

# THE INCOME & GROWTH VCT

## O SHARE FUND\* QUALIFYING INVESTMENT PORTFOLIO AS AT 30 JUNE 2008

Company	Business	Investment Cost £	Investment Valuation £	% of the Investment Portfolio
<b>Ten Largest Investments</b>				
Image Source Group	Royalty free images	305,000	2,489,461	11.2%
Holloway White Allom	Speciality property contractor	34,553	2,171,494	9.8%
Youngman Group	Building products	1,000,052	1,751,767	7.9%
Blaze Signs Holdings	Sign manufacturing & installation	1,338,500	1,704,695	7.7%
Oxonica	Nanotechnology	2,524,527	1,462,113	6.6%
Amaldis 2008	Beauty products	80,313	1,264,975	5.7%
Tikit Group	Legal software & consultancy	500,000	1,152,172	5.2%
IDOX	Document & information management	872,625	1,122,917	5.1%
PastaKing Holdings	Fresh pasta meals supplier	292,405	870,502	3.9%
Tottel Publishing	Specialist law & tax publishing	514,800	860,590	3.9%
<b>Ten Largest Investments</b>		<b>7,462,775</b>	<b>14,850,686</b>	<b>67.1%</b>
<b>Other Investments</b>		<b>15,423,662</b>	<b>7,285,132</b>	<b>32.9%</b>
<b>TOTAL</b>		<b>22,886,437</b>	<b>22,135,818</b>	<b>100.0%</b>

\*The S Share Fund has made one qualifying investment of £99k in Plastic Surgeon.

### MANAGER'S COMMENTARY

Whilst the valuation of the O Share Fund investment portfolio has shown a decline, this is principally due to a fall in quoted company PE ratios by reference to which the unrealised unquoted investments are valued. However, some of the development stage investments may see delays achieving market breakthroughs as a result of the general UK economic slowdown. Overall though, this is a robust portfolio and we expect the aggregate valuation to significantly increase when markets recover.

The O Share Fund and, in particular, the S Share Fund have substantial liquid resources. This should enable us to capitalise on more attractive buying opportunities in the future in companies at lower valuations. Historic experience in the UK Private Equity industry suggests that the next two years should be a very strong vintage period for superior investment returns.

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## I&G VCT UPDATE AUGUST 2008

O SHARE PRICE: 86.5p S SHARE PRICE: 100.0p

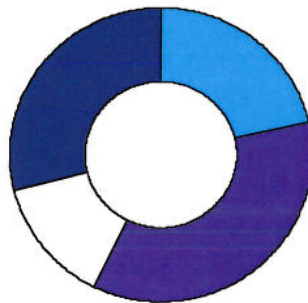
Welcome to The Income & Growth ("I & G") VCT Newsletter, the first to be produced since your Company changed to a single manager VCT advised by Matrix Private Equity Partners ("MPEP"). MPEP's strategy is to focus on Management Buy Outs ("MBOs") of established, profitable businesses.

I & G's issue of new 'S' Shares attracted £11.2 million net of expenses, the largest amount raised in the 2007-8 tax year by any generalist VCT. The NAV of the S Share Fund has not changed since launch and remains at 94.5p.

The NAV of the O Share Fund fell 8.5% to 87.1p per share over the quarter to 30 June 2008. This was principally attributable to a reduction in the value of certain unrealised investments and caused by the fall in price earnings ratios of directly comparable quoted companies. It was also due to reductions in valuations of two unrealised legacy Foresight portfolio investments where development prospects have deteriorated.

## I&G VCT PORTFOLIO BREAKDOWN AS AT 30 JUNE 2008

Ordinary Share Fund  
Total Assets - £31.1 million



Unquoted loan stock	21.3%
Unquoted equities	35.9%
Aim quoted equities	13.9%
Cash & money market funds	28.9%

The S Share Fund total assets of £11.2 million are 99% invested in money market OEIC funds.

## INVESTMENT ACTIVITY

The period saw difficult conditions in which to complete new investments of the right quality at the right price. We completed just one new investment. However, profitable realisations remained possible to achieve and we were pleased to take advantage of a number of disposals.

**Plastic Surgeon** provides cosmetic repair services to the UK construction and housing industry. As part of an MBO, I & G VCT invested £307k from the O Share Fund and £99k, being the first investment from the S Share Fund in April alongside other Matrix-advised VCTs, acquiring loan stock and 4.6% and 1.5% stakes in the Company respectively. The business was formed in 1995 and is based near Exeter. It employs 160 people and its annual revenue is £6 million.



There were three disposals by the O Share Fund, the most notable being as a result of a recapitalisation at **Holloway White Allom** which realised a profit of £2.3 million. Small profits were achieved from a further receipt in respect of Secure Mail Services and a partial loan repayment by VSI.

## CONTACT

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