be entered in the register referred to therein; or
- c) are interests of a connected person of a director which would, if the connected person were a director, be required to be disclosed under a) or b) above, and the existence of which is known to or could with reasonable diligence be ascertained by that director are at the date of this document and are expected to be on admission of the C Shares to the Official List following the Offer as follows:

Director	Number of Ordinary Shares as at 20 Sept 2005	Number of C Shares following the Offer
Michael Cumming	10,225	7,913
Fredrik Adams	2,556	-
Nigel Melville	20,450	21,100
Ken Vere Nicoll	20,450	21,100

Assuming full subscription, each Director's shareholding will represent less than 3 per cent. of the issued share capital of the Company following the close of the Offer.

None of the Directors has a service contract with the Company and no such contract is proposed. Each of the Directors is engaged by the Company under letters of appointment dated 10 May 2000 terminable by either party on 3 months notice. The Directors each receive an annual fee of £12,000 with the audit and remuneration committee chairman receiving an annual fee of £15,000 and the Chairman receiving an annual fee of £18,000. The Directors are not required to hold Shares. Total fees payable to Directors for the current financial year ending 30 April 2006 are estimated to be at the rate of £57,000. Save as set out in paragraph 6.6 of the Registration Note, the Directors are not entitled to any further fee or any other benefit on termination of their appointment.

Corporate governance

The Board recognises the importance of sound corporate governance. It endorses and has adopted the main principles of good corporate governance set out in the Combined Code published by the Financial Reporting Council in July 2003 (as revised in July 2005 to take into consideration the new Listing Rules, Prospectus Rules and Disclosure Rules) to the extent that the Directors consider practical given the nature of the Fund.

Part IV:

MPEP generalist VCT Qualifying Investment performance

The team's track record dates from April 1999 and since that time, the Manager has made 26 investments in VCT Qualifying Companies of a similar nature to those that will be made by the Fund. As at 30 June 2005, MPEP had invested approximately £17 million in 19 companies

and the total return was £28.2 million, showing an uplift of £11.2 million over cost – i.e. an increase of **65.9%**.

The total of 26 investments is broken down as follows: -

	TriVest VCT	TriVen VCT
FIRST INVESTMENT MADE	14 DECEMBER 2000	22 APRIL 1999
Number of investments in VCT Qualifying Companies	13	12
	£MILLION	£MILLION
Total cost of the investments	10.28	6.48
a) Income received from loan stock and dividends	1.27	1.03
b) Capital returned in cash to VCT	4.52	3.30
c) Valuation of current investments	14.17	3.65
Total Return (a + b + c)	19.96	7.98
Absolute Return	+94.2%	+23.2%
% growth of FTSE All-Share Index over same period	-0.4%	+2.9%
As at 30 June 2005 one VCT Qualifying Investment had been completed for MIG and is held at a cost of £212, 893.		

*Source of FTSE All-Share Index and FTSE Small Cap Index returns: Reuters Hindsight, bid to bid, gross dividends reinvested, respectively from 14 December 2000 and 22 April 1999 both to 30 June 2005. Please note that past performance is not a guide to future performance and the Fund's returns and performance may be different from those outlined above.











The above returns are before the Manager's remuneration including, where applicable, performance related fees, but exclude any tax related benefits.






The returns quoted for each of MPEP's VCT portfolios above reflect only those returns from VCT Qualifying Investments made by MPEP for that VCT and are not representative of the returns of the VCTs as a whole; the returns quoted do not take into account either income from non-qualifying investments or the costs of running the VCTs.

The returns do not include any VCT Qualifying Investments from the Ordinary Share Fund, as these investments were made under a different investment strategy.

The portfolio returns data in the table have been derived from the accounting records of each VCT up to and including 30 June 2005. Valuations of the individual investments that make up each of these portfolios have been carried out in accordance with BVCA guidelines or, in the case of AIM quoted investments, based on the mid-market price as at 30 June 2005.

The unrealised generalist investments in MPEP's current portfolio are set out below:-

HOLLOWAY WHITE ALLOM - A specialist construction and renovation company				
	Cost	£1,000,000	First investment	November 2002
	Total Return	£5,514,379	Transaction type	MBO
	Valuation basis	Discounted earnings		
SPECIAL MAIL SERVICES - A provider of secure delivery and disguised mail services				
	Cost	£1,303,571	First investment	September 2002
	Total Return	£2,881,609	Transaction type	MBO
	Valuation basis	Discounted earnings		
IMAGE SOURCE GROUP - A producer of royalty free imagery				
	Cost	£1,000,000	First investment	June 2003
	Total Return	£2,452,776	Transaction type	MBO
	Valuation basis	Discounted earnings		
HIGHER NATURE - Mail order distribution of vitamins and natural medicines				
	Cost	£1,125,000	First investment	November 1999
	Total Return	£2,151,370	Transaction type	Expansion
	Valuation basis	Discounted earnings		
BROOKERPAKS - A vegetable import and distribution business				
	Cost	£500,000	First investment	October 2002
	Total Return	£1,637,097	Transaction type	MBO
	Valuation basis	Discounted earnings		
MAVEN MANAGEMENT - A market research company				
	Cost	£550,000	First investment	February 2000
	Total Return	£1,340,533	Transaction type	MBO
	Valuation basis	Discounted earnings		
LETRASET - A provider of specialist art products to the graphic arts industry				
	Cost	£1,500,000	First investment	June 2001
	Total Return	£1,204,946	Transaction type	MBO
	Valuation basis	Discounted earnings		
INCA INTERIORS - A specialist supplier of kitchens to house developers				
	Cost	£700,000	First investment	October 2001
	Total Return	£1,107,526	Transaction type	MBO
	Valuation basis	Discounted earnings		
ORIGINAL ADDITIONS - A leading beauty care products company				
	Cost	£1,000,000	First investment	September 2004
	Total Return	£1,035,746	Transaction type	MBO
	Valuation basis	Cost		
THE HUNTER RUBBER COMPANY - A manufacturer of branded footwear				
	Cost	£936,047	First investment	January 2004
	Total Return	£894,859	Transaction type	MBO
	Valuation basis	Cost less impairment		

FH INGREDIENTS - A processor of frozen herbs for the food manufacturing industry				
	Cost	£800,000	First investment	February 2005
	Total Return	£807,456	Transaction type	MBO
	Valuation basis	Cost		
TOTTEL PUBLISHING - A publisher of legal and tax titles				
	Cost	£750,000	First investment	October 2004
	Total Return	£773,541	Transaction type	MBO
	Valuation basis	Cost		
BBI HOLDINGS - A gold conjugate manufacturer				
	Cost	£369,890	First investment	April 2004
	Total Return	£727,975	Transaction type	AIM
	Valuation basis	Mid-market price		
STORTEXT FM - A document management software and services provider				
	Cost	£561,816	First investment	February 2000
	Total Return	£452,743	Transaction type	Expansion
	Valuation basis	Cost less impairment		
BG CONSULTING GROUP - A technical training provider				
	Cost	£1,200,000	First investment	September 2002
	Total Return	£242,970	Transaction type	MBO
	Valuation basis	Cost less impairment		

In addition to the unrealised portfolio shown above, investments in four qualifying companies with an original cost of £3.67 million have been fully realised producing a total return of £4.93 million, representing a 34.2% uplift over cost.

