INVESTMENT PRODUCTS

MATRIX INCOME & GROWTH VCT PLC

A VENTURE CAPITAL TRUST

REPORT & ACCOUNTS

Annual Report and Accounts
for the year ended 31 December 2010

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.

Merger with Matrix Income & Growth 3 VCT plc

The Company merged with Matrix Income & Growth 3 VCT plc ("MIG 3 VCT") on 20 May 2010 ("the Merger"). As part of the merger process MIG 3 VCT was placed in members' voluntary liquidation and its assets and liabilities were transferred to the Company. 20,572,129 new ordinary shares of 1 penny each in the capital of the Company were issued on 20 May 2010 at a deemed issue price of 83.2 pence per share to acquire net assets of £17,111,545 from MIG 3 VCT. Each MIG 3 VCT shareholder received approximately 1.0655 shares in MIG VCT (rounded down to the nearest whole number) for each MIG 3 VCT share that they held at the date of the merger.

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Investment Policy

The VCT's policy is to invest primarily in a diversified portfolio of UK unquoted companies. Investments are usually structured as part loan and part equity in order to generate regular income and to generate capital gains from realisations.

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 low risk money market funds.

• UK companies

For funds raised before 6 April 2006, the companies in which investments were made must have had no more than £15 million of gross assets at the time of investment to be classed as a VCT qualifying holding. The funds raised by the Company after 6 April 2006 are subject to the £7 million gross assets test for an investment to be VCT qualifying.

• VCT regulation

The investment policy is designed to ensure that the VCT continues to qualify and is approved as a VCT by 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 VCT qualifying holdings, of which a minimum overall of 30% by value must be in ordinary shares which carry no preferential rights (save as may be permitted under VCT rules). 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 VCT qualifying company in ordinary shares which carry no preferential rights (save as may be permitted under VCT rules).

The VCT regulations in respect of funds raised after 6 April 2011 will change, such that 70% of such funds must be invested in equity.

• Asset mix

MIG VCT holds its liquid funds in a portfolio of readily realisable interest-bearing investments and deposits. The investment portfolio of qualifying investments has been built up over time with the aim of investing and maintaining 80% of net funds raised in qualifying investments.

• Risk diversification and maximum exposures

Risk is spread by investing in a number of different businesses across different industry sectors. To reduce the risk of high exposure to equities, each qualifying investment is structured to maximise the amount which may be invested in loan stock. Initial investments in VCT qualifying companies are, subject to formal approval from the MIG VCT Board, 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 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 three other VCTs advised by MPEP with a similar investment policy. This enables the VCT to participate in combined investments by the Manager of up to £5 million.

• Borrowing

The VCT's articles permit borrowings of amounts up to 10% of the sum equal to the aggregate of the amount paid up on the allotted or issued share capital of the Company and the amount standing to the credit of the capital and revenue reserves of MIG VCT (whether or not distributable) after adding thereto or deducting therefrom any balance standing to the credit or debit of the profit and loss account. However, 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 and Share buy-back policies. Investment and divestment proposals are originated, negotiated and recommended by the Manager and are then subject to formal approval by the Directors.

Financial Highlights

Merger with Matrix Income & Growth 3 VCT plc ("MIG 3 VCT")

The Company acquired the net assets and liabilities of MIG 3 VCT on 20 May 2010. At that date, the net assets of the merged VCT were £34.1 million, which have increased to £38.5 million at 31 December 2010.

Following the Merger, MIG 3 VCT shareholders were issued with approximately 1.0655 MIG VCT ordinary shares for each former MIG 3 VCT share. By way of illustration, a shareholder who previously held 10,000 MIG 3 VCT shares now holds 10,655 shares in the Company. Further details explaining the basis of the Merger can be found in Note 21 to the Accounts on pages 51 – 52.

Performance Summary

The net asset value (NAV) per share at 31 December 2010 was 96.7 pence

To help Shareholders who originally invested in the Company and in MIG 3 VCT understand the recent past performance of their investment, comparative data for each company is shown below. Total return (NAV basis) comprises NAV per share plus cumulative dividends paid per share:-

	Net assets (£m)	NAV per Share (p)	Net cumulative dividends paid per share (p)	Total return (NAV basis) per share to shareholders since launch (p)	Share price[2] (p)	Total Expense ratio
MIG VCT						
As at 31 December 2010[1]	38.5	96.7	21.3	118.0	84.0	2.7%
As at 31 December 2009	17.0	83.3	16.3	99.6	57.0	3.7%
As at 31 December 2008	18.0	86.5	15.3	101.8	74.5	3.8%
MIG 3 VCT						
As at 31 December 2010[1]	–	103.0	9.5	112.5	–	–
As at 31 December 2009	17.5	90.0	5.5	95.5	63.0	3.6%
As at 31 December 2008	17.8	88.9	4.8	93.7	80.0	3.7%

[1] The data at 31 December 2010 shows the return on an initial subscription price of 100p at the date of inception of each VCT taken from the table below divided by £10,000.

[2] Source: London Stock Exchange

Return before and after tax relief

The tables below show the total returns (NAV basis) at 31 December 2010 for a shareholder in each VCT that invested £10,000 at £1 a share at each VCT's inception.

		MIG VCT 2004/05	MIG 3 VCT 2005/06
Original investment (10,000 shares at £1 each)	(£)	10,000	10,000
Number of shares held post merger		10,000	10,655
Rate of income tax relief	%	40%	40%
Cost net of income tax relief	(£)	6,000	6,000
NAV at 31 December 2010	(£)	9,666	10,299
Dividends paid to shareholders since subscription	(£)	2,130	955
Total return (NAV basis) to shareholders since subscription	(£)	11,796	11,254
Profit/(loss) before income tax relief	(£)	1,796	1,254
Profit/(loss) after income tax relief[1]	(£)	5,796	5,254

[1] NAV total return minus cost net of income tax relief

Liquidity and discount management

The Company holds approximately £7.5 million in readily realisable assets that are available for further investments, dividends and share buy-backs. The current discount for the Company's shares is 11.6% at today's date. The discount has therefore narrowed considerably from 38.1% on 20 May 2010 following the Merger.

Dividend history

In respect of year ended		Dividends paid in each year since launch	
	Payment date	MIG VCT (p) per share	MIG 3 VCT (p) per share
31 December 2005 (interim)	27 September 2005	0.30	–
31 December 2005	16 May 2006	0.70	–
31 December 2006 (interim)	14 September 2006	0.80	–
31 December 2006	18 May 2007	1.40	1.25
31 December 2007 (interim)	20 September 2007	1.00	1.00
31 December 2007	21 May 2008	7.80	1.50
31 December 2008 (interim)	11 September 2008	3.30	1.00
31 December 2008	15 May 2009	1.00	0.80
31 December 2009 (interim)	21 April 2010	5.00	4.00
Cumulative dividends paid prior to the merger		**21.30**	**9.55**

Dividends paid include distributions from both income and capital.

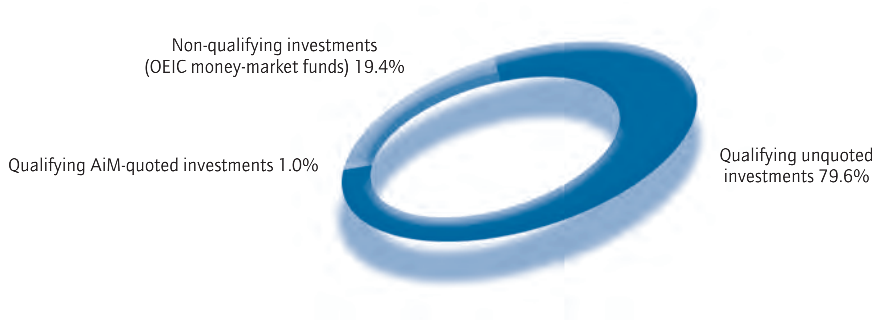
Financial Highlights

Dividends proposed

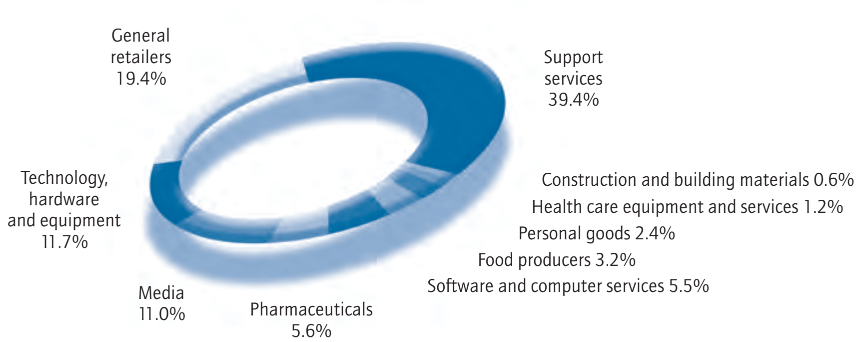
A final dividend of 5.0 pence per share, comprising 4.5 pence from capital and 0.5 pence from income, will be recommended to Shareholders at the Annual General Meeting of the Company to be held on 4 May 2011 and this dividend, if approved, will be paid on 27 May 2011 to Shareholders on the Register on 13 May 2011.

Investments by valuation at 31 December 2010

Investments by asset class



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 2010.

Overview

The year under review was dominated by uncertainty around the UK economy, the impact of the Coalition Government and, more recently, public sector expenditure cuts and a slowdown in consumer expenditure.

It is therefore encouraging to report a year of solid progress by your Company despite these challenging conditions. The year saw the successful merger with MIG 3 VCT and an increase of 18.5% in the total return (NAV basis) per share over the year as a whole. Given the less uncertain investment outlook for the VCT portfolio and the Company's healthy liquidity position, your Board implemented its share buy-back policy so as to reduce significantly the discount of the share price to NAV to 11.6% as at the date of this report. New investment activity saw a sharp and welcome increase in the second half of the year and the Company also launched a linked fundraising with two other Matrix advised VCTs in November 2010 ("the Joint Offer"). A total of £3.3 million has been raised for the Company under the Joint Offer to date and 3,465,559 new shares in the capital of the Company have been issued to subscribers after the year-end.

Merger with Matrix Income & Growth 3 VCT plc

In the Half-Yearly Report, I reported that the Company had successfully merged with MIG 3 VCT. The merger created an enlarged company, broadly doubling net assets to £34.1 million (£38.5 million at the year-end) It has resulted in material cost savings and simpler administration. The ratio used for the conversion of MIG 3 VCT shares to shares in MIG VCT was approximately 1.0655. Shareholders were issued with new share certificates on 26 May 2010.

Performance

The total return (NAV basis) per share, including dividends paid to date, is now 118.0 pence (2009: 99.6 pence), an increase over the year of 18.5% (2009: fall of 2.2%). This compares with the initial NAV per share, net of initial costs, of 94.5 pence representing a positive total return (NAV basis) per share since inception of 24.9% (2009: 5.4%).

Former MIG 3 VCT Shareholders can refer to the tables included in the Financial Highlights on pages 2 – 4 for information on the performance of their original investment including dividend payments.

New investment and portfolio review

The Manager saw an upturn in deal activity in the second half of 2010 and also in the first quarter of 2011 and is hopeful this will be sustained. Four new investments were completed towards the end of the year. Three were MBOs: RDL Recruitment Corporation Limited (RDL), Faversham House Group Limited and Automated Systems Group plc (ASL). The Company's existing investments in acquisition vehicles Aust and Apricot Trading were used in respect of the RDL and ASL investments. The fourth was an investment in AiM listed Omega Diagnostics plc, a provider of high quality in vitro diagnostics products.

A number of the loan stocks held by the Company totalling £672,775 in value have been partially repaid during the year (including any premiums paid). These include repayments from DiGiCo Europe, Monsal, Westway and ATG Media. In addition, a payment of £1,205,180 has also been received after the year-end from Iglu.com in full repayment of its loan stock. Iglu has done particularly well to increase its cash balances to this extent since investment in December 2009 and it is encouraging to see that all three investments made towards the end of 2009, Iglu, CB Imports (Country Baskets) and Westway are all valued in excess of cost, having comfortably exceeded their investment plans.

Against this, a number of companies, particularly those exposed to the building and construction sectors are still experiencing difficult trading as the economy emerges from recession and their valuations reflect this.

Following the year-end, the Company sold its entire investment in Campden Media for a cash consideration of £836,294, while a further investment and commitment to invest, totalling £622,466 have been made into ASL Technology.

Further details of these investments and the year's other transactions can be found in the Investment Manager's Review on pages 8 – 13.

