INVESTMENT PRODUCTS

MATRIX INCOME & GROWTH VCT PLC

A VENTURE CAPITAL TRUST

REPORT & ACCOUNTS

Annual Report and Accounts
for the year ended 31 December 2009

MATRIX

Investment Objective

Matrix Income & Growth VCT plc ("the VCT" or "MIG VCT") is a Venture Capital Trust ("VCT") listed on the London Stock Exchange. Its investment portfolio, which invests primarily in established and profitable unquoted companies, is managed by Matrix Private Equity Partners LLP ("MPEP").

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

Contents

Investment Policy

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

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

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

UK companies

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

VCT regulation

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

Asset mix

The VCT holds funds awaiting investment in a portfolio of readily realisable interest-bearing investments and deposits. The investment portfolio of qualifying investments will be maintained at approximately 80% of net assets.

Risk diversification and maximum exposures

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

Co-investment

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

Borrowing

The VCT has no current plans to undertake any borrowing.

Management

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

Financial Highlights

Ordinary Shares (listed on 8 October 2004)

Initial net asset value per share	94.5 pence
Initial net assets	£20,933,124

	31 December 2009	31 December 2008
Net assets	£16,979,370	£17,998,562
Net asset value per share	83.3 p	86.5 p
Net cumulative dividends paid	16.3 p	15.3 p
Total return per share to Shareholders since launch[1]	99.6 p	101.8 p
Share price (mid market price)	57.0 p	74.5 p
Total expense ratio[2]	3.7%	3.8%

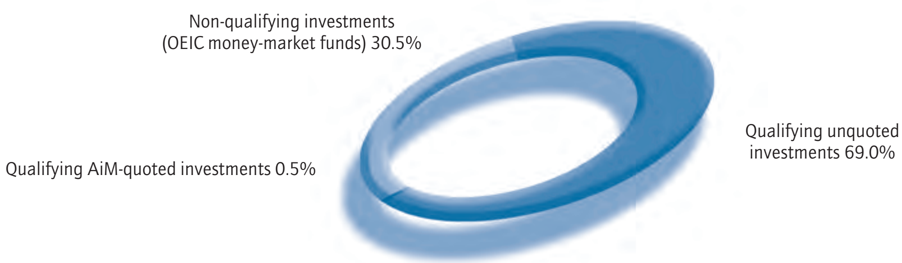
[1] Net asset value per share plus cumulative dividends paid per share. This compares with an original investment cost of 60 pence per share after allowing for income tax relief of 40 pence per share.

[2] For further information on the calculation of the total expense ratio, please see page 14.

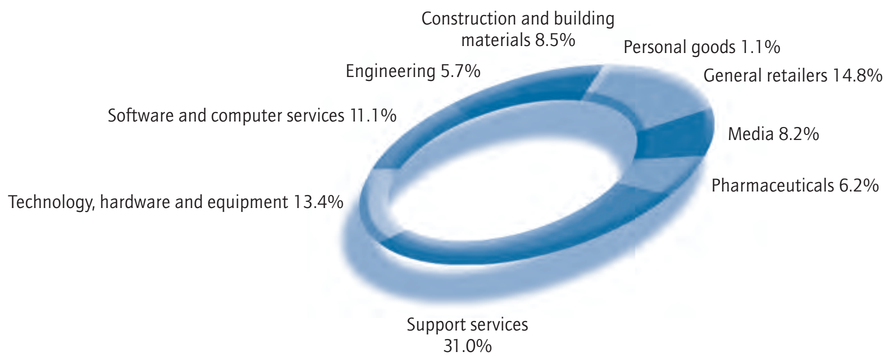
An interim dividend of 5.0 pence per share comprising 0.5 pence from income and 4.5 pence from capital was declared on 16 March 2010 to be paid on 21 April 2010, thereby increasing net cumulative dividends paid since launch to 21.3 pence per share (2008: 16.3 pence).

Investments by valuation at 31 December 2009

Investments by asset class



Qualifying investments by market sector



Chairman's Statement

I am pleased to present the annual results of Matrix Income & Growth VCT plc for the year to 31 December 2009.

Overview

The economic downturn has brought challenging conditions for smaller companies during 2009 and in spite of some small positive signs of recovery we expect these conditions to continue well into 2010. The smaller company sector in which your Company invests is still volatile and will continue to be affected by this difficult trading environment. The Investment Manager, supported by the Board, has therefore adopted a cautious strategy in its approach to new investment, deciding not to invest in over-priced or over-leveraged companies which have all too frequently appeared on the market particularly in the first six months of last year.

Encouragingly, there have been indications in the second half of 2009 of improved deal flow and companies becoming available for sale at more realistic prices. This might in part be due to a general belief that the worst of the global banking industry crisis is now behind us which has restored confidence to some extent. Two of the Company's acquisition vehicles made investments totalling £1.7 million in December 2009 to support the management buy-outs of Country Baskets and Iglu.com respectively. In addition, as reported in the Half-Yearly Report, the Company made a new investment into Westway Cooling in June 2009. Meanwhile the disposal proceeds from the sale of PastaKing and repayment of loan stocks by DiGiCo Europe and Westway resulted in a £1.8 million repayment to the Company. In addition, £252,986 was returned to the Company from the acquisition vehicle Barnfield Management Investments as a result of the investment in Iglu.com. Therefore, the Company's total investment in qualifying companies remained broadly the same for the second year running.

Of particular note was the successful disposal of the Company's investment in PastaKing to NBGI Private Equity for net proceeds of £1,245,096. This realisation contributed to total proceeds of £1,515,651 to the Company over the life of the investment, representing a multiple of 3.27 of the Company's original investment of £464,047.

Although the Company's qualifying portfolio has seen five of the valuations reduced compared to last year in response to worsening trading conditions, the majority of investee companies remain cash-generative. Full details of these companies and the year's transactions are contained in the Investment Manager's Review which follows on pages 5-10.

Your Company continued to meet the level of investment required by the VCT regulations throughout the year under review to retain qualifying tax status for Shareholders and our strategy has been to maintain the Company's high cash balances until sensibly priced investment opportunities of the right quality begin to emerge. In the Board's view, this is the correct strategy to build longer term value for Shareholders.

Merger with Matrix Income & Growth 3 VCT plc

The Board announced on 9 February 2010 that agreement in principle had been reached for the merger of the Company with Matrix Income & Growth 3 VCT plc ("MIG 3 VCT"). Discussions between the two companies have now concluded and details of the proposals to be put to Shareholders will be circulated shortly. The intention is that the proposed merger will be completed pursuant to a section 110 scheme of reconstruction under the Insolvency Act 1986 by transferring the assets and liabilities of MIG 3 VCT to the Company in consideration for new shares in the Company to be issued to MIG 3 VCT shareholders on a relative net asset value basis. The proposals will, if effected, result in the creation of an enlarged company with net assets of over £34 million and which is expected to deliver cost savings and strategic benefits. An Extraordinary General Meeting ("EGM") will be held during May at which the Board will seek Shareholder approval to effect the proposals and full details of the EGM will be included in the Shareholder Circular.

Review of results

The net asset value ("NAV") per share at 31 December 2009 is 83.3 pence (2008: 86.5 pence), a fall over the year of 3.2 pence (3.7%). The total NAV return per share, including dividends paid to date, is now 99.6 pence (2008: 101.8 pence), a fall over the year of 2.2 pence (2.2%). This compares with the initial NAV per share, net of initial costs, of 94.5 pence representing a positive total return per share since inception of 5.4% (2008: 7.7%). Whilst it is disappointing to report any reduction in shareholder value, it is encouraging that the decline has been modest in the context of prevailing economic conditions.

Far less encouraging has been the significant drop in income received by the Company. Income from the Company's loan stock investments was running at an aggregate annualised rate of 5.1% at 31 December 2009 (2008: 5.8%). The annual running yield on the qualifying investment portfolio as a whole was 3.1% (2008: 3.6%), while the yield on all assets was 2.5% (2008: 3.4%). Revenue is still suffering from a general decline in interest rates and those assets linked to variable interest rates such as the Company's holdings in OEIC money-market funds are continuing to yield considerably lower levels of income. In addition, certain of the investee companies are not currently fully servicing the loans that the Company has made to them. Together, these factors have and may continue to reduce income dividends for the foreseeable future. For further details explaining the fall in income, please see Note 2 to the accounts on page 35.

Dividends

Although the revenue account generated a much reduced net return (after tax) for the year of £8,797 (2008: £433,944), the successful realisation of the investment in PastaKing generated a net profit of £781,049. Largely as a result of this gain your Directors are pleased to declare a total dividend in respect of

Chairman's Statement

2009 of 5.0 pence per share (2008: 4.3 pence) comprising an interim income dividend of 0.5 pence per share and an interim capital dividend of 4.5 pence per share. The Board does not propose to recommend a final dividend in respect of the year just ended.

The interim income and capital dividend will be paid on 21 April 2010 to Shareholders on the Register on 26 March 2010. Dividends paid since inception will increase to 21.3 pence per share.

Investment in qualifying holdings

The Company has continued to meet the target set by HM Revenue & Customs of investing 70% of total funds raised in qualifying unquoted and AiM quoted companies ("the 70% test"). At 31 December 2009, the Company was 73% invested in qualifying companies (based upon the tax values, which differ from the Investment Portfolio Summary on pages 11-12).

Share buy-backs

The Company bought back 425,411 Ordinary Shares during the year under review at an average price of 58.1 pence per share. These shares, representing 2.1% of the issued share capital at the beginning of the year, were subsequently cancelled by the Company. Purchases were made at discounts to the latest published NAVs per share ranging between 30% and 32% compared with with a range of 12% to 18% during 2008. This sharp increase in the discount at which the Company was prepared to buy-back shares reflected the uncertain economic, financial and market conditions prevailing at the time and very largely explains the decline in the Company's share price from 74.5 pence per share to 57.0 pence per share during the period under review. On a more positive note, these share purchases enhanced the Company's NAV by around 0.5 pence per share during the year to the benefit of continuing Shareholders

The Board regularly reviews its share buy back policy, considering a number of factors, including the Company's liquidity, and seeks to balance the interests of both continuing and departing Shareholders.

The Board

Christopher Moore has been approached to assume a position which, under the provisions of the AIC Code and the revised Listing Rules shortly to come into effect for VCTs, will mean that he will be required to stand down as a director of your Company. Christopher has made an outstanding contribution to the development of the Company since its launch in 2004 both as a member of the Board but particularly as Chairman of its Investment Committee. His knowledge of the private equity market and his forthright and perceptive views will be greatly missed. We thank him and wish him all the very best for the future.

Articles of Association

At the Annual General Meeting it is proposed to adopt new Articles of Association. The amendments to the existing articles reflect the changes in company law introduced by the Companies Act 2006. Details on the proposed amendments are set out in the Directors Report on pages 17-20.

Communication with shareholders

We aim to communicate regularly with our Shareholders. In addition to the half-yearly and annual reports, an Investment Manager's Newsletter, approved by the Board, is circulated twice-yearly. The May AGM will provide a useful platform for the Board to meet Shareholders and exchange views. Your Board welcomes your attendance at General Meetings to give you the opportunity to meet your Directors and representatives of the Investment Manager.

Outlook

There are many conflicting opinions as to the state of the economy and prospects for recovery both worldwide and in the UK although official statistics are starting to indicate that we may be coming out of recession. We have seen some signs of improved deal flow in the latter half of 2009 but it is difficult to predict how permanent this trend will be and we do not believe that the real economy is yet out of the woods. The effects of the downturn will continue to impact the investments held by your Company over the coming year. In the foreseeable future, the Company's ability to pay income dividends may be adversely affected by the inability of certain investee companies to service the Company's loans to them and the lower interest rate environment. Capital dividends will continue to reflect the level of profitable exit opportunities available in the market.

Overall, we consider that the Company has performed relatively well in these conditions and could have fared considerably less well if it was not for its diversified portfolio of investee companies and the strong cash position that we continue to maintain through this period of economic uncertainty. This will ensure that the Company is able support existing investments, if necessary, and take advantage of attractive new investment opportunities as they present themselves. The Board, therefore, remains confident that the Company will provide long term investors with an attractive combination of capital growth and income.

Finally, I would like to express my thanks to all Shareholders for their continuing support of the Company.

Keith Niven,
Chairman
16 March 2010

Investment Manager's Review

The continued economic deterioration in the UK and worldwide has made this a challenging year for the Company and specifically for new investment. In the first six months of the year, a large proportion of the new deals we looked at seemed unattractive and we have frequently taken the view that vendors' price expectations would prove unsustainable over the medium term.

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

The predominance in the investment portfolio of management buy-out investments reflects our strategy of seeking to capitalise companies properly at the time of investment so that they are well positioned to contend with adverse market conditions. Since commencing the investment programme five years ago, just one investee company representing 1% of the portfolio value at cost has ceased trading and the investment failed. Furthermore, it is notable that further funding has been provided by the VCT to only two investments, Monsal and British International, both of which have received very modest additional funding during the year totalling £250,251 and each of these companies appears to be financially sound and is showing profits at the operating level.

Given recent general comment on the tightening of bank lending, we do not consider that the portfolio is exposed to unsustainable levels of third party debt. We have generally not invested during this period of economic uncertainty since the end of 2007 in companies which have required high levels of bank borrowing, believing that the economy was still deteriorating and that this would make over-leveraged companies much too vulnerable in a tougher environment.

We have been working actively with the management teams of investee companies encouraging them to take cost cutting measures and looking with them at planning, forecasting and cost systems, where appropriate, to ensure that they are as resilient as possible in the current market. The majority of investee companies have managed their cashflow well and remain cash-generative.

The portfolio

As at 31 December 2009, the portfolio comprised eighteen (2008: eighteen) investments with a cost of £14.1 (2008: 14.7) million and valued at £11.8 (2008: 13.6) million representing 83.7% (2008: 92.5%) of cost. Three of these investments are currently held at cost, ten are valued at below cost and five above cost. Realisations during the year generated cash proceeds of £1.75 million.

As reported in the Half-Yearly Report, MIG VCT made a new investment in June 2009 of £317,583 to support the MBO of Westway Cooling, a company specialising in the installation, servicing and maintenance of high quality air-conditioning systems and associated building plant. With a turnover of £9.6 million and a record order book, we believe that this company is well placed to grow.

Two further new investments were made in December 2009. The first of these was an investment of £1 million, using the acquisition vehicle Calisamo Management (now re-named CB Imports Group), to support the management buy-out of Country Baskets. The investment comprises loan stock of £825,000 and a 6% equity stake. Founded in 1990 and operating from a national distribution centre in Leeds, the company has a turnover of circa £20 million. It is a leading importer and distributor of artificial flowers, floral sundries, glassware, giftware, basket ware and Christmas decorations. The company is planning to roll out further outlets across the UK as part of a new growth phase funded by this investment.

The second new investment was into Iglu.com Holidays, the UK's largest online specialist ski holiday operator and fastest growing cruise holiday travel agent. MIG VCT invested £747,014 comprising loan stock of £633,224 and an equity stake of 7%. Based in Wimbledon, Iglu.com is a profitable and cash generative business with a strong management team that has a successful track record of building a profitable niche business. The investment was made through the acquisition vehicle Barnfield Management Investments.

As evidence that high quality investments remain in demand, MIG VCT successfully sold its investment in PastaKing, to NBGI Private Equity in November 2009 for net proceeds of £1,245,096. This realisation contributed to total proceeds of £1,515,651 to the Company over the life of the investment, representing a 3.27x return on the Company's original investment of £464,047. PastaKing has benefited from healthy eating trends since investment in 2006 and at the time of the sale had grown to a staff of 71 and an annual turnover of £12 million.

Investment Manager's Review

Some of the companies in the portfolio continue to be strongly cash generative and amongst these Westway repaid £38,922 of loan stock considerably earlier than expected in October 2009; DiGiCo Europe repaid a total of £434,782 in two instalments in May and December of 2009 plus a premium of £32,378.

The Company's acquisition vehicles that we have established in conjunction with our Operating Partners have been active during 2009, with Barnfield Management Investments and Calisamo Management making new investments in December into Iglu.com and Country Baskets respectively. Aust Construction Investors has commenced trading, providing management consultancy services whilst continuing to seek suitable investment opportunities.

The qualifying investment portfolio has not been immune to the wider deteriorating trading environment and fair values have fallen in those investments where the investee company's trading has been affected. A number of valuations have been reduced as a result of lower levels of profitability of portfolio companies. However, other investments have continued to trade well. We are hopeful that value will start to return to some of the investments in the portfolio during 2010 as trading conditions start to improve.

The Company's investments in PXP, Youngman Group and Plastic Surgeon each have exposure to the house building and construction markets and all have continued to suffer from the decline of this sector over the last two years. These companies have seen business volumes shrink significantly and reduced demand from major customers has impacted revenue. Youngman, having substantially de-geared since investment, is well positioned to benefit from an upturn in its markets. Plastic Surgeon has made strong progress in reducing its dependence on the new housing market and has diversified into the commercial property and insurance claim markets. It has also substantially reduced its direct and indirect cost base. PXP has responded similarly, moving away from its dependence on private sector house building towards public sector funded housing associations. It is still too early to assess when we are likely to see signs of recovery in these areas.

Blaze Signs, which has suffered the largest write-down in the portfolio, has also continued to experience a fall in activity arising from much reduced levels of new signage rollouts from its major customers. Again it has responded by reducing its cost base.

A number of companies in the portfolio are trading strongly and expanding their businesses. DiGiCo Europe has continued to roll out new products following the successful launch of its new digital audio mixing desk last year and this has led to sustained profit growth since investment. The performance of Monsal during the year has also improved materially and the outlook is further enhanced by the prospect of new capital contracts as water companies commit to new waste management projects and the company exploits its expertise in anaerobic digestion. ATG Media has performed in line with expectations over the last year and the progress of its online auction platform looks particularly promising.

SectorGuard acquired Legion Group in March 2009 following the acquisition of Manguard in 2008 and subsequently changed its name to Legion Group plc.

Whilst the fall in valuations over the year is disappointing, the reduction in profitability of portfolio companies has made some decreases inevitable. It is important to recognise that all of the reductions in the year have been in unrealised valuations as opposed to any actual realisations below cost. The realised loss shown in the Income Statement in the accounts reflects the fall in the valuation of PastaKing from its valuation last year before its disposal, which as reported earlier was a successful investment overall. We aim to invest in strong, profitable companies and believe that the prospect of significant future recovery over the medium term is good as we continue to believe that the portfolio, taken as a whole, is resilient and of high quality.

Over the next year, the need for additional investment to support certain portfolio companies may emerge. We also anticipate much more attractive buying conditions emerging as the year progresses. Having retained significant uninvested cash, we feel the Company is well placed to cover both the portfolio needs that may arise and the new investment opportunities presented.

Further details of the ten largest investments in the current portfolio, excluding the one remaining acquisition vehicle (Aust Construction Investors) which has yet to complete an investment and is held at cost, are outlined below.

The remaining eight investments in the portfolio (including the one remaining acquisition vehicle) have a current cost of £6,405,441 and are valued at 31 December 2009 at £2,286,770.

DiGiCo Europe Limited – www.digiconsoles.com

	Total	Ordinary shares	Preference shares	Loan stock
Cost	£565,218	£386,522	£435	£178,261
Valuation	£1,582,049	£1,390,079	£435	£191,535

Basis of valuation: Discounted earnings multiple
Equity % held and voting rights: 6.5%
Business: Manufacturer of digital sound mixing consoles
Location: Chessington, Surrey
History: Management buy-out
Income receivable recognised for the year: £36,000
Audited financial information:

Year ended	Turnover	Operating profit*	Net assets
31 December 2008	£10,061,000	£1,673,000	£3,707,000

VSI Limited – www.lightworkdesign.com

	Total	Ordinary shares	Preference shares	Loan stock
Cost	£390,367	£61,824	£3,252	£325,291
Valuation	£1,305,476	£928,139	£3,252	£374,085

Basis of valuation: Discounted earnings multiple
Equity % held and voting rights: 15.9% (14.6% fully diluted)
Business: Provider of software for CAD and CAM vendors
Location: Sheffield
History: Management buy-out
Income receivable recognised for the year: £52,629
Audited financial information:

Year ended	Turnover	Operating profit*	Net assets
31 December 2008	£4,474,000	£824,000	£968,000

British International Holdings Limited – www.islesofscillyhelicopter.com

	Total	Ordinary shares	Preference shares	Loan stock
Cost	£1,181,818	£225,000	£1,000	£955,818
Valuation	£1,015,414	–	–	£1,015,414

Basis of valuation: Discounted earnings multiple
Equity % held and voting rights: 10.0%
Business: Helicoptor service operator
Location: Sherborne, Dorset
History: Management buy-out
Income receivable recognised for the year: £nil
Audited financial information

Year ended	Turnover	Operating profit*	Net assets
31 December 2008	£23,806,000	£2,000,000	£3,289,000

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

Investment Manager's Review

CB Imports Group Limited (formerly Calisamo Management Limited) – www.countrybaskets.com

	Total	Ordinary shares	Preference shares	Loan stock
Cost	£1,000,000	£175,000	–	£825,000
Valuation	£1,000,000	£175,000	–	£825,000

Basis of valuation: Price of recent investment
Equity % held and voting rights: 6.0%
Business: Importer and disributor of artificial flowers and floral sundries.
Location: East Ardsley, West Yorkshire
History: Management buy-out via acquisition vehicle
Income receivable recognised for the year: £6,062
Audited financial information: First audited accounts will be for the period ended 31 December 2009

Vectair Holdings Limited – www.vectair.co.uk

	Total	Ordinary shares	Preference shares	Loan stock
Cost	£560,302	£138,074	£500	£421,728
Valuation	£963,730	£457,156	£500	£506,074

Basis of valuation: Discounted earnings multiple
Equity % held and voting rights: 12.0%
Business: Designer and distributor of washroom products
Location: Basingstoke, Hampshire
History: Management buy-out
Income receivable recognised for the year: £44,275
Audited financial information:

15 months ended	Turnover	Operating profit*	Net assets
31 October 2008	£8,812,000	£967,000	£1,136,000

ATG Media Holdings Limited – www.antiquestradegazette.com

	Total	Ordinary shares	Preference shares	Loan stock
Cost	£859,640	£305,650	£955	£553,035
Valuation	£787,552	£142,058	£955	£644,539

Basis of valuation: Discounted earnings multiple
Equity % held and voting rights: 7.6%
Business: Publisher and on-line platform operator
Location: London
History: Management buy-out
Income receivable recognised for the year: £45,649
Audited financial information: First audited accounts will be for the period ended 30 September 2009

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

Iglu.com Holidays Limited (formerly Barnfield Management Investments Limited) – www.iglu.com

	Total	Ordinary shares	Preference shares	Loan stock
Cost	£747,014	£112,053	£1,737	£633,224
Valuation	£747,014	£112,053	£1,737	£633,224

Basis of valuation: Price of recent investment
Equity % held and voting rights: 6.1%
Business: On-line ski and cruise travel agent.
Location: Wimbledon
History: Management buy-out via acquisition vehicle
Income receivable recognised for the year: £3,921
Audited financial information: First audited accounts will be for the year ending 31 May 2010

Focus Pharma Holdings Limited – www.focuspharmaceuticals.co.uk

	Total	Ordinary shares	Preference shares	Loan stock
Cost	£656,987	£229,945	£1,026	£426,016
Valuation	£724,638	£106,399	£1,026	£617,213

Basis of valuation: Discounted earnings multiple
Equity % held and voting rights: 2.7%
Business: Licensor and distributor of generic pharmaceuticals
Location: Burton upon Trent, Staffordshire
History: Management buy-out
Income receivable recognised for the year: £46,734
Audited financial information:

Year ended[1]	Turnover	Operating profit*	Net assets
31 December 2008	£13,205,000	£530,000	£99,000

[1] Financial information relates to the operating subsidiary

Youngman Group Limited

	Total	Ordinary shares	Preference shares	Loan stock
Cost	£1,000,052	£100,052	£14,286	£885,714
Valuation	£700,992	–	–	£700,992

Basis of valuation: Assets available to support security cover
Equity % held and voting rights: 8.5%
Business: Manufacturer of ladders and access towers
Location: Maldon, Essex
History: Management buy-in/buy-out from SGB Group
Income receivable recognised for the year: £18,564
Audited financial information:

Year ended	Turnover	Operating profit*	Net assets
30 June 2009	£26,251,000	£188,000	£4,675,000

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

Investment Manager's Review

Monsal Holdings Limited – www.monsal.co.uk

	Total	Ordinary Shares	Preference Shares	Loan Stock
Cost	£684,351	£208,380	–	£475,971
Valuation	£665,948	£189,977	–	£475,971

Basis of valuation: Cost less impairment
Equity % held and voting rights: 9.5% (8.2% fully diluted)
Business: Supplier of engineering services to water and waste sectors
Location: Mansfield, Nottinghamshire
History: Management buy-out
Income receivable recognised for the year: £40,365
Audited financial information:

Year ended	Turnover	Operating profit*	Net assets
30 September 2009	£6,743,000	£475,000	£1,397,000[1]

[1] Unaudited figure taken from the consolidated group accounts of Monsal Holdings Limited

Further details of the investments in the portfolio may be found on MPEP's website; www.matrixpep.com

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

Investment Portfolio Summary
as at 31 December 2009

	Date of initial investment	Total book cost £'000	Valuation £'000	% value of net assets	% of equity held by funds managed by MPEP*
Qualifying investments					
AiM quoted investments					
Legion Group plc (formerly SectorGuard plc) Provider of manned guarding, mobile patrolling, and alarm response services	August 2005	150	75	0.4%	2.9%
		150	75	0.4%	
Unquoted investments					
DiGiCo Europe Limited Manufacturer of digital sound mixing consoles	July 2007	565	1,582	9.3%	30.0%
VSI Limited Provider of software for CAD and CAM vendors	April 2006	390	1,305	7.7%	48.9%
British International Holdings Limited Helicopter service operator	May 2006	1,182	1,015	6.0%	34.9%
Aust Construction Investors Limited Company seeking to acquire businesses in the construction sector	October 2007	1,000	1,000	5.9%	49.0%
CB Imports Group Limited (formerly Calisamo Management Limited) Importer and distributor of artificial flowers and floral sundries	December 2007	1,000	1,000	5.9%	24.0%
Vectair Holdings Limited Designer and distributor of washroom products	January 2006	560	964	5.7%	24.0%
ATG Media Holdings Limited Publisher and on-line platform operator	October 2008	860	788	4.6%	40.0%
Iglu.com Holidays Limited (formerly Barnfield Management Investments Limited) On-line ski and cruise travel agent	October 2007	747	747	4.4%	35.0%
Focus Pharma Holdings Limited Licensor and distributor of generic pharmaceuticals	October 2007	657	725	4.3%	13.0%
Youngman Group Limited Manufacturer of ladders and access towers	October 2005	1,000	701	4.1%	29.7%
Monsal Holdings Limited Supplier of engineering services to water and waste sectors	December 2007	684	665	3.9%	46.5%
MC440 Limited (trading as Westway Cooling Limited) Designer and distributor of air conditioning units	June 2009	279	466	2.7%	13.0%
Blaze Signs Holdings Limited Manufacturer and installer of signs	April 2006	1,574	337	2.0%	52.5%
Campden Media Limited Magazine publisher and conference organiser	January 2006	975	182	1.1%	28.0%
Racoon International Holdings Limited Supplier of hair extensions, hair care products and training	December 2006	874	130	0.8%	49.0%
The Plastic Surgeon Holdings Limited Supplier of snagging and finishing services to the domestic and commercial property markets	April 2008	390	98	0.6%	30.0%
PXP Holdings Limited (Pinewood Structures) Designer, manufacturer and supplier of timber-frames for buildings	December 2006	1,164	–	0.0%	37.3%
		13,901	11,705	69.0%	
Total qualifying investments		**14,051**	**11,780**	**69.4%**	

Investment Portfolio Summary
as at 31 December 2009

	Total book cost £'000	Valuation £'000	% value of net assets
Non-qualifying investments			
Global Treasury Funds plc (Royal Bank of Scotland)**	1,863	1,863	11.0%
Fidelity Institutional Cash Fund plc**	1,251	1,251	7.4%
SWIP Global Liquidity Fund plc (Scottish Widows)**	568	568	3.3%
Institutional Cash Series plc (BlackRock)**	517	517	3.0%
GS Funds plc (Goldman Sachs)**	425	425	2.5%
Insight Liquidity Funds plc (HBOS)**	415	415	2.4%
Blackrock Sterling Liquidity first institutional share class (formerly BGI)**	138	138	0.8%
Total non-qualifying investments	**5,177**	**5,177**	**30.4%**
Total investments	**19,228**	**16,957**	**99.8%**
Other assets		140	0.8%
Current liabilities		(118)	(0.6)%
Net assets		**16,979**	**100.0%**

* The other funds managed by MPEP include Matrix Income & Growth 2 VCT plc (MIG2), Matrix Income & Growth 3 VCT plc (MIG3), Matrix Income & Growth 4 VCT plc (MIG4) and The Income & Growth VCT plc (I & G VCT). Details of the co-investments are contained in Note 11 to the accounts.

**Disclosed as Current investments within Current assets in the Balance Sheet.

Board of Directors

Keith Niven

Status: Independent non-executive Chairman

Age: 61

Experience: Keith has over 30 years' experience in the financial services industry, most of which was spent at Schroder Investment Management Limited, the fund management arm of Schroders plc, where he was appointed joint vice-chairman in 2000. He held a number of other senior positions within Schroders including managing director of its UK institutional fund management business between 1986 and 1992 and chairman of its retail business, Schroder Unit Trusts Limited, from 1992 to 2001. He retired from Schroders in October 2001. Keith is also non-executive Chairman of Matrix Income & Growth 3 VCT plc and a non-executive director of three other trusts, Schroder UK Growth Fund plc, Schroder Income Growth Fund plc and Impax Environmental Markets plc. Keith is an investment adviser to the Rolls-Royce Pension Fund and a director of the Trossachs Community Trust.

Length of Service as at 31 December 2009: 5.5 years

Committee Memberships: Audit Committee, Investment Committee, Management Engagement Committee (Chairman) and Nominations and Remuneration Committee (Chairman)

Number of Board and Committee meetings attended 2009: 15/15

Relevant relationships with the Investment Manager or other service providers: Chairman of Matrix Income & Growth 3 VCT plc which is also managed by Matrix Private Equity Partners LLP.

Relevant relationships with investee companies: None

Shareholding in the Company: 21,100 Ordinary shares.

Christopher Moore

Status: Independent non-executive Director

Age: 65

Experience: Christopher has considerable experience of the venture capital industry. After a law degree and qualifying as an accountant with Price Waterhouse he worked for Robert Fleming Inc., Lazards, Jardine Fleming and then Robert Fleming, latterly as a main board director from 1986 to 1995. During this period he was involved in various unquoted and venture capital investments and remained chairman of Fleming Ventures Limited, an international venture capital fund, until the fund's final distribution in 2003. His roles have included acting as senior adviser to the chairman of Lloyds and chairing the successful turn-around of a public industrial group. Christopher is currently on the boards of Matrix Income & Growth 3 VCT plc, Matrix Income & Growth 4 VCT plc and The Income & Growth VCT plc.

Length of Service as at 31 December 2009: 5.5 years

Committee Memberships: Audit Committee, Investment Committee (Chairman), Management Engagement Committee and Nominations and Remuneration Committee

Number of Board and Committee meetings attended 2009: 13/13

Relevant relationships with the Investment Manager or other service providers: Director of Matrix Income & Growth 3 VCT plc, Matrix Income & Growth 4 VCT plc and The Income & Growth VCT plc who are also managed by Matrix Private Equity Partners LLP.

Relevant relationships with investee companies: None

Shareholding in the Company: 42,200 Ordinary shares.

Bridget Guérin

Status: Non-executive Director

Age: 48

Experience: Bridget is Managing Director of Matrix Money Management Limited, a wholly owned subsidiary of Matrix Group. Matrix Group Limited is a specialist financial services company and has a market leading role as a promoter of VCTs. Prior to joining Matrix, Bridget accumulated 16 years' of retail investment fund experience at Schroder Unit Trusts Limited, Ivory & Sime and County NatWest. Bridget sits on the Board of Matrix Income & Growth 3 VCT plc, the Matrix Alternative Investment Strategies Fund Limited, an open ended fund of hedge funds, and Matrix Structured Products Limited, a closed ended fund based in Bermuda.

Length of Service as at 31 December 2009: 5.5 years

Committee Memberships: Investment Committee

Number of Board and Committee meetings attended 2009: 10/10

Relevant relationships with the Investment Manager or other service providers: Director of Matrix-Securities Limited (until 22 December 2009), Promoter, Company Secretary and Administrator to the Company, which is a wholly owned subsidiary of Matrix Group Limited of which Bridget was also a director until 22 December 2009 and remains a shareholder (2.13%). Matrix Group Limited also owns 100% of the equity of MPE Partners Limited which has a 50% interest in Matrix Private Equity Partners LLP, the Company's Investment Manager and owns a significant percentage of the equity of Matrix Corporate Capital LLP. Bridget is a Director of Matrix Income & Growth 3 VCT plc which is also managed by Matrix Private Equity Partners LLP.

Relevant relationships with investee companies: None

Shareholding in the Company: 10,550 Ordinary shares.

Tom Sooke

Status: Senior independent non-executive Director

Age: 65

Experience: Tom is an experienced venture capitalist who is currently on the board of Matrix Income & Growth 3 VCT plc. Tom is also a director of CitiCourt Associates Limited and Braxxon Consulting Limited. In recent years he has been chairman and non-executive director of a number of quoted and unquoted private equity funds and other companies. Previously, up until 1991, he was a partner in Deloitte LLP, co-managing the firm's corporate advisory group in London. Prior to that he was a main board director at Granville Holdings plc, where he also established and ran its main private equity fund activities from 1980 to 1987. In 1983, whilst with Granville, Tom was also one of the co-founding members of the British Venture Capital Association.

Length of Service as at 31 December 2009: 5.5 years

Committee Memberships: Audit Committee (Chairman), Investment Committee, Management Engagement Committee and Nominations and Remuneration Committee

Number of Board and Committee meetings attended 2009: 14/14

Relevant relationships with the Investment Manager or other service providers: Director of Matrix Income & Growth 3 VCT plc which is also managed by Matrix Private Equity Partners LLP.

Relevant relationships with investee companies: None

Shareholding in the Company: 7,912 Ordinary shares

Directors' Report

The Directors present the Annual Report and Accounts of the VCT for the year ended 31 December 2009.

Business and principal activities

The principal activity of the VCT during the year under review was investment in a diverse selection of established profitable unquoted companies in the United Kingdom.

The Ordinary Shares of 1p each in the capital of the VCT were first admitted to the Official List of the UK Listing Authority and to trading on 8 October 2004.

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

The VCT is no longer an investment company, having revoked its status as such as defined in section 266 of the Companies Act 1985 ("the 1985 Act") subsequently superceded by section 833 of the Companies Act 2006 ("the 2006 Act") on 19 December 2007. The Company can now distribute capital profits to Shareholders as dividends.

Future developments

The VCT will continue to pursue its Investment Objective and Investment Policy as set out at the beginning of this Report and on page 1 respectively.

Business review and performance review

For a review of the VCT's development and performance during the year, please see the Chairman's statement on pages 3 - 4 and the Investment Manager's Review and Investment Portfolio Summary on pages 5 - 12 of this Annual Report. The Financial Highlights on page 2 provides data on the VCT's key performance indicators.

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

- **Total return**
  The Total Return per share is the key measure of performance for the VCT, which comprises NAV plus cumulative dividends paid per share. The NAV is calculated quarterly in accordance with the International Private Equity Venture Capital Valuation (IPEVCV) guidelines. Net assets decreased during the year under review resulting in a 3.7% decrease (2008: 26.0% decrease) in NAV per share and a 2.2% decrease (2008: 15.9% decrease) in total return per share.

- **Total expense ratio (TER)**
  Largely reflecting the fall in the Company's net assets, the gross TER of the VCT for the year under review was 3.9% (2008: 4.4%). If irrecoverable VAT and exceptional costs are excluded the ratio falls to 3.8% (2008: 4.3%). Under the terms of the management agreement, the total management and administration expenses of the VCT, excluding any irrecoverable VAT and exceptional costs, are limited to a maximum of 3.6% of the value of the VCT's closing net assets. As a result, there are excess expenses of £25,842 (2008: £99,550) which will be borne by the Investment Manager by way of a deduction from their management fees after these accounts have been approved. After this deduction, the expense ratio for the year falls to 3.7% (2008: 3.8%). This is higher than the expense cap ratio of 3.6% as these expenses still include irrecoverable VAT. For further information, please see Note 4 on page 36.

Principal risks, management and regulatory environment

The Board believes that the principal risks faced by the VCT are:

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

- **Loss of approval as a Venture Capital Trust** – the VCT must comply with Section 274 of the Income Tax Act 2007 which allows it to be exempted from capital gains tax on investment gains. Any breach of these rules may lead to the VCT losing its approval as a VCT, qualifying shareholders who have not held their shares for the designated holding period having to repay the income tax relief they obtained and future dividends paid by the VCT becoming subject to tax. The VCT would also lose its exemption from corporation tax on capital gains.

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

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

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

- **Market risk** – Investment in unquoted companies, by its nature, involves a higher degree of risk than investment in companies traded on the London Stock Exchange main market. In particular, smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals.
- **Asset liquidity risk** – The VCT's investments may be difficult to realise especially in the current economic climate.
- **Market liquidity risk** – Shareholders may find it difficult to sell their shares at a price which is close to the net asset value.
- **Credit/counterparty risk** – A counterparty may fail to discharge an obligation or commitment that it has entered into with the Company.

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

Share capital

During the year under review the VCT bought back 425,411 (2008: 1,210,827) Ordinary Shares (being 2.1% of the opening issued share capital) at a cost of £247,033 (2008: £1,056,868).

The Company did not issue any shares during the year under review.

The issued Ordinary Share Capital of the VCT as at 31 December 2009 was £203,735 (2008: £207,989) and the number of Ordinary Shares in issue at this date was 20,373,514 (2008: 20,798,925), subject to the cancellation of the shares brought-back by the Company up until this date.

Results and dividend

The revenue return after taxation attributable to Ordinary Shareholders for the year was £8,797, a decrease of £425,147 over the revenue return for the year ended 31 December 2008.

The Directors have declared an interim dividend of 5.0 pence per share comprising 0.5 pence from income and 4.5 pence from capital in respect of the year ended 31 December 2009, payable on 21 April 2010 to Shareholders who are on the Register on 26 March 2010. This dividend, once paid, will increase cumulative dividends paid since inception to 21.3 pence (2008: 16.3 pence).

The capital return has improved from a loss of £4,697,933 for the year ended 31 December 2008 to a loss of £572,969 for the year ended 31 December 2009.

Directors and their interests

The names of the Directors appear below and brief biographical details on each of the Directors are given on page 13 of this Annual Report. The current Directors were all appointed to the Board on 1 July 2004. In accordance with the VCT's Articles of Association and the AIC Code of Corporate Governance ("the AIC Code"), Bridget Guérin will retire by rotation at the Annual General Meeting of the VCT to be held on 12 May 2010 and being eligible offers herself for re-election.

Christopher Moore intends to resign from the Board with effect from the date of the proposed merger of the Company with Matrix Income & Growth 3 VCT plc.

The Directors who held office throughout the year under review and their interests (including those of their connected persons) as at 31 December 2009 were:

	Ordinary Shares held on:	
	31 December 2009	31 December 2008
Keith Niven	21,100	21,100
Bridget Guérin	10,550	10,550
Christopher Moore	42,200	42,200
Tom Sooke	7,912	7,912

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

Management

Matrix Private Equity Partners Limited was appointed as Investment Manager to the VCT on 9 July 2004. On 20 October 2006 Matrix Private Equity Partners Limited transferred its business to Matrix Private Equity Partners LLP and the VCT novated the existing Investment Advisors Agreement and Incentive Agreement to Matrix Private Equity Partners LLP (MPEP). For further information on the terms and duration of the appointment and the fees paid to MPEP please see Note 4 to the accounts on page 36.

During the year under review the Management Engagement Committee reviewed the services provided by the Investment Manager. The continued appointment of the Investment Manager on the current terms was recommended by the Committee and agreed by the Board on 10 November 2009. The Board concluded that the Company's investment portfolio had performed relatively well in the difficult economic circumstances experienced during the previous twelve months and at least in

Directors' Report

line with the VCT industry as a whole. The Board believed that the Investment Manager had continued to exercise independent judgement while producing realistic valuations. In summary, the Board continued to believe that MPEP possessed the experience, knowledge and resources necessary to help the Board achieve the Company's long term investment objectives. The Board remains satisfied with investment performance to date and, therefore, believes that the continued appointment of the Investment Manager remains in the interest of Shareholders. Summaries of the performances of the Company's investments are contained in the Investment Manager's Review and in the Investment Portfolio Summary on pages 11-12 and the Financial Highlights on page 2.

Matrix-Securities Limited acts as both VCT Administrator and Company Secretary to the VCT for which they received a fee of £88,387 in respect of the year ended 31 December 2009 (2008: £87,030). The fee is payable at a rate of 0.3% per annum of gross funds raised plus VAT uplifted in line with the retail price index since the commencement of the contract.

VCT status monitoring

The VCT appointed PricewaterhouseCoopers LLP to advise on its compliance with the legislative requirements relating to VCTs. PricewaterhouseCoopers review new investment opportunities as appropriate and carry out regular reviews of the VCT's investment portfolio.

Auditors

PKF (UK) LLP ("PKF") were re-appointed as auditors of the VCT during the year and have expressed their willingness to continue in office. Resolutions to re-appoint PKF and to authorise the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

The Board, advised by the Audit Committee, has agreed with PKF to extend the appointment of the reporting partner, Rosemary Clarke, for a further two years. It is the Board's view that this will safeguard audit quality as a result of the impending changes in the Board and the merger discussions currently taking place with Matrix Income & Growth VCT 3 plc.

The non-audit services provided by PKF relate to the provision of tax compliance work and a review of the Half-Yearly Report. The Directors consider the auditors were best placed to provide these services. The Audit Committee regularly reviews the nature and extent of the non-audit services provided to ensure that auditor independence is maintained.

Auditors' right to information

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

Financial instruments

Note 20 on pages 43-49 provides a definition of the financial instruments used by the VCT. The main risks arising from the VCT's financial instruments are due to fluctuations in market prices and interest rates, credit risk and liquidity risk. The Board regularly reviews and agrees policies for managing these risks.

Substantial interests

As at 16 March 2010 the VCT had not been notified of any beneficial interest exceeding 3% of the issued share capital.

Creditors' payment policy

The VCT's policy is to pay all creditors' invoices within 30 days of the invoice date unless otherwise agreed. At 31 December 2009 the average credit period for trade creditors was 12 days.

Employees

The VCT does not have any employees except for its directors.

Environmental and social responsibility

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

Authorisation of conflicts of interest

The Directors were granted the authority to authorise conflicts or potential conflicts of interest under the 2006 Act at the Annual General Meeting of the Company held on 16 May 2008. Since implementation of these new statutory requirements on 1 October 2008, they have exercised this authority in accordance with the Company's Articles of Association effectively following the procedures set out therein. Where any of the Directors have an interest in other VCTs that are also managed by Matrix Private Equity Partners these are disclosed on page 13 and on pages 23-24 of the Corporate Governance Statement.

Accountability and audit

The Statement of Directors' Responsibilities in respect of the accounts is set out on pages 27 of this Annual Report.

The report of the independent auditors is set out on page 28 of this Annual Report.

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

Directors' and officers' liability insurance

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

Going concern

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

Post balance sheet events

The Directors announced on 9 February 2009 that the Board had reached agreement in principle with the board of Matrix Income & Growth 3 VCT plc ("MIG3 VCT") to merge the two Companies, subject to approval by Shareholders. The intention is that the proposed merger will be completed pursuant to a section 110 scheme of reconstruction under the Insolvency Act 1986 by transferring the assets and liabilities of MIG3 VCT to the Company in consideration for new shares in the Company to be issued to MIG3 VCT shareholders on a relative net asset value basis. It is estimated that the merger costs will be approximately £250,000 in total, such costs to be shared by both companies.

The Directors are in the process of finalising formal proposals for the merger which should be circulated to Shareholders shortly.

Annual General Meeting

A notice for the Annual General Meeting of the VCT to be held at 11.00 am on 12 May 2010 at One Vine Street, London W1J 0AH is set out on pages 52-54 of this Annual Report. A proxy form is enclosed separately with Shareholder's copies of this Annual Report.

The notice of the meeting includes a resolution to re-appoint Bridget Guérin as a Director and brief biographical details of Bridget are published on pages 13 of this Annual Report.

Authorities for the Directors to allot shares (Resolution 6) and the disapplication of pre-emption rights (Resolution 7) under sections 551 and 570(1) of the 2006 Act.

These two resolutions grant the Directors the authority to allot shares for cash to a limited and defined extent otherwise than pro rata to existing Shareholders.

Resolution 6 will enable the Directors, pursuant to section 551 of 2006 Act, to allot up to an aggregate nominal amount not exceeding £67,912 representing approximately one-third of the existing issued share capital of the Company as at the date of the Notice of the Meeting. The Company does not currently hold any shares as treasury shares. This resolution is proposed as an ordinary resolution.

Under Section 561(1) of the 2006 Act, if the Directors wish to allot any new shares for cash they must first offer such shares to existing shareholders in proportion to their current holdings. Resolution 7 will enable this requirement to be disapplied, pursuant to section 570(i) of the 2006 Act, in the specific circumstances named in the Resolution. These are in relation to a rights issue, any dividend investment scheme that may be introduced by the VCT in the future, to fund a buy-back of shares by the Company and also pursuant to any future "top-up" offer of no more than 5 per cent of the issued share capital at the date of the AGM. This resolution is proposed as a special resolution.

Both of these authorities, unless previously renewed or revoked, will expire on the conclusion of the Annual General Meeting of the VCT to be held in 2011 or if earlier 11 August 2011 except that the Directors may allot securities after this date in pursuance of offers or agreements made prior to the expiration of these authorities.

Both resolutions generally renew previous authorities approved on 6 May 2009. The Directors have no immediate intention of exercising these powers.

Authority to purchase the VCT's own shares (Resolution 8)

This resolution authorises the VCT to purchase its own shares pursuant to section 701 of the 2006 Act. The authority is limited to a maximum number of Ordinary Shares equal to 3,053,990 representing 14.99% of the issued share capital at the date of the Notice of the Meeting and will expire at the conclusion of the Annual General Meeting of the VCT to be held in 2011 or if earlier 11 August 2011. The maximum price (exclusive of expenses) which may be paid for an Ordinary Share will be the amount that is not more than the higher of (i) 5% above the average of the middle market quotations for Ordinary Shares as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the purchase and (ii) the price stipulated by Article 5(1) of the Buy-back and Stablisation Regulations 2003 (EC 2273/2003). The minimum price which may be paid is one penny per share, ie the nominal value of the shares.

Market liquidity in VCTs is normally very restricted. The passing of this resolution will enable the VCT to purchase its own shares thereby providing a mechanism by which the VCT may enhance the liquidity of its shares and seek to manage the level and volatility of the discount to NAV at which its shares may trade.

It is the Directors' intention to cancel any shares bought back under this authority. Shareholders should note that the Directors do not intend to exercise this authority unless to do so would result in an increase in net assets per share which would be in the interests of Shareholders generally. This resolution is proposed as a special resolution.

Directors' Report

Adoption of new articles of association - Explanatory notes of principal changes (Resolution 9))

Under Resolution 9 it is proposed that new articles of association of the Company ("New Articles") will be adopted in substitution of the current articles of association of the Company ("Current Articles") to reflect the changes in company law brought in by the Companies Act 2006. The key changes reflected in the New Articles are set out below.

1. **Articles which duplicate statutory provisions**
   Provisions in the Current Articles, which replicate provisions contained in the Companies Act 2006, are in the main amended to bring them into line with the Companies Act 2006.
2. **Form of resolution**
   The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being amended, as the concept of extraordinary resolutions has not been retained under the Companies Act 2006.

   The Current Articles enable members to act by written resolution. Under the Companies Act 2006 public companies can no longer pass written resolutions. These provisions are therefore being removed in the New Articles.
3. **Variation of class rights**
   The Current Articles contain provisions regarding the variation of class rights. The proceedings and specific quorum requirements for a meeting convened to vary class rights are contained in the Companies Act 2006. The relevant provisions are therefore being amended in the New Articles.
4. **Convening extraordinary and annual general meetings**
   The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform to new provisions in the Companies Act 2006. In particular an extraordinary general meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.
5. **Age of directors on appointment**
   The Current Articles contain a provision requiring a director's age to be disclosed if he has attained the age of 70 years or more in the notice convening a meeting at which the director is proposed to be elected or re-elected. Such provision could now fall foul of the Employment Equality (Age) Regulations 2006 and so is being removed from the New Articles.
6. **Notice of board meetings**
   Under the Current Articles, when a director is abroad he can request that notice of directors' meetings are sent to him at a specified address and if he does not do so he is not entitled to receive notice while he is away. This provision is being removed, as modern communications mean that there may be no particular obstacle to giving notice to a director who is abroad. It is being replaced with a more general provision that a director is treated as having waived his entitlement to notice, unless he supplies the Company with the information necessary to ensure that he receives notice of a meeting before it takes place.
7. **Records to be kept**
   The provision in the Current Articles requiring the Board to keep accounting records is being removed as this requirement is now contained in the Companies Act 2006.
8. **Distribution of assets otherwise than in cash**
   The Current Articles contain provisions dealing with the distribution of assets in kind in the event of the Company going into liquidation. These provisions are being removed in the New Articles on the grounds that a provision about the powers of liquidators is a matter for insolvency law rather than the articles and that the Insolvency Act 1986 confers powers on the liquidator which would enable it to do what is envisaged by the Current Articles.
9. **Electronic and web communications**
   Provisions of the Companies Act 2006 came into force in January 2007 to enable companies to communicate with members by electronic and/or website communications. The New Articles will continue to allow communications to members in electronic form and, in addition, they will also permit the Company to take advantage of the new provisions relating to website communications. Before the Company can communicate with a member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.
10. **Directors' indemnities and loans to fund expenditure**
   The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain

actions against directors. In particular, a company that is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with the company's activities as trustee of the scheme. In addition, the existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies. The New Articles will also provide that a director can vote and form part of the quorum when the board is considering whether to indemnify him or fund his expenditure pursuant to the powers in the New Articles.

11. The Company's objects

The provisions regulating the operations of the Company are currently set out in the Company's memorandum and articles of association. The Company's memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The Companies Act 2006 significantly reduces the constitutional significance of a company's memorandum. The Companies Act 2006 provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Companies Act 2006 the objects clause and all other provisions which are contained in a company's memorandum, for existing companies at 1 October 2009, are deemed to be contained in the company's articles of association but the company can remove these provisions by special resolution.

Further the Companies Act 2006 states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the Companies Act 2006, are treated as forming part of the Company's articles of association as of 1 October 2009. Resolution 9 will confirm the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's memorandum of association regarding limited liability, the New Articles will also contain an express statement regarding the limited liability of shareholders.

13. Change of name

Under the Companies Act 1985, a company could only change its name by special resolution. Under the Companies Act 2006 a company will be able to change its name by other means provided for by its articles. To take advantage of this provision, the New Articles will enable the directors to pass a resolution to change the Company's name.

14. Authorised share capital and unissued shares

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital and the New Articles will reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006, save in respect of employee share schemes.

15. Redeemable shares

Under the Companies Act 1985, if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The Companies Act 2006 enables directors to determine such matters instead provided they are so authorised by the articles. The New Articles will contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the directors would need shareholders' authority to issue new shares in the usual way.

16. Use of seals

Under the Companies Act 1985, a company required authority in its articles to have an official seal for use abroad. Under the Companies Act 2006, such authority will no longer be required. Accordingly, the relevant authorisation is being removed in the New Articles.

The New Articles will provide an alternative option for execution of documents (other than share certificates). Under the New Articles, when the seal is affixed to a document it may be signed by one authorised person in the presence of a witness, whereas previously the requirement was for signature by either a director and the secretary or two directors or such other person or persons as the directors may approve.

17. Suspension of registration of share transfers

The Current Articles permit the directors to suspend the registration of transfers. Under the Companies Act 2006 share transfers must be registered as soon as practicable. The power in the Current Articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly, this power is being removed in the New Articles.

18. Vacation of office by directors

The Current Articles specify the circumstances in which a director must vacate office. The New Articles are updating these provisions to reflect the approach taken on mental and physical incapacity in the model articles for public companies produced by the Department for Business, Innovation and Skills.

19. Voting by proxies on a show of hands

The Shareholders' Rights Regulations have amended the Companies Act 2006 so that it now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The Current Articles are being amended to reflect these changes.

20. Voting by corporate representatives

The Shareholders' Rights Regulations have amended the Companies Act 2006 in order to enable multiple representatives appointed by the same corporate member to vote in different ways on a show of hands and a poll. The New Articles will contain provisions that reflect these amendments.

21. Electronic conduct of meetings

Amendments made to the Companies Act 2006 by the Shareholders' Rights Regulations specifically provide for the holding and conducting of electronic meetings. The Current Articles are being amended to reflect more closely the relevant provisions.

22. Chairman's casting vote

The New Articles will remove the provision giving the chairman a casting vote in the event of an equality of votes as this is no longer permitted under the Companies Act 2006.

23. Notice of general meetings

The Shareholders' Rights Regulations amend the Companies Act 2006 to require the company to give 21 clear days' notice of general meetings unless the company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than 14 days has been passed. Annual general meetings must be held on 21 clear days' notice. The New Articles will amend the provisions of the Current Articles to be consistent with the new requirements.

24. Adjournments for lack of quorum

Under the Companies Act 2006 as amended by the Shareholders' Rights Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. The Current Articles are being changed to reflect this requirement.

25. Voting record date

Under the Companies Act 2006 as amended by the Shareholders' Rights Regulations the company must determine the right of members to vote at a general meeting by reference to the register not more than 48 hours before the time for the holding of the meeting, not taking account of days which are not working days. The Current Articles are being amended to reflect this requirement.

26. Life of the Company

In order for the future of the Company to be considered by the members and as an extension vote in relation to the Company was, under the current articles, due to be held at next year's AGM, the current articles are being amended so that under the new articles the Board shall now propose a resolution in relation to the future of the Company at the annual general meeting of the Company falling after the later of (i) 31 December 2015 and (ii) the fifth anniversary of the last allotment of shares in the Company and thereafter at five yearly intervals.

27. General

Generally the opportunity is being taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Innovation and Skills.

Notice of general meetings (Resolution 10)

Changes made to the 2006 Act by the Shareholders' Rights Regulations have increased the notice period required for general meetings of the Company, other than annual general meetings, from 14 days to 21 days unless Shareholders approve a shorter notice period, which cannot be less than 14 clear days. Under the Act annual general meetings will continue to be held on at least 21 clear days' notice. Resolution 10, which will be proposed as a special resolution, will enable general meetings other than annual general meetings to be called on not less than 14 clear days' notice provided the Company meets certain requirements for electronic voting.

The Directors do not expect to use the reduced notice unless it will bring a significant benefit to the Company. The approval will be effective until the Company's next annual general meeting, when it is intended that a similar resolution will be proposed.

The Directors consider that each of the resolutions is in the best interests of the Company and its Shareholders as a whole and accordingly recommends all Shareholders to vote in favour of all the resolutions as they propose to do in respect of their own holdings of shares.

By order of the Board

Matrix-Securities Limited
Company Secretary
16 March 2010

Directors' Remuneration Report

This Report has been prepared by the Directors in accordance with the requirements of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. A resolution to approve the Report will be proposed at the Annual General Meeting to be held on 12 May 2010. The Company's auditors are required to give their opinion on the specified information provided on Directors' emoluments and this is explained further in their report to Shareholders on page 28.

Remuneration committee

The remuneration of individual Directors is determined by the Nominations and Remuneration Committee. The Committee comprises three Directors, Keith Niven (Chairman), Christopher Moore and Tom Sooke all of whom the Board considers to be independent from the Investment Manager. It meets at least once a year and makes recommendations to the Board within its terms of reference. Its duties include responsibility for reviewing the remuneration of the Directors and the appropriateness and relevance of the remuneration policy. The Committee has access to independent advice where it considers it appropriate. However, no such advice was taken during the year under review.

Remuneration policy

The remuneration policy is set by the Board. When considering the level of Directors' fees, the Nominations and Remuneration Committee is directed to take account of remuneration levels elsewhere in the Venture Capital Trust industry and other relevant information. It considers the levels and make-up of remuneration which are sufficient to attract, retain and motivate directors of the quality required to run the Company successfully and reflect the time commitment and responsibilities of the roles.

The Company's Articles of Association limit the total amount that can be paid to the Directors in fees to £100,000 per annum. With effect from 1 July 2008, the Directors fees were increased to £23,000 (Chairman); £17,000 (non-executive director); £3,000 supplement paid to the Chairmen of the Audit and Investment Committees. The Directors have also agreed that with effect from 1 January 2009 they will be responsible for meeting their own individual expenses of attending meetings. Details of the Directors' remuneration are disclosed on following page and in Note 6 on page 36.

It is not considered appropriate at the current time to relate any portion of the fees paid to the Directors, who are all non-executive, to performance. However, under an Incentive Agreement dated 9 July 2004 the Company will pay an incentive fee to the Investment Manager and to the Promoter. For further information on the incentive fee and on Bridget Guérin's connection to Matrix Group Limited please see Notes 4 and 23 respectively of the Notes to the Accounts on pages 36 and 50. The Directors do not have any plans to introduce any further incentive schemes at the present time and will seek Shareholder approval for any such schemes should they be proposed in the future.

It is intended that this policy will continue for the year ended 31 December 2010 and subsequent years.

Terms of appointment

All of the Directors are non-executive. The Articles of Association provide that Directors may be appointed either by an ordinary resolution of the Company or by the Board provided that a person appointed by the Board shall be subject to re-election at the first Annual General Meeting following their appointment. Subject to the provisions of the Companies Act 2006, one-third of the Directors retire from office by rotation at each Annual General Meeting, or if their number is not a multiple of three, the number nearest to but not greater than one-third. The Director retiring at each Annual General Meeting shall be the Director who has been longest in office since their last re-election.

A (i) service agreement and a (ii) consultant's agreement were separately entered into on 1 October 2008 between (i) the Company and Tom Sooke and (ii) the Company and a company controlled by Tom Sooke. Each of the agreements may be terminated by either party by giving not less than three months notice in writing. The employment under the service agreement is on a continuous basis and the consultant's agreement is subject to review after twelve months. The service agreement does not make any provision for compensation payable for loss of office. The remaining Directors have received a formal letter of appointment setting out the terms of their appointment, the powers and duties of Directors and the fees pertaining to the appointment. Appointment letters for new Directors will in future contain an assessment of the anticipated time commitment of the appointment and Directors will be asked to undertake that they will have sufficient time to meet what is expected of them and to disclose their other significant time commitments to the Board before appointment. A Director's appointment may be terminated on three months' notice being given by the Company. No arrangements have been entered into between the Company and the Directors to entitle any of the Directors to compensation for loss of office. None of the Directors receive pension benefits from the Company and the Company has not granted any Director any options over the share capital of the Company

Directors' Remuneration Report

Directors' emoluments (audited information)

The total emoluments in respect of qualifying services of each person who served as a Director during the year are as set out in the table below. The Company does not have any schemes in place to pay any of the Directors bonuses or benefits in addition to their Directors' fees.

Total directors' fees

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Keith Niven	23,000	21,500
Bridget Guérin	17,000	16,000
Christopher Moore	20,000	18,750
Tom Sooke	20,000	18,750
Total	**80,000**	**75,000**

The Directors received no further emoluments in respect of their services. Aggregate fees in respect of qualifying services for all Directors amounted to £80,000 (2008: £75,000). Fees paid to Christopher Moore and Tom Sooke include an additional £3,000 pa (£2,500 until 30 June 2008) for Chairmanship of the Investment Committee and Audit Committee, respectively.

Total shareholder return

The following graph charts the total cumulative shareholder return of the Company (assuming all dividends are re-invested) since the Ordinary Shares were first admitted to the Official List of the UK Listing Authority on 8 October 2004 compared with the total cumulative returns of the FTSE All-Share, SmallCap and the All-Share AiM Indices. These indices represent broad equity market indices against which investors can measure the performance of the Company and are appropriate indices against which to measure the Company's performance over the medium to long term.

The total returns have each been re-based to 100 pence. An explanation of the recent performance of the Company is given in the Chairman's Statement and the Investment Manager's Review.

The net asset value (NAV) total shareholder return for the Company has been shown separately on the graph because the Directors believe that for a very long term investment such as a VCT, this represents a fairer reflection of the Company's long term value than the share price. The NAV total shareholder return has been re-based to 94.5 pence which is equivalent to the opening NAV per share of the Company.

Total cumulative shareholder return since launch compared with the total return of the FTSE All-Share, Small Cap and All-Share AiM indices

Source: Matric Corporate Capital LLP

By order of the Board

Matrix-Securities Limited
Company Secretary
16 March 2010

Corporate Governance Statement

The Company is a member of the Association of Investment Companies (AIC) and the Directors have adopted the AIC Code of Corporate Governance 2009 ("the AIC Code") for the financial year ended 31 December 2009. The AIC Code was endorsed by the Financial Reporting Council (FRC) on 3 February 2006, and 20 February 2009 in respect of the 2009 edition. The FRC has confirmed that in complying with the AIC Code, the Company will meet its obligations in relation to the FRC Combined Code on Corporate Governance 2008 ("the Combined Code") and paragraph 9.8.6 of the Listing Rules.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Code (which incorporates the Combined Code), will provide better information to Shareholders. The AIC Code is available online at: www.theaic.co.uk/Documents/Technical/AICCodeofCorporateGovernanceMarch2009 .pdf.

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

Compliance with the Combined Code

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

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

The Board

The Company has a Board of four non-executive Directors. The Board meets at least quarterly and is in regular contact with the Investment Manager between these meetings. The Board held six formal meetings during the year. The four quarterly Board meetings were each attended by all four directors. The Board met informally on other occasions.

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

As is common practice among Venture Capital Trusts, the Directors are not appointed for fixed terms, as the AIC Code requires. However, they are subject to re-election by Shareholders at approximate intervals of three years, and each Director's appointment may be terminated on three months notice being given by the Company. Further information is given in the Remuneration Report. With regard to tenure, the Board does not believe that length of service, by itself, leads to a closer relationship with the Investment Manager or necessarily affects a Director's independence of character or judgment. Thus, the independence of Directors will continue to be assessed on a case by case basis (see below). Nonetheless, in accordance with the provisions of the Combined Code, any Director who has served for more than nine years will thereafter be subject to annual re-election by Shareholders. None of the Directors has presently served for nine years or more.

The AIC Code states that directors who sit on the boards of more than one company managed by the same manager will not be regarded as independent for either the purpose of fulfilling the requirement that there must be an independent majority or for serving as chairman. The Company has a common Board with Matrix Income & Growth 3 VCT plc and therefore does not currently comply with this provision. However, if the proposals to merge with Matrix Income & Growth 3 VCT plc to be put to shareholders of both Companies at the forthcoming AGMs are accepted this requirement will be met before it becomes mandatory under the Listing Rules in September 2010. Christopher Moore, who is also a Director of Matrix Income & Growth 4 VCT plc and The Income & Growth VCT plc, intends to resign from the Board at the time of the merger in order to comply with this provision of the AIC Code and the Listing Rules.

In respect of the year under review and in the interim, the Board has considered whether each Director is independent in character and judgment and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, the Directors' judgment and has concluded that all of the Directors are independent of the Investment Manager with the exception of Bridget Guérin. In particular, it has concluded that Christopher Moore's directorships of Matrix Income & Growth 3 VCT plc, Matrix Income & Growth 4 VCT plc and The Income & Growth VCT plc, Keith Niven's Chairmanship of Matrix Income & Growth 3 VCT plc and Tom Sooke's directorship of Matrix Income & Growth 3 VCT plc, all of which are also managed by Matrix Private Equity Partners LLP, do not materially prejudice the

Corporate Governance Statement

independence of the Directors concerned in respect of the Combined Code as re-stated in principle 2 of the AIC Code. Bridget Guérin's interest in the agreements for the provision of investment management services and administration services are detailed in full in Note 23 of the Notes to the Accounts on page 50 on related party transactions.

The Board assessed the independence of the Chairman on appointment and concluded that he fully met the independence criteria as identified in the Combined Code, as re-stated in principle 1 of the AIC Code. The Chairman also chairs Matrix Income & Growth 3 VCT plc and accordingly the requirement that the Chairman should not serve on any other boards of an investment company managed by the same manager has not been met. However, the Board considers that the Chairman's independence has not been materially prejudiced. As recommended by the AIC Code, the Directors monitor the continuing independence of the Chairman and inform the Chairman of their discussions.

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

The Board places great emphasis on the requirement for the Directors to disclose their interests in investments (and potential investments) and has instigated a procedure whereby a Director declaring such an interest does not participate in any decisions relating to such investments. For the year under review, none of the Directors was a director of or had any other interest in any investee companies.

The Board has appointed Tom Sooke as the Senior Independent Director.

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

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

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

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

The effectiveness of the Board and of the Chairman is reviewed regularly as part of the internal control process led by the Audit Committee. The Board has continued to implement an annual performance evaluation review during the year ended 31 December 2009.

The Directors were subject to election by Shareholders at the first Annual General Meeting after their appointment, and retire by rotation thereafter. For further details please see the Directors' Remuneration Report on pages 21-22.

Bridget Guérin has been nominated for re-election to the Board at the forthcoming AGM. Her contribution to the Board is highly regarded and respected and the Board has no hesitation in recommending her re-election to Shareholders.

Board committees

The Audit Committee comprises three Directors: Tom Sooke (Chairman), Christopher Moore and Keith Niven. The Committee meets at least twice a year to review the half-yearly and annual financial statements before submission to the Board, and meets with the independent auditors at least once during each year. The Committee makes recommendations to the Board on the appointment, re-appointment and removal of the external auditors. It is responsible for monitoring the effectiveness of the Company's internal control systems and for reviewing the scope and results of the audit and ensuring its cost effectiveness. The

Audit Committee held two formal meetings during the year with full attendance from each of the three Directors and has met informally on other occasions.

The Management Engagement Committee comprises three Directors: Keith Niven (Chairman), Christopher Moore and Tom Sooke. The Committee meets at least annually to review the Company's contracts with its service providers and at other times as and when necessary. The Committee met once during the year under review with all three of the Directors in attendance.

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

The Investment Committee comprises all four Directors: Christopher Moore (Chairman), Bridget Guérin, Keith Niven and Tom Sooke. The Committee meets as necessary to discuss and, if appropriate, to approve investment recommendations from the Investment Manager. The Committee held four formal meetings during the year which were fully attended by all the Directors and met informally on other occasions. The Committee and the Investment Manager endeavour to operate in a supportive, co-operative and open environment and the Committee regularly reviews the performance of the Investment Manager and agrees policies with the Investment Manager on key operational matters. The Board, assisted by the Nominations & Remuneration Committee, has reviewed the committee structure of the Company in the light of Christopher Moore's forthcoming retirement from the Board. It has been decided that, with effect from his retirement, the full Board will assume the duties of the Investment Committee and that Tom Sooke will have specific responsibility on the Board for investment matters.

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

Internal control

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

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

The Board has put in place procedures for identifying, evaluating and managing the significant risks faced by the Company. As part of this process an annual review of the control systems is carried out in accordance with the Turnbull guidelines for internal control. The review covers a consideration of the key business, operational, compliance and financial risks facing the Company. Each risk is considered with regard to: the controls exercised at Board level; reporting by service providers; controls relied upon by the Board; exceptions for consideration by the Board; responsibilities for each risk and its review period; and risk rating. As part of this process, investment risk is spread by means of a diverse investment portfolio, which is described in more detail in the Investment Manager's Review on pages 5-10.

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

Corporate Governance Statement

This system of internal controls and the procedure for the review of control systems referred to above has been in place and operational throughout the year under review and up to the date of this Report. The assessment of the effectiveness of internal controls in managing risk included consideration of reports from the relevant service providers. The last review took place on 10 March 2010. The Board has not identified any issues with the Company's internal control mechanisms that warrant disclosure in the Annual Report.

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

- The valuations prepared by the Investment Manager are entered into the accounting system and reconciled by the Administrator. Controls are in place to ensure the effective segregation of these two tasks;
- Independent reviews of the valuations of investments within the portfolio are undertaken quarterly by the Board and annually by the external auditors;
- Bank and money-market fund reconciliations are carried out monthly by the Administrator;
- The information contained in the Annual Report and other financial reports is reviewed separately by the Audit Committee prior to consideration by the Board; and
- The Board reviews all financial information prior to publication.

Directors' remuneration

A Directors' Remuneration Report, prepared in compliance with the Directors' Remuneration Report Regulations 2002, is contained on pages 21-22 of this Annual Report.

Investor relations

The Company communicates with Shareholders and solicits their views where it is appropriate to do so. Shareholders are welcome at the Annual General Meeting which provides a forum for Shareholders to ask questions of the Directors and to discuss issues affecting the Company with them. The Board takes account of Shareholders comments and questions at general meeting. Shareholders may contact the Senior Independent Director, Tom Sooke, if they have concerns which contact through the Chairman or Investment Manager has failed to resolve or for which such contact is inappropriate. Please see Shareholder Information on page 51 for contact details.

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

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

Restrictions on voting rights

There are no restrictions on voting rights.

Appointment and replacement of directors

The rules concerning the election of directors are set out in the paragraph headed 'Terms of appointment' on page 21 of the Directors' Remuneration Report.

Amendment of the Company's Articles of Association

The Company may amend its articles of association ("the Articles") by special resolution in accordance with section 21 of the Companies Act 2006.

Powers of the directors

The powers of the Directors have been granted by company law, the Company's Articles and resolutions passed by the Company's members in general meeting. Resolutions are proposed annually at each annual general meeting of the Company to authorise the Directors to allot shares, disapply the pre-emption rights of members and buy-back the Company's own shares on behalf of the Company. These authorities are currently in place and resolutions to renew them will be proposed at the next AGM of the Company to be held on 12 May 2010.

By order of the Board

Matrix-Securities Limited
Company Secretary
16 March 2010

Statement of Directors' Responsibilities

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

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

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

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

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

The Directors confirm that to the best of their knowledge that:

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

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

The names and functions of all the Directors are stated on page13.

For and on behalf of the Board

Keith Niven
Chairman
16 March 2010

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

We have audited the financial statements of Matrix Income & Growth VCT plc for the year ended 31 December 2009 which comprise the Income Statement, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

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

Scope of the audit

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 17, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

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

Income Statement

for the year ended 31 December 2009

	Notes	Year ended 31 December 2009 Revenue £	Capital £	Total £	Year ended 31 December 2008 Revenue £	Capital £	Total £
Realised (losses)/gains on investments	10	–	(177,845)	(177,845)	–	86,979	86,979
Unrealised losses on investments	10	–	(161,173)	(161,173)	–	(4,848,208)	(4,848,208)
Income	2	399,661	–	399,661	973,787	179,725	1,153,512
Recoverable VAT	3	1,939	5,818	7,757	35,893	107,680	143,573
Investment management fees	4	(79,923)	(239,769)	(319,692)	88,810)	(266,428)	(355,238)
Other expenses	5	(312,239)	–	(312,239)	(336,510)	–	(336,510)
Profit/(loss) on ordinary activities before taxation		9,438	(572,969)	(563,531)	584,360	(4,740,252)	(4,155,892)
Tax on profit/(loss) on ordinary activities	7	(641)	–	(641)	(150,416)	42,319	(108,097)
Profit/(loss) for the year		8,797	(572,969)	(564,172)	433,944	(4,697,933)	(4,263,989)
Basic and diluted earnings per ordinary share	9	0.04p	(2.77)p	(2.73)p	2.02p	(21.91)p	(19.89)p

All the above items in the above statement derive from continuing operations.

There were no other recognised gains or losses in the year.

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

Other than revaluation movements arising on investments held at fair value through the Profit and Loss Account, there were no differences between the return as stated above and at historical cost.

The Notes on pages 33-50 form part of these financial statements.

Balance Sheet
as at 31 December 2009

	Notes	as at 31 December 2009 £	as at 31 December 2008 £
Fixed assets			
Investments at fair value	10	11,779,583	13,556,878
Current assets			
Debtors and prepayments	12	94,327	372,816
Current investments	13, 19	5,177,570	4,375,724
Cash at bank	19	46,253	71,812
		5,318,150	4,820,352
Creditors: amounts falling due within one year	14	(118,363)	(378,668)
Net current assets		5,199,787	4,441,684
Net assets		**16,979,370**	**17,998,562**
Capital and reserves			
Called up share capital	15	203,735	207,989
Capital redemption reserve	16	17,703	13,449
Revaluation reserve	16	(2,271,608)	(1,117,216)
Special distributable reserve	16	17,907,374	18,388,358
Profit and loss account	16	1,122,166	505,982
Equity Shareholders' funds		**16,979,370**	**17,998,562**
Basic and diluted net asset value per Ordinary Share	**17**	**83.34p**	**86.54p**

The Notes on pages 33-50 form part of these financial statements.

The financial statements on pages 29-50 were approved and authorised for issue by the Board of Directors on 16 March 2010 and were signed on its behalf by:

Keith Niven
Chairman

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2009

	Notes	Year ended 31 December 2009 £	Year ended 31 December 2008 £
As at 1 January 2009		17,998,562	25,727,915
Purchase of own shares	15	(247,033)	(1,056,868)
Loss for the year		(564,172)	(4,263,989)
Dividends paid in year	8	(207,987)	(2,408,496)
Closing Shareholders' funds	16	16,979,370	17,998,562

The Notes on pages 33-50 form part of these financial statements.

Cash Flow Statement

for the year ended 31 December 2009

	Notes	Year ended 31 December 2009 £	Year ended 31 December 2009 £	Year ended 31 December 2008 £	Year ended 31 December 2008 £
Operating activities					
Investment income received		398,184		1,226,543	
VAT received and interest thereon		223,249		–	
Investment management fees paid		(239,743)		(498,733)	
Other cash payments		(357,430)		(345,255)	
Net cash inflow from operating activities	18		24,260		382,555
Investing activities					
Acquisitions of investments	10	(567,834)		(1,554,680)	
Disposals of investments	10	1,996,610		1,234,678	
Net cash inflow/(outflow) from investing activities			1,428,776		(320,002)
Taxation					
Taxation paid			(106,857)		(63,695)
Equity dividends					
Payment of dividends	8		(207,987)		(2,408,496)
Cash inflow/(outflow) before liquid resource management and financing			1,138,192		(2,409,638)
Management of liquid resources					
(Decrease)/increase in current investments	19		(801,846)		3,371,884
Financing					
Purchase of own shares			(361,905)		(941,996)
(Decrease)/increase in cash for the year	19		(25,559)		20,250

The Notes on pages 33-50 form part of these financial statements.

Notes to the Accounts

for the year ended 31 December 2009

1 Accounting policies

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

a) Basis of accounting

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

b) Presentation of the Income Statement

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

c) Investments

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

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

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

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

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

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

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

or:-

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

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

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

d) Current investments

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

e) Income

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

f) Capital reserve

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

The following are accounted for in this reserve:

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

(ii) Revaluation reserve (Unrealised capital reserve)

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

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

(iii) Special distributable reserve

The cost of share buybacks are charged to this reserve. In addition, any realised losses on the sale of investments, and 75% of the management fee expense, and the related tax effect, are transferred from the Profit and Loss Account reserve to this reserve. This reserve, along with the Profit and Loss Account reserve, is regarded as a distributable reserve for the purpose of assessing the Company's ability to pay dividends to Shareholders.

g) Expenses

All expenses are accounted for on an accruals basis.

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

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

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

h) Taxation

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

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

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

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

2 Income

	2009 £	2008 £
Income from bank deposits	919	5,317
Income from investments		
– from equities	26,345	209,009
– from overseas based OEICs	37,254	331,739
– from loan stock	315,598	607,447
– from VAT recoverable	15,492	–
	394,689	1,148,195
Other income	4,053	–
Total income	399,661	1,153,512
Total income comprises:		
Dividends	63,599	540,748
Interest	332,009	612,764
Other income	4,053	–
	399,661	1,153,512
Income from investments comprises:		
Listed overseas securities	37,254	331,739
Unlisted UK securities	26,345	209,009
Loan stock interest	315,598	607,447
	379,197	1,148,195

Loan stock interest above is stated after deducting an amount of £nil (2008: £14,320), being a provision made against loan stock interest regarded as collectable in previous years.

Total loan stock interest due but not recognised in the year was £451,904 (2008: £223,603). This increase was the main cause of the fall in loan stock interest from last year. Dividends from equities have fallen from last year's level, which contained several capital dividends that were not repeated this year. The fall in income from overseas based OEICs, being the money-market funds, reflected the fall in interest rates to exceptionally low levels.

3 Recoverable VAT

	Revenue 2009 £	Capital 2009 £	Total 2009 £	Revenue 2008 £	Capital 2008 £	Total 2008 £
VAT recoverable	1,939	5,818	7,757	35,893	107,680	143,573

As at 31 December 2008 the Directors considered it reasonably certain that the Company would obtain a repayment of VAT of not less than £200,000. Last year's accounts recognised this amount as income of £143,573 above, and £56,427 deducted from last year's investment manager's fees, in Note 4 below. This estimate was based upon information supplied by the Company's Investment Manager, and discussions with the Company's professional advisors as a result of the European Court of Justice ruling and subsequent HMRC briefing that management fees be exempt for VAT purposes. During the year, a total of £207,757 of VAT recoverable has been received. The excess of £7,757 over the £200,000 recognised in 2008's accounts has been credited to the Income Statement, allocated 25% to revenue and 75% to capital return and is in the same proportion as that in which the irrecoverable VAT was originally charged.

The £207,757 of income recognised in both the 2008 and current year accounts, together with related interest of £15,492 shown in Note 2 above, equals the sum of £223,249 shown in the cash flow statement as part of cash flow from operating activities.

Notes to the Accounts

for the year ended 31 December 2009

4 Investment manager's fees

	Revenue 2009 £	Capital 2009 £	Total 2009 £	Revenue 2008 £	Capital 2008 £	Total 2008 £
Matrix Private Equity Partners LLP	79,923	239,769	319,692	88,810	266,428	355,238

Matrix Private Equity Partners Limited was appointed to advise the Company on investments in qualifying companies under an agreement dated 9 July 2004. The agreement was novated to Matrix Private Equity Partners LLP on 20 October 2006. The Investment Manager's appointment may be terminated at any time by giving them not less than one year's notice in writing. Fees are payable in advance at the rate of 2% per annum, based upon the value of the net assets of the Company each quarter, one month after the end of that quarter.

The investment management expense disclosed above is stated after applying a cap on expenses excluding irrecoverable VAT and exceptional items set at 3.6% of closing net assets at the year-end. In accordance with the investment management agreement, any excess expenses are borne by the Investment Manager. The excess expenses during the year amounted to £25,842 (2008: £99,550). Last year's fees were reduced by £56,427 of VAT no longer chargeable.

The Investment Manager is entitled to receive an annual performance-related incentive fee of 20% of the excess above an agreed hurdle rate in the annual dividends paid to Shareholders. The hurdle rate was 6 pence per share for the Company's first three annual reporting periods and increases annually thereafter in line with the Retail Price Index. The performance fee is only payable if the mean net asset value per share over the period relating to payment has remained at or above 100 pence and any cumulative shortfalls below the annual hurdle rate have been recovered. No performance-related incentive fee is payable to date.

5 Other expenses

	2009 £	2008 £
Directors' remuneration (including NIC) (see Note 6)	85,739	83,136
IFA trail commission	48,519	57,791
Administration fees	88,387	87,030
Broker's fees	9,161	8,813
Auditors' fees – audit	22,614	19,016
– other services supplied relating to taxation	3,732	7,103
– other services supplied pursuant to legislation	3,853	3,819
Registrar's fees	10,116	8,084
Printing	12,827	11,772
Legal and professional fees	4,687	1,916
VCT monitoring fees	7,320	6,729
Directors' insurance	7,350	7,264
Listing and regulatory fees	15,792	15,272
Sundry	(7,858)	18,765
	312,239	336,510

6 Directors' remuneration

	2009 £	2008 £
Directors' emoluments		
Keith Niven	23,000	21,500
Bridget Guérin	17,000	16,000
Christopher Moore	20,000	18,750
Tom Sooke	20,000	18,750
	80,000	75,000
Employer's NIC and VAT	5,739	8,136
	85,739	83,136

No pension scheme contributions or retirement benefit contributions were paid (2008: £nil). There are no share option contracts held by the Directors. Since all the Directors are non-executive, the other disclosures required by the Listing Rules are not applicable. The Company has no employees other than Directors.

7 Tax on profit/(loss) on ordinary activities

	2009 £	2008 £
a) Analysis of tax charge:		
– revenue charge	641	150,416
– credited to capital return	–	(42,319)
– Current and total tax charge (Note 7b)	641	108,097
b) Factors affecting tax charge for the year:		
Total loss on ordinary activities before tax	(563,531)	(4,155,892)
Add/less: non-taxable realised losses/(gains)	177,845	(86,979)
Add: non taxable unrealised losses	161,173	4,848,208
Add: investment management expense charged to capital	239,769	266,428
Less: Income treated as capital return	(5,818)	(287,405)
Profit on ordinary activities before taxation	9,438	584,360
Corporation tax @ 21% (2008: 20.75%)	1,981	121,254
Non-taxable UK dividends	(5,532)	(6,079)
Income not yet taxable	1,095	3,785
Unrelieved expenditure	2,456	–
Effect of marginal relief	–	28,480
– under provision in prior period	1,736	6,497
– deferred tax	(1,095)	(3,521)
Taxation on revenue return	641	150,416
Taxable income credited to capital	1,222	22,344
Taxation on allowable expenditure charged to capital earnings	(50,351)	(55,284)
Effect of marginal relief	–	(9,379)
Unrelieved expenditure	49,129	–
Credited to capital return	–	(42,319)
Tax charge for year (Note 7a)	641	108,097
Analysis of tax charge		
Current year	–	105,121
Prior year	1,736	6,497
Deferred tax	(1,095)	(3,521)
Tax charge as above	641	108,097

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

There is no taxation in relation to capital or losses.

Investment Trust companies are exempt from tax on capital gains if they meet the HMRC criteria set out in section 274 of the ITA.

Deferred taxation

No provision for deferred taxation has been made on potential capital gains due to the Company's current status as a VCT under section 274 of the ITA and the Directors' intention to maintain that status. The provision shown in Note 14 relates to a provision for a timing difference that reverses in the new financial year, upon which there is a movement which year, as shown in the reconciliation above. There is an unrecognised deferred tax asset of £51,585 (2008: £nil) in respect of unrelieved surplus management expenses.

Notes to the Accounts

for the year ended 31 December 2009

8 Dividends paid and payable

	2009 £	2008 £
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2008 of 1.0p (income) per Ordinary Share (year ended 31 December 2007: 1.4p (income); 6.4p (capital)	207,987	1,706,290
Interim dividend for the year ended 31 December 2009 of nil (2008 1.0p (income); 2.3p (capital) per Ordinary Share)	–	702,206
	207,987	2,408,496
Proposed distributions to equity holders at the year-end:		
Final income dividend for the year ended 31 December 2009 of nil (2008: 1p) per Ordinary Share	–	207,989
	–	207,989

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

Set out below are the total income dividends payable in respect of the financial year, which is the basis on which the requirements of Section 259 of the Income Tax Act 2007 are considered.

	2008 £	2007 £
Revenue available for distribution by way of dividends for the year	8,797	433,944
Interim income dividend paid during the year	–	212,790
Interim final income dividend declared for the year ended 31 December 2009 of 0.5pence (2008: 1p) per Ordinary Share	101,068	207,989
	101,068	420,779

9 Basic and diluted earnings per share

	2009 £	2008 £
Total earnings after taxation:	(564,172)	(4,263,989)
Basic and diluted earnings per share (note a)	**(2.73)p**	**(19.89)p**
Revenue profit from ordinary activities after taxation	8,797	433,944
Basic and diluted revenue earnings per share (note b)	**0.04p**	**2.02p**
Net realised capital (losses)/gains on investments	(177,845)	86,979
Net unrealised capital losses on investments	(161,173)	(4,848,208)
Recoverable VAT	5,818	107,680
Dividends received treated as capital	–	179,725
Capital management fees less taxation	(239,769)	(224,109)
Total capital earnings	**(572,969)**	**(4,697,933)**
Basic and diluted capital earnings per share (note c)	**(2.77)p**	**(21.91)p**
Weighted average number of shares in issue in the year	20,648,175	21,443,415

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

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

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

d) There are no instruments that will increase the number of shares in issue in future. Accordingly, the above figures currently represent both basic and diluted earnings per share.

10 Investments at fair value

Movements in investments during the year are summarised as follows:

	Traded on AiM or OFEX £	Unquoted ordinary shares £	Unquoted preference shares £	Loan stock £	Total £
Cost at 31 December 2008	150,107	4,299,915	45,706	10,178,366	14,674,094
Unrealised (losses)/gains at 31 December 2008	(85,783)	169,543	(3,273)	(1,197,703)	(1,117,216)
Valuation at 31 December 2008	64,324	4,469,458	42,433	8,980,663	13,556,878
Purchases at cost	–	32,907	76	534,851	567,834
Sale proceeds	–	(1,178,180)	(1,307)	(841,358)	(2,020,845)
Realised (losses)/gains	–	(197,436)	–	34,325	(163,111)
Reclassification at cost	–	(259,961)	1,737	258,224	–
Unrealised gains/(losses) for the year	10,721	1,142,485	(34,958)	(1,279,421)	(161,173)
Closing valuation at 31 December 2009	75,045	4,009,273	7,981	7,687,284	11,779,583
Cost at 31 December 2009	150,106	3,634,256	46,212	10,220,616	14,051,190
Unrealised (losses)/gains at 31 December 2009	(75,061)	375,017	(38,231)	(2,533,332)	(2,271,607)
Valuation at 31 December 2009	75,045	4,009,273	7,981	7,687,284	11,779,583

Transaction costs on the disposal of investments of £14,734 were incurred in the year. These are excluded from realised losses shown above of £163,111, but were included in arriving at the losses on realisation of investments in the Income Statement of £177,845.

During the year, the Company sold its investment in PastaKing Holdings Limited, for net proceeds of £1,245,096, realising an overall gain of £781,049 over cost, but a realised loss of £197,436 in the year. Within unrealised losses of £161,173 the significant movements were losses of £1,182,358 in Blaze Signs Holdings Limited and £284,295 in Youngman Group Limited. These were offset by unrealised gains of £971,519 in DiGiCo Europe Limited and £223,277 in VSI Limited.

Reconciliation of cash movements in investment transactions

The cash flow from investment proceeds shown above of £2,020,845 differs from the sale proceeds shown in the cash flow statement of £1,996,610 due to transaction costs of £14,734 and proceeds of £9,501 from the disposal of PastaKing still due at the year-end.

11 Significant interests

At 31 December 2009 the Company held significant investments, amounting to 3% or more of the equity capital of an undertaking, in the following companies:

	Equity investment (ordinary shares) £	Investment in loan stock and preference shares £	Total investment (at cost) £	Percentage of investee company's total equity
Blaze Signs Holdings Limited	472,125	1,101,625	1,573,750	17.2%
Aust Construction Investors Limited	400,000	600,000	1,000,000	16.3%
VSI Limited	61,824	328,543	390,367	15.9%
Racoon International Holdings Limited	262,258	611,941	874,199	12.3%
Vectair Holdings Limited	138,074	422,228	560,302	12.0%
Campden Media Limited	197,437	777,563	975,000	11.2%
British International Holdings Limited	225,000	956,818	1,181,818	10.0%
Monsal Holdings Limited	208,380	475,971	684,351	9.5%
PXP Holdings Limited	288,000	875,436	1,163,436	8.5%
Youngman Group Limited	100,052	900,000	1,000,052	8.5%
ATG Media Holdings Limited	305,650	553,990	859,640	7.6%
DiGiCo Europe Limited	386,522	178,696	565,218	6.5%
IGLU.com Holidays Limited	112,053	634,961	747,014	6,1%
CB Imports Group Limited	175,000	825,000	1,000,000	6.0%
The Plastic Surgeon Holdings Limited	39,029	351,260	390,289	5.9%

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

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

Matrix Private Equity Partners LLP also advises The Income and Growth VCT plc, Matrix Income and Growth 2 VCT plc, Matrix Income and Growth 3 VCT plc and Matrix Income and Growth 4 VCT plc who have investments as at 31 December 2009 in the following:

	The Income & Growth VCT plc at cost £	Matrix Income & Growth 2 VCT plc at cost £	Matrix Income & Growth 3 VCT plc at cost £	Matrix Income & Growth 4 VCT plc at cost £	Total at cost £	% of equity held by funds managed by MPEP
PXP Holdings Limited	920,176	1,163,436	1,163,436	679,549	3,926,597	37.3%
Blaze Signs Holdings Limited	1,338,500	1,398,498	379,236	610,016	3,726,250	52.5%
ATG Media Holdings Limited	1,000,000	863,895	776,465	1,000,000	3,640,360	40.0%
IGLU.com Holidays Limited	1,000,001	1,000,000	674,736	878,249	3,552,986	35.0%
CB Imports Group Limited	1,000,000	–	1,000,000	1,000,000	3,000,000	24.0%
British International Holdings Limited	590,909	1,160,000	886,364	295,455	2,932,728	34.9%
Monsal Holdings Limited	471,605	854,450	618,156	704,771	2,648,982	46.5%
Racoon International Holdings Limited	550,852	878,527	789,617	406,805	2,625,801	49.0%
Focus Pharma Holdings Limited	516,900	660,238	593,424	772,451	2,543,013	13.0%
Youngman Group Limited	1,000,052	1,000,052	–	500,026	2,500,130	29.7%
DiGiCo Europe Limited	371,291	565,218	533,056	565,217	2,034,782	30.0%
Aust Construction Investors Limited	1,000,000	–	1,000,000	–	2,000,000	49.0%
The Plastic Surgeon Holdings Limited	406,082	392,264	352,528	458,837	1,609,711	30.0%
Campden Media Limited	334,880	975,000	–	152,620	1,462,500	28.0%
MC 440 Limited	490,653	–	251,699	327,616	1,069,968	13.0%
VSI Limited	245,596	308,643	143,521	111,928	809,688	48.9%
Vectair Holdings Limited	215,914	243,784	–	100,000	559,698	24.0%
Legion Group plc	150,000	150,106	–	150,102	450,208	2.9%

12 Debtors

	2009 £	2008 £
Amounts due within one year:		
Accrued income	49,689	63,706
Prepayments	35,137	109,110
Other debtors	9,501	200,000
	94,327	372,816

13 Current investments

	2009 £	2008 £
Monies held pending investment	5,177,570	4,375,724

This comprises cash invested in seven Dublin based OEIC money market funds. £5,177,570 (2008: £4,372,136) of this sum is subject to same day access, while £nil (2008: £3,588) is subject to two-day access. These sums are treated as liquid resources in the Cash Flow Statement, and in Note 19.

14 Creditors: amounts falling due within one year

	2009 £	2008 £
Trade creditors	23,459	38,458
Other creditors	6,795	124,130
Accruals	87,840	109,595
UK corporation tax	–	105,121
Deferred taxation – see Note 7	269	1,364
	118,363	378,668

15 Called up share capital

	2009 £	2008 £
Authorised:		
Ordinary Shares of 1p each: 50,000,000 (2008: 50,000,000)	500,000	500,000
	500,000	500,000
Allotted, called-up and fully paid:		
Ordinary Shares of 1p each: 20,373,514 (2008: 20,798,925)	203,735	207,989
	203,735	207,989

During the year the company made the following share repurchases for a total consideration of £247,033 (£1,056,868).

Purchased	Date of purchase	Nominal value £
99,034	27 April 2009	990
75,839	14 May 2009	758
158,172	16 October 2009	1,582
92,366	21 December 2009	924
425,411		4,254

Notes to the Accounts

for the year ended 31 December 2009

16 Movement in share capital and reserves

	Called up share capital £	Capital redemption reserve £	Revaluation reserve £	Special distributable reserve (note b) £	Profit and loss account (note b) £	Total £
At 1 January 2009	207,989	13,449	(1,117,216)	18,388,358	505,982	17,998,562
Share buybacks	(4,254)	4,254	–	(247,033)	–	(247,033)
Write off to special reserve (note a)	–	–	–	(233,951)	233,951	–
Realisation of previously unrealised appreciation	–	–	(993,219)	–	993,219	–
Dividends paid	–	–	–	–	(207,987)	(207,987)
Loss for the year	–	–	(161,173)	–	(402,999)	(564,172)
As at 31 December 2009	203,735	17,703	(2,271,608)	17,907,374	1,122,166	16,979,370

Note a: The cancellation of the share premium account (as approved at the Extraordinary General Meeting held on 30 June 2004 and by the order of the Court dated 24 August 2006) has provided the Company with a special distributable reserve. The purpose of the reserve is to fund market purchases of the Company's own shares, and to write off existing and future losses, now that the Company has revoked its investment company status and is obliged to take into account capital losses in determining distributable reserves. The transfer of £233,951 to the profit and loss account from the special distributable reserve is the total of realised capital losses incurred by the Company during the year.

Note b: These reserves total £19,029,540 (2008: £18,894,340) and are regarded as distributable reserves for the purpose of assessing the Company's ability to pay dividends to Shareholders.

17 Basic and diluted net asset value per share

Net asset value per Ordinary share is based on net assets at the end of the year, and on 20,373,514 (2008: 20,798,925) Ordinary Shares, being the number of Ordinary Shares in issue on that date.

18 Reconciliation of loss on ordinary activities before taxation to net cash inflow from operating activities

	2009 £	2008 £
Loss on ordinary activities before taxation	(563,531)	(4,155,892)
Net losses/(gains) on realisations of investments	177,845	(87,009)
Net unrealised losses on investments	161,173	4,848,208
Decrease/(increase) in debtors	287,990	(225,241)
(Decrease)/increase in creditors and accruals	(39,217)	2,489
Net cash inflow from operating activities	24,260	382,555

19 Analysis of changes in net funds

	Cash £	Liquid resources £	Total £
At beginning of year	71,812	4,375,724	4,447,536
Cash flows	(25,559)	801,846	776,287
At 31 December 2009	46,253	5,177,570	5,223,823

20 Financial instruments

The Company's financial instruments in both years comprise:

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

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

Classification of financial instruments

The Company held the following categories of financial instruments at 31 December 2009:

	2009 (Book value) £	2009 (Fair value) £	2008 (Book value) £	2008 (Fair value) £
Assets at fair value through profit and loss:				
Investment portfolio	11,779,583	11,779,583	13,556,878	13,556,878
Current investments	5,177,570	5,177,570	4,375,724	4,375,724
Loans and receivables				
Accrued income	49,689	49,689	63,706	63,706
Other debtors	9,501	9,501	–	–
Cash at bank	46,253	46,253	71,812	71,812
Liabilities at amortised cost or equivalent				
Other creditors	(118,094)	(118,094)	(272,183)	(272,183)
Total for financial instruments	16,944,502	16,944,502	17,795,937	17,795,937
Non financial instruments	34,868	34,868	202,625	202,625
Total net assets	16,979,370	16,979,370	17,998,562	17,998,562

The investment portfolio principally consists of unquoted investments (99.9%; 2008: 99.5%) and AiM quoted stocks (0.1%; 2008: 0.5%). The investment portfolio has a 100% (2008: 100%) concentration of risk towards small UK based, £ denominated companies, and represents 69.4% (2008: 75.3%) of net assets at the year-end.

Current investments are money market funds, discussed under credit risk below, which represent 30.5% (2008: 24.3 %) of net assets at the year-end.

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

Market price risk

Market price risk arises from uncertainty about the future valuations of financial instruments held in accordance with the Company's investment objectives. These future valuations are determined by many factors but include the operational and financial performance of the underlying investee companies, as well as market perceptions of the future performance of the UK economy and its impact upon the economic environment in which these companies operate. This risk represents the potential loss that the Company might suffer through holding its investment portfolio in the face of market movements, which was a maximum of £11,779,583 at the year-end (2008: £13,556,878). It represents the potential gain or loss that the Company might benefit or suffer through holding its investment portfolio in the face of market movements.

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

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

Market price risk sensitivity

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

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

The Board considers that the value of investments in equity and loan stock instruments are ultimately sensitive to changes in quoted share prices, insofar as such changes eventually affect the enterprise value of unquoted companies. The table below shows the impact on profit and net assets if there were to be a 20% (2008: 20%) movement in overall share prices, which might in part be caused by changes in interest rate levels. However, it is not considered possible to evaluate separately the impact of changes in interest rates upon the value of the Company's portfolios of investments in small, unquoted companies.

The sensitivity analysis below assumes that each of these sub categories of investments (shares, preference shares and loan stocks) held by the Company produces a movement overall of 20% (2008: 20%), and that the actual portfolio of investments held by the Company is perfectly correlated to this overall movement in share prices. However, Shareholders should note that this level of correlation is unlikely to be the case in reality, particularly in the case of the loan stock instruments. This is because loan stock instruments would not share in the impact of any increase in share prices to the same extent as the equity instruments, as the returns are set by reference to interest rates and premiums agreed at the time of initial investment. Similarly, where share prices are falling, the equity instrument could fall in value before the loan stock instrument. It is not considered practical to assess the sensitivity of the loan stock instruments to market price risk in isolation.

	2009 £ Profit and net assets	2008 £ Profit and net assets
If overall share prices fell by 20% (2008: 20%), with all other variables held constant – decrease	(2,355,917)	(2,711,375)
Decrease in earnings, and net asset value, per Ordinary share (in pence)	(11.56)p	(13.04)p
If overall share prices increase by 20% (2008: 20%), with all other variables held constant – increase	2,355,917	2,711,375
Increase in earnings, and net asset value, per Ordinary share (in pence)	11.56p	13.04p

The impact of a change of 20% (2008: 20%) has been selected as this is considered reasonable given the current level of volatility observed both on a historical basis and market expectations for future movement.

Credit risk

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

The Company's maximum exposure to credit risk is:

	2009 £	2008 £
Loan stock investments	7,687,284	8,980,663
Money market funds	5,177,570	4,375,724
Accrued income	49,689	63,706
Cash at bank	46,253	71,812
	12,960,796	13,491,905

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

The accrued income and other debtor shown above was all due within 2 months of the year-end.

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

	2009 £	2008 £
Repayable within		
0 to 1 year	1,682,920	1,800,000
1 to 2 years	2,362,266	930,000
2 to 3 years	617,213	2,923,483
3 to 4 years	897,638	2,531,544
4 to 5 years	2,127,247	795,636
Total	7,687,284	8,980,663

No loans have as yet gone past their due repayment date. These loan stock investments are made as part of the qualifying investments within the investment portfolio, and the risk management processes applied to the loan stock investments have already been set out under market price risk above.

An aged analysis of the value of loan stock investments included above, which are past due but not individually impaired, is set out below. For this purpose, these loans are considered to be past due when any payment due under the loan's contractual terms (such as payment of interest) is received late or missed.

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for the year ended 31 December 2009

Past due loan stock assets:

	0-6 months £	6-12 months £	over 12 months £	2009 Total £
Loans to investee companies past due	363,636	700,992	1,300,105	2,364,733

	0-6 months £	6-12 months £	over 12 months £	2008 Total £
Loans to investee companies past due	78,463	–	1,182,464	1,260,927

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

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

Cash flow interest rate risk

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

Due to the short time to maturity of some of the Company's floating rate investments, it may not be possible to re-invest in assets which provide the same rates as those currently held. The Company's assets include fixed and floating rate interest instruments, as shown below. The rate of interest earned is regularly reviewed by the Board, as part of the risk management processes applied to these instruments, already disclosed under market price risk above.

The interest rate profile of the Company's financial net assets at 31 December 2009 was:

	Financial net assets on which no interest paid £	Fixed rate financial assets £	Variable rate financial assets £	Total £	Weighted average interest rate (see note) %	Average period to maturity (years)
Equity shares	4,084,318	–	–	4,084,318		
Preference shares	–	7,981	–	7,981	1.67	3.37
Loan stocks	–	6,236,942	1,450,342	7,687,284	5.13	2.13
Money market funds	–	–	5,177,570	5,177,570	0.45	
Cash	–	–	46,253	46,253		
Debtors	59,190	–	–	59,190		
Creditors	(118,094)	–	–	(118,094)		
Total for financial instruments	4,025,414	6,244,923	6,674,165	16,944,502		
Non-financial instruments	34,868	–	–	34,868		
Total net assets	4,060,282	6,244,923	6,674,165	16,979,370		

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

	Financial net assets on which no interest paid £	Fixed rate financial assets £	Variable rate financial assets £	Total £	Weighted average interest rate %	Average period to maturity (years)
Equity shares	4,533,782	–	–	4,533,782		
Preference shares	–	42,433	–	42,433	3.37	2.58
Loan stocks	–	4,482,975	4,497,688	8,980,663	5.75	3.20
Money market funds	–	–	4,375,724	4,375,724	2.57	
Cash	–	–	71,812	71,812		
Debtors	63,706	–	–	63,706		
Creditors	(272,183)	–	–	(272,183)		
Total for financial instruments	4,325,305	4,525,408	8,945,224	17,795,937		
Non-financial instruments	202,625	–	–	202,625		
Total net assets	4,527,930	4,525,408	8,945,224	17,998,562		

Note: Weighted average interest rates above are derived by calculating the expected annual income that would be earned on each asset (but only for those sums that are currently regarded as collectible and would therefore be recognised), divided by the values for each asset class at the balance sheet date.

Floating rate cash earns interest based on LIBOR rates.

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

Cash flow interest rate sensitivity

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

	2009 Profit and net assets £	2008 Profit and net assets £
If interest rates fell by 1%, with all other variables held constant – decrease	(52,361)	(61,726)
Decrease in earnings, and net asset value, per Ordinary Share (in pence)	(0.26)p	(0.30)p
If interest rates rose by 1%, with all other variables held constant – increase	52,361	61,726
Increase in earnings, and net asset value, per Ordinary Share (in pence)	0.26p	0.30p

Liquidity risk

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

To counter these risks to the Company's liquidity, the Investment Manager maintains sufficient cash and money market funds to meet running costs and other commitments. The Company invests its surplus funds in high quality money market funds which are, as reported in Note 13, nearly all accessible on an immediate basis.

Currency risk

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

Fair value hierarchy

The table below sets out fair value measurements using FRS29 fair value hierarchy.

Financial assets at fair value through profit and loss

At 31 December 2009

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	75,045	–	4,009,273	4,084,318
Preference shares	–	–	7,981	7,981
Loan stock	–	–	7,687,284	7,687,284
Money market funds	5,177,570	–	–	5,177,570
Total	5,252,615	–	11,704,538	16,957,153

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

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

Level 1 – valued using quoted prices in active markets for identical assets

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

The valuation techniques used by the Company are explained in the accounting policies in Note 1.

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

	Equity investments £'000	Preference shares £'000	Loan stock £'000	Total £'000
Opening balance at 1 January 2009	4,469,458	42,433	8,980,663	13,492,554
Purchases	32,907	76	534,851	567,834
Sales	(1,178,180)	(1,307)	(841,358)	(2,020,845)
Total (losses)/gains included in (losses)/gains on investments in the Income Statement:				
– on assets sold	(197,436)	–	34,325	(163,111)
– on assets held at the year end	1,142,485	(34,958)	(1,279,421)	(171,894)
Closing balance at 31 December 2009	4,269,234	6,244	7,429,060	11,704,538

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

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

	31 December 2009 £	31 December 2008 £
Investment methodology		
Cost (reviewed for impairment)	1,097,572	3,657,084
Asset value supporting security held	700,992	–
Recent investment price	1,747,014	859,640
Earnings multiple	8,158,960	8,975,830
	11,704,538	13,492,554

The unquoted equity and loan stock investments had the following movements between valuation methodologies between 31 December 2008 and 31 December 2009:

Change in investment methodology (2008 to 2009)	Carrying value as at 31 December 2009 £	Explanatory note
Recent investment price to earnings multiple	787,552	More appropriate basis for determining the value
Cost (reviewed for impairment) to earnings multiple	665,948	More appropriate basis for determining the value
Earnings multiple to Asset value supporting security held	700,992	More appropriate basis for determining the value
Cost (reviewed for impairment) to recent investment price	1,747,014	More appropriate basis for determining the value

The valuation will be the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the September 2009 IPEVCV guidelines. The directors believe that, within these parameters, there are no other possible methods of valuation which would be reasonable as at 31 December 2009.

FRS 29 requires disclosure, by class of financial instruments, if the effect of changing one or more inputs to reasonably possible alternative assumptions would result in a significant change to the fair value measurement. The information used in determination of the fair value of Level 3 investments is chosen with reference to the specific underlying circumstances and position of the investee company. The portfolio has been reviewed and both downside and upside reasonable possible alternative assumptions have been identified and applied to the valuation of each of the unquoted investments. Applying the downside alternatives, the value of the unquoted investments would be £970k or 8.2% lower. Using the upside alternatives the value would be increased by £1.4m or 11.7%. In arriving at both these figures, a 5% change to earnings multiples was applied. In addition, for the upward alternative only, the earnings of three investee companies were increased where it was considered reasonable to do so.

Notes to the Accounts

for the year ended 31 December 2009

21 Management of capital

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

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

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

22 Segmental analysis

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

23 Related party transactions

Bridget Guérin was until 22 December 2009 a director and remains a shareholder (2.0%) of Matrix Group Limited, which owns 100% of the equity of MPE Partners Limited. MPE Partners Limited has a 50% interest in Matrix Private Equity Partners LLP ("MPEP"), the Company's Investment Manager. The fee arrangements and the fees payable are set out in Note 4. £nil (2008: £12,481) was payable to the Investment Manager at the year-end, while £25,842 (2008: £99,550) is recoverable from the Investment Manager in respect of the expense cap for the year. Bridget Guérin was also until 22 December 2009, a director of Matrix-Securities Limited, a wholly-owned subsidiary of Matrix Group Limited, who provided Company Secretarial and Accountancy Services to the Company under agreements dated 9 July 2004, disclosed in Note 5 to these accounts as administration fees. The agreements with MPEP and with Matrix-Securities Limited became effective from 5 October 2004. £21,861 was due to Matrix-Securities Limited at the end of the year (2008: £21,119).

Matrix Group Limited also holds a significant interest in Matrix Corporate Capital LLP ("MCC"). Four share buybacks were undertaken by MCC on the Company's instruction, costing £247,033. Fees of £9,161 were paid to MCC during the year.

24 Post balance sheet events

Since the year-end, the Board, assisted by its professional advisers, has commenced the production of proposals to be sent to Shareholders to merge the Company with Matrix Income & Growth 3 VCT plc. Shareholders will be asked to vote on these proposals at an extraordinary general meeting, currently scheduled to take place in May 2010 on the same day as the Company's Annual General meeting. If Shareholders approve these proposals, the assets and liabilities of Matrix Income & Growth VCT 3 plc will be transferred to the Company, in return for new shares to be issued by the Company to Shareholders in Matrix Income & Growth 3 VCT plc at their fair value. The number of such shares to be issued by the Company will be determined by the relative net asset values per share of both the Company and Matrix Income & Growth VCT 3 plc, at the date of the merger. At the date of approval of these accounts, the Board remains intent on finalising these proposals in time to be posted to Shareholders to accompany these accounts in their printed form. The Company estimates that it will share merger costs, estimated to total approximately £250,000, with Matrix Income & Growth VCT 3 plc.

Shareholder Information

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

The Company circulates a bi-annual newsletter to Shareholders in the quarters in which it does not publish annual or interim accounts. The next edition will be distributed in June 2010.

Net asset value per share

The Company's NAV per share as at 31 December 2009 was 83.3 pence per share. The Company announces its unaudited NAV on a quarterly basis.

Dividend

The Directors have declared an interim dividend in respect of the year ending 31 December 2010 on 16 March 2010 to Shareholders of 5.0 pence per share comprising 0.5 pence from income and 4.5 pence from capital. The dividends will be paid on 21 April 2010 to Shareholders on the Register on 26 March 2010.

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

Financial calendar

26 March 2010	Record date for Shareholders to be eligible for interim dividend
Mid April 2010	Annual Report for the year ended 31 December 2009 to be circulated to Shareholders
21 April 2010	Interim dividend in respect of the year ended 31 December 2009 to be paid to Shareholders.
12 May 2010	Annual General Meeting
Early August 2010	Announcement of Half-Yearly Results
Late August 2010	Half-Yearly Report for the six months ended 30 June 2010 to be circulated to Shareholders
31 December 2010	Year-end.

Annual General Meeting

The next Annual General Meeting of the Company will be held on 12 May 2010 at 11.00 am at One Vine Street, London W1J 0AH. Please try to arrive 10 minutes before the meeting starts when tea and coffee will be served to Shareholders. A short presentation will be given by the Investment Manager during the AGM. The Notice of the meeting is included on pages 52 - 54 of this Annual Report. A proxy form for use at the Meeting is enclosed separately with Shareholders copies of this Annual Report. Proxy forms should be completed in accordance with the instructions printed thereon and sent to the Company's Registrars, Computershare Investor Services PLC, to arrive no later than 11.00 am on 10 May 2010.

Shareholder enquires:

For enquiries concerning the Fund, please contact the Investment Manager, Matrix Private Equity Partners LLP, on 020 3206 7000 or by e-mail to info@matrixpep.co.uk.

For information on your holding, to notify the Company of a change of address or to request a dividend mandate form (should you wish to have future dividends paid directly into your bank account) please contact the Company's Registrars, Computershare Investor Services PLC, on 0870 707 1155 or write to them at The Pavilions, Bridgwater Road, Bristol BS99 6ZZ or should you prefer visit their website at www.investorcentre.co.uk

To contact the Chairman, the Senior Independent Director or any member of Board, please contact the Company Secretary, Matrix-Securities Limited in the first instance, on 020 3206 7000 or by e-mail to MIG@matrixgroup.co.uk.

MATRIX INCOME & GROWTH VCT PLC
(Registered in England and Wales No. 5153931)

NOTICE of the ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the sixth Annual General Meeting of the Company will be held at 11.00 on 12 May 2010 at Matrix Group Limited, One Vine Street, London, W1J 0AH for the purposes of considering and, if thought fit, passing the following resolutions of which resolutions 1 to 6 will be proposed as ordinary resolutions and resolutions 7 to 10 will be proposed as special resolutions:-

ORDINARY BUSINESS

1. To receive and adopt the report of the Directors and the audited accounts of the Company for the year ended 31 December 2009, together with the Auditors' report thereon.
2. To approve the Directors' Remuneration Report as set out in the Annual Report and Accounts of the Company for the year ended 31 December 2009.
3. To re-appoint PKF (UK) LLP of Farringdon Place, 20 Farringdon Road, London EC1M 3AP as Auditors.
4. To authorise the Directors to determine the remuneration of the Auditors.
5. To re-elect Bridget Guérin as a Director of the Company.
6. That in substitution for any existing authorities pursuant to section 551 of the Companies Act 2006 ("the Act"), the Directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £67,912 provided that this authority shall expire on the fifth anniversary of the date of the passing of this resolution unless renewed, revoked or varied by the Company in general meeting (except that the Company may, before such expiry, make offers or agreements which would or might require shares to be allotted or rights to be granted after such expiry and notwithstanding such expiry the Directors may allot shares or grant rights in pursuance of such offers or agreements).
7. THAT subject to the passing of resolution 6 above and in substitution for any existing authorities pursuant to section 570 (1) of the Companies Act 2006 ("the Act") the Directors be and they are hereby empowered to allot equity securities (as defined in Section 560 (1) of the Act) for cash pursuant to the authority conferred upon them by resolution 6 above or by way of a sale of treasury shares as if Section 561 (1) of the Act did not apply to any such allotment, provided that the power conferred by this resolution shall be limited to:

   (i) the allotment and/or sale of equity securities in connection with an issue or offer by way of rights or other pre-emptive issue or offer, open for acceptance for a period fixed by the directors where the shares offered to all shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares of 1 pence each ("Ordinary Shares") held by them on a fixed record date, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with legal or practical problems in respect of overseas shareholders, fractional entitlements, directions from any holders of Ordinary Shares to deal in some other manner with their respective entitlements, or the requirements of any recognised regulatory body or any stock exchange in any territory;

   (ii) the allotment and/or sale of equity securities 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 hereof in connection with any dividend investment scheme or similar scheme as may be introduced by the Company from time to time;

   (iii) the allotment and/or sale of equity securities (otherwise than pursuant to sub-paragraphs (i) and (ii) above) up to an aggregate nominal amount of 10 per cent of the issued Ordinary Share Capital of the Company at the date hereof where the proceeds of the allotment may be used in whole or in part to purchase the Company's Ordinary Shares in the market;

   (iv) the allotment and/or sale of equity securities (otherwise than pursuant to sub-paragraphs (i), (ii) and (iii) above) from time to time with an aggregate nominal value of up to 5 per cent of the issued Ordinary Share Capital of the Company at the date hereof.

   and shall expire on the conclusion of the Annual General Meeting of the Company to be held in 2011 or if earlier 11 August 2011 (unless previously renewed, varied or revoked by the Company in General Meeting), except that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

NOTICE of the ANNUAL GENERAL MEETING

SPECIAL BUSINESS

8. THAT in substitution for any existing authorities pursuant to and in accordance with section 701 of the Companies Act 2006 ("the Act"), the Company be authorised to make one or more market purchases (within the meaning of Section 693 (4) of the Act) of ordinary shares of 1 pence each in the capital of the Company ("Ordinary Shares") provided that:
   (i) the maximum aggregate number of Ordinary Shares authorised to be purchased shall not exceed 3,053,990;
   (ii) the minimum price which may be paid for Ordinary Shares is 1 penny per share, the nominal value thereof; and
   (iii) the maximum price which may be paid for an Ordinary Share is not more (excluding expenses) per Ordinary Share than the higher of (i) 5 per cent above the average of the middle market quotations for the Ordinary Shares as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which that Ordinary Share is purchased and (ii) the price stipulated by Article 5(1) of the Buy-back and Stabilisation Regulations 2003 (EC 2273/2003)

   and this authority shall expire on conclusion of the next Annual General Meeting of the Company or if earlier 11 August 2011.
9. That with effect from the close of this meeting:
   (i) The provisions of the Company's Memorandum of Association which, by virtue of section 28 of the Companies Act 2006, are to be treated as provisions of the Company's Articles of Association, be deleted in their entirety; and
   (ii) The Articles of Association produced to the meeting and initialled by the chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.
10. That a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice.

BY ORDER OF THE BOARD

Matrix-Securities Limited
Company Secretary

Registered Office
One Vine Street
London W1J 0AH

16 March 2010

NOTES:

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact the Registrars helpline on 0870 707 1155.

2. To appoint a proxy (a) the form of proxy or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY or (b) the proxy appointment must be registered electronically at www.eproxyappointment.com, in each case so as to be received not later than 11.00 am on 10 May 2010 or 48 hours before the time appointed for any adjourned meeting or, in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll.

   To vote electronically, you will be asked to provide the Control Number, Shareholder Reference Number (SRN) and PIN, details of which are contained in the covering letter sent with Shareholders' copies of this Annual Report. This is the only acceptable means by which proxy instructions may be submitted electronically.

3. The return of a completed proxy form, other such instrument or any electronic proxy instruction as described in paragraph 2 above will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.

4. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

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

6. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company at 11.00 am on 10 May 2010 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

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

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

9. As at 16 March 2010 (being the last business day prior to the publication of this Notice) the Company's issued share capital consisted of 20,373,514 Ordinary Shares, each carrying one vote. Therefore, the total voting rights in the Company as at 16 March 2010 were 20,373,514.

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

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

12. A copy of the articles of association proposed to be adopted pursuant to resolution 9 will be available for inspection at the offices of Matrix-Securities Limited, One Vine Street, London W1J 0AH from the date of this Notice until the conclusion of the Annual General Meeting and then at the Annual General Meeting from 15 minutes before the start of the meeting until the conclusion of the meeting.

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PROXY FOR THE ANNUAL GENERAL MEETING

for Matrix Income & Growth VCT plc

I/We ....

of (address) ....

being a member/members of the Company hereby appoint the Chairman of the Meeting, or

....

for the following number of Ordinary Shares [ ]

as my/our proxy to vote, on a poll, in my/our name and on my/our behalf at the Annual General Meeting of the Company to be held at 11.00 am on 12 May 2010 at the offices of Matrix Group Limited, Fourth Floor, One Vine Street, London, W1J 0AH and at any adjournment thereof.

Please indicate with an 'x' in the boxes below how you wish your vote to be cast. Should this form of proxy be returned signed but without a specific direction, the proxy may vote or abstain as he/she thinks fit.

Please indicate with an 'x' if this is one of multiple proxy instructions being given. [ ]

The proxy is directed to vote on the resolutions set out in the notice convening the Annual General Meeting, of which resolutions 1 to 6 are proposed as ordinary resolutions and resolutions 7 to 10 are proposed as special resolutions, as follows:

	Resolution	For	Against	Vote withheld
ORDINARY BUSINESS				
Resolution 1	To receive and adopt the report of the Directors and the audited accounts of the Company for the year ended 31 December 2009.			
Resolution 2	To approve the Directors' Remuneration Report for the year ended 31 December 2009.			
Resolution 3	To re-appoint PKF (UK) LLP as Auditors.			
Resolution 4	To authorise the Directors to determine the remuneration of the Auditors.			
Resolution 5	To re-elect Bridget Guérin as a Director of the Company.			
Resolution 6	To authorise the Directors to allot Ordinary Shares.			
Resolution 7	To authorise the Directors to disapply pre-emption rights of members. (Special Resolution)			
SPECIAL BUSINESS				
Resolution 8	To authorise the Company to make market purchases of Ordinary Shares. (Special Resolution)			
Resolution 9	To adopt new Articles of Association of the Company. (Special Resolution)			
Resolution 10	To approve a resolution that a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice. (Special Resolution)			

Signed .... Dated ....

NOTES AND INSTRUCTIONS

1. Every holder has the right to appoint some other person(s) of their choice, who need not be a shareholder as his proxy to exercise all or any of his rights, to attend, speak and vote on their behalf at the meeting. If you wish to appoint a person other than the Chairman, please insert the name of your chosen proxy holder in the space provided. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box following the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).
2. To appoint more than one proxy, an additional proxy form(s) may be obtained by contacting the Registrar's helpline on 0870 707 1155 or you may photocopy this form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
3. The 'Vote Withheld' option is provided to enable you to abstain on any particular resolution. However, it should be noted that a 'Vote Withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.
4. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at close of business on the day which is two days before the day of the meeting. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.
5. Any alterations made to this form should be initialled.
6. The completion and return of this form will not preclude a member from attending the meeting and voting in person.

Corporate Information

Directors
Keith Niven (Chairman)
Bridget Guérin
Christopher Moore
Tom Sooke (Senior Independent Director)

All of whom are non-executive and of:
One Vine Street
London W1J 0AH
e.mail mig@matrixgroup.co.uk

Secretary and Administrator
Matrix-Securities Limited
One Vine Street
London W1J 0AH

Investment Manager
Matrix Private Equity Partners LLP
One Vine Street
London W1J 0AH
e.mail: info@matrixpep.co.uk

Promoter
Matrix-Securities Limited
One Vine Street
London W1J 0AH

Solicitors
Martineau
No 1 Colmore Square
Birmmingham
B4 6AA

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

Registrar
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

Receiving Agent
Matrix Registrars Limited
One Vine Street
London W1J 0AH

VCT Tax Adviser
PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Bankers
National Westminster Bank Plc
Financial Institutions Team
First Floor
Mayfair Commercial Banking Centre
Piccadilly
London W1A 2PP

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

Company Registration Number : 5153931

Website: www.migvct.co.uk

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