

MATRIX INCOME & GROWTH VCT PLC

A VENTURE CAPITAL TRUST

REPORT & ACCOUNTS



Annual Report and Accounts
for the year ended 31 December 2008

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.

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Investment Policy

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

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

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

UK companies

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

VCT regulation

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

Asset mix

The VCT initially holds its funds in a portfolio of readily realisable interest bearing investments and deposits. The investment portfolio of qualifying investments is built up over a three year period with the aim of investing and maintaining 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 using a significant proportion of loan stock (up to 70% of the total investment in each VCT qualifying company.) Initial investments in VCT qualifying companies are generally made in amounts ranging from £200,000 to £1 million at cost. No holding in any one company will represent more than 10% of the value of the VCT's investments at the time of investment. Ongoing monitoring of each investment is carried out by the Investment Manager generally through taking a seat on the Board of each VCT qualifying company.

Co-investment

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

Borrowing

The VCT has no current plans to undertake any borrowing.

Management

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

Principal Risks, Management and Regulatory Environment

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

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

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

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

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

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

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

Asset liquidity risk – The VCT's investments may be difficult to realise especially in the current economic climate.

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

Credit/counterparty risk – A counterparty may fail to discharge an obligation or commitment that it has entered into with the Company.

For further information on the last four risks, please see Note 20 to the accounts on Financial Instruments on pages 45-49.

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

Financial Highlights

Ordinary Shares (listed on 8 October 2004)

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

	31 December 2008	31 December 2007
Net assets	£17,998,562	£25,727,915
Net asset value per share	86.5 p	116.9 p
Net cumulative dividends paid	15.3 p	4.2 p
Total return per share to Shareholders since launch ¹	101.8 p	121.1 p
Share price (mid market price)	74.5 p	100.5 p
Total expense ratio ²	3.8%	3.4%

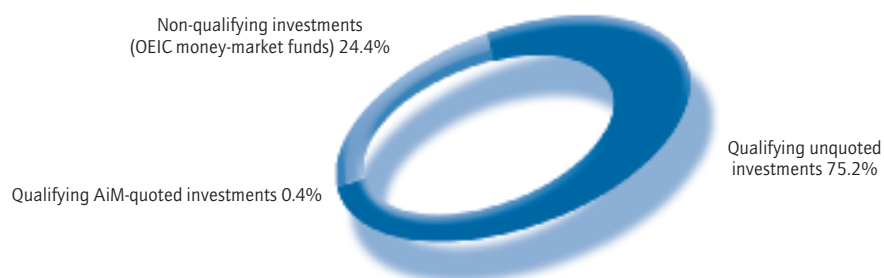
¹ Net asset value per share plus cumulative dividends paid per share. This compares with an original investment cost of 60 pence per share after allowing for income tax relief of 40 pence per share.

² For further information on the calculation of the total expense ratio, please see page 19.

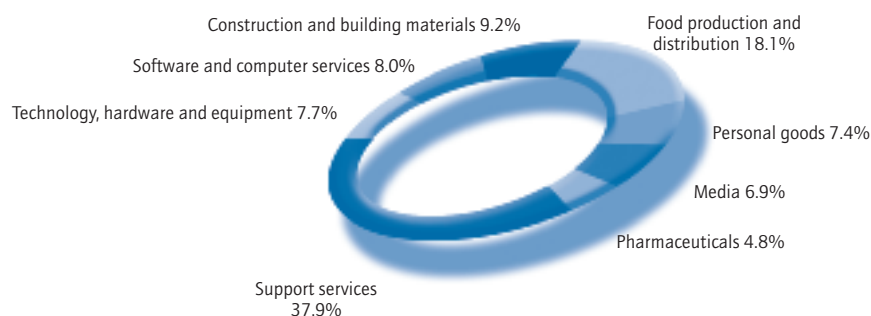
A final income dividend of 1 penny per share will be recommended to Shareholders at the AGM on 6 May 2009 to be paid on 15 May 2009, thereby increasing net cumulative dividends paid since launch to 16.3 pence per share.

Investments by valuation at 31 December 2008

Investments by asset class



Qualifying investments by market sector



Chairman's Statement

I am pleased to present the annual results of Matrix Income & Growth VCT plc for the year to 31 December 2008 and to report on a year of satisfactory progress in the context of the very challenging economic and market conditions in the period.

Overview

2008 has been a year in which the economic environment has seriously and sharply deteriorated and these difficult conditions are expected to persist for some time. The collapse in confidence within the banking system and the extreme deterioration in bank balance sheets has significantly curtailed bank lending which is now adversely affecting the wider economy. As yet the measures taken by the Government to counter these problems, particularly the drought of lending, have yet to yield any signs of improvement. The UK smaller companies sector in which your Company invests is clearly affected by this poor environment.