Review of results

The performance referred to earlier is reflected in a profit for the year of £6,321,656 (2009: loss of £564,172). This turnaround is mainly due to the rise in the valuation of the portfolio of £6,527,412, itself reflecting the good overall performance of a number of individual companies, as explained in the Investment Manager's Review. Pleasingly, the revenue return for the year (from which any income dividends are paid) has improved from £8,797 in 2009 to £313,297 this year. This is because income has risen, while expenses are falling, as explained below.

Income has risen from last year, which is only to be expected, as this year's income includes income from MIG 3 VCT investments since the merger. However, income this year also exceeds the total for both VCTs last year, due principally to a dividend of £135,189 from DiGiCo and higher loan stock interest from investee companies.

Chairman's Statement

Revenue is still suffering from the low level of 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 compared to previous periods before the fall in bank interest rates. 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 result in lower income dividends for the foreseeable future.

However, the revenue account has started to benefit from the savings in running costs envisaged as a consequence of the merger, and it is pleasing that a revenue surplus has been achieved, even after incurring £69,089 of merger costs.

Dividends

Your Directors are pleased to recommend a final dividend in respect of 2010 of a total of 5.0 pence per share (2009: 5.0 pence (Interim dividend)) comprising 0.5 pence per share from income (2009: 0.5 pence (Interim dividend)) and 4.5 pence per share (2009: 4.5 pence (Interim dividend)) from capital.

Subject to approval by Shareholders, this dividend will be paid on 27 May 2011 to Shareholders on the Register on 13 May 2011. This payment would bring cumulative dividends paid by MIG VCT since inception to 26.3 pence per share.

Investment in qualifying holdings

The Company has continued to meet the target set by HM Revenue & Customs of investing not less than 70% of total funds raised in qualifying unquoted and AiM quoted companies ("the 70% test"). At 31 December 2010, the Company was 80.0% invested in qualifying companies (based upon the tax values, which differ from the Investment Portfolio Summary on pages 14 – 15).

Share buy-backs

Prior to the Merger on 20 May 2010, MIG VCT bought back 33,525 of the Company's own shares at a price of 54.8 pence per share and MIG 3 VCT bought back 103,995 of its own shares at a price of 59.1 pence per share at a total aggregate cost of £80,279. These shares, representing 0.16% and 0.54% respectively of the issued share capital of MIG VCT and MIG 3 VCT at the beginning of the year, were subsequently cancelled by the Company.

Following the Merger, the Company has bought back 1,132,572 of its own shares at an average price of 76.6 pence per share for a cost of £871,505. Purchases in the first half of the year were made at discounts to the latest published NAVs per share ranging between 16% and 38% compared to between 10 and 11% in the second half of the year. The wide discounts at which the shares were bought back at the beginning of the year reflected the uncertain economic, financial and market conditions prevailing at the time. However, the investment portfolio value has shown resilience and the Company's strong liquidity position enabled your Board to narrow significantly the level of discount and stabilise it around 10%.

The Company's shares are listed on the London Stock Exchange and as such they should be sold in the same way as any other quoted company through a stockbroker. However, to ensure that they obtain the best price, Shareholders wishing to sell their shares are advised to contact the Company's stockbroker, Matrix Corporate Capital by telephoning 020 3206 7176/7 before agreeing a price with their stockbroker or placing an order on an online share dealing system. Shareholders are also advised to discuss their individual tax position with their financial advisor before deciding to sell their shares.

Ongoing Shareholders, of course, benefit from the difference between the Net Asset Value and the value at which the Shares are bought back and cancelled.

Fundraising

The Company is participating in a linked fundraising with The Income & Growth VCT plc and Matrix Income & Growth 4 VCT plc launched on 12 November 2010 to raise up to £21 million across the three VCTs. The funds raised for the VCT of up to £7 million will enhance the Company's cash position enabling it to capitalise on new investment opportunities and spread fixed running costs over a larger asset base. Details of the Offer have been posted to Shareholders. This Offer has been well received and so far raised a further £3.3 million for the Company.

The Offer will remain open until 30 April 2011 (5 April 2011 in respect of the current tax year) although the Directors of the three VCTs reserve the right to extend the closing date at their discretion.

The Board

Christopher Moore was appointed the independent Chairman of Matrix Income & Growth 4 VCT with effect from September 2010. In preparation for this he resigned from your Board on completion of the Merger with MIG 3 VCT.

I would like to take this opportunity to thank Christopher for the valuable contribution he made to the Company since its launch and in particular for his leadership as Chairman of the Investment Committee. His wise guidance and sage advice were always greatly appreciated.

Communication with shareholders

We aim to communicate regularly with our Shareholders. In addition to the Half-Yearly and Annual Reports, Shareholders have received a twice-yearly Investment Manager's Newsletter, approved by the Board. In 2011, the Manager is intending to replace this with a Newsletter to be circulated to all Matrix VCT shareholders in June and December of each year. 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 Manager.

The Manager arranged a successful investor workshop in December 2010 to give all Matrix-advised VCT Shareholders the opportunity to hear about the Manager's investment activity in greater depth. Around 100 attendees heard presentations by the Manager and from two of the successful entrepreneurs of portfolio companies. It is intended that this will be an annual event to be held each December, to which Shareholders will be sent an invitation.

Outlook

The outlook for the UK economy remains uncertain and there are many challenges facing smaller companies. However, the majority of companies in the portfolio continue to have sound liquidity and are trading profitably. Several are reporting results ahead of budget. It is encouraging that the portfolio as a whole remains resilient and that value has increased despite the volatility in the year. The Manager aims to invest in only those companies with strong competitive positions in niche markets that they believe will perform strongly within their sector. Whilst poor quality companies may find conditions increasingly challenging in 2011, well-managed and well-capitalised smaller companies with strong sales propositions should still prosper. Prospects for additional new investment and profitable exit opportunities have improved and this together with the Company's strong cash position gives your Board confidence in the future prospects for Shareholders.

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

Keith Niven,
Chairman

24 March 2011

Investment Manager's Review

Overview

We are pleased to report that the latter part of the year has seen many signs of improvement in our investment marketplace. This makes us increasingly confident that the UK economy is starting to generate conditions for greater volumes of attractively priced new investments. Confidence is improving among most of the management teams of companies in the portfolio, following an extended period of challenging trading conditions in most market sectors. Following a significant pick up in deal flow, our strategy is to select niche companies with strong market positions within their sectors rather than targeting specific sectors. However, we remain alert to the potential impact on the UK economy of the cuts in public spending that are being implemented by the Coalition Government.

We have been appreciative of the Board's support through a period when we have thought it prudent to retain funds until economic conditions improved, rather than make investments of a lower quality. Where we have chosen to invest, our strategy has been to ensure that the companies were properly capitalised at the time of investment so that they were well positioned to contend with adverse market conditions. This, together with our focus on MBOs of established, profitable companies, has enabled us to build a resilient portfolio which has weathered the recession well.

It is notable that no further funding has been required by any of the investee companies, to help them deal with the downturn, during the year. We have been working actively with the management teams of investee companies encouraging them to take cost cutting measures and discussing their budgets, forecasts and cost structure to ensure that their businesses remain as resilient as possible. The majority of investee companies have managed their cashflow well and remain cash-generative. Since commencing the investment programme five years ago, just two investments representing 1.3% of total investment current cost have failed. In addition to Legion Group which is discussed on page 9 of this Report, FH Ingredients was put into Administration and subsequently dissolved in December 2008.

New investment

The last few months have been relatively busy in terms of investment activity with four new investments completing since the end of October, two of which used existing acquisition vehicles. In the first of these, the Company used its investment of £1 million in the acquisition vehicle, Aust, to support the MBO of RDL Recruitment Corporation, a European recruitment provider within the pharmaceutical, business intelligence and IT sectors based in London and Woking. The company, which employs 70 staff, was established in 1992. It sources staff for over 300 major companies, matching niche professionals with "hard to fill" contract assignments and staff positions. The VCT's total investment in this company, which changed its name to Aust Recruitment Group Limited following the MBO, now stands at £1.6 million.

Secondly, the VCT invested £527,214 in December to support the MBO of Faversham House Group Limited. Based in Croydon, this is an established media company providing magazines, exhibitions and online resources in the environment and sustainability, visual communications and building services sectors.

Again in December, the VCT invested £305,000 into the AiM listed company Omega Diagnostics Group Plc. Based in Alva, Scotland this company provides high quality in vitro diagnostics products for use in hospitals, blood banks, clinics and laboratories in over 100 countries and specialises in the areas of food intolerance, autoimmune disease and infectious disease. The share price has moved up since investment, giving an early uplift from cost of £76,248 by the year-end.

Finally, also in December, the VCT used its existing acquisition vehicle, Apricot Trading, to support the MBO of Automated Systems Group plc, a Cambridge based printer and copier services business with a broad customer base of schools and SMEs. It has since made a follow-on investment and commitment to invest, totalling £622,466, in March 2011 to support the acquisition of part of the assets of Transcribe Copier Systems Limited. The VCT's total investment in this company, which changed its name to ASL Technology Holdings Limited following the MBO now stands at £1.9 million.

Our Operating Partner programme continues to pursue an active search for investment opportunities and the three remaining acquisition vehicles, Bladon Castle Management, Fullfield and Vanir Consultants, are all actively seeking suitable investment opportunities in a variety of sectors including food manufacturing, retailing, brand management, health and well-being and IT, but so far have not found sufficiently attractive investment opportunities at the right price. Each of the acquisition vehicles is headed by an experienced Chairman, well-known to us, who is working closely with us in seeking to identify and complete investments in specific sectors relevant to their industry knowledge and experience.

Realisations

We are pleased to report that a number of companies in the portfolio continue to be strongly cash generative. As a result of this the Company has received a total of £672,775 in loan stock repayments during the year (including any premia paid). Amongst these, DiGiCo Europe continues to make regular repayments, the latest amount being £145,239 received in June. Monsal repaid £130,250 in July; Westway made two repayments totalling £215,496 in September and November; and ATG Media repaid £181,790 in October.

Since the year-end, Iglu.com has repaid its loan stock in full, realising £1,205,180 for the Company. It is particularly impressive that Iglu generated sufficient cash in the short time since investment in December 2009 to make this repayment possible.

In January 2011, following the year-end, the Company realised its entire investment in Campden Media for a cash consideration of £836,294, representing 85.8% of the total investment cost of £975,000. Together with interest paid over the life of the investment the total cash return was £1,016,150, representing 104.2% of cost.

Portfolio review

As at 31 December 2010, the portfolio comprised twenty-four (2009: twenty-two in the combined portfolios of the two VCTs) qualifying investments with a cost of £26.9 million (2009: £27.2 million) and valued at £31.0 million (2009: £23.9 million) representing 115.4% (2009: 87.5%) of cost. Six of these investments are currently held at cost, eight are valued at below cost and ten above cost. Realisations during the year generated cash proceeds of £1.1 million.

The three investments made towards the end of 2009 into Westway, CB Imports (Country Baskets) and Iglu.com, are all now valued above cost as a result of out-performance of their investment plans. Despite seeing a fall in licence income, VSI has gained from the relative weakness of sterling against the US dollar. This company paid a dividend to the VCT of £18,213 in April 2010. Vectair continues to expand its export business and is making particularly good progress in the US market. Focus Pharma continues to trade well, comfortably exceeding its budget for the year to 31 December 2009 and this growth in profitability has continued during 2010.

The construction and house building sectors remain weak and Youngman, PXP and Plastic Surgeon continue to trade well below pre-economic downturn levels. Each business has reduced its costs and managed its cash resources effectively. Youngman has almost fully repaid its acquisition debt since investment and is well positioned to benefit from any upturn in its markets. PXP has moved away from its dependence on private and public sector house builds towards commercial buildings including hotels, doctor's surgeries and convenience stores. Plastic Surgeon has diversified into commercial property and insurance markets.

Monsal is currently trading well behind budget reflecting ongoing project delays. We have reduced the valuation of this business to cost pending greater visibility of its upside potential, notwithstanding the substantial investment made at a higher valuation by a strategic partner during the year. Blaze Signs has recovered strongly over the year and enjoyed particularly strong autumn months. Racoon has continued to recover profitability during 2010.

Disappointingly, Legion Group requested a suspension of trading of its shares in July 2010 pending clarification of the company's financial position. Legion had a healthy order book but continued to suffer working capital constraints. On 6 August 2010, the board appointed administrators and the business was subsequently sold to OCS Group, culminating in a write-off to the Company of £150,106

Our strategy remains to invest in strong, profitable companies and we consider that the prospect of further recovery and progress over the medium term is good. This is because we believe that the portfolio, taken as a whole, is resilient and of high quality.

Whilst we cannot be sure of the extent of UK economic recovery, we have been encouraged by changes in the year and we look forward to a productive new investment period. Although the coming months are likely to prove more testing as the public sector cuts begin to take effect, we consider that good quality companies of the calibre in which we seek to invest, capable of maintaining competitive advantage, have the potential to succeed in this environment. We are seeing the confidence of both vendors and sellers return. Having retained significant uninvested cash, which will be bolstered by the current fundraising, we consider the Company is very well placed to cover both any portfolio needs that may arise and to fund attractive new investment opportunities that should be presented.

Further details of the ten largest investments in the current portfolio, excluding the three remaining acquisition vehicles (Bladon Castle Management, Fullfield and Vanir Consultants) which have yet to complete investments and are held at cost, are outlined below.

Investment Manager's Review

DiGiCo Europe Limited – www.digiconsoles.com

	Total	Ordinary shares	Preference shares	Loan stock
Cost	£1,984,959	£1,765,276	£845	£218,838
Valuation	£3,642,210	£3,414,433	£845	£226,932

Basis of valuation: Discounted earnings multiple
Equity % held and voting rights: 12.7%
Business: Manufacturer of digital sound mixing consoles
Location: Chessington, Surrey
History: Management buy-out
Income receivable recognised for the year: £151,521
Audited financial information:

Year ended	Turnover	Operating profit*	Net assets
31 December 2009	£12,922,000	£3,026,000	£5,660,000

British International Holdings Limited – www.islesofscillyhelicopter.com

	Total	Ordinary shares	Preference shares	Loan stock
Cost	£2,026,316	£225,000	£1,000	£1,800,316
Valuation	£2,989,638	£726,124	£1,750	£2,261,764

Basis of valuation: Discounted earnings multiple
Equity % held and voting rights: 17.5%
Business: Helicoptor service operator
Location: Sherborne, Dorset
History: Management buy-out
Income receivable recognised for the year: £31,905
Audited financial information

Year ended	Turnover	Operating profit*	Net assets
31 December 2009	£16,050,000	£976,000	£2,970,000

CB Imports plc

CB Imports Group Limited (Country Baskets) – www.countrybaskets.com

	Total	Ordinary shares	Preference shares	Loan stock
Cost	£2,000,000	£350,000	-	£1,650,000
Valuation	£2,655,449	£655,449	-	£2,000,000

Basis of valuation: Discounted earnings multiple
Equity % held and voting rights: 12.0%
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: £116,814
Audited financial information:

14 months ended	Turnover	Operating profit	Net assets
31 December 2009	£19,755,000	£2,437,000	£8,358,000

The financial information quoted above relates to the operating subsidiary, CB Imports Limited.

* Operating profit is stated before charging amortisation of goodwill where appropriate for all investee companies
None of our investee companies are in breach of their filing deadlines with the Registrar of Companies.

Iglu.com Holidays Limited – www.iglu.com

	Total	Ordinary shares	Preference shares	Loan stock
Cost	£1,421,750	£213,263	£3,306	£1,205,181
Valuation	£2,328,376	£906,626	£3,306	£1,418,444

Basis of valuation: Discounted earnings multiple
Equity % held and voting rights: 11.6%
Business: On-line ski and cruise travel agent.
Location: Wimbledon
History: Management buy-out via acquisition vehicle
Income receivable recognised for the year: £79,128
Audited financial information:

Year ended	Turnover	Operating profit *	Net assets
31 May 2010	£56,617,000	£974,000	£5,151,000

The financial information quoted above relates to the operating subsidiary, Iglu.com Limited.

ATG Media Holdings Limited – www.antiquestradegazette.com

	Total	Ordinary shares	Preference shares	Loan stock
Cost	£1,486,110	£530,871	£1,818	£953,421
Valuation	£2,066,951	£1,020,208	£1,818	£1,044,925

Basis of valuation: Discounted earnings multiple
Equity % held and voting rights: 14.0%
Business: Publisher and on-line platform operator
Location: London
History: Management buyout via acquisition vehicle
Income receivable recognised for the year: £71,455
Audited financial information:

Year ended	Turnover	Operating profit *	Net assets
30 September 2010	£7,215,000	£1,261,000	£2,506,000

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

	Total	Ordinary shares	Preference shares	Loan stock
Cost	£1,370,126	£384,663	£1,953	£983,510
Valuation	£1,737,336	£560,676	£1,953	£1,174,707

Basis of valuation: Discounted earnings multiple
Equity % held and voting rights: 4.9%
Business: Licensor and distributor of generic pharmaceuticals
Location: Burton upon Trent, Staffordshire
History: Management buy-out
Income receivable recognised for the year: £80,570
Audited financial information:

Year ended	Turnover	Operating profit*	Net assets
31 December 2009	£16,997,000	£1,151,000	£2,917,000

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

None of our investee companies are in breach of their filing deadlines with the Registrar of Companies.

Investment Manager's Review

VSI Limited – www.lightworkdesign.com

	Total	Ordinary shares	Preference shares	Loan stock
Cost	£907,993	£440,720	£4,447	£462,826
Valuation	£1,698,657	£1,138,102	£4,447	£556,108

Basis of valuation: Discounted earnings multiple
Equity % held and voting rights: 21.8% (20.1% fully diluted)
Business: Provider of software for CAD and CAM vendors
Location: Sheffield
History: Management buy-out
Income receivable recognised for the year: £58,147
Audited financial information:

Year ended	Turnover	Operating profit*	Net assets
31 December 2009	£4,399,000	£560,000	£976,000

Aust Recruitment Group Limited (RDL Corporation)– www.rdlcorp.com

	Total	Ordinary shares	Preference shares	Loan stock
Cost	£1,558,334	£271,044	£1,558	£1,285,732
Valuation	£1,558,334	£271,044	£1,558	£1,285,732

Basis of valuation: Cost
Equity % held and voting rights: 14.1%
Business: Recruitment consultants for the pharmaceutical, business intelligence and IT industries
Location: Woking, Surrey
History: Management buyout via acquisition vehicle
Income receivable by VCT in year: £22,544
Audited financial information: First audited accounts since the MBO will be for the year ended 31 December 2010

Blaze Signs Holdings Limited – www.blaze-signs.com

	Total	Ordinary Shares	Preference Shares	Loan Stock
Cost	£1,699,507	£472,125	£19,672	£1,207,710
Valuation	£1,332,921	–	–	£1,332,921

Basis of valuation: Discounted earnings multiple
Equity % held and voting rights: 20.8%
Business: Manufacture and installation of signs
Location: Broadstairs, Kent
History: Management buy-out
Income receivable by VCT in year: £67,686
Audited financial information:

Year ended	Turnover	Operating profit*	Net assets
31 March 2010	£15,826,000	£414,000	£2,834,000

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

None of our investee companies are in breach of their filing deadlines with the Registrar of Companies.

ASL Technology Holdings Limited (formerly Apricot Trading Limited) – www.aslplc.co.uk

	Total	Ordinary shares	Preference shares	Loan stock
Cost	£1,290,479	£452,130	–	£838,349
Valuation	£1,290,479	£452,130	–	£838,349

Basis of valuation:	Cost
Equity % held and voting rights:	10.3% (fully diluted)
Business:	Supplier of printer and photocopier services
Location:	Cambridge
History:	Management buyout via acquisition vehicle
Income receivable by VCT in year:	£2,067
Audited financial information:	First audited accounts since investment will be for the year ended 30 September 2011

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

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

None of our investee companies are in breach of their filing deadlines with the Registrar of Companies.

Investment Portfolio Summary
as at 31 December 2010

	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 (in administration)) Provider of manned guarding, mobile patrolling, and alarm response services	August 2005	150	–	0.0%	2.9%
Omega Diagnostics Group plc In vitro diagnostics for food intolerance, autoimmune diseases and infectious diseases	December 2010	305	381	1.0%	9.8%
		455	381	1.0%	
Unquoted investments					
DiGiCo Europe Limited Designer and manufacturer of digital sound mixing consoles	July 2007	1,985	3,642	9.5%	30.0%
British International Holdings Limited Helicopter service operator	May 2006	2,026	2,990	7.8%	34.9%
CB Imports Group Limited (Counry Baskets) Importer and distributor of artificial flowers and floral sundries	December 2007	2,000	2,656	6.9%	24.0%
Iglu.com Holidays Limited On-line ski and cruise travel agent	October 2007	1,422	2,328	6.0%	35.0%
ATG Media Holdings Limited Publisher and on-line auction platform operator	October 2008	1,486	2,067	5.4%	40.0%
Focus Pharma Holdings Limited Licensor and distributor of generic pharmaceuticals	October 2007	1,370	1,737	4.5%	13.0%
VSI Limited Provider of software for CAD and CAM vendors	April 2006	908	1,699	4.4%	48.9%
Aust Recruitment Group Limited (RDL Corporation) (formerly Aust Construction Investors Limited) Recruitment consultants for the pharmaceutical, business intelligence and IT industries	October 2007	1,558	1,558	4.1%	45.2%
Blaze Signs Holdings Limited Manufacturer and installer of signs	April 2006	1,700	1,333	3.5%	52.5%
ASL Technologies Holdings Limited (formerly Apricot Trading Limited) Printer and photocopier services	March 2008	1,291	1,291	3.3%	34.0%
Westway Services Holdings (2010) Limited (formerly MC440 Limited) Designer and distributor of air conditioning units	June 2009	603	1,182	3.1%	13.0%
Monsal Holdings Limited Supplier of engineering services to water and waste sectors	December 2007	1,182	1,174	3.1%	30.1%
Bladon Castle Management Limited Company seeking to acquire businesses in the retail or health and well-being products sector	December 2008	1,000	1,000	2.6%	50.0%
Fullfield Limited Company seeking to acquire businesses in food manufacturing, distribution or brand management sectors	December 2008	1,000	1,000	2.6%	50.0%
Vanir Consultants Limited Company seeking to acquire businesses in data management, mapping, data mapping and management services	October 2008	1,000	1,000	2.6%	50.0%

	Date of initial investment	Total book cost £'000	Valuation £'000	% value of net assets	% of equity held by funds managed by MPEP*
Qualifying investments					
Vectair Holdings Limited Designer and distributor of washroom products	January 2006	560	995	2.6%	24.0%
Campden Media Limited Magazine publisher and conference organiser	January 2006	975	836	2.2%	28.0%
Racoon International Holdings Limited Supplier of hair extensions, hair care products and training	December 2006	1,213	760	2.0%	49.0%
Youngman Group Limited Manufacturer of ladders and access towers	October 2005	1,000	701	1.8%	29.7%
Faversham House Holdings Limited Publisher, exhibition organiser and operator of websites	December 2010	527	527	1.4%	31.4%
The Plastic Surgeon Holdings Limited Supplier of snagging and finishing services to the domestic and commercial property markets	April 2008	478	186	0.5%	30.0%
PXP Holdings Limited (Pinewood Structures) Designer, manufacturer and supplier of timber-frames for buildings	December 2006	1,164	–	0.0%	37.3%
		26,448	30,662	79.9%	
Total qualifying investments		**26,903**	**31,043**	**80.9%**	
Non-qualifying investments					
Fidelity Institutional Cash Fund plc**		2,168	2,168	5.6%	
Insight Liquidity Funds plc (HBOS)**		1,267	1,267	3.3%	
SWIP Global Liquidity Fund plc (Scottish Widows)**		1,149	1,149	3.0%	
Institutional Cash Series plc (BlackRock)**		1,040	1,040	2.7%	
Institutional Cash Series plc (formerly BGI)**		847	847	2.2%	
Global Treasury Funds plc (Royal Bank of Scotland)**		568	568	1.5%	
GS Funds plc (Goldman Sachs)**		427	427	1.1%	
Total non-qualifying investments		**7,466**	**7,466**	**19.4%**	
Total investments		**34,369**	**38,509**	**100.3%**	
Other assets			346	0.9%	
Current liabilities			(404)	(1.1)%	
Net assets			**38,451**	**100.0%**	

* The other funds managed by MPEP include Matrix Income & Growth 2 VCT plc (MIG 2 VCT), Matrix Income & Growth 4 VCT plc (MIG 4 VCT) and The Income & Growth VCT plc (I & G VCT). Details are contained in note 11 to the accounts on page 42.

**Disclosed as Investments at fair value within Current assets in the Balance Sheet on page 31.

Board of Directors

Keith Niven

Status: **Independent Non-executive Chairman**

Age: 62

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 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 2010: 6.5 years

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

Number of Board and Committee meetings attended 2010: 13/13

Relevant relationships with the Investment Manager or other service providers: Keith remains a director of Matrix Income & Growth 3 VCT plc which merged with the Company on 20 May 2010 and has since been placed in Members Voluntary Liquidation.

Relevant relationships with investee companies: None

Shareholding in the Company: 35,929 Ordinary shares.

Bridget Guérin

Status: **Non-executive Director**

Age: 49

Experience: Bridget has over 26 years of experience in the financial services industry and has spent the last 12 years at Matrix Group, where she sat on the Matrix Group Board between 2000 and 2009. She has held positions on the Boards of Matrix Alternative Investment Strategies Fund Limited, a fund of hedge funds, Matrix UCITS Funds plc, a Dublin based UCITS company with multiple sub funds and has been Managing Director of Matrix Money Management Limited which has managed and promoted a wide range of funds to the institutional and retail markets. Prior to joining Matrix, Bridget gained 14 years' of retail investment fund experience at Schroder Unit Trusts Limited, Ivory & Sime and County NatWest. She is also a director of Matrix Clean Energy VCT 1 and Matrix Clean energy VCT 2 and is also a member of the York Racecourse Knavesmire LLP.

Length of Service as at 31 December 2010: 6.5 years

Committee Memberships: None. Attends by invitation.

Number of Board and Committee meetings attended 2010: 9/9

(and 4 committee meetings attended by invitation)

Relevant relationships with the Investment Manager or other service providers: Former director and current shareholder (1.4%) of Matrix Group Limited which owns 100% of the equity of (1) MPE Partners Limited which in turn holds a 50% interest in Matrix Private Equity Partners LLP, Investment Manager, Promoter, Company Secretary and Administrator to the Company; and (2) Matrix CC Limited which in turn holds a 97% interest in Matrix Corporate Capital LLP, Corporate Broker to the Company. Bridget remains a director of Matrix Income & Growth 3 VCT plc which merged with the Company on 20 May 2010 and has since been placed in Members Voluntary Liquidation. She is also a director of Matrix Clean Energy VCT 1 and Matrix Clean Energy VCT 2 plc.

Relevant relationships with investee companies: None

Shareholding in the Company: 20,774 Ordinary shares.

Tom Sooke

Status: **Senior Independent Director (Non-executive)**

Age: 66

Experience: Tom is an experienced venture capitalist and is also a director of Committed Capital VCT plc. 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 2010: 6.5 years

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

Number of Board and Committee meetings attended 2010: 11/13

Relevant relationships with the Investment Manager or other service providers: Tom remains a director of Matrix Income & Growth 3 VCT plc which merged with the Company on 20 May 2010 and has since been placed in Members Voluntary Liquidation

Relevant relationships with investee companies: None

Shareholding in the Company: 18,136 Ordinary shares

Directors' Report

The Directors present the Annual Report and Accounts of the Company for the year ended 31 December 2010.

Business and principal activities

The principal activity of the Company 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 Company ("Ordinary Shares") were first admitted to the Official List of the UK Listing Authority and to trading on 8 October 2004.

The Company 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 Company's affairs in such a manner as to comply with section 274 of the ITA.

The Company revoked its status as an investment company 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. The Company does not intend to re-apply for such status.

Future developments

The Company will continue to pursue its Investment Objective and Investment Policy as set out on the inside front cover and page 1 of this Report.

Business review and performance review

For a review of the Company's development and performance during the year, please see the Chairman's statement on pages 5 – 7 and the Investment Manager's Review and Investment Portfolio Summary on pages 8 – 15 of this Annual Report. The Financial Highlights on pages 2 – 4 provides data on the Company's key performance indicators.

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

- **Total Return (NAV basis)**

  The Total Return per share is the key measure of performance for the Company, 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 increased during the year under review resulting in a 16.0% increase (2009: 3.7% decrease) in NAV per share and an 18.5% increase (2009: 2.2% decrease) in total return (NAV basis) per share.

- **Total expense ratio (TER)**

  The gross TER of the Company for the year under review was 2.8% (2009: 3.9%). If irrecoverable VAT and exceptional costs are excluded the ratio falls to 2.7% (2009: 3.8%). Under the terms of the management agreement, the total management and administration expenses of the Company, excluding any irrecoverable VAT and exceptional costs, are limited to a maximum of 3.6% of the value of the Company's closing net assets. However, there were no excess expenses for the year under review (2009: £25,842). For further information, please see Note 4 on pages 36 – 37.

Principal risks, management and regulatory environment

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

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

- **Loss of approval as a Venture Capital Trust** – the Company must comply with section 274 of the 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 Company 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 Company becoming subject to tax. The Company 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 Company 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 Company'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 Manager's accounting systems or disruption to its business might lead to an inability to provide accurate reporting and monitoring.

Directors' Report

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

Prior to the Merger on 20 May 2010, the Company bought back 33,525 of the Company's own shares at a price of 54.8 pence per share and MIG 3 VCT bought back 103,995 of its own shares at a price of 59.1 pence per share. These shares, representing 0.16% and 0.54% respectively of the issued share capital of the Company and MIG 3 VCT at the beginning of the year,

Following the Merger, the Company has bought back 1,132,572 of its own shares at an average price of 76.6 pence per share representing 2.77% of the issued share capital following the merger.

All shares bought-back during the year were subsequently cancelled by the company concerned.

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

The issued Ordinary Share Capital of the Company as at 31 December 2010 was £397,795 (2009: £203,735) and the number of Ordinary Shares in issue at this date was 39,779,546 (2009: 20,373,514), subject to the cancellation from the Register of the shares bought-back by the Company up until this date.

Following the year-end, the Company has issued a further 3,465,559 new Ordinary Shares under the Linked Offer for Subscription launched on 12 November 2010. The issued Ordinary Share Capital of the Company as at the date of this report is therefore £432,451 and the number of Ordinary Shares in issue is 43,245,105.

Results and dividend

The revenue return after taxation attributable to Shareholders for the year was £313,297, an increase of £304,500 over the revenue return for the year ended 31 December 2009 of £8,797.

The capital return has increased from a loss of £572,969 for the year ended 31 December 2009 to a gain of £6,008,359 for the year ended 31 December 2010.

The Directors are proposing a final 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 2010, payable on 27 May 2011 to Shareholders who are on the Register on 13 May 2011. This dividend, once paid, will increase cumulative dividends paid since inception to 26.3 pence (2009: 21.3 pence).

Note: the above figures include the effect of the Merger with MIG 3 VCT on 20 May 2010.

Directors and their interests

The names of the Directors appear below and brief biographical details on each of the Directors are given on page 16 of this Annual Report. The current Directors were all appointed to the Board on 1 July 2004. In accordance with the Company's Articles of Association and the AIC Code of Corporate Governance ("the Code"), Keith Niven will retire by rotation at the Annual General Meeting of the Company to be held on 4 May 2011 and being eligible offers himself for re-election. Following a review of his performance, the remaining Directors believe that Keith Niven continues to demonstrate strong leadership as chairman and commitment to his role and are pleased to recommend his re-election to Shareholders.

The independence of each Director is reviewed on a continuing basis, Keith Niven and Tom Sooke are considered to be independent of the Company's Investment Manager. However, Bridget Guérin is not considered to be independent owing to her connection with Matrix Group. Because of this she has agreed to retire annually from the Board. In accordance with the AIC Code, and being eligible, she will offer herself for re-election at the forthcoming Annual General Meeting. The Board confirms that, following a review of her performance, the Board is pleased to recommend Bridget Guérin's re-election to Shareholders. She has shown herself to be a committed and independently-minded director who is highly regarded and respected by the other

Directors. Bridget continues to make a substantial contribution to the Board. For further information on Bridget Guérin's connection to Matrix Group and the Manager, please see Note 24 to the Accounts on page 52.

Christopher Moore resigned from the Board with effect from 20 May 2010.

The Directors who held office throughout the year under review and their interests (including those of their connected persons) as at 31 December 2010 were:

	Ordinary Shares held on:		
	31 December 2010	31 December 2009	
		MIG VCT	MIG 3 VCT
Keith Niven	32,341	21,100	10,550
Bridget Guérin	18,980	10,550	7,912
Tom Sooke	16,342	7,912	7,912

	Holding at 31 December 2010	Shares issued since the year end	Holding at 23 March 2011
Keith Niven	32,341	3,588	35,929
Bridget Guérin	18,980	1,794	20,774
Tom Sooke	16,342	1,794	18,136

Management

Matrix Private Equity Partners LLP (MPEP) acts as Manager and provides administrative and company secretarial services to the Company.

During the year under review the Management Engagement Committee reviewed the services provided by the Manager. The continued appointment of the Manager on the current terms was recommended by the Committee and agreed by the Board on 4 November 2010. The Board concluded that the Company's investment portfolio continued to perform well as evidenced by the increase in value and total return on the portfolio on both an absolute and a relative basis compared to the VCT industry as a whole. The Board believed that the Manager had continued to exercise sound independent judgement while producing realistic valuations. The Board continued to believe, also, that MPEP possessed the experience, knowledge and resources necessary to help the Board achieve the Company's long term investment objectives. The Board therefore, believes that the continued appointment of the Manager remains in the interest of Shareholders. Summaries of the performances of the portfolio as a whole and the Company's individual investments are contained in the Financial Highlights on pages 2 – 4 and the Investment Manager's Review and the Investment Portfolio Summary on pages 8 – 15.

The new management agreement between the Company and MPEP, which was entered into following the Merger with MIG 3 VCT on 20 May 2010, was extended to include Administration and Company Secretarial Services for which MPEP assumed responsibility from Matrix-Securities Limited following an internal re-organisation within Matrix Group Limited.

The principal terms of the Company's investment management agreement dated 20 May 2010 and the previous contractual arrangements prior to this date are set out in Note 4 to the Accounts on pages 36 – 37 of this Annual Report.

VCT status monitoring

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

Auditors

PKF (UK) LLP ("PKF") were re-appointed as auditors of the Company 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 year. It is the Board's view that this will help to safeguard audit quality during a period following recent changes to the composition of the Board and following the Merger with MIG 3 VCT on 20 May 2010.

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 the auditor's objectivity and 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 Company's auditors are aware of that information.

Financial instruments

Note 20 on pages 45 – 51 provides a definition of the financial instruments used by the Company. The main risks arising from the Company's financial instruments are due to fluctuations in market prices and interest rates, credit risk and liquidity risk. The

Directors' Report

Board regularly reviews and agrees policies for managing these risks.

Substantial interests

As at 23 March 2011, the Company had not been notified of any beneficial interest exceeding 3% of the issued share capital.

Creditors' payment policy

The Company's policy is to pay all creditors' invoices within 30 days of the invoice date unless otherwise agreed. At 31 December 2010 the average credit period for trade creditors was 7 days (2009: 12 days).

Employees

The Company does not have any employees, except for 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 in Note 24 on page 52.

Accountability and audit

The Statement of Directors' Responsibilities in respect of the accounts is set out on page 28 of this Annual Report.

The report of the independent auditor is set out on page 29 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 Board has assessed the Company's operation as a going concern. The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Management Report which is included within the Chairman's Statement, the Investment Portfolio Summary, the Investment Manager's Review and the Directors' Report. The Directors have satisfied themselves that the Company continues to maintain a significant cash position and it is currently raising additional funds. The majority of companies in the portfolio continue to trade profitably and the portfolio taken as a whole remains resilient and well diversified. The major cash outflows of the Company (namely investments, buy-backs and dividends) are within the Company's control. The Board's assessment of liquidity risk and details of the Company's policies for managing its capital and financial risks are shown in Note 20 on pages 45 – 51. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Post balance sheet events

Since the year-end, the Company has allotted 3,465,559 shares, raising net funds of £3,275,599 up to the date of the approval of these accounts under the Joint Offer launched on 12 November 2010.

On 19 January 2011, the Company sold its entire investment of £975,000 in Campden Media Limited realising proceeds of £836,294 which is consistent with the valuation reported in the accounts.

On 8 February 2011, Iglu.com Holidays Limited repaid all of its loan stock realising proceeds of £1,428,481 of which £213,262 was premium and £10,037 was interest due up until the date of repayment.

On 18 March 2011, the Company made a follow-on investment and commitment to invest, totalling £622,466, into ASL Technology Holdings Limited.

Annual General Meeting

Notice of the seventh Annual General Meeting of the Company to be held at 11.00 am on 4 May 2011 at the offices of Matrix Group Limited, One Vine Street, London W1J 0AH is set out on pages 55 – 56 of this Annual Report. A proxy form is enclosed separately with Shareholder's copies of this Annual Report.

The notice of the meeting includes separate resolutions to re-appoint Keith Niven and Bridget Guérin as Directors. Mr Niven is retiring by rotation in accordance with the Articles of

Association of the Company and Mrs Guérin, who is not considered to be independent of the Manager, has agreed to stand for re-election annually in accordance with the recommendations of the AIC Code. Brief biographical details of both Directors are published on page 16 of this Annual Report.

Resolutions 1 – 8 are being proposed as ordinary resolutions requiring more than 50% of the votes cast at the meeting to be in favour and resolutions 9 and 10 will be proposed as special resolutions requiring the approval of 75% of the votes cast at the meeting. An explanation of resolutions 8 to 10 is set out below,

Authorities for the Directors to allot shares (Resolution 8) and disapply pre-emption rights (Resolution 9) 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 8 will enable the Directors to allot up to an aggregate nominal amount not exceeding £130,000 representing approximately 30.0% of the existing issued share capital of the Company as at the date of the notice of the Annual General Meeting. The Company does not currently hold any shares as treasury shares.

Under section 561(1) of the 2006 Act, if the Directors wish to allot any new shares or transfer treasury shares for cash they must first offer such shares to existing Shareholders in proportion to their current holdings. It is proposed by resolution 9 to sanction the disapplication of such pre-emption rights in respect of the allotment of equity securities (i) with an aggregate nominal value of £108,000 in connection with offer(s) for subscription; and (ii) with a nominal value of up to 5% of the issued share capital of the Company from time to time where the proceeds may be used in whole or part to purchase the Company's shares.

Both of these authorities, unless previously renewed or revoked, will expire on the conclusion of the Annual General Meeting of the Company to be held in 2012. 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 12 May 2010.

The Directors launched a joint offer for subscription with The Income & Growth VCT plc and Matrix Income & Growth 4 VCT plc on 12 November 2010 to raise up to £7 million for each company and it is the Directors' intention that new shares may be issued pursuant to the offer under this authority (to the extent that existing authorities do not apply). The Directors have no further immediate intention of exercising the above powers.

Authority to purchase the Company's own shares (Resolution 10)

This resolution authorises the Company to purchase its own shares pursuant to section 701 of the 2006 Act. The authority is limited to the purchase of an aggregate of 6,482,441 Ordinary Shares representing approximately 14.99% of the issued share capital of the Company at the date of the Notice convening the Annual General Meeting. The resolution specifies the minimum and the maximum price which may be paid for an Ordinary Share.

Market liquidity in VCTs is normally very restricted. The passing of this resolution will enable the Company to purchase its own shares thereby providing a mechanism by which the Company 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 will expire at the conclusion of the Annual General Meeting of the Company to be held in 2012.

By order of the Board

Matrix Private Equity Partners LLP
Company Secretary

24 March 2011

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 4 May 2011. 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 29.

Remuneration committee

The remuneration of individual Directors is determined by the Nominations and Remuneration Committee. The Committee comprises two Directors, Keith Niven (Chairman) and Tom Sooke who are both considered to be independent from the 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 the completion of the merger with MIG 3 VCT on 20 May 2010, the Directors fees were increased to £25,000 (2009-MIG VCT: £23,000; MIG 3 VCT: £19,000) for the Chairman; £20,000 (2009-MIG VCT: £17,000; MIG 3 VCT: £14,000) for a non-executive director. It was further agreed that a supplement of £5,000 (2009-MIG VCT : £3,000; MIG 3 VCT: £2,000) be paid to Tom Sooke as Audit Committee Chairman. Details of the Directors' remuneration are disclosed below and in Note 6 on page 38.

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 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 24 respectively of the Notes to the Accounts on pages 36 – 37 and 52. 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 2011.

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 2010 £	Year ended 31 December 2009 £
Keith Niven	24,479	23,000
Bridget Guérin	19,023	17,000
Christopher Moore (to 20 May 2010)	7,985	20,000
Tom Sooke	23,273	20,000
Total	**74,760**	**80,000**

The Directors received no further emoluments in respect of their services. Aggregate fees in respect of qualifying services for all Directors amounted to £74,760 (2009: £80,000). Fees paid to Christopher Moore include an additional supplement of £3,000 pa in respect of his chairmanship of the Investment Committee. Fees paid to Tom Sooke include an additional supplement of £5,000 pa (£3,000 pa until 20 May 2010) in respect of his Chairmanship of the Audit Committee.

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.

Tom Sooke has been appointed a Director of the Company under separate service and consultant's agreements originally entered into on 1 October 2008. 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.

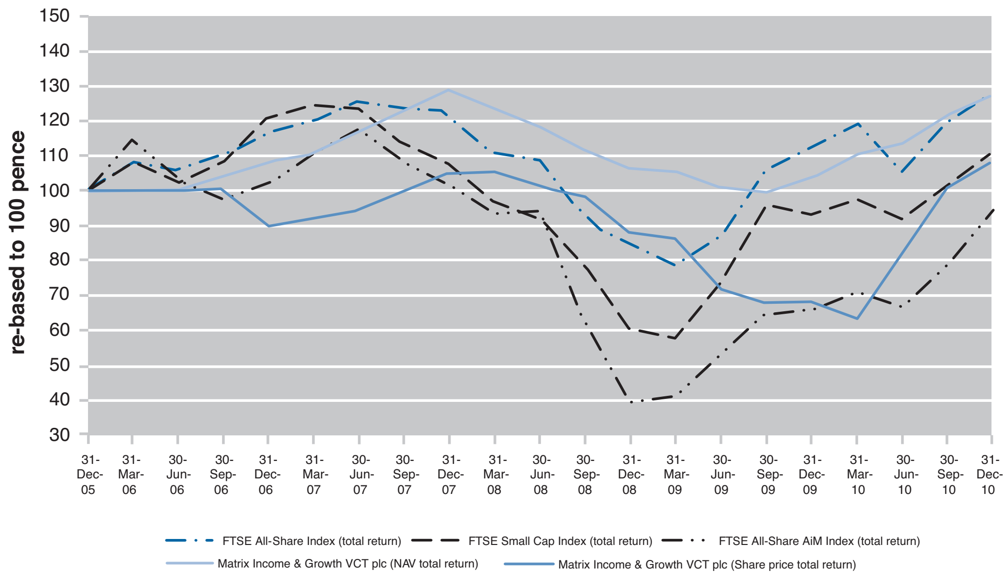
Total shareholder return

The following graph charts the total cumulative shareholder return of the Company (assuming all dividends are re-invested) over the past five years compared with the total cumulative returns of the FTSE All-Share, SmallCap and AIM Indices. These indices represent broad equity market indices against which investors can measure the performance of the 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.

Total cumulative shareholder return over the past five years compared with the total return of the FTSE All-Share, Small Cap and AIM indices



Source: Matrix Corporate Capital LLP

By order of the Board

Matrix Private Equity Partners LLP
Company Secretary
24 March 2011

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 2010. 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 2010 ("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 the most appropriate 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 investment management and administration systems and procedures provided by MPEP, 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 three non-executive Directors. The Board meets at least quarterly and is in regular contact with the Manager between these meetings. The Board held seven formal meetings during the year. The four quarterly Board meetings were each attended by all three current 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 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 had a common Board with MIG 3 VCT until the merger with that company on 20 May 2010. It has however been fully compliant with this provision since this date as Christopher Moore (who is the Chairman of Matrix Income & Growth 4 VCT plc) resigned from the Board on 20 May 2010.

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 Manager with the exception of Bridget Guérin who at the date of these accounts is, and until 31 March 2011 will be, an employee of Matrix Group Limited as set out in Note 24 of the Notes to the Accounts on page 52 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. As recommended by the AIC Code, the Directors monitor the continuing independence of the Chairman and inform the Chairman of their discussions.

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 of the 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 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 2010.

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 22 – 23.

Keith Niven will retire by rotation from the Board at the forthcoming AGM to be held on 4 May 2011 and has been nominated for re-election. Bridget Guérin, has also agreed to stand for re-election annually in accordance with the recommendations of the AIC Code as she is not considered to be independent of the Manager (for further details please see Note 24 to the Accounts on related party transactions on page 52 of this Report).

Board committees

The Audit Committee comprises two Directors: Tom Sooke (Chairman) 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 two Directors and has met informally on other occasions.

The Management Engagement Committee comprises two Directors: Keith Niven (Chairman) 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 both of the Directors in attendance.

The Nominations and Remuneration Committee comprises two Directors: Keith Niven (Chairman) and Tom Sooke. All members of the Committee are considered to be independent of the 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. 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 Committee held one formal meeting during the year with both of the Directors in attendance and met informally on other occasions.

Corporate Governance Statement

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.

As part of the re-organisation following the Merger with MIG 3 VCT and the retirement of Christopher Moore from the Board, the Board, assisted by the Nominations & Remuneration Committee, reviewed the committee structure of the Company. As a result of this review, the Board assumed the functions previously performed by the Investment Committee.

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 8 – 13.

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 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 management agreement with the Manager. The Directors carry out an Annual Review of the performance of and contractual arrangements with the Manager.

The Board agrees policies with the Manager covering key operational issues. All investment, divestment and variation decisions are made by the Board having considered formal recommendations from the Manager. The Manager up-dates the Board on developments at each of the investee companies, including decisions and discussions at board meetings, if appropriate, through quarterly valuation reports, presentations to quarterly Board meetings of the VCT and otherwise when specific issues requiring the Board's attention emerge.

The Board has delegated to the Manager authority to attend and vote at General Meetings of each of the investee companies in the portfolio as its Corporate Representative. The Manager consults the Board concerning extraordinary agenda items particularly when a proposed resolution concerns an issue that may impact on the Company's economic interest. It is however authorised to vote as it thinks appropriate on standard agenda items.

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 2011. 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:

- Full internal controls are in place for the preparation and reconciliation of the valuations prepared by the Manager;
- 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 Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, is contained on pages 22 – 23 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 Manager has failed to resolve or for which such contact is inappropriate. Please see Shareholder Information on page 54 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 pages 22 – 23 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.

Share capital

Details of the Company's share capital and substantial shareholdings can be found in the Directors' Report on pages 18 and 20.

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 4 May 2011.

By order of the Board

Matrix Private Equity Partners LLP
Secretary
24 March 2011

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 proper 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:

(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 Manager's Review, Investment Portfolio Summary 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 page 16.

For and on behalf of the Board

Keith Niven
Chairman
24 March 2011

Independent Auditor's 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 2010 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 of 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

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 of the financial statements

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 to 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2010 and of its profit 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 20, 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 auditor
London, UK
24 March 2011

Income Statement

for the year ended 31 December 2010

	Notes	Year ended 31 December 2010 Revenue £	Capital £	Total £	Year ended 31 December 2009 Revenue £	Capital £	Total £
Unrealised gains/(losses) on investments	10	–	6,527,412	6,527,412	–	(161,173)	(161,173)
Realised losses on investments	10	–	(75,045)	(75,045)	–	(177,845)	(177,845)
Income	2	934,890	–	934,890	399,661	–	399,661
Recoverable VAT	3	–	–	–	1,939	5,818	7,757
Investment management fees	4	(164,619)	(493,859)	(658,478)	(79,923)	(239,769)	(319,692)
Other expenses	5	(338,661)	–	(338,661)	(312,239)	–	(312,239)
Merger costs	21	(69,089)	–	(69,089)	–	–	–
Profit/(loss) on ordinary activities before taxation		362,521	5,958,508	6,321,029	9,438	(572,969)	(563,531)
Tax on profit/(loss) on ordinary activities	7	(49,224)	49,851	627	(641)	–	(641)
Profit/(loss) for the year		313,297	6,008,359	6,321,656	8,797	(572,969)	(564,172)
Basic and diluted earnings per ordinary share	9	0.95p	18.30p	19.25p	0.04p	(2.77)p	(2.73)p

All the items in the above statement derive from continuing operations of the Company. This includes the return on the assets and activities of Matrix Income & Growth 3 VCT plc after they were transferred to the Company on 20 May 2010.

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 34 – 53 form part of these financial statements.

Balance Sheet
as at 31 December 2010

	Notes	as at 31 December 2010 £	as at 31 December 2009 £
Fixed assets			
Investments at fair value	10	31,043,002	11,779,583
Current assets			
Debtors and prepayments	12	231,222	94,327
Current investments	13, 19	7,466,137	5,177,570
Cash at bank	19	114,672	46,253
		7,812,031	5,318,150
Creditors: amounts falling due within one year	14	(404,126)	(118,363)
Net current assets		7,407,905	5,199,787
Net assets		**38,450,907**	**16,979,370**
Capital and reserves			
Called up share capital	15	397,795	203,735
Capital redemption reserve	16	29,364	17,703
Share premium account	16	16,852,849	–
Revaluation reserve	16	4,290,333	(2,271,608)
Special distributable reserve	16	16,423,246	17,907,374
Profit and loss account	16	457,320	1,122,166
Equity Shareholders' funds	**16**	**38,450,907**	**16,979,370**
Basic and diluted net asset value per Ordinary Share	**17**	**96.66p**	**83.34p**

The notes on pages 34 – 53 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 24 March 2011 and were signed on its behalf by:

Keith Niven
Chairman

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2010

	Notes	Year ended 31 December 2010 £	Year ended 31 December 2009 £
Opening shareholders' funds		16,979,370	17,998,562
Purchase of own shares	15	(890,013)	(247,033)
Shares issued upon merger with Matrix Income & Growth 3 VCT plc	21	17,111,545	–
Stamp duty on shares issued upon merger with Matrix Income & Growth 3 VCT plc	21	(52,975)	–
Profit/(loss) for the year		6,321,656	(564,172)
Dividends paid in year	8	(1,018,676)	(207,987)
Closing Shareholders' funds	16	38,450,907	16,979,370

The Notes on pages 34 – 53 form part of these financial statements.

Cash Flow Statement

for the year ended 31 December 2010

	Notes	Year ended 31 December 2010 £	£	Year ended 31 December 2009 £	£
Operating activities					
Investment income received		827,488		398,184	
VAT received and interest thereon		–		223,249	
Investment management fees paid		(587,816)		(239,743)	
Other cash payments		(461,372)		(357,430)	
Payment of merger costs of the Company		(78,636)		–	
Net cash (outflow)/inflow from operating activities	18		(300,336)		24,260
Investing activities					
Acquisitions of investments	10	(1,124,409)		(567,834)	
Disposals of investments	10	1,123,942		1,996,610	
Net cash (outflow)/inflow from investing activities			(467)		1,428,776
Taxation					
Taxation paid			–		(106,857)
Equity dividends					
Payment of dividends	8		(1,018,676)		(207,987)
Cash (outflow)/inflow before liquid resource management and financing			(1,319,479)		1,138,192
Management of liquid resources					
Decrease in current investments	19		(2,288,567)		(801,846)
Financing					
Cash received on acquisition of net assets from Matrix Income & Growth 3 VCT plc		4,561,289		–	
Stamp duty on shares issued to acquire net assets of Matrix Income & Growth 3 VCT plc		(52,975)		–	
Payments to meet merger cost of Matrix Income & Growth 3 VCT plc		(133,191)		–	
Share capital bought back		(698,658)		(361,905)	
			3,676,465		(361,905)
Increase/(decrease) in cash for the year	19		68,419		(25,559)

The Notes on pages 34 – 53 form part of these financial statements.

Notes to the Accounts

for the year ended 31 December 2010

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) Acquisition of assets from Matrix Income and Growth 3 VCT plc

On 20 May 2010 the Company acquired the assets and liabilities of Matrix Income & Growth 3 VCT plc, the transaction being accounted for as an asset acquisition. The income and costs for the period up to 20 May 2010 and the comparable period for last year reflect the activities of the Company before the acquisition and after that date reflect those of the Company as enlarged by the acquisition. Further details are contained in Note 21 on pages 51 – 52.

c) 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.

d) 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 on 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 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 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.

e) Current investments
Monies held pending investment are invested in financial instruments with same day access and as such are treated as current investments and have been valued at fair value.

f) 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.

g) Capital reserves

(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 buy-backs is 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.

h) Expenses
All expenses are accounted for on an accruals basis.

25% of the 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.

i) 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.

Notes to the Accounts

for the year ended 31 December 2010

2 Income

	2010 £	2009 £
Income from bank deposits	367	919
Income from investments		
– from equities	194,226	26,345
– from overseas based OEICs	35,779	37,254
– from loan stock	700,647	315,598
– from VAT recoverable	–	15,492
	930,652	394,689
Other income	3,871	4,053
Total income	934,890	399,661
Total income comprises		
Dividends	230,005	63,599
Interest	701,014	332,009
Other income	3,871	4,053
	934,890	399,661
Income from investments comprises		
Listed overseas securities	35,779	37,254
Unlisted UK securities	194,226	26,345
Loan stock interest	700,647	315,598
	930,652	379,197

Total loan stock interest due but not recognised in the year was £457,084 (2009: £451,904).

3 Recoverable VAT

	Revenue 2010 £	Capital 2010 £	Total 2010 £	Revenue 2009 £	Capital 2009 £	Total 2009 £
Recoverable VAT	–	–	–	1,939	5,818	7,757

4 Investment manager's fees

	Revenue 2010 £	Capital 2010 £	Total 2010 £	Revenue 2009 £	Capital 2009 £	Total 2009 £
Matrix Private Equity Partners LLP	164,619	493,859	658,478	79,923	239,769	319,692

From the start of the year to the date of the Merger on 20 May 2010, the following agreements were in place:

Matrix Private Equity Partners Limited had been 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 23 October 2006. The Manager's appointment could be terminated at any time by giving them not less than one year's notice in writing. Fees were 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.

Under the terms of a revised investment management agreement dated 20 May 2010, MPEP provides investment advisory, administrative and company secretarial services to the Company, for a fee of 2% per annum of closing net assets, calculated on a quarterly basis by reference to the net assets at the end of the preceding quarter, plus a fixed fee of £120,000 per annum, the latter inclusive of VAT and subject to annual increases in RPI. This agreement replaced the previous agreements with MPEP described above, and with Matrix-Securities Limited dated 9 July 2004, which were all terminated with effect from 20 May 2010.

The investment management fee includes provision for 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 Manager. The excess expenses during the year amounted to £nil (2009: £25,842).

Under an incentive agreement dated 9 July 2004, the Manager was 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 increased annually thereafter in line with the Retail Price Index. The performance fee was only payable if the mean net asset value per share over the period relating to payment had remained at or above 100 pence and any cumulative shortfalls below the annual hurdle rate have been recovered.

Under a deed of variation to the Performance Incentive Agreement, dated 20 May 2010, the Company and MPEP agreed to amend the agreement to provide weighted average hurdles linked to the performance of the Company and Matrix Income & Growth 3 VCT plc up to the date of the Merger, and so that it applied across the enlarged Company after that date. As a result, the hurdle rate of dividends to be paid in a year before an incentive could become payable was set at 6.13 pence per share, at the date of the Merger, and which became 6.27 pence by the year-end.

The base net asset value of 100p that must be maintained for an incentive fee to be payable has been amended to 96.91 pence per share. The cumulative shortfall of dividends paid below the annual hurdle rate at the date of the Merger was 13.67 pence, which had become 17.44 pence at the year-end. No performance incentive fee is payable to date.

5 Other expenses

	2010 £	2009 £
Directors' remuneration (including NIC) (see Note 6)	79,448	85,739
IFA trail commission	96,296	48,519
Administration fees (see note)	35,590	88,387
Broker's fees	15,863	9,161
Auditors' fees – audit	16,852	22,614
– other services supplied relating to taxation	3,793	3,732
– other services supplied pursuant to legislation	2,068	3,853
Registrar's fees	19,397	10,116
Printing	32,405	12,827
Legal and professional fees	822	4,687
VCT monitoring fees	8,925	7,320
Directors' insurance	9,450	7,350
Listing and regulatory fees	16,927	15,792
Sundry	825	(7,858)
	338,661	312,239

Note: The Administration fees above arose from the Agreement with Matrix-Securities Limited referred to in note 4 above, which was terminated on 20 May 2010.

Notes to the Accounts
for the year ended 31 December 2010

6 Directors' remuneration

	2010 £	2009 £
Directors' emoluments		
Keith Niven	24,479	23,000
Bridget Guérin	19,023	17,000
Christopher Moore (resigned 20 May 2010)	7,985	20,000
Tom Sooke	23,273	20,000
	74,760	80,000
Employer's NIC and VAT	4,688	5,739
	79,448	85,739

No pension scheme contributions or retirement benefit contributions were paid (2009: £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

	2010 Revenue £	2010 Capital £	2010 Total £	2009 Revenue £	2009 Capital £	2009 Total £
a) Analysis of tax charge:						
UK Corporation tax on profits/(losses) for the year	49,224	(49,851)	(627)	641	–	641
Total current tax charge/(credit)	49,224	(49,851)	(627)	641	–	641
Corporation tax is based on a rate of 21% (2009: 21%)						
b) Profit/(loss) on ordinary activity before tax	362,521	5,958,508	6,321,029	9,438	(572,969)	(563,531)
Profit/(loss) on ordinary activities multiplied by small company rate of corporation tax in the UK of 21% (2009: 21%)	76,129	1,251,287	1,327,416	1,981	(120,322)	(118,341)
Effect of:						
UK dividends	(40,788)	–	(40,788)	(5,532)	–	(5,532)
Unrealised (gains)/losses not allowable	–	(1,370,757)	(1,370,757)	–	33,846	33,846
Realised gains not taxable	–	15,759	15,759	–	37,347	37,347
Income not yet taxable	(269)	–	(269)	–	–	–
Unrelieved expenditure	–	53,860	53,860	2,456	49,129	51,585
(Under)/over provision in prior period	(358)	–	(358)	1,736	–	1,736
Expenses not deductible	14,510	–	14,510	–	–	–
Actual current tax charge	49,224	(49,851)	(627)	641	–	641

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 Income Tax Act 2007.

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 Income Tax Act 2007 and the Directors' intention to maintain that status. There is an unrecognised deferred tax asset of £105,445 (2009: £51,585) in respect of unrelieved surplus management expenses.

8 Dividends paid and payable

	2010 £	2009 £
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 31 December 2009 of 0.5p (income); 4.5p (capital) per Ordinary Share (year ended 31 December 2008: 1.0p (income))	1,018,676	207,987
Proposed distributions to equity holders at the year-end:		
Final dividend for the year ended 31 December 2010 of 0.5p (income); 4.5p (capital) (2009: nil) per Ordinary share	2,162,255	–

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. The total figure may be subject to change if further shares are allotted before the dividend record date.

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.

	2010 £	2009 £
Revenue available for distribution by way of dividends for the year	313,297	8,797
Final income dividend proposed for the year ended 31 December 2010 of 0.5p (2009: interim 0.5p) per Ordinary Share	216,226	101,068
	216,226	101,068

Notes to the Accounts

for the year ended 31 December 2010

9 Basic and diluted earnings per share

	2010 £	2009 £
Total earnings after taxation:	**6,321,656**	**(564,172)**
Basic and diluted earnings per share (note a)	**19.25p**	**(2.73)p**
Revenue profit from ordinary activities after taxation	**313,297**	**8,797**
Basic and diluted revenue earnings per share (note b)	**0.95p**	**0.04p**
Net unrealised capital gains/(losses) on investments	6,527,412	(161,173)
Net realised capital losses on investments	(75,045)	(177,845)
Recoverable VAT	–	5,818
Capital management fees less taxation	(444,008)	(239,769)
Total capital earnings	**6,008,359**	**(572,969)**
Basic and diluted capital earnings per share (note c)	**18.30p**	**(2.77)p**
Weighted average number of shares in issue in the year	32,833,601	20,648,175

Notes

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 earnings/(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 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
Purchases at cost	305,000	253,883	–	565,526	1,124,409
Investments acquired as part of acquisition of assets and liabilities of Matrix Income & Growth 3 VCT plc at fair value (see note)	–	4,791,342	5,033	8,004,709	12,801,084
Sale proceeds	–	(441,666)	–	(672,775)	(1,114,441)
Realised losses	–	(75,045)	–	–	(75,045)
Reclassification at value	(75,045)	(12,245)	1,558	85,732	–
Unrealised gains for the year	76,248	3,682,050	1,750	2,767,364	6,527,412
Closing valuation at 31 December 2010	381,248	12,207,592	16,322	18,437,840	31,043,002
Cost at 31 December 2010	305,000	8,300,631	52,803	18,244,340	26,902,774
Unrealised gains/(losses) at 31 December 2010	76,248	4,057,067	(36,481)	193,500	4,290,334
Permanent impairment in value of investments	–	(150,106)	–	–	(150,106)
Valuation at 31 December 2010	381,248	12,207,592	16,322	18,437,840	31,043,002

Note: The original cost of these assets in the books of Matrix Income & Growth 3 VCT plc was £13,162,238 being £361,154 more than the transfer at fair value shown above.

Within unrealised gains of £6,527,412 the significant gains were £1,129,726 in British International Holdings Limited, £906,626 in Iglu.com Holidays Limited, £870,203 in Blaze Signs Holdings Limited, £655,449 in CB Imports Group Limited, £655,179 in Campden Media Limited, £652,929 in ATG Media Holdings Limited, £645,600 in DiGiCo Europe Limited, £427,167 in Westway Services Holdings (2010) Limited, £291,110 in Racoon International Holdings Limited and £299,559 in Focus Pharma Holdings Limited. These were offset by only one unrealised fall of £124,445 in VSI Limited.

Reconciliation of cash movements in investment transactions

The cash flow from investment proceeds shown above of £1,114,441 differs from the sale proceeds shown in the cash flow statement of £1,123,942 by £9,501, received from the disposal of PastaKing that was due at 31 December 2009.

11 Significant interests

At 31 December 2010 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
Racoon International Holdings Limited	262,258	950,777	1,213,035	23.30%
Blaze Signs Holdings Limited	472,125	1,227,382	1,699,507	21.00%
VSI Limited	440,720	467,273	907,993	20.10%
British International Holdings Limited	225,000	1,801,316	2,026,316	17.50%
PXP Holdings Limited (Pinewood Structures)	288,000	875,436	1,163,436	17.10%
Bladon Castle Management Limited	400,000	600,000	1,000,000	16.70%
Fullfield Limited	400,000	600,000	1,000,000	16.70%
Vanir Consultants Limited	400,000	600,000	1,000,000	16.70%
Aust Recruitment Group Limited (formerly Aust Construction Investors Limited)	271,044	1,287,290	1,558,334	14.10%
ATG Media Holdings Limited	530,871	955,239	1,486,110	14.00%
DiGiCo Europe Limited	1,765,276	219,683	1,984,959	12.70%
CB Imports Group Limited	350,000	1,650,000	2,000,000	12.01%
Vectair Holdings Limited	138,074	422,228	560,302	12.01%
Monsal Holdings Limited	406,211	775,645	1,181,856	11.80%
Iglu.com Holidays Limited	213,263	1,208,487	1,421,750	11.60%
The Plastic Surgeon Holdings Limited	39,029	439,392	478,421	11.10%
Campden Media Limited	197,437	777,563	975,000	10.60%
ASL Technology Holdings Limited (formerly Apricot Trading Limited)	452,130	838,349	1,290,479	10.30%
Faversham House Holdings Limited	200,036	327,178	527,214	9.50%
Youngman Group Limited	100,052	900,000	1,000,052	8.49%
Westway Services Holdings (2010) Limited	214,336	388,442	602,778	5.10%
Focus Pharma Holdings Limited	384,663	985,463	1,370,126	4.90%
Omega Diagnostics Group plc	305,000	–	305,000	3.00%

It is considered that, as permitted by FRS 9, "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.

Notes to the Accounts

for the year ended 31 December 2010

Matrix Private Equity Partners LLP also advises The Income and Growth VCT plc, Matrix Income and Growth 2 VCT plc, and Matrix Income and Growth 4 VCT plc who have investments as at 31 December 2010 in the following:

	The Income & Growth VCT plc at cost £	Matrix Income & Growth 2 VCT plc at cost £	Matrix Income & Growth 4 VCT plc at cost £	Total at cost £	% of equity held by funds managed by MPEP
Aust Recruitment Group Limited	1,441,667	1,000,000	1,000,000	3,441,667	45.2%
Blaze Signs Holdings Limited	1,338,500	1,398,498	610,016	3,347,014	52.5%
ASL Technology Holdings Limited (formerly Apricot Trading limited)	1,193,906	917,548	848,067	2,959,521	34.0%
Iglu.com Holidays Limited	1,000,001	1,000,000	878,249	2,878,250	35.0%
PXP Holdings Limited (Pinewood Structures)	920,176	1,163,436	679,549	2,763,161	37.3%
ATG Media Holdings Limited	888,889	767,907	888,889	2,545,685	40.0%
Youngman Group Limited	1,000,052	1,000,052	500,026	2,500,130	29.7%
British International Holdings Limited	590,909	1,160,000	295,455	2,046,364	34.9%
CB Imports Group Limited	1,000,000	–	1,000,000	2,000,000	24.0%
Bladon Castle Management Limited	1,000,000	–	1,000,000	2,000,000	50.0%
Fullfield Limited	1,000,000	–	1,000,000	2,000,000	50.0%
Vanir Consultants Limited	–	1,000,000	1,000,000	2,000,000	50.0%
Focus Pharma Holdings Limited	516,900	660,238	772,451	1,949,589	13.0%
Racoon International Holdings Limited	550,852	878,527	406,805	1,836,184	49.0%
Monsal Holdings Limited	426,164	770,717	636,013	1,832,894	30.1%
Campden Media Limited	334,880	975,000	152,620	1,462,500	28.0%
DiGiCo Europe Limited	325,594	495,651	495,652	1,316,897	30.0%
The Plastic Surgeon Holdings Limited	406,082	392,264	458,837	1,257,183	30.0%
Faversham House Holdings Limited	487,744	374,870	346,488	1,209,102	31.4%
Westway Services Holdings (2010) Limited	422,122	–	281,856	703,978	13.0%
Omega Diagnostics Group plc	279,996	214,998	199,998	694,992	9.8%
VSI Limited	245,596	308,643	111,928	666,167	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

	2010 £	2009 £
Amounts due within one year:		
Accrued income	207,464	49,689
Prepayments	19,887	35,137
Other debtors	3,871	9,501
	231,222	94,327

13 Current investments

	2010 £	2009 £
Monies held pending investment	7,466,137	5,177,570

This comprises cash invested in seven Dublin based OEIC money market funds. This entire sum is subject to same day access. These sums are treated as liquid resources in the Cash Flow Statement on page 33 and in Note 19 on page 45.

14 Creditors: amounts falling due within one year

	2010 £	2009 £
Trade creditors	198,714	23,459
Other creditors	12,122	6,795
Accruals	193,290	87,840
Deferred taxation – see Note 7	–	269
	404,126	118,363

15 Called up share capital

	2010 £	2009 £
Allotted, called-up and fully paid:		
Ordinary Shares of 1p each: 39,779,546 (2009: 20,373,514)	397,795	203,735
	397,795	203,735

The Company issued 20,572,129 Ordinary Shares to former shareholders in Matrix Income & Growth 3 VCT plc, as more fully explained in note 21.

During the year the Company made the following share repurchases for a total consideration of £890,013 (2009: £247,033).

Purchased	Date of purchase	Nominal value £
33,525	25 March 2010	335
43,298	1 June 2010	433
101,554	24 June 2010	1,016
224,641	12 August 2010	2,246
68,051	27 August 2010	680
88,371	22 October 2010	884
155,478	15 November 2010	1,555
222,472	26 November 2010	2,225
228,707	22 December 2010	2,287
1,166,097		11,661

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16 Movement in share capital and reserves

	Called up share capital £	Capital redemption reserve £	Share Premium reserve £	Revaluation reserve £	Special distributable reserve (note b) £	Profit and loss account (note b) £	Total £
At 1 January 2010	203,735	17,703	–	(2,271,608)	17,907,374	1,122,166	16,979,370
Share buy-backs	(11,661)	11,661	–	–	(890,013)	–	(890,013)
Write off to special reserve (note a)	–	–	–	–	(594,115)	594,115	–
Realisation of previously unrealised depreciation	–	–	–	34,529	–	(34,529)	–
Shares issued on 20 May 2010 to acquire net assets of Matrix Income & Growth 3 VCT plc	205,721	–	16,905,824	–	–	–	17,111,545
Stamp duty on shares issued	–	–	(52,975)	–	–	–	(52,975)
Dividend – final paid for year ended 31 December 2009	–	–		–	–	(1,018,676)	(1,018,676)
Profit/(loss) for the year	–	–		6,527,412	–	(205,756)	6,321,656
As at 31 December 2010	**397,795**	**29,364**	**16,852,849**	**4,290,333**	**16,423,246**	**457,320**	**38,450,907**

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 capital 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 £594,115 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 £16,880,566 (2009: £19,029,540) 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 39,779,546 (2009: 20,373,514) Ordinary Shares, being the number of Ordinary Shares in issue on that date.

18 Reconciliation of profit/(loss) on ordinary activities before taxation to net cash (outflow)/ inflow from operating activities

	2010 £	2009 £
Profit/(loss) on ordinary activities before taxation	6,321,029	(563,531)
Net losses on realisations of investments	75,045	177,845
Net unrealised (gains)/losses on investments	(6,527,412)	161,173
(Increase)/decrease in debtors	(40,976)	287,990
Decrease in creditors and accruals	(128,022)	(39,217)
Net cash (outflow)/inflow from operating activities	(300,336)	24,260

19 Analysis of changes in net funds

	Cash £	Liquid resources £	Total £
At beginning of year	46,253	5,177,570	5,223,823
Cash flows	68,419	2,288,567	2,356,986
At 31 December 2010	**114,672**	**7,466,137**	**7,580,809**

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 2010:

	2010 (Book value) £	2010 (Fair value) £	2009 (Book value) £	2009 (Fair value) £
Assets at fair value through profit and loss:				
Investment portfolio	31,043,002	31,043,002	11,779,583	11,779,583
Current investments	7,466,137	7,466,137	5,177,570	5,177,570
Loans and receivables				
Accrued income	207,464	207,464	49,689	49,689
Other debtors	3,871	3,871	9,501	9,501
Cash at bank	114,672	114,672	46,253	46,253
Liabilities at amortised cost or equivalent				
Other creditors	(404,126)	(404,126)	(118,094)	(118,094)
Total for financial instruments	38,431,020	38,431,020	16,944,502	16,944,502
Non financial instruments	19,887	19,887	34,868	34,868
Total net assets	38,450,907	38,450,907	16,979,370	16,979,370

The investment portfolio principally consists of unquoted investments (98.8%; 2009: 99.9%) and AiM quoted stocks (1.2%; 2009: 0.1%). The investment portfolio has a 100% (2009: 100%) concentration of risk towards small UK based, £ denominated companies, and represents 80.7% (2009: 69.4%) of net assets at the year-end.

Current investments are money market funds, discussed under credit risk below, which represent 19.4% (2009: 30.5 %) 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 £31,043,002 at the year-end (2009: £11,779,583). 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 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 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% (2009: 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% (2009: 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.

	2010 £ Profit and net assets	2009 £ Profit and net assets
If overall share prices fell by 20% (2009: 20%), with all other variables held constant – decrease	(6,208,600)	(2,355,917)
Decrease in earnings, and net asset value, per Ordinary share (in pence)	(15.61)p	(11.56)p
If overall share prices increase by 20% (2009: 20%), with all other variables held constant – increase	6,208,600	2,355,917
Increase in earnings, and net asset value, per Ordinary share (in pence)	15.61p	11.56p

The impact of a change of 20% (2009: 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:

	2010 £	2009 £
Loan stock investments	18,437,840	7,687,284
Money market funds	7,466,137	5,177,570
Accrued income	207,464	49,689
Cash at bank	114,672	46,253
	26,226,113	12,960,796

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

The accrued income shown above was all due within 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 estimates using management's expectations of when it is likely that such loans may be repaid.

	2010 £	2009 £
Repayable within		
0 to 1 year	3,891,644	1,682,920
1 to 2 years	3,009,053	2,362,266
2 to 3 years	3,790,826	617,213
3 to 4 years	4,519,413	897,638
4 to 5 years	3,226,904	2,127,247
Total	18,437,840	7,687,284

One loan valued at £700,992 is now past its repayment date but has not been renegotiated. Two loans valued at £775,645 and £nil not yet past their repayment date have been renegotiated in the year; the one valued at £nil was not paying interest and has converted its outstanding interest into share capital. The 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. The loans in the table below are all considered to be past due only because interest on the loan is outstanding with the exception to the two referred to above. We are required to report in this format and include the full value of the loan even though it is only in respect of interest that they are in default.

Past due loan stock assets:

	0-6 months £	6-12 months £	over 12 months £	2010 Total £
Loans to investee companies past due	–	–	5,197,073	5,197,073

	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

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 2010 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	12,588,840	–	–	12,588,840		
Preference shares	–	16,322	–	16,322	1.48	1.88
Loan stocks	–	15,274,065	3,163,775	18,437,840	4.84	2.96
Money market funds	–	–	7,466,137	7,466,137	0.57	
Cash	–	–	114,672	114,672		
Debtors	211,335	–	–	211,335		
Creditors	(404,126)	–	–	(404,126)		
Total for financial instruments	12,396,049	15,290,387	10,744,584	38,431,020		
Non-financial instruments	19,887	–	–	19,887		
Total net assets	12,415,936	15,290,387	10,744,584	38,450,907		

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		

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 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:

	2010 Profit and net assets £	2009 Profit and net assets £
If interest rates fell by 1%, with all other variables held constant – decrease	(84,882)	(52,361)
Decrease in earnings, and net asset value, per Ordinary share (in pence)	(0.21)p	(0.26)p
If interest rates rose by 1%, with all other variables held constant – increase	84,882	52,361
Increase in earnings, and net asset value, per Ordinary share (in pence)	0.21p	0.26p

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 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, all accessible on an immediate basis.

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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 2010

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	381,248	–	12,207,592	12,588,840
Preference shares	–	–	16,322	16,322
Loan stock	–	–	18,437,840	18,437,840
Money market funds	7,466,137	–	–	7,466,137
Total	7,847,385	–	30,661,754	38,509,139

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 in 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 2010	4,009,273	7,981	7,687,284	11,704,538
Purchases	5,045,225	5,033	8,570,235	13,620,493
Sales	(441,666)	–	(672,775)	(1,114,441)
Transfers into Level 3	75,045	–	–	75,045
Reclassification at value	(87,290)	1,558	85,732	–
Total (losses)/gains included in the Income Statement:				–
– on assets sold	(75,045)	–	–	(75,045)
– on assets held at the year end	3,682,050	1,750	2,767,364	6,451,164
Closing balance at 31 December 2010	**12,207,592**	**16,322**	**18,437,840**	**30,661,754**

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 2010 £	31 December 2009 £
Investment methodology		
Cost (reviewed for impairment)	4,359,678	1,097,572
Asset value supporting security held	700,992	700,992
Recent investment price	3,376,027	1,747,014
Earnings multiple	22,225,057	8,158,960
	30,661,754	11,704,538

The unquoted equity and loan stock investments had the following movements between valuation methodologies between 31 December 2009 and 31 December 2010:

Change in investment methodology (2009 to 2010)	Carrying value as at 31 December 2010 £	Explanatory note
Cost (reviewed for impairment) to recent investment price	2,848,813	More appropriate basis for determining fair value
Recent investment price to earnings multiple	4,983,825	More appropriate basis for determining fair value
Earnings multiple to cost (reviewed for impairment)	1,173,974	More appropriate basis for determining fair 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, these are the most appropriate methods of valuation which would be reasonable as at 31 December 2010.

The Standard 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 £2,706k or 8.7% lower. Using the upside alternatives the value would be increased by £4,573k or 14.7%. In arriving at both these figures, a 5% change to earnings multiples was applied, and the earnings of four investee companies were amended where it was considered reasonable to do so. In addition, the alternative assumptions were applied to two other companies, one affecting the upside, and one affecting the downside.

21 Acquisition of assets and liabilities of Matrix Income & Growth 3 VCT plc

On 20 May 2010, the assets and liabilities of Matrix Income & Growth 3 VCT plc were transferred to the Company in exchange for the issue of a further 20,572,129 Ordinary Shares in the Company, at a total value of £17,111,545.

The assets acquired comprised:-	£
Fixed asset Investments	12,801,084
Current asset investments	4,561,289
Other net current liabilities	(250,828)
	17,111,545

Subsequently and on the same day, Matrix Income & Growth 3 VCT plc was placed into members' voluntary liquidation pursuant to a scheme of reconstruction under section 110 of the Insolvency Act 1986.

The net asset values (NAV) per share of each fund used for the purposes of conversion at the calculation date of 19 May 2010, and the resultant conversion ratios into Ordinary Shares were:

	NAV per share (pence)	Conversion ratio applied to Matrix Income & Growth 3 VCT plc Ordinary Shares to obtain new number of Matrix Income & Growth VCT plc Ordinary Shares
Matrix Income & Growth VCT plc	83.17829000	–
Matrix Income & Growth 3 VCT plc	88.63097637	1.0655542

Share certificates reflecting the new shareholdings totalling 20,572,129 Ordinary Shares in Matrix Income & Growth VCT plc were sent to shareholders on 26 May 2010.

Based upon estimated total merger costs of £285,000 to merge the Company with Matrix Income & Growth 3 VCT plc, the Company's share of these costs is £130,945. This includes £52,975 of stamp duty, charged to the share premium account, as shown in note 16. £69,089 is disclosed as merger costs in the Income Statement and the balance of £8,881 relates to run-off insurance in future periods which is held within prepayments in note 12. Final figures for the costs of the merger are not yet available as the liquidation of Matrix Income and Growth 3 VCT plc is not yet finalised. However, at this stage the Board expects that the final costs will be slightly less than currently estimated in total.

22 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.

23 Segmental analysis

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

24 Related party transactions

Bridget Guérin is a shareholder (1.4%) of Matrix Group Limited, which owns 100% of the equity of:-

(1) MPE Partners Limited which has a 50% interest in Matrix Private Equity Partners LLP ('MPEP'), the Company's Investment Manager. Further information on the investment management agreement and the fees paid during the year is included in Note 4.

(2) Matrix Securities Limited which previously provided Company Secretarial and Accountancy Services to the Company under agreements dated 9 July 2004 for a fee of £35,590 (2009: £88,387) in the period. At the year-end £7 (2009: £21,861) was due to Matrix Securities Limited. Following a re-organisation of the Matrix group of companies, MPEP now provides administration services under the terms of an investment management agreement dated 20 May 2010 as disclosed in Note 4. The revised annual fee for all combined services, including investment management services, is 2% of net assets plus £120,000 per annum, the latter inclusive of VAT and subject to increase in RPI.

(3) Matrix CC Limited which has a 97% interest in Matrix Corporate Capital LLP ("MCC"), the Company's Corporate Broker. Nine (2009: four) share buy-backs were undertaken by MCC on the Company's instruction, costing £890,013 (2009: £247,033). Fees of £15,863 (2009: £9,161) were paid to MCC during the year and there was £190,399 (2009: £nil) due to MCC at the year-end in respect of a purchase by the Company of 228,707 of its own shares on 22 December 2010.

Each of the Directors holds a small number of shares, representing less than 0.015% of the issued share capital in each case, in each of Matrix Income & Growth 4 VCT plc and The Income & Growth VCT plc which are both also managed by MPEP.

25 Post balance sheet events

Since the year end the entire holding of Campden Media was sold for total proceeds of £836,294, which is consistent with the valuation reported in the accounts.

On 8 February 2011, Iglu.com Holidays Limited repaid all of their loan stock realising proceeds of £1,428,481 of which £213,262 was premium and £10,037 was interest due up until the date of repayment.

On 18 March 2011, the Company made a follow-on investment and commitment to invest, totalling £622,466, into ASL Technology Holdings Limited.

Under the linked offer for subscription launched on 12 November 2010, the Company has allotted 3,465,559 shares, raising net funds of £3,275,599 up to the date of the approval of these accounts.

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 regular newsletter to Shareholders. This has previously taken the form of a bi-annual newsletter produced by the Manager in the quarters in which the Company does not publish annual or half-yearly accounts. In 2011, the Manager is intending to replace this with a Newsletter to be circulated to all Matrix VCT shareholders in June and December of each year.

Net asset value per share

The Company's NAV per share as at 31 December 2010 was 96.6 pence per share. The Company announces its unaudited NAV on a quarterly basis.

Dividend

The Directors are recommending a final dividend in respect of the year ended 31 December 2010 of 5.0 pence per share (comprising 0.5 pence from income and 4.5 pence from capital). The dividend will be paid on 27 May 2011 to Shareholders on the Register on 13 May 2011.

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

Late March 2011	Annual Report for the year ended 31 December 2010 to be circulated to Shareholders
4 May 2011	Annual General Meeting
13 May 2011	Record date for Shareholders to be eligible for final dividend.
27 May 2011	Final dividend in respect of the year ended 31 December 2010 to be paid to Shareholders.
August 2011	Announcement of Half-Yearly Results and circulation of Half-Yearly Report for the six months ended 30 June 2011 to Shareholders
31 December 2011	Year-end.

Annual General Meeting

The next Annual General Meeting of the Company will be held on 4 May 2011 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 55 – 56 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 28 April 2011.

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 702 0010 or write to them at PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH or should you prefer visit their website at www-uk.computershare.com.

To contact the Chairman or any member of Board, please contact the Company Secretary, Matrix Private Equity Partners LLP 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 seventh Annual General Meeting of Matrix Income & Growth VCT plc ("the Company") will be held at 11.00 am on 4 May 2011 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 8 will be proposed as ordinary resolutions and resolutions 9 and 10 will be proposed as special resolutions:-

1. To receive and adopt the Annual Report and Accounts of the Company for the year ended 31 December 2010, 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 2010.
3. To re-appoint PKF (UK) LLP of Farringdon Place, 20 Farringdon Road, London EC1M 3AP as auditors to the Company until the conclusion of the next annual general meeting.
4. To authorise the directors to determine the remuneration of the Auditors.
5. To re-elect Keith Niven as a director of the Company.
6. To re-elect Bridget Guérin as a director of the Company.
7. To approve the payment of a final dividend in respect of the year ended 31 December 2010 of 5.0 pence per ordinary share of 1 penny each in the capital of the Company ("Ordinary Shares") comprising 0.5 pence from income and 4.5 pence from capital.
8. That, in substitution for any existing authorities, the directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 ("the Act"), 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 £130,000, provided that this authority shall expire on the conclusion of the annual general meeting of the Company to be held in 2012 unless previously 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).
9. That, subject to the passing of resolution 8 set out in this notice and in substitution for any existing authorities, the directors be and hereby are empowered in accordance with sections 570(1) and 573 of the Act to allot or make offers or agreement to allot equity securities (as defined in Section 560(1) of the Act) for cash, pursuant to the authority conferred upon them by resolution 8 set out in this notice, or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such allotment or sale, provided that the power conferred by this resolution shall be limited to:
   (i) The allotment of equity securities with an aggregate nominal value of up to but not exceeding £108,000 in connection with offer(s) for subscription; and
   (ii) 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 5 per cent of the issued share capital of the Company from time to time where the proceeds may be used in whole or in part to purchase the Company's shares in the market

   and provided that this authority shall expire on the conclusion of the annual general meeting of the Company to be held in 2012 (unless previously renewed, varied or revoked by the Company in general meeting), except that the Company may, before such expiry, make an offers or agreements 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.
10. That, in substitution for any existing authorities, the Company be and hereby is authorised pursuant to and in accordance with section 701 of the Act to make one or more market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares provided that:
    (i) the maximum aggregate number of Ordinary Shares authorised to be purchased shall not exceed 6,482,411;
    (ii) the minimum price which may be paid for Ordinary Shares is 1 penny per share, the nominal value thereof;
    (iii) the maximum price which may be paid for an Ordinary Share (excluding expenses) shall be the higher of (i) 5 per cent above the average of the middle market quotations for Ordinary Shares taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that Ordinary Share is purchased and (ii) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulations 2003 (EC 2273/2003);
    (vi) the authority conferred by this resolution shall expire on conclusion of the annual general meeting of the Company to be held in 2012; and
    (vii) the Company may make a contract or contracts to purchase its own Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of its own shares in pursuance of any such contract.

BY ORDER OF THE BOARD

Matrix Private Equity Partners LLP
Company Secretary

Registered Office
One Vine Street
London W1J 0AH

23 March 2011

NOTICE of the ANNUAL GENERAL MEETING

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 28 April 2011 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, Shareholders will be asked to provide the Control Number, their individual Shareholder Reference Number (SRN) and PIN, details of which are contained on the form of proxy, or the electronic broadcast message issued by the Company. 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 close of business on 28 April 2011 (or, in the event of any adjournment, is 48 hours prior to 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. (i) Members representing at least 5% of the total voting rights of all the members or (ii) at least 100 members who have a relevant right to vote and hold shares in the company on which there has been paid up an average sum, per member, of at least £100 (in accordance with section 525 of the Companies Act 2006) can require the Company to publish a statement on its website setting out any matter relating to (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (b) any circumstances connected with an auditor of the Company ceasing to hold office since the last annual general meeting, that the members propose to raise at the meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement required to be placed on the Company's website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website. By attending the meeting, Members and their proxies and representatives are understood by the Company to have agreed to receive any communications relating to the shares of the Company made at the meeting.
10. As at 23 March 2011 (being the last business day prior to the publication of this notice) the Company's issued share capital consisted of 43,245,105 Ordinary Shares, each carrying one vote. Therefore, the total voting rights in the Company as at 23 March 2011 were 43,245,105.
11. The Register of Directors' Interests, copies of Keith Niven's and Bridget Guérin's directors' appointment letters and the service contract and consultant's agreement with Tom Sooke shall be available for inspection at the place of the Annual General Meeting for at least fifteen minutes prior to and during the meeting.
12. A copy of this notice, and other information required by section 311A of the Act, can be found at www.migvct.co.uk.

Corporate Information

Directors
Keith Niven (Chairman)
Bridget Guérin
Christopher Moore (until 20 May 2010)
Tom Sooke (Senior Independent Director)

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

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

Solicitors
Martineau
No 1 Colmore Square
Birmmingham
B4 6AA

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

Investment Manager, Company Secretary, Administrator and Promoter
Matrix Private Equity Partners LLP
One Vine Street
London W1J 0AH

Registrar
Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH

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

Sponsor
Charles Stanley Securities
131 Finsbury Pavement
London EC2A 0AH

Receiving Agent
The City Partnership (UK) Limited
Thistle House
21 Thistle Street
Edinburgh EH2 1DF

Company Registration Number : 5153931

Website: www.migvct.co.uk

Designed and printed by
Fraser Hamilton Associates
Tel: 0208 493 0123