Part V: Management, expenses and administration

The Manager

The Manager has been appointed in relation to the C Share Fund for an initial period of 3 years. Its appointment can be terminated by not less than twelve months' notice, which can be given at any time after the second anniversary of its appointment. The Manager's appointment may also be terminated in circumstances of material breach or insolvency by either party.

Issue costs

The Promoter has agreed to indemnify the Company to the extent of any excess of initial costs over 5.5% of the initial funds subscribed. Accordingly, on the basis that the Offer is fully subscribed, total costs will be £1.1 million and net proceeds will be £18.9 million which will be used in the furtherance of the investment policy described on page 11.

Fees

The Manager will receive a fund management fee of 2% per annum of the value of the net assets of the C Share Fund. The C Share Fund management fees will be calculated and payable quarterly in advance together with any applicable VAT.

As is customary in the private equity industry, the Manager may retain for its own benefit and without liability to account to the Fund, subject to full disclosure having been made to the Board, arrangement fees which it receives in connection with any unquoted investment made by the C Share Fund up to a maximum of 2.5% of the amount invested by the C Share Fund in the relevant investee company. It may also receive all monitoring fees or directors' fees payable by investee companies. Costs incurred on abortive investment proposals will be the responsibility of the Manager.

Matrix-Securities Limited will provide Company secretarial and accountancy services to the Fund. The appointment can be terminated by not less than twelve months' notice given at any time. Matrix-Securities Limited will receive annual fees of 0.09% of funds raised (plus VAT) in relation to the C Share Fund and £18,000 (plus VAT) for the Ordinary Share Fund for the secretarial services and 0.21% of funds raised (plus VAT) in relation to the C Share Fund and £27,500 (plus VAT) for the Ordinary Share Fund for providing the accountancy services both rising annually in line with the Retail Prices Index (All Items). These fees will be paid quarterly in arrears.

A maximum of 75% of the Fund's management fees will be capable of being charged against capital reserves with the balance being charged against revenue.

Annual expenses

The annual running costs of the Fund will be capped at 3.6% (excluding any irrecoverable VAT and any performance related incentive fee) of the Fund's net asset value as at each Company year end. This figure covers the annual costs incurred by the Fund in the ordinary course of its business and includes the management fees mentioned above, Directors' remuneration, fees payable to the Fund's registrar, stockbroker, auditor, tax adviser and the annual trail commission to financial advisers, as set out under the heading 'Adviser Commission' on page 19. The balance of any such excess will be borne by the Manager.

Performance related incentive fee

As is customary in the private equity industry, the Manager will receive a performance related incentive fee, to reward exceptional performance of the C Share Fund. As from the end of the third annual reporting period after the closure of the Offer, the Manager will be entitled to receive an aggregate performance fee of 20% of the excess above 6p per C Share of the annual dividends paid to C Shareholders. After the third annual reporting period this 6p per C Share hurdle will rise in line with the Retail Price Index (All Items). The performance fee will only be payable if the mean net asset value per C Share over the year relating to payment has remained at or above 100p. The performance fee will be payable annually, with any cumulative shortfalls below the 6p per C share hurdle having to be made up in later years.

In the event of a future conversion of the C Shares into Ordinary Shares, the performance related incentive fee for the C Share Fund and the performance related incentive fee for the Ordinary Share Fund will be combined into a single new incentive for all Shares.

The nature and terms of any new incentive scheme will be agreed by the Board and approved by Shareholders at a general meeting.

Reporting to Investors

The annual report and accounts of the Fund will be made up to 30 April each year and should normally be circulated to Shareholders in the following August. Shareholders will also receive unaudited half yearly reports made up to the last Business Day in October each year which should normally be circulated to Shareholders in the following January. The next report is expected to be sent to Shareholders in August 2006 and will be the annual accounts in respect of the period ending 30 April 2006. All reporting dates to Investors above are set with reference to the Company's financial year end, which is 30 April, but may at the Directors' discretion be set at a different date, should that be in the interests of Shareholders.

In addition, the Manager intends to produce a twice-yearly newsletter on its VCT portfolios.

Life of the Fund

It is intended that the Fund should have an unlimited life, but it is considered desirable that Shareholders should have the opportunity to review the future of the Fund at appropriate intervals. Accordingly, the articles of association of the Fund contain provisions requiring the Directors to put a proposal for the continuation of the Fund, in its then form, to Shareholders at the tenth annual general meeting and thereafter at five-yearly intervals.

VCT status monitoring

PricewaterhouseCoopers will be retained by the Company to advise on compliance with the legislative requirements relating to VCTs. Pricewaterhouse Coopers will, if requested by the Board, review the qualifying status of new investment opportunities and carry out regular reviews of the Fund's investment portfolio.

Pricewaterhouse Coopers will work closely with the Manager and the Fund's accountant but will report directly to the Board.

Adviser commission

Authorised financial intermediaries will normally be paid an initial commission of 2.25% on successful applications.

In addition, provided they continue to act for their client and the client continues to hold their C Shares, financial advisers will normally be paid, in respect of their clients' holdings, an annual trail commission of 0.375% of the net asset value of a C Share (as determined from the audited annual accounts of the Fund) attributable to their clients' holdings as at the time of calculation of the annual year end net asset value of a C Share.

The annual trail commission will normally be paid in August each year. It is anticipated that the first such payment will be paid in August 2007 in respect of the accounting period ending 30 April 2006.

The Fund shall be entitled to rely on a notification from a client that he has changed his adviser. No payment of trail commission shall be made to the extent that the cumulative trail commission would exceed 2.25% of the issue price of each C Share.

Financial intermediaries may agree to waive their initial commission. If so an Investor's application will attract an additional allotment of C Shares amounting to the equivalent value of the waived commission at no greater cost.

Promoter

Matrix -Securities will receive an initial commission of 5.5% out of which the initial commission to financial intermediaries and any costs and expenses of the Offer (excluding trail commission and the Company's legal fees) will be paid.

CREST

The Fund will apply for permission for the C Shares to be admitted to the CREST system and C Shareholders will be able to hold their Shares in certified and uncertified form.

Part VI: Directors, Manager and Advisers

Directors

Michael Ralston Cumming
Fredrik Ninian John Adams
Nigel Edward Melville
Kenneth Charles Vere Nicoll

all of:

One Jermyn Street
London
SW1Y 4UH

Secretary

Matrix-Securities Limited
One Jermyn Street
London
SW1Y 4UH

Sponsor and Stockbroker

Teather & Greenwood Limited
Beaufort House
15 St Botolph Street
London
EC3A 7QR

Promoter

Matrix-Securities Limited
One Jermyn Street
London
SW1Y 4UH

Receiving Agent

Matrix Registrars Limited
One Jermyn Street
London
SW1Y 4UH

Bankers

Barclays Bank plc
P O Box 544
54 Lombard Street
London
EC3V 9EX

Solicitors to the Offer

Dundas & Wilson LLP
5th Floor, Northwest Wing
Bush House
Aldwych
London
WC2B 4EZ

Solicitors to the Company

Martineau Johnson
No 1 Colmore Square
Birmingham
B4 6AA

Manager

Matrix Private Equity Partners Limited
One Jermyn Street
London
SW1Y 4UH

VCT Status Adviser

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RN

Auditors and Tax Advisers

MRI Moores Rowland LLP
3 Sheldon Square
Paddington
London
W2 6PS

Registrar

Capita IRG PLC
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Part VII: Tax planning for VCT shareholders

The following information is only a summary of the law concerning the tax position of individual Investors in VCTs. Potential Investors are recommended to consult a professional adviser as to the taxation consequences of investment in a VCT.

Tax reliefs for Investors

Below is a summary of the current reliefs for VCT investments made on or after 6 April 2004.

The tax reliefs set out below are available to UK residents aged 18 or over who subscribe under the Offer for new C Shares in the Fund ("New Shares"). Whilst there is no specific limit on the amount of an individual's acquisitions of shares in a VCT, **tax reliefs will only be given to the extent that the total of an individual's subscriptions or other acquisitions of shares in VCTs in any tax year do not exceed £200,000.** Investors who intend to invest more than £200,000 in VCTs in any one tax year should consult their professional advisers.

1. Income tax

a) Relief from income tax on investment

An Investor subscribing for C Shares in the Fund will be entitled to claim income tax relief on amounts up to a maximum of £200,000 in any tax year. To obtain relief an Investor must subscribe on his own behalf although the Shares may subsequently be transferred to a nominee. For the tax year 2005/2006 the relief is given at the rate of 40% on the amount subscribed, provided that the relief is limited to the amount which reduces the Investor's income tax liability to nil. Investments to be used as security for or financed by loans may not qualify for relief, depending on the circumstances.

	Effective cost	Income tax relief
VCT investment by an individual claiming no tax reliefs	£10,000	
VCT investment by an individual claiming full 40% income tax relief	£6,000	£4,000

b) Dividend relief

An Investor who acquires, in any tax year, C Shares having a value of up to a maximum of £200,000 will not be liable to income tax on dividends paid by the Fund on those C Shares.

c) Purchasers in the market

An individual purchaser of existing C Shares in the market will be entitled to claim dividend relief (as described in paragraph b) above) but not relief from income tax on investment (as described in paragraph a) above).

d) Withdrawal of relief

Relief from income tax on subscription for shares in a VCT is withdrawn if the shares are disposed of (other than between spouses) within three years of issue or if the VCT loses its approval within this period.

2. Capital gains tax

a) Relief from capital gains tax on the disposal of C Shares

A disposal by an Investor of C Shares in the Fund will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. The relief is limited to the disposal of C Shares acquired within the limit of £200,000 for any tax year.

b) Purchasers in the market

An individual purchaser of existing shares in the market will be entitled to claim relief from capital gains tax on disposal (as described in paragraph a) above).

If a VCT which has been granted approval subsequently fails to comply with the conditions for approval, approval as a VCT may be withdrawn or treated as never having been given. In these circumstances, relief from income tax on investment is repayable unless loss of approval occurs more than three years after the issue of the relevant shares; relief ceases to be available on any dividend paid in respect of profits or gains in any accounting period ending when VCT status has been lost or in any period when VCT status is treated as never having been given; any chargeable gain on which tax has been deferred will be brought into charge; and any gains on the shares up to the date from which loss of VCT status is treated as taking effect will be exempt but gains thereafter will be taxable. Where VCT status is treated as never having been given all gains are taxable.

Obtaining tax reliefs

The Fund will provide a certificate to each Investor which the Investor may use to claim income tax relief, either by obtaining from HM Revenue & Customs an adjustment to his tax coding under the PAYE system or by waiting until the end of the tax year and using his self-assessment return to claim relief. Dividends received in respect of Shares acquired in the Fund up to the

qualifying maximum of £200,000 per tax year need not be shown in an Investor's self-assessment tax return.

Investors not resident in the UK

Investors not resident in the UK should seek their own professional advice as to the consequences of making an investment in the Fund as they may be subject to tax in other jurisdictions as well as in the UK.

Part VII: Tax position of the Fund

The Fund has to continue to satisfy a number of tests in order to continue to qualify as a VCT and therefore to obtain the tax benefits available to VCTs and their individual shareholders. A summary of those tests is set out below.

Qualifying as a VCT

In order to continue to be qualified as a VCT, the Fund must satisfy the following conditions in each accounting period:

- (a) it must be approved as a VCT by HM Revenue & Customs;
- (b) it must not be a close company;
- (c) throughout the period each class of its equity share capital must be quoted on the London Stock Exchange;
- (d) it must derive its income in that period wholly or mainly from shares or securities;
- (e) it must have at least 70% by value of its investments throughout the period in newly issued shares or securities (where the securities are not redeemable within 5 years of issue) comprised in holdings in unquoted or AIM quoted companies which satisfy the requirements of schedule 28B of the Taxes Act ("Qualifying Holdings"), of which 30% by value must be ordinary shares which carry no preferential rights to dividends or assets on winding up and no rights to be redeemed;
- (f) it must have at least 10% by value of its Qualifying Holdings in each single company or group in ordinary shares which carry no preferential rights to dividends or assets on winding up and no rights to be redeemed;
- (g) it must have not more than 15% by value (as described in S842AA(s) ICTA) of its investments throughout that period in a single company or group (other than a VCT, or other similar company); and

- (h) it must generally not retain more than 15% of the income which it derives from shares and securities in that period.

Qualifying holdings

In order for an investment to qualify as an investment in a Qualifying Holding, not more than £1 million may be invested in the same company in any tax year. Where investments are made in two consecutive tax years up to this limit, there must be at least a six month gap between them. The £1 million limit is restricted further if the trade in which the money invested is applied is carried on through a partnership or joint venture.

Each company in which the Fund makes an investment must satisfy the following tests:

- (a) it must be unquoted (which will, in the case of a company which was unquoted at the time of the VCT's investment, be deemed to be the case for a further five years after the company ceases to be unquoted). Companies whose shares are traded on AIM are treated for this purpose as unquoted;
- (b) it must be a Qualifying Company (see below under the heading "Qualifying Companies and qualifying subsidiaries");
- (c) it must have gross assets of £15 million or less immediately pre-investment and £16 million or less immediately post-investment (in the case of companies which have qualifying subsidiaries (see below), the test is applied on a group basis);
- (d) it (or a relevant qualifying subsidiary of the Qualifying Company) must apply the money invested for the purposes of a qualifying trade,

which is carried out wholly or mainly in the UK, (see below under the heading, "Qualifying Companies and qualifying subsidiaries") within certain time periods;

- (e) it must not be able to control (whether on its own or together with a connected person) any company which is not a qualifying subsidiary; and
- (f) it must not be controlled by another company (on its own or together with a connected person).

In certain circumstances, a holding can be split into part-Qualifying Holdings and part non-Qualifying Holdings.

Qualifying Companies and qualifying subsidiaries

A Qualifying Company is a company which exists to carry on one or more qualifying trades (see below) or is the parent of a trading group, where all of its subsidiaries are qualifying subsidiaries and the group as a whole is not engaged in non-qualifying activities (see below).

For the purposes of the Qualifying Holdings test in (d) above, a subsidiary will be a relevant qualifying subsidiary if at least 50% of its issued share capital and its voting power is owned by the Qualifying Company. Certain other tests as to the distribution of the subsidiary's profits and assets on a winding-up must also be satisfied.

In the case of Qualifying Holdings test in (e) above, a subsidiary will be a qualifying subsidiary if more than 50% of its issued share capital is owned by the Qualifying Company and the other tests are also satisfied.

A trade will be a qualifying trade only if it does not to a substantial extent include non-qualifying activities (non-qualifying activities include dealing in land or shares, providing financial services or activities which are largely land-based, such as farming, hotels and nursing homes). In the case of a company which is preparing to carry on a qualifying trade, the qualifying trade must begin within two years of the issue to the VCT of the shares or securities, and must continue thereafter.

Approval as a VCT

A VCT must be approved as such at all times by HM Revenue & Customs.

HM Revenue & Customs has granted the Fund approval under the Taxes Act from the date of first admission of Ordinary Shares under the original offer.

Withdrawal of approval

Approval may be withdrawn by HM Revenue & Customs if the relevant tests (see above under the heading, "Qualifying as a VCT") do not continue to be satisfied. Withdrawal of approval generally has effect from the time when notice of withdrawal is given to the VCT but, in relation to capital gains of the VCT only, can be backdated to not earlier than the first day of the accounting period commencing immediately after the last accounting period of the VCT in which all the tests were satisfied.

The above is only a summary of the conditions which need to be satisfied under current law and practice for a company to continue to be treated as a VCT. **For comprehensive clarification, investors are recommended to consult a professional adviser.**

Part IX: C Share Offer & conversion information

The rights and restrictions attaching to the C Shares are set out in the articles of association ("Articles") as amended by special resolution passed at the extraordinary general meeting of the ordinary Shareholders of the Fund held on 26 March 2004. The relevant provisions of the amended Articles are summarised below.

The following definitions apply for the purposes of this Part IX of the Securities Note only:

a) Rights Attaching to the C Shares

The following provisions apply in respect of the C Shares and their subsequent conversion into Ordinary Shares:

"Calculation Date" means close of business on such date as the Directors shall approve.

"Conversion" means conversion of the C Shares in accordance with the Articles.

"Conversion Date" means the close of business on the day selected by the Directors falling not more than sixty days after the Calculation Date.

"Conversion Ratio" is A/B where:

$$\begin{aligned} \text{"A"} &= \frac{C - D}{E} \\ \text{"B"} &= \frac{F - (C - D)}{G} \end{aligned}$$

"C" is the aggregate of:

(i) the amount which, in the Directors' opinion, fairly reflects, having regard to the then current guidelines of the British Venture Capital Association, the value of all investments of the Company attributable to the C Shareholders on the Calculation Date; and

(ii) the amount which, in the Directors' opinion, fairly reflects at the Calculation Date the value of the current assets of the Company attributable to the C Shareholders (including cash and deposits with or balances at a bank and including any income and other items of a revenue nature);

"D" is the amount (to the extent not otherwise deducted from the assets attributable to the C Shareholders) which, in the Directors' opinion, fairly reflects the amount of the liabilities attributable to the C Shareholders on the Calculation Date;

"E" is the number of C Shares in issue on the Calculation Date;

"F" is the net asset value of the Company as at the Calculation Date which is arrived at after all adjustments reasonably deemed necessary by the Directors to reflect the current value (determined by the Directors in accordance with the then current guidelines of the British Venture Capital Association) of all assets and to allow for all liabilities including any income and other items of a revenue nature; and

"G" is the number of Ordinary Shares in issue on the Calculation Date;

provided that the Directors shall make such other adjustments to the value or amount of "A" and "B" as the auditors shall report to be appropriate having regard, inter alia, to the assets attributable C Share Fund on the Calculation Date to the assets of the Company on the Calculation Date after such other adjustments as the Directors shall make and as the auditors shall report to be appropriate to reflect any other changes.

"C Share Surplus" means the net assets of the Company attributable to the C Shares (including, for the avoidance of doubt, any income and/or revenue arising from or relating to such assets) less such proportion of the Company's liabilities including the fees and expenses of liquidation or return of capital (as the case may be) as the Directors or the liquidator (as the case may be) shall reasonably allocate to the assets of the Company attributable to the C Shareholders.

"Existing Ordinary Shares" means the Ordinary Shares in issue as at the Calculation Date.

"Issue Date" means the day on which the Company receives the net proceeds of the first issue of the C Shares.

"New Ordinary Shares" means new Ordinary Shares arising on Conversion of the C Shares which, when issued, shall rank pari passu in all respects and form a single class with the Existing Ordinary Shares.

"Ordinary Share Surplus" means the net assets of the Company (including, for the avoidance of doubt, any income and/or revenue arising from or relating to such assets) less the Company's liabilities (including the fees and expenses of liquidation or return of capital, as the case may be) less the C Share Surplus.

"Statutes" means the Companies Act 1985 (as amended), and every other statute for the time being in force concerning companies affecting the Company.

For the purposes of the Articles, assets attributable to the C Shareholders or the C Shares shall mean the net

cash proceeds (after all expenses relating thereto) of the issue of the C Shares as invested in or represented by investments or cash or other assets from time to time less such proportion of the expenses and liabilities of the Company incurred or accrued between the Issue Date and the Calculation Date (both dates inclusive) as the Directors fairly consider to be allocable to the C Shares.

References in the Articles to the auditors certifying any matter shall be construed to mean certification of their opinion as to such matter whether qualified or not.

b) Undertakings

Until Conversion and without prejudice to its obligations under the Statutes, the Company shall (i) procure that the Company's records and bank accounts shall be operated so that the assets attributable to the C Shareholders can, at all times, be separately identified and, in particular but without prejudice to the generality of the foregoing, the Company shall procure that a separate income and expenditure account (or if applicable, profit and loss account) balance sheet and cash flow account and such other separate accounts as may, in the opinion of the Board, be desirable to ensure compliance by the Company with the provisions of section 842AA of the Taxes Act, shall be created and maintained in the books of the Company for the assets attributable to the C Shareholders, (ii) allocate to the assets attributable to the C Shareholders such proportion of the expenses and liabilities of the Company incurred or accrued between the Issue Date and Calculation Date (both dates inclusive) as the Directors fairly consider to be allocable to the C Shares and (iii) give appropriate instructions to the Company's investment managers and advisers to manage the Company's assets so that such undertakings can be complied with by the Company.

c) The Conversion process

(i) The Directors shall procure that:

within two months of the Calculation Date, both the Conversion Ratio as at the Calculation Date and the number of New Ordinary Shares to which each C Shareholder shall be entitled on Conversion shall be calculated; and

the auditors shall be requested to certify, within two months of the Calculation Date, that both the calculation of the Conversion Ratio and the total number of New Ordinary Shares arising on Conversion:

- (a) have been performed in accordance with the Articles; and
- (b) are arithmetically accurate;

whereupon, subject to the proviso immediately after the definition of "G" above, such calculations shall become final and binding on the Company and all shareholders.

(ii) The Directors shall procure that as soon as practicable following such certification a notice is sent to each C Shareholder advising such C Shareholder of the Conversion Date, the Conversion Ratio and the number of Ordinary Shares to which such C Shareholder shall be entitled on Conversion.

(iii) The Directors may in their absolute discretion from time to time decide the manner in which the C Shares are to be converted, subject to the provisions of the Articles and the Statutes, to the intent that on Conversion each C Share shall convert into one New Ordinary Share.

(iv) Without prejudice to paragraph (iii) above, the Directors may, where the Conversion Ratio is greater than one, in order to facilitate the Conversion, provide for the profits or reserves attributable to the C Shares to be capitalised and applied in paying up in full such number of New Ordinary Shares as shall be calculated by multiplying the number of New Ordinary Shares arising on Conversion of the C Shares by the Conversion Ratio and then deducting the number of New Ordinary Shares arising on Conversion, and allot such shares, credited as fully paid up, to the holders of C Shares pro rata to their holdings.

(v) Without prejudice to paragraph (iii) above, the Directors may, where the Conversion Ratio is less than one, in order to facilitate the Conversion, provide for the profits or reserves attributable to the Existing Ordinary Shares to be capitalised and applied in paying up in full such number of New Ordinary Shares as shall be calculated by dividing the number of Existing Ordinary Shares by the Conversion Ratio and then deducting the number of Existing Ordinary Shares and allot such shares, credited as fully paid up, to the holders of Existing Ordinary Shares pro rata to their holdings.

(vi) The Directors may deal in such manner as they think

fit with any fractional entitlements to New Ordinary Shares arising upon Conversion including, without prejudice to the generality of the foregoing, selling any such shares representing such fractional entitlements and retaining the proceeds for the benefit of the Company.

(vii) Upon Conversion, the Company shall issue to each former C Shareholder certificates in respect of the New Ordinary Shares which have arisen upon Conversion.

(viii) Upon Conversion, the rights attaching to the C Shares under the Articles shall lapse.

Part X: Share capital

- 1** The authorised share capital of the Company on incorporation was £50,000 divided into 50,000 ordinary shares of £1 each.
- 2** On incorporation, twenty ordinary shares were issued nil paid to the subscribers to the memorandum of association of the Company ("Memorandum"). These shares have subsequently been paid up in full in cash.
- 3** On 14 April 2000 at an extraordinary general meeting of the Company:
 - (a) the authorised and issued share capital was subdivided into 5,000,000 ordinary shares of 1p each ("Ordinary Shares");
 - (b) the authorised share capital was increased to £350,000 by the creation of 25,000,000 new Ordinary Shares and 5,000,000 redeemable non-voting shares of 1p each ("Redeemable Shares");
 - (c) 5,000,000 Redeemable Shares were allotted to Matrix-Securities Limited at par for cash, paid up as to one quarter of their nominal value.
- 4** On 10 May 2000 at an extraordinary general meeting of the Company:
 - (a) the authorised and issued share capital was further increased to £420,000 by the creation of 7,000,000 new Ordinary Shares;
 - (b) it was resolved that the unissued share capital to be created by the redemption of the Redeemable Shares be subdivided and redesignated on such redemption as Ordinary Shares.
- 5** On first admission on 11 July 2000 the 5,000,000 Redeemable Shares allotted to Matrix-Securities Limited were paid up in full and redeemed in full out of the proceeds of the offer for subscription dated 10 May 2000.
- 6** Pursuant to the offer for subscription dated 10 May 2000 a total of 13,180,612 Ordinary Shares were issued between 30 May 2000 and 2 January 2001.
- 7** The cancellation of the share premium account of the Ordinary Share Fund was confirmed by an order of the High Court dated 30 October 2002.
- 8** On 26 March 2004 at an extraordinary general meeting of the Company the authorised share capital of the Company was increased from £420,000 to £840,000 by the creation of 42,000,000 C ordinary shares of 1p each ("C Shares").
- 9** As at 30 April 2005, the Company had 12,820,898 Ordinary Shares issued and fully paid (and nil Ordinary Shares issued and not fully paid). During the year ended 30 April 2005 a total of 210,106 Ordinary Shares were bought back by the Company for cancellation. A total of 359,714 Ordinary Shares have been bought back by the Company since incorporation.
- 10** At an Annual General Meeting of the Company on 7 September 2005 the following Resolutions were passed as special resolutions:
 - (1) in substitution for any existing authorities pursuant to Section 80 of the Act the Directors were authorised to allot, grant options over, offer or otherwise deal with or dispose of any relevant securities (as defined in Section 80(2) of the Act) of the Company up to an aggregate nominal value of £439,231 provided that this authority shall expire on the fifth anniversary of the date of the passing of this resolution unless renewed, varied or revoked by the Company in general meeting (except that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot equity securities in pursuance of such offers or agreements);
 - (2) the Directors were empowered pursuant to Section 95(1) of the Act to allot or make offers or agreements to allot equity securities (as defined in Section 94(2) of the Act) for cash pursuant to the authority conferred upon them by paragraph (1) above as if Section 89(1) of the Act did not apply to any such allotment, provided that the power conferred by this resolution shall be limited to the allotment of equity securities in connection with:
 - (i) the allotment of equity securities pursuant to an offer for subscription of up to 25 million C Shares ("the C Share Offer");
 - (ii) the allotment of up to 2,197,208 Ordinary Shares pursuant to performance warrant rights as set out in the carried interest

agreement referred to in paragraph 6.6 of the Registration Document to be granted in relation to the investment of the capital subscribed for Ordinary Shares and the allotment of up to 8,400,000 C Shares pursuant to performance warrants rights to be granted in relation to the investment of the capital subscribed for C Shares issued pursuant to the C Share Offer;

- (iii) the allotment (otherwise than pursuant to sub-paragraphs (i) and (ii) above) of C Shares up to an aggregate nominal amount of 10 per cent of the issued C Share capital of the Company immediately following the issue of C Shares pursuant to the close of the C Share Offer where the proceeds of the allotment are to be used in whole or in part to purchase the Company's C Shares in the market;
- (iv) the allotment (otherwise than pursuant to sub-paragraph (ii) above) of Ordinary Shares with an aggregate nominal value of up to but not exceeding 10 per cent. of the issued Ordinary Share capital of the Company at the date this resolution is passed where the proceeds of the allotment are to be used in whole or in part to purchase the Company's Ordinary Shares in the market; and
- (v) the allotment of equity securities from time to time with an aggregate nominal value of up to but not exceeding 5 per cent. of the issued Ordinary Share capital as at the date this resolution is passed and C Shares pursuant to the close of the C Share Offer.

This authority (save for paragraph (ii) above) shall expire on the conclusion of the next annual general meeting of the Company.

- (3) the Company was authorised to make one or more market purchases (within the meaning of section 163 of the Act) of Ordinary Shares and C Shares provided that:
 - (i) the maximum aggregate number of Ordinary Shares and C Shares authorised to be purchased is an amount equal to 14.99 per cent. of the issued Ordinary Share capital as at the date hereof and 14.99 per cent. of the C Ordinary share capital issued pursuant to the close of the C Share Offer;

- (ii) the minimum price which may be paid for Ordinary Shares and C Shares is 1 pence per share;
- (iii) the maximum price which may be paid for an Ordinary Share and a C Share is 105 per cent. of the average of the middle market prices as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which that Ordinary Shares or C Share, as the case may be, is purchased;

this authority shall expire on conclusion of the next annual general meeting the Company; and

- (iv) the Company may make a contract to purchase Ordinary Shares or, as the case may be, C Shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to such contract;
 - (v) provided further that any purchase by the Company of its own shares does not prejudice the ability of the Company to disregard, to the fullest possible extent pursuant to section 842 AA (5B) of the Taxes Act, 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 The Venture Capital Trust (Winding up and Mergers) (Tax) Regulations 2004 as may be amended;
- (4) the amount standing to the credit of the share premium account of the Company attributable to the C Shares at the date of the Order made on the hearing for the Petition for confirmation of this Resolution be cancelled.

11 Assuming full subscription, no increase in the Offer, no allotment of additional shares pursuant to paragraph 10 and that the Company does not buy back any further Ordinary Shares for cancellation the issued share capital of the Company will be £328,209 divided into 12,820,898 Ordinary Shares and 20,000,000 C Shares. There will remain authorised but unissued £511,791 divided into 29,179,102 Ordinary Shares and 22,000,000 C Shares.

12 Save as mentioned in paragraph 10(2) above, the provisions of section 89 of the Act (which, to the extent not disapplied pursuant to section 95 of the Act, confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are

or are to be paid in cash) apply to the authorised but unissued share capital of the Company.

- 13** Save in connection with the Offer (or as referred to in paragraph 10) above, no material issue of shares (other than pro rata to existing holdings) will be made within one year from the date of this document without the approval of the shareholders in general meeting.
- 14** Except as disclosed in this Part X, paragraph 6.6 of the Registration Document and for C Shares falling to be issued pursuant to the Offer and except for a commission payable to authorised financial intermediaries in respect of accepted applications introduced by them under the Offer as described in paragraphs 7 and 8 of the terms and conditions of application on page 33 of the Securities Note no share or loan capital of the Company has been issued for cash or for a consideration other than cash, no such share or loan capital is proposed to be issued, no commission, discount, brokerage, or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital and no share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option.
- 15** Subject to any special rights or restrictions attaching to any shares or any class of shares issued by the Company in the future, and subject to the performance related incentive fee arrangements as described in paragraph 6 of the Registration Document, the holders of fully paid Ordinary Shares as a class are entitled pari passu amongst themselves but in proportion to the number of Shares held by

them, to share in the whole of the profits of the Company respectively attributable as the case may be to the Ordinary Shares which are paid out as dividends and in the whole of any surplus in the event of liquidation of the Company.

- 16** Subject to any special rights or restrictions attaching to any shares or any class of shares issued by the Company in the future and subject to the performance related fee arrangements described in Part V the holders of fully paid C Shares as a class are entitled pari passu amongst themselves but in proportion to the number of C Shares held by them, to share in the whole of the profits of the Company respectively attributable as the case may be to the C Shares which are paid out as dividends and in the whole of any surplus in the event of liquidation of the Company.
- 17** The Ordinary Shares and C Shares will be in registered form and will be eligible for electronic settlement.

Part XI: Rights attached to Shares

The description of certain rights attaching to the C Shares is set out at pages 24 to 26 of this Document. In addition the Shares will have the following general rights in the Articles. Further rights are set out in paragraph 3.2 of the Registration Document.

a) Alteration of Share Capital

The company may by ordinary resolution increase, consolidate, cancel or subdivide its share capital, reduce share capital or any capital redemption reserve or share premium account or other distributable reserve.

b) Issue of Shares

Subject to the provisions of the Act relating to authority, pre-emption rights and otherwise, and to any resolution of the Company in general meeting passed pursuant thereto, all unissued shares shall be at the disposal of the Directors, and they may allot or otherwise dispose of them to such persons, at such times and on such terms as they think fit.

c) Transfer of Shares

(i) A member may transfer any or all of his shares by instrument of transfer in writing in any usual or common form or in any other form acceptable to the Directors.

The instrument of transfer should be signed by or on behalf of the transferor and, where the share is not fully paid, by or on behalf of the transferee. The transfer shall not become effective until the name of the transferee is entered into the register of members. The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine, either generally or in respect of any class of shares provided that the register shall not be closed for more than thirty days in any year. The Directors may in their absolute discretion and without assigning any reason therefore refuse to register any transfer of shares where the shares in question are not fully paid up where such refusal does not restrict dealings on an open and proper basis. The Directors may refuse to recognise an instrument of transfer unless the instrument of transfer is:

- (a) in respect of only one class of share;
- (b) is in favour of not more than four transferees; and
- (c) is duly stamped (if required) and is lodged at the transfer office accompanied by the relevant share certificates and any other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

Working capital

The Company is of the opinion that the Company has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this document.

The ISIN Number is GB0009233239.

Capitalisation and indebtedness

The capitalisation of the Company extracted from their unaudited records as at 30 April 2005 is as follows:

	£000
Shareholder's equity	128
Legal Reserve	4
Other Reserves	11,836
Profit and Loss Reserve (or equivalent)	(160)
Total	11,808

There has been no material change to the above information since 30 April 2005.

As at 31 July 2005, the Company's net indebtedness (as described in the Prospectus Rules) is as follows:

	£000
Total Current Debt	
Guaranteed	0
Secured	0
Unguaranteed/Unsecured	0
Total Non-Current Debt	
Guaranteed	0
Secured	0
Unguaranteed/Unsecured	0
Cash	1,370
Cash equivalent	4,688
Trading Securities	0
Liquidity	6,058
Current Financial Receivable	112
Current Bank Debt	0
Current portion of non current debt	0
Other current financial debt	(213)
Current Financial Debt	0
Net Current Assets	5,957
Non current bank loans	0
Bonds Issued	0
Other non current loans	0
Non Current Financial Indebtedness	0
Net Current Assets less non-current indebtedness	5,957

As at 31 July 2005, there are no other indirect or contingent liabilities.

Part XII: Terms and conditions of application

The words and expressions defined in the Prospectus, save where the context requires otherwise, have the same meanings when used in the Application Form and explanatory notes in relation thereto. The section headed "Application procedure" forms part of these terms and conditions of application.

A Terms and conditions

1. The contract created by the acceptance of applications in the manner herein set out will be conditional on the Offer Agreement between Matrix-Securities Limited, Teather & Greenwood Limited, the Company and others becoming unconditional in all respects and not being terminated in accordance with its terms before the first allotment of C Shares. If any application is not accepted, or if any contract created by acceptance does not become unconditional, or if any application is accepted for fewer C Shares than the number applied for, the application monies or the balance of the amount paid on application will be returned without interest by post at the risk of the applicant. In the meantime application monies will be retained by Matrix Registrars Limited in a separate account.
2. The Fund reserves the right to present all cheques and banker's drafts for payment on receipt and to retain documents of title and surplus application monies pending clearance of the successful applicants' cheques and banker's drafts.
3. By completing and delivering an Application Form you (as the applicant):
 - (a) irrevocably offer to subscribe for the number of C Shares specified in your Application Form (or any smaller number for which the application is accepted) at 100 pence per C Share, subject to the provisions of this document, any supplemental prospectus filed with the Registrar of Companies, these terms and conditions and the Memorandum and Articles of Association of the Fund;
 - (b) authorise Capita IRG plc to send definitive documents of title for the number of C Shares for which your application is accepted, and/or a crossed cheque for any monies returnable, by post to your address as set out in your Application Form and to procure that your name is placed on the register of members of the Company in respect of such C Shares;
 - (c) in consideration of the Company agreeing that it will not, prior to the closing date of the Offer, offer any C Shares to any persons other than by means of the procedures set out or referred to in this document, agree that your application may not be revoked until the closing date of the Offer, and that this paragraph constitutes a collateral contract between you and the Company which will become binding upon despatch by post or delivery by hand of your Application Form duly completed to Matrix Registrars Limited;
 - (d) agree and warrant that your cheque or banker's draft will be presented for payment on receipt and will be honoured on first presentation and agree that, if such remittance is not so honoured, you will not be entitled to receive certificates for the C Shares applied for or to enjoy or receive any rights or distributions in respect of such C Shares unless and until you make payment in cleared funds for such C Shares and such payment is accepted by the Company (which acceptance shall be in its absolute discretion and may be on the basis that you indemnify it against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and that at any time prior to unconditional acceptance by the Company of such late payment in respect of such C Shares, the Company may (without prejudice to its other rights) treat the agreement to allot such C Shares as void and may allot such C Shares to some other person in which case you will not be entitled to any refund or payment in respect of such C Shares (other than return of such late payment);
 - (e) agree that any documents of title and any monies returnable to you may be retained pending clearance of your remittance and that such monies will not bear interest;
 - (f) agree that all applications, acceptances of applications and contracts resulting therefrom will be governed by, and construed in accordance with, English law and that you submit to the jurisdiction of the English courts and agree that nothing shall limit the right of the Company to bring any action, suit or proceeding arising out of or in connection with any such applications, acceptances of applications and contracts in any

- other manner permitted by law or in any court of competent jurisdiction;
- (g) agree that, in respect of those C Shares for which your application has been received and processed and not refused, acceptance of your application shall be constituted by notification of acceptance thereof by Matrix Registrars Limited;
- (h) agree that all documents in connection with the Offer and any returned monies will be sent at your risk and may be sent by post to you at your address as set out in the Application form;
- (i) agree that, your application is made on the basis of the Prospectus and any supplemental prospectus (whether or not you have read such documents) and you shall be deemed to have had notice of all information and representations concerning the Company contained herein;
- (j) confirm that in making such application you are not relying on any information or representation in relation to the Company other than those contained in the Prospectus and any supplemental prospectus and you accordingly agree that no person responsible solely or jointly for this document and the Prospectus or any part thereof or involved in the preparation thereof shall have any liability for any such information or representation;
- (k) confirm that you have reviewed the restrictions contained in paragraphs 4 and 5 below and warrant as provided therein;
- (l) warrant that you are not under the age of 18 years;
- (m) agree that such Application Form is deemed to be addressed to the Company, Teather & Greenwood Limited and Matrix-Securities Limited;
- (n) agree to provide the Company with any information which it may request in connection with your application or to comply with the VCT or other relevant legislation (as the same may be amended from time to time);
- (o) warrant that, in connection with your application, you have observed the laws of all relevant territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory and that you have not taken any action which will or may result in the Company, Teather & Greenwood Limited, or Matrix-Securities Limited acting in breach of the regulatory or legal requirements of any territory in connection with the Offer or your application;
- (p) agree that Teather & Greenwood Limited and Matrix-Securities Limited will not regard you as its customer by virtue of your having made an application for C Shares or by virtue of such application being accepted; and
- (q) declare that a loan has not been made to you or any associate, which would not have been made or not have been made on the same terms, but for you offering to subscribe for, or acquiring C Shares and that the C Shares are being acquired for bona fide commercial purposes and not as part of a scheme or arrangement the main purpose of which, or one of the main purposes of which, is the avoidance of tax.
4. No action has been or will be taken in any jurisdiction by, or on behalf of, the Company which would permit a public offer of C Shares in any jurisdiction where action for that purpose is required, other than the United Kingdom, nor has any such action been taken with respect to the possession or distribution of this document other than in the United Kingdom. No person receiving a copy of this document or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or, such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application for C Shares to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
5. The basis of allocation will be determined by the Company (after consultation, if applicable, with Teather & Greenwood Limited and Matrix-Securities Limited) in its absolute discretion. It is intended that

applications will be accepted in the order in which they are received subject to any prior booking of allocations which may be agreed with Matrix-Securities Limited to give authorised financial intermediaries time to consult with their clients. The Offer will be closed as soon as full subscription is reached unless the size of the Company is extended at the absolute discretion of the Directors. The right is reserved, notwithstanding the basis so determined, to reject in whole or in part and/or scale down any application, in particular multiple and suspected multiple applications (which may otherwise be made). The right is also reserved to treat as valid any application not complying fully with these Terms and conditions of application or not in all respects complying with the Application procedure set out on page 35. In particular, but without limitation, the Company (after consultation with Teather & Greenwood Limited and Matrix-Securities Limited) may accept applications made otherwise than by completion of an Application Form where the applicant has agreed in some other manner to apply in accordance with these terms and conditions.

6. Save where the context requires otherwise, terms defined in this document bear the same meaning when used in these terms and conditions of application and in the Application Form.
7. Authorised financial intermediaries who, acting on behalf of their clients, return valid Application Forms bearing their stamp and FSA number will normally be paid 2.25 per cent. (or such further amount as may be agreed between Matrix-Securities Limited and a financial intermediary) commission on the amount payable in respect of the C Shares allocated for each such Application Form. In addition, provided they continue to act for their client and the client continues to hold C Shares, such intermediaries will be paid, in respect of their clients' holdings, an annual trail commission of 0.375 per cent. of the net asset value of a C Share (as determined from the audited annual accounts of the Fund) attributable to their clients' holdings at the end of the preceding financial year. The annual trail commission will normally be paid in August each year. It is anticipated that the first payment will normally be paid in August 2007 in respect of the accounting period ended 30 April 2006. The administration of annual trail commission will be managed on behalf of the Company by Matrix-Securities Limited which will maintain a register of intermediaries entitled to trail

commission. The Company shall be entitled to rely on a notification from a client that he has changed his adviser in which case the trail commission will cease to be payable. No payment of trail commission shall be made to the extent that the cumulative trail commission would exceed 2.25 per cent. of the issue price of each such C Share. Financial intermediaries should keep a record of Application Forms submitted bearing their stamp to substantiate any claim for selling commission. Matrix Registrars Limited will collate the Application Forms bearing the financial intermediaries' stamps and calculate the selling commission payable which will be paid within 14 days of each allotment.

8. Financial Intermediaries may agree to waive initial commission in respect of your application.

If this is the case then your application will be treated as an application to apply for the amount stated in box number 2 of the Application Form plus a number of additional C Shares equivalent to the amount of commission waived at £1 per additional C Share.

B Lodging of Application Forms and Dealing

Completed Application Forms with the appropriate remittance must be posted or delivered by hand to Matrix Registrars Limited, One Jermyn Street, London, SW1Y 4UH. The Offer opens on 20 September 2005 and will close on 3 April 2006, or on full subscription if earlier or at the Director's discretion. The Directors reserve the right to revise the date the Offer closes at their discretion. The offer is not underwritten. Successful applications will be announced as soon as possible thereafter through an appropriate Regulatory Information Service. If you post your Application Form, you are recommended to use first class post and to allow at least three business days for delivery.

It is expected that dealings in the C Shares will commence on three business days following allotment and that share certificates will be dispatched within seven days of allotment of C Shares. The ISIN number GB0009233239 has been allocated to the C Shares. Temporary documents of title will not be issued. Dealings prior to receipt of share certificates will be at the risk of applicants. A person so dealing must recognise the risk that an application may not have been accepted to the extent anticipated or at all. To the extent that any application is not accepted, the monies in excess of any payment will be returned without

interest by the applicant's cheque or banker's draft or by sending a crossed cheque in favour of the applicant through the post, at the risk of the person entitled thereto.

C Availability of Prospectus and Application Forms

Copies of the Securities Note, Registration Document, Summary Note and Application Forms will be available free of charge on request until the Offer closes from the registered office of the Company and the following addresses:

Matrix-Securities Limited

One Jermyn Street
London SW1Y 4UH
Tel: 020 7925 3377
Fax: 020 7925 3286

Teather &

Greenwood Limited

Beaufort House
15 St Botolph Street
London EC3A 7QR
Tel: 020 7426 3269
Fax: 020 7247 0075

Copies of the Securities Note, Registration Document, Summary Note and Application Forms will also be available to the public for inspection at the Document Viewing Facility, at the Financial Services Authority, 25 North Colonnade, Canary Wharf, London E14 5HS.

Dated 20 September 2005

Part XIII: Application procedure

Before making any application to acquire C Shares you are strongly recommended to consult an independent financial adviser authorised under the Financial Services and Markets Act 2000. To fill in our Application Form;

BOX 1

Insert your full name and address in BLOCK CAPITALS. Individuals can only apply on their own behalf and in their own name. You must be the beneficial owner of the C Shares issued to you pursuant to the Offer. You must not use a nominee name as this will jeopardise your entitlement to tax reliefs. You must also give your own address and full postcode and telephone number. Telephone numbers will only be used in case of a query with regard to your application.

BOX 2

Insert (in figures) the the total amount for which you are applying. Your application must be for a minimum of £5,000.

PAYMENT

If you are paying by Cheque please make it payable to "Matrix Registrars Limited, re Matrix Income & Growth 2 VCT plc". Attach your cheques to the Application Form.

Cheques must be honoured on first presentation. A separate cheque must accompany each application. No receipt for your payment will be issued. The cheque or

banker's draft must be drawn in sterling on an account at a bank branch or building society in the United Kingdom or the Channel Islands and bear a bank sort code number in the top right hand corner. You may, if you wish, use a personal cheque drawn by someone else, in which case your full name and address should be written on the back of the other person's cheque. Any money not accepted will be returned by the applicant's cheque or banker's draft or by sending a cheque crossed "Account Payee Only" in favour of the applicant.

If you would like to send your money be electronic transfer please give your bank the following account details:

Barclays Bank Plc

Sort Code: 20-19-90

Account Number: 70857947

Account Name: Matrix Registrars Limited Re:
Matrix Income & Growth 2 VCT plc

BOX 3

Sign and date the form in Box 3. If the form is signed on your behalf by an attorney or other agent, that person should state on the form the capacity in which they are signing and the original power(s) of attorney or a copy thereof duly certified by a solicitor must be enclosed for inspection and will be returned in due course.

Money Laundering Notice

Money Laundering Notice - Important procedures for Applications of the Sterling equivalent of €15,000 or more. The verification of identity requirements of the Money Laundering Regulations 2003 (as amended) will apply and verification of the identity and address of the applicant may be required. Failure to provide the necessary evidences may result in your application being treated as invalid or in delay in confirmation. If we have previously received the appropriate documents, you will not need to provide them again. If the application is for more than the Sterling equivalent of 15,000 (or is one of a series linked applications which exceeds that amount):

- verification of the applicant's identity should be provided by means of a "Letter of Introduction" from

an IFA or other regulated person (such as a solicitor or accountant), which is a member of a regulatory authority and which is required to comply with the Money Laundering Regulations 2003 (as amended), or a UK or EC financial institution (such as a bank). Matrix-Securities Limited will supply specimen wording on request; or

- if an application is made direct (not through an IFA) you must ensure that the following documents is enclosed with the form: a certified copy of your passport or driving licence; and a recent (no more than 3 months old) original bank or building society statement or utility bill in your name. Copies should be certified by a solicitor or bank. Original documents will be returned by post at your risk.

If a cheque is drawn by a third party, the above will also be required from that third party.

Application Form

For internal use only	
Date recvd _____	Input _____
App. no. _____	Checked _____

Matrix Income & Growth 2 VCT plc "C" ordinary shares of 1 pence each ("C Shares") at a price of 100 pence per Share. This Application Form should be completed in full and sent by post or by hand to:

THE RECEIVING AGENT, MATRIX REGISTRARS LIMITED, ONE JERMYN STREET, LONDON SW1Y 4UH

so as to arrive as soon as possible but in any case no later than 10.00 am on 3 April 2006. Before completing this application form you should read the Terms and conditions of application and Application procedure.

This application list for the Offer will open on 20 September 2005 and the closing date will be 3 April 2006. The closing date for applications for C Shares to be allotted in the 2005/2006 tax year is 10.00am on 3 April 2006. The final closing date may be determined by the Directors in their absolute discretion.

1	Title	Dr/Mr/Mrs/Miss/Other	
	Forename(s)		
	Surname(s)		
	Address	_____	

		Postcode	
	National Insurance Number	Date of Birth	
	Telephone (work)	Telephone (home)	
	Email address		

I offer to subscribe on the terms and conditions of application set out in the Prospectus dated 20 September 2005 and the Memorandum and Articles of Association. Applications must be for a minimum of £5,000 . I ENCLOSE A CHEQUE DRAWN ON A UK CLEARING BANK, MADE PAYABLE TO "MATRIX REGISTRARS LIMITED RE MATRIX INCOME & GROWTH 2 VCT PLC".

I have sent my application by electronic transfer

I have enclosed a cheque

2	Total payment enclosed £	
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3	Signature of applicant	Date

Intermediaries to complete. FSA No. must be quoted			
<i>Name of Financial Adviser</i>			
Title	Mr/Mrs/Miss	Forename	Surname
Email address		Telephone	
<i>Name of Administrator/Support Staff</i>			
Title	Mr/Mrs/Miss	Forename	Surname
Email address		Telephone	
Stamp of Financial Intermediary firm or full address details:			
If commission is to be paid to a network or head office, please give details.			
Insert all or the percentage proportion of the commission you wish to be waived and invested in additional C Shares for you client.			