As your Company had already achieved the level of investment required by the VCT regulations, our strategy has been to retain healthy liquidity. This has been a year in which the Investment Manager has considered that few attractive new investment opportunities have presented themselves. The Board has supported the Investment Manager's view that most opportunities generally remained over-priced in 2008 and that it was more advantageous to maintain the Company's high cash balances until investment opportunities look reasonably priced. The Company has adopted a patient stance, in the expectation that better opportunities to add longer term value for Shareholders should start to come forward later as vendors realign their price expectations with the current economic climate. Nevertheless, your Company chose to make two new investments in 2008, and one follow-on investment, representing £1.6 million in aggregate. Disposal proceeds from one sale, and one partial divestment represented £1.2 million and therefore the Company's total investment in qualifying companies remained broadly neutral in the year.

The Company's qualifying portfolio has seen a number of valuations reduced in response to falls in quoted markets and worsening trading conditions. However, the trading performance of a number of investee companies remains encouraging. Full details of these companies and the year's transactions are contained in the Investment Manager's Review which follows on pages 8-15.

Review of results

Inevitably, the investment portfolio has not been immune to the factors outlined above, but value has held up reasonably well. The qualifying investment portfolio is currently valued at 92.4% of cost. Net asset value ("NAV") per share at 31 December 2008

is 86.5 pence (2007: 116.9 pence), a fall over the year of 30.4 pence (26.0%). However, 11.1 pence of this fall is due to dividends paid to shareholders. Excluding dividends paid, the NAV has fallen by 16.5%. The total NAV return per share, including dividends paid to date, is now 101.8 pence (2007: 121.1 pence), compared with the initial NAV per share, net of initial costs, of 94.5 pence. This represents a positive total return per share since inception of 7.7% (2007: 28.1%).

Income from the Company's loan stock investments was running at an aggregate annualised rate of 5.8% at 31 December 2008 (2007: 8.0%). The annual running yield on the qualifying investment portfolio as a whole was 3.6% (2007: 4.0%), while the yield on all assets was 3.4% (2007: 4.6%). These figures have declined from last year as certain investee companies are not currently fully servicing loans the Company has made to them, while those assets linked to variable interest rates are now yielding considerably lower levels of income, most notably the Company's holdings in OEIC money-market funds. Together, these factors have and will continue to reduce income dividends from the level the Company has been able to pay in recent periods.

Shareholders should note that income in this year has been increased by the anticipation of recoverable VAT. Legislation has been introduced exempting VCTs from paying VAT on investment management fees and enabling them to pursue reclaims for VAT previously paid. At this juncture, the Board is unable to quantify precisely the amount of VAT that will eventually be recovered, but has recognised a prudent amount that should be recoverable. An amount of £200,000 has therefore been recognised in these accounts for VAT paid in the past. For further information, please refer to Note 3 to the accounts on page 37 of this Annual Report.

Dividends

The revenue account generated a decreased net revenue return (after tax) for the year of £433,944 (2007: £567,323) and your Directors will be recommending a final income dividend of 1 penny per share, making a total of 2.0 pence per share in respect of the current year compared with the total income dividend of 2.4 pence per share paid in respect of the year ended 31 December 2007.

It should be noted that Shareholders have also received 8.7 pence per share in capital dividends in 2008, which mainly related to the profits realised upon the disposals of the investments in Ministry of Cake (Holdings) Limited in 2007 and BBI Holdings plc this year.

Chairman's Statement

This final income dividend will be recommended to Shareholders at the AGM on 6 May 2009 to be paid on 15 May 2009 to Shareholders on the Register on 17 April 2009. If approved, dividends paid since inception will increase to 16.3 pence.

Investment in qualifying holdings

The Company has continued to meet the target set by HM Revenue & Customs of investing 70% of total funds raised in qualifying unquoted and AiM quoted companies ("the 70% test"). At 31 December 2008, the Company was 78% invested in qualifying companies (based upon the tax values, which differ from the Investment Portfolio Summary on pages 16-17).

Communication with shareholders

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

Share buy-backs

The Company bought back 1,210,827 Ordinary Shares during the year under review at an average price of 87.3 pence per share and at discounts to the latest published NAVs of between 10% and 15%. These shares, representing 5.5% of the issued share capital at the beginning of the year, were subsequently cancelled by the Company. The Board regularly reviews its share buy back policy, considering a number of factors, including the Company's liquidity, and seeks to balance the interests of both continuing and departing shareholders.

Awards for Matrix Private Equity Partners and PastaKing

I am pleased to inform you that our Investment Manager, Matrix Private Equity Partners, won the award for "VCT Investment

Manager of the Year" at the recent *unquote*" British Private Equity Awards 2008. We were also pleased to hear that one of our investee companies, PastaKing, won the "The Small to Medium Sized Business of the Year" award at the 2008 National Business Awards.

Outlook

Stock markets are experiencing extreme volatility, uncertainty and low levels of confidence, reflecting significant concerns over the prospects for the global economy and the extent and length of the recession in the UK. Your Company's fortunes will be affected by this wider context, but nevertheless, we consider the Company to be in relatively good health and with a well diversified portfolio of investee companies.

Our strategy of preserving strong cash balances means the Company should be able to support its existing portfolio where required and justified and, in addition, capitalise on what are expected to be attractive new investment opportunities going forward.

In the foreseeable future, the Company's ability to pay dividends as high as those paid to date will be adversely affected by the ability of certain investee companies to service the Company's loans to them, the lower interest rate environment and the lack of profitable exit opportunities. However, the Board still remains confident that the Company should continue to provide Shareholders with an attractive long term combination of capital growth and income.

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

Keith Niven,
Chairman

12 March 2009

Responsibility Statement of the Directors in respect of the Annual Financial Report

The Directors confirm that to the best of their knowledge:

- (a) The financial statements, which have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies' issued by the Association of Investment Trust Companies in 2003 and revised in 2005, give a true and fair view of the assets, liabilities, financial position and loss of the Company; and
- (b) The management report, comprising the Chairman's Statement, Investment Policy, Statement of Principal Risks, Management and Regulatory Environment, Investment Portfolio Summary and the Investment Manager's Review, 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.

On behalf of the Board

Keith Niven,
Chairman

12 March 2009

Investment Manager's Review

Over the year, one disposal and one partial divestment was made. The investment in BBI was realised in January 2008 through the sale of that company to Inverness Medical Innovations Inc. The proceeds of £842,889 produced a £460,776 profit on the Company's investment cost of £382,000. In April, an early repayment of loan stock was received from VSI. Proceeds of £250,474 produced a profit from the premium of £22,770 on the Company's investment cost of £227,704.

During 2008, the Company has pursued a very cautious approach to new investment. This was based on our view that vendors' price expectations would prove unsustainable. We also avoided transactions requiring high levels of bank borrowing, believing that economic conditions were deteriorating and that this would make over-leveraged companies much too vulnerable in a tougher environment.

A part of this strategy has been our Operating Partner programme. This involves establishing acquisition companies alongside experienced entrepreneurs well known to us. Using the operating partner's specialised knowledge and business contacts they offer additional opportunities to access prospective investments that might not otherwise be sourced. This programme has met the twin aims of maintaining at least 70% of the monies raised in VCT qualifying investments while at the same time, importantly, maintaining significant cash balances for the VCT over a period we judged unattractive for new investment. This has been possible because these acquisition companies, which are structured as VCT qualifying investments, have two years in which to invest in established VCT qualifying businesses. We believe this strategy has proved to be extremely beneficial in protecting the value of the Company's asset base in difficult market conditions.

Just two new investments were completed during the year; the first was in April, when £390,289 was invested in the management buy-out of Plastic Surgeon Fine Finishers for loan stock and a 5.9% equity holding. The company offers snagging and finishing services to domestic and commercial properties and is based in Bovey Tracey, Devon.

The second was in ATG Media in October. This was the first target company and management buy-out transaction to be sourced and completed under our Operating Partner programme. Derringfield, the acquisition company in which the Company had invested £1 million in July, was renamed ATG Media and acquired the publisher of the leading weekly newspaper serving the UK antiques trade, the Antiques Trade Gazette, via a

management buy-out. This London-based business also offers an on-line auction capability. The Company now holds an £859,640 investment in ATG Media by way of loan stock and 7.6% of the equity (the balance of £141,315 from the original investment in Derringfield having been repaid to the Company).

Our other Operating Partners' companies have been active during 2008, with Aust Construction Investors, Barnfield Management Investments and Calisamo Management all seeking investments in the sectors of expertise relevant to the partners. However, we were unable to identify sufficiently attractive targets in the period and they therefore remained invested in liquid funds.

The qualifying investment portfolio has not been immune to the wider deteriorating trading environment and appropriate provisions have been applied against those investments where the investee company's trading has been affected. A number of valuations have also had to be reduced in response to falls in the value of comparable quoted companies. However, other investments have continued to trade well. Of a total of eighteen investments, four are currently held at cost, eight valued at below cost and six above cost.

The Company's investments in PXP, Youngman Group and Plastic Surgeon each have exposure to the house building and construction markets and all have suffered from the rapid decline of this sector during the year. Youngman has seen a sharp fall in revenues from its trade customers in particular although it has remained profitable and expects to continue to do so. PXP carried forward a strong order book into the year but the outlook for next year is more uncertain. In anticipation of this, the Company invested a further £163,436 as part of a £1 million funding round to provide capital to support PXP in what is expected to remain a difficult market. Plastic Surgeon has made strong progress in reducing its dependence on the new housing market and has diversified into the commercial property and insurance markets and has substantially reduced its direct and indirect cost base. Nevertheless, in view of the continuing difficult conditions in this sector we have deemed it appropriate to apply a 50% impairment provision against the Company's investment.

Blaze Signs, having had a record year in 2007-8, is seeing the effects of a number of major retail clients deferring work which has reduced revenue. Monsal too, has suffered from delays in new contract awards and a resultant deferral of construction work on both water and waste contracts; accordingly an impairment provision of 25% has been made. However, it enters

2009 with an encouraging level of contracted revenue and since the year-end shareholders have advanced a further £500k, including £68,433 from the Company, to provide additional working capital. Campden also has suffered from the uncertainties of the financial services clients of its growing US conference business which has led to a disappointing year. Racoon again continued to struggle to grow revenues although it remains profitable. British International's helicopter service to the Scilly Isles from Penzance experienced possibly the worst summer weather in two decades which decimated the day-trip market, but it has benefited from the solidity of its long-term military contract revenue.

Nevertheless, there have continued to be portfolio highlights. DiGiCo Europe has enjoyed a strong first year post-investment following the successful launch of its new digital audio mixing desk. PastaKing has posted its highest ever profits of £2.7 million, a year-on-year increase greater than 20%, despite increasing pressure on ingredient prices. Focus Pharma has also had a good first year since its management buy-out.

Vectair had an outstanding year, producing record profits and making inroads into potentially significant markets in India and the US. VSI is strongly profitable and cash-generative and is benefiting from the relative weakness of sterling as well as seeing increased customer demand. ATG Media is performing in line with expectations, whilst SectorGuard has now been

substantially re-organised following the acquisition of Manguard, a manned guarding business, earlier in 2008; its share price recovered somewhat towards the year end.

The investment portfolio at 31 December 2008 comprises eighteen investments with a cost of £14.7 million and valued at £13.6 million (92.4% of cost). £3.0 million of the investment cost is held in cash in the three acquisition companies in the Operating Partner programme. Whilst the fall in valuations over the year is disappointing, the adverse movement in public market indices has made some decreases inevitable. It is important to recognise that all of the reduction in the year has been in unrealised valuations as opposed to any actual realised investment losses. This offers the prospect of significant future recovery as we continue to believe that the portfolio, taken as a whole, is resilient and of high quality.

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

Further details of the investments in the current portfolio are outlined below.

Blaze Signs Holdings Limited



	Total	Ordinary Shares	Preference Shares	Loan Stock
Cost	£1,573,750	£472,125	£19,672	£1,081,953
Valuation	£1,519,319	£93,108	£19,672	£1,406,539

Basis of valuation:	Discounted earnings multiple
Equity % held and voting rights:	17.2%
Business:	Manufacture and installation of signs
Location:	Broadstairs, Kent
History:	Management buy-out
Income receivable by VCT in year:	£121,674
Audited financial information:	

Year ended	Turnover	Operating profit	Net assets
31 March 2008	£22,214,000	£3,220,138	£4,567,000

Investment Manager's Review



PastaKing Holdings Limited

	Total	Ordinary Shares	Preference Shares	Loan Stock
Cost	£464,047	£185,619	£1,307	£277,121
Valuation	£1,457,267	£1,122,631	£1,307	£333,329

Basis of valuation: Discounted earnings multiple
Equity % held and voting rights: 7.2%
Business: Manufacturer and supplier of fresh pasta meals
Location: Newton Abbot, Devon
History: Management buy-out
Income receivable in year: £194,049
Audited financial information:

Year ended	Turnover	Operating profit	Net assets
30 June 2008	£11,456,000	£2,731,000	£2,573,000



VSI Limited

	Total	Ordinary Shares	Preference Shares	Loan Stock
Cost	£390,367	£61,824	£3,252	£325,291
Valuation	£1,082,199	£721,127	£3,252	£357,820

Basis of valuation: Discounted earnings multiple
Equity % held and voting rights: 15.9% (14.6% fully diluted)
Business: Provider of software for CAD and CAM vendors
Location: Sheffield
History: Management buy-out
Income receivable in year: £36,507
Audited financial information:

Year ended	Turnover	Operating profit	Net assets
31 December 2007	£4,050,000	£866,000	£1,024,000



DiGiCo Europe Limited

	Total	Ordinary shares	Preference Shares	Loan Stock
Cost	£1,000,000	£386,522	£435	£613,043
Valuation	£1,045,312	£431,834	£435	£613,043

Basis of valuation: Discounted earnings multiple
Equity % held and voting rights: 6.5%
Business: Manufacturer of digital sound mixing consoles
Location: Chessington, Surrey
History: Management buy-out
Income receivable by VCT in year: £57,393
Audited financial information:

7 months ended	Turnover	Operating profit	Net assets
31 December 2007	£4,048,000	£329,000	£2,684,000

Aust Construction Investors Limited

	Total	Ordinary Shares	Loan Stock
Cost	£1,000,000	£400,000	£600,000
Valuation	£1,000,000	£400,000	£600,000

Basis of valuation: Cost
Equity % held and voting rights: 16.3%
Business: Acquisition investment company in construction and related services industries
Location: Bristol, Avon
History: Operating Partners Company
Income receivable by VCT in year: £36,537
Audited financial information: First audited accounts will be for the period ended 31 July 2008

Barnfield Management Investments Limited

	Total	Ordinary Shares	Loan Stock
Cost	£1,000,000	£400,000	£600,000
Valuation	£1,000,000	£400,000	£600,000

Basis of valuation: Cost
Equity % held and voting rights: 16.3%
Business: Acquisition investment company in food manufacturing and related services industries
Location: Exeter, Devon
History: Operating Partners Company
Income receivable by VCT in year: £36,537
Audited financial information: First audited accounts will be for the period ended 31 July 2008

Calisamo Management Limited

	Total	Ordinary Shares	Loan Stock
Cost	£1,000,000	£400,000	£600,000
Valuation	£1,000,000	£400,000	£600,000

Basis of valuation: Cost
Equity % held and voting rights: 16.3%
Business: Acquisition investment company in healthcare and wellbeing products industries
Location: Burton upon Trent, Staffordshire
History: Operating Partners Company
Income receivable by VCT in year: £36,507
Audited financial information: First audited accounts will be for the period ended 31 October 2008

Investment Manager's Review



Youngman Group Limited

	Total	Ordinary Shares	Preference Shares	Loan Stock
Cost	£1,000,052	£100,052	£14,286	£885,714
Valuation	£985,279	£40,993	£14,286	£930,000

Basis of valuation: Discounted earnings multiple
Equity % held and voting rights: 8.5%
Business: Manufacturer of ladders and access towers
Location: Maldon, Essex
History: Management buy-in/buy-out from SGB Group
Income receivable by VCT in year: £89,813

Audited financial information:

Year ended	Turnover	Operating profit	Net assets
30 June 2008	£42,626,000	£3,603,000	£5,545,000



Vectair Holdings Limited

	Total	Ordinary Shares	Preference Shares	Loan Stock
Cost	£560,302	£138,074	£500	£421,728
Valuation	£964,415	£457,842	£500	£506,074

Basis of valuation: Discounted earnings multiple
Equity % held and voting rights: 12.0%
Business: Design and distribution of washroom products
Location: Basingstoke, Hampshire
History: Management buy-out
Income receivable by VCT in year: £38,917

Audited financial information:

Year ended	Turnover	Operating profit	Net assets
31 July 2007	£7,657,000	£1,039,000	£2,214,000



British International Holdings Limited

	Total	Ordinary Shares	Preference Shares	Loan Stock
Cost	£1,000,000	£225,000	£1,000	£774,000
Valuation	£943,566	£13,766	£1,000	£928,800

Basis of valuation: Discounted earnings multiple
Equity % held and voting rights: 10.0%
Business: Helicopter service operator
Location: Sherborne, Dorset
History: Management buy-out
Income receivable by VCT in year: £18,218

Audited financial information

Year ended	Turnover	Operating profit	Net assets
31 December 2007	£23,393,000	£2,941,716	£3,218,000



ATG Media Holdings Limited

	Total	Ordinary Shares	Preference Shares	Loan Stock
Cost	£859,640	£305,650	£955	£553,035
Valuation	£859,640	£305,650	£955	£553,035

Basis of valuation: Cost
Equity % held and voting rights: 7.6%
Business: Publisher of the leading newspaper serving the UK antiques trade and on-line platform operator
Location: London
History: Management buy-out
Income receivable by VCT in year: £19,693
Audited financial information: First audited accounts will be for the period ended 30 September 2008



Focus Pharma Holdings Limited

	Total	Ordinary Shares	Preference Shares	Loan Stock
Cost	£656,987	£229,945	£1,026	£426,016
Valuation	£646,337	£28,099	£1,026	£617,212

Basis of valuation: Discounted earnings multiple
Equity % held and voting rights: 2.7%
Business: Licensing and distribution of generic pharmaceuticals
Location: Burton upon Trent, Staffordshire
History: Management buy-out
Income receivable by VCT in year: £48,530
Audited financial information: First audited accounts since the management buy-out will be for the year ended 31 December 2008



Monsal Holdings Limited

	Total	Ordinary Shares	Loan Stock
Cost	£615,918	£208,380	£407,538
Valuation	£461,939	£54,401	£407,538

Basis of valuation: Cost less impairment
Equity % held and voting rights: 9.5% (8.2% fully diluted)
Business: Engineering services to water and waste sectors
Location: Mansfield, Nottinghamshire
History: Management buy-out
Income receivable by VCT in year: £35,226
Audited financial information: First audited accounts will be for the period ended 30 September 2008

Investment Manager's Review



PXP Holdings Limited (Pinewood Structures)

	Total	Ordinary Shares	Preference Shares	Loan Stock
Cost	£1,163,436	£288,000	£1,829	£873,607
Valuation	£253,664	£0	£0	£253,664

Basis of valuation:	Discounted earnings multiple
Equity % held and voting rights:	8.5%
Business:	Design, manufacture and supply of timber frames for buildings
Location:	Sandy, Bedfordshire
History:	Management buy-out
Income receivable by VCT in year:	£(14,320) – being income recognised last year, now deemed not to be collectable at this stage

Audited financial information:

Year ended	Turnover	Operating profit*	Net assets
31 December 2007	£25,443,000	£1,438,000	£873,000

*Operating profit is quoted after adding back acquisition costs.



Plastic Surgeon Holdings Limited (The)

	Total	Ordinary Shares	Preference Shares	Loan Stock
Cost	£390,289	£39,029	£195	£351,065
Valuation	£195,145	£0	£0	£195,145

Basis of valuation:	Cost less impairment
Equity % held and voting rights:	5.9%
Business:	Supplier of snagging and finishing services to the domestic and commercial property markets
Location:	Bovey Tracey, Devon
History:	Management buy-out
Income receivable by VCT in year:	£19,955
Audited financial information:	First audited accounts will be for the period ended 31 October 2008

SectorGuard plc



	Total	Ordinary Shares
Cost	£150,106	£150,106
Valuation	£64,323	£64,323

Basis of valuation:	Bid price of 1.5 pence at 31 December 2008
Equity % held and voting rights:	1.1%
Business:	Provision of manned guarding, mobile patrolling, and alarm response services
Location:	Waltham Cross, Essex
History:	Expansion finance as part of a £3 million capital raising. AiM quoted.
Income receivable by VCT in year:	£Nil

Unaudited financial information restated from the audited accounts:

18 months ended	Turnover	Operating profit	Net assets	EPS
31 March 2008	£26,094,000	£236,000	£10,078,000	(0.02)p

Campden Media Limited

	Total	Ordinary Shares	Preference Shares	Loan Stock
Cost	£975,000	£195,000	£2,437	£777,563
Valuation	£78,463	£0	£0	£78,463

Basis of valuation: Discounted earnings multiple
Equity % held and voting rights: 10.8%
Business: Magazine publisher and conference organiser
Location: London
History: Management buy-out
Income receivable by VCT in year: £38,568

Audited financial information:

Year ended	Turnover	Operating profit	Net assets
31 December 2007	£7,447,000	£356,000	£638,000



Racoon International Holdings Limited

	Total	Ordinary Shares	Preference Shares	Loan Stock
Cost	£874,199	£262,258	£1,249	£610,692
Valuation	£0	£0	£0	£0

Basis of valuation: Discounted earnings multiple
Equity % held and voting rights: 12.2%
Business: Supply of hair extensions, hair care products and training
Location: Leamington Spa, Warwickshire
History: Management buy-out
Income receivable by VCT in year: £Nil
Audited financial information: First audited accounts will be for the year ended 31 March 2008

Operating profit is stated before charging amortisation of goodwill where applicable for each of these investments.

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

Investment Portfolio Summary

as at 31 December 2008

	Date of initial investment	Total book cost	Valuation	% value of net assets	% of equity held by funds managed by MPEP*
		£'000	£'000		
Qualifying investments					
AiM quoted investments					
SectorGuard plc Provider of manned guarding, mobile patrolling, and alarm response services	August 2005	150	64	0.4%	4.32%
		150	64	0.4%	
Unquoted investments					
Blaze Signs Holdings Limited Manufacturer and installer of signs	April 2006	1,574	1,520	8.4%	52.50%
PastaKing Holdings Limited Manufacturer and supplier of fresh pasta meals	June 2006	464	1,457	8.1%	27.50%
VSI Limited Provider of software for CAD and CAM vendors	April 2006	390	1,082	6.0%	48.91%
DiGiCo Europe Limited Manufacturer of digital sound mixing consoles	July 2007	1,000	1,045	5.8%	30.00%
Aust Construction Investors Limited Company seeking to acquire businesses in the construction sector	October 2007	1,000	1,000	5.6%	49.00%
Barnfield Management Investments Limited Company seeking to acquire businesses in the food sector	October 2007	1,000	1,000	5.6%	49.00%
Calisamo Management Limited Company seeking to acquire businesses in the healthcare sector	December 2007	1,000	1,000	5.6%	49.00%
Youngman Group Limited Manufacturer of ladders and access towers	October 2005	1,000	985	5.5%	29.70%
Vectair Holdings Limited Designer and distributor of washroom products	January 2006	560	965	5.4%	24.00%
British International Holdings Limited Helicopter service operators	May 2006	1,000	943	5.2%	34.93%
ATG Media Holdings Limited Publisher of the leading newspaper serving the UK antiques trade and on-line platform operator	October 2008	860	860	4.8%	40.00%
Focus Pharma Holdings Limited Licensor and distributor of generic pharmaceuticals	October 2007	657	646	3.6%	13.00%
Monsal Holdings Limited Supplier of engineering services to the water and waste sectors	December 2007	616	462	2.6%	46.51%
PXP Holdings Limited (Pinewood Structures) Designer, manufacturer and supplier of timber-frames for buildings	December 2006	1,164	254	1.4%	37.33%
The Plastic Surgeon Holdings Limited Supplier of snagging and finishing services to the domestic and commercial property markets	April 2008	390	195	1.1%	30.00%
Campden Media Limited Magazine publisher and conference organiser	January 2006	975	79	0.4%	28.44%
Racoon International Holdings Limited Supplier of hair extensions, hair care products and training	December 2006	874	–	0.0%	49.00%
		14,524	13,493	75.1%	
Total qualifying investments		14,674	13,557	75.5%	

*The other funds managed by MPEP include Matrix Income & Growth 2 VCT plc, Matrix Income & Growth 3 VCT plc, Matrix Income & Growth 4 VCT plc and The Income & Growth VCT plc. Details are contained in note 11 to the accounts on page 42.

	Total book cost £'000	Valuation £'000	% value of net assets
Non-qualifying investments			
Fidelity Institutional Cash Fund plc**	1,241	1,241	6.9%
Global Treasury Funds plc (Royal Bank of Scotland)**	1,094	1,094	6.1%
SWIP Global Liquidity Fund plc (Scottish Widows)**	563	563	3.1%
Institutional Cash Series plc (BlackRock)**	510	510	2.8%
GS Funds plc (Goldman Sachs)**	422	422	2.3%
Insight Liquidity Funds plc (HBOS)**	409	409	2.2%
Barclays Global Investors Cash Selection Funds plc**	137	137	0.8%
Total non-qualifying investments	4,376	4,376	24.2%
Total investments	19,050	17,933	99.7%
Other assets	445	444	2.4%
Current liabilities	(378)	(378)	(2.1)%
Net assets	19,117	17,999	100.0%

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

Board of Directors

Keith Niven

Status: Independent non-executive Chairman

Age: 60

Experience: Keith has over 30 years' experience in the financial services industry, most of which was spent at Schroder Investment Management Limited, the fund management arm of Schroders plc, where he was appointed joint vice-chairman in 2000. He held a number of other senior positions within Schroders including managing director of its UK institutional fund management business between 1986 and 1992 and chairman of its retail business, Schroder Unit Trusts Limited, from 1992 to 2001. He retired from Schroders in October 2001. Keith is also non-executive Chairman of Matrix Income & Growth 3 VCT plc and a non-executive director of four other trusts, Schroder UK Growth Fund plc, Schroder Income Growth Fund plc, Impax Environmental Markets plc and Advance UK Trust 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 2008: 4.5 years

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

Number of Board and Committee meetings attended 2008: 17/17

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

Relevant relationships with investee companies: None

Shareholding in the Company: 21,100 Ordinary shares.

Christopher Moore

Status: Independent non-executive Director

Age: 64

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

Length of Service as at 31 December 2008: 4.5 years

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

Number of Board and Committee meetings attended 2008: 11/16

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

Relevant relationships with investee companies: None

Shareholding in the Company: 42,200 Ordinary shares.

Bridget Guérin

Status: Non-executive Director

Age: 47

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

Length of Service as at 31 December 2008: 4.5 years

Committee Memberships: Investment Committee

Number of Board and Committee meetings attended 2008: 10/10

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

Relevant relationships with investee companies: None

Shareholding in the Company: 10,550 Ordinary shares.

Tom Sooke

Status: Senior independent non-executive Director

Age: 64

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

Length of Service as at 31 December 2008: 4.5 years

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

Number of Board and Committee meetings attended 2008: 15/16

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

Relevant relationships with investee companies: None

Shareholding in the Company: 7,912 Ordinary shares

Directors' Report

The Directors present the Annual Report and Accounts of the VCT for the year ended 31 December 2008.

Business and principal activities

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

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

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

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

Future developments

The VCT will continue to pursue its Investment Objective and Investment Policy as set out on pages 1-2.

Business review and performance review

For a review of the VCT's development and performance during the year, please see the Chairman's statement on pages 5-6 and the Investment Manager's Review and Investment Portfolio Summary on pages 8-17 of this Annual Report. The Financial Highlights on page 4 provides data on the VCT's key performance indicators.

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

Total return

The Total Return per share is the key measure of performance for the VCT, which comprises NAV plus cumulative dividends paid per share. The NAV is calculated quarterly in accordance with the International Private Equity Venture Capital Valuation (IPEVCV) guidelines. Net assets decreased during the year under review resulting in a 26.0% decrease (2007:16.2% increase) in NAV per share and a 15.9% decrease (2007:18.3% increase) in total return per share.

Total expense ratio (TER)

Largely reflecting the fall in the company's net assets, the gross TER of the VCT for the year under review was 4.4% (2007: 3.4%) or 4.3% (2007: 3.0%) excluding irrecoverable VAT and exceptional costs. Under the terms of the management agreement, the total management and administration expenses

of the VCT, excluding any irrecoverable VAT and exceptional costs, are limited to a maximum of 3.6% of the value of the VCT's closing net assets. As a result, there are excess expenses of £99,550 (2007:£nil) which will be borne by the Investment Manager by way of a deduction from their management fees after these accounts have been approved. After this deduction, the expense ratio for the year falls to 3.8%. This is higher than the expense cap ratio of 3.6% as these expenses still include irrecoverable VAT and exceptional items.

Share capital

During the year under review the VCT bought back 1,210,827 Ordinary Shares (being 5.5% of the opening issued share capital) at a cost of £1,050,447 (excluding expenses). The issued Ordinary Share Capital of the VCT as at 31 December 2008 was £207,989 (2007: £220,097). The number of Ordinary Shares in issue at this date was 20,798,925 (2007: 22,009,752).

Results and dividend

The revenue return after taxation attributable to Ordinary Shareholders for the year was £433,944, a decrease of £133,379 over the revenue return for the year ended 31 December 2007. The Directors will be recommending a final income dividend of 1 penny per share to Shareholders at the Annual General Meeting to be held on 6 May 2009, payable on 15 May 2009 to Shareholders who are on the Register on 17 April 2009.

The capital return has decreased from a profit of £3,541,452 for the year ended 31 December 2007 to a loss of £4,697,933 for the year ended 31 December 2008.

Directors and their interests

The names of the Directors appear below and brief biographical details on each of the Directors are given on page 18 of this Annual Report. The current Directors were all appointed to the Board on 1 July 2004. In accordance with the VCT's Articles of Association and the AIC Code of Corporate Governance ("the Code"), Tom Sooke will retire by rotation at the Annual General Meeting of the VCT to be held on 6 May 2009 and being eligible offers himself for re-election.

The Directors who held office throughout the year under review and their interests (including those of their connected persons) as at 31 December 2008 were:

	Ordinary Shares held on:	
	31 December 2008	31 December 2007
Keith Niven	21,100	21,100
Bridget Guérin	10,550	10,550
Christopher Moore	42,200	42,200
Tom Sooke	7,912	7,912

Directors' Report

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

Management

Matrix Private Equity Partners Limited was appointed as Investment Manager to the VCT on 9 July 2004. On 23 October 2006, Matrix Private Equity Partners Limited transferred its business to Matrix Private Equity Partners LLP and the VCT novated the existing Investment Advisor's Agreement and Incentive Agreement to Matrix Private Equity Partners LLP (MPEP). For further information on the terms and duration of the appointment and the fees paid to MPEP please see Note 4 to the accounts on page 37.

During the year under review the Management Engagement Committee reviewed the services provided by the Investment Manager. The continued appointment of the Investment Manager on the current terms was recommended by the Committee and agreed by the Board on 28 October 2008. The Board was of the opinion that although it was still relatively early in the Company's life-cycle for a full evaluation of the service of the Investment Manager, it continued to believe that MPEP possessed the experience, knowledge and resources necessary to help the Board achieve the Company's long term investment objectives. The Board remains satisfied with investment performance to date, and therefore believes that the continued appointment of the Investment Manager remains in the interest of shareholders. Summaries of the performances of the Company's Fund are contained in the Investment Manager's Review and in the Investment Portfolio Summary on pages 8-17 and the Financial Highlights on page 4.

Matrix-Securities Limited acts as both VCT Administrator and Company Secretary to the VCT for which they received a fee of £87,030 in respect of the year covered by this report.

VCT status monitoring

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

Auditors

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

Auditors' right to information

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

audit information and to establish that the VCT's auditors are aware of that information.

Financial instruments

Note 20 to the accounts on pages 45-49 provides a definition of the financial instruments used by the VCT. The main risks arising from the VCT's financial instruments are due to fluctuations in market prices and interest rates, credit risk and liquidity risk. The Board regularly reviews and agrees policies for managing these risks.

Substantial interests

As at 12 March 2009, the VCT had not been notified of any beneficial interest exceeding 3% of the issued share capital.

Creditors' payment policy

The VCT's policy is to pay all creditors' invoices within 30 days of the invoice date unless otherwise agreed. At 31 December 2008 the average credit period for trade creditors was 19 days.

Employees

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

Environmental and social responsibility

The Board seeks to conduct the Company's affairs responsibly and considers relevant social and environmental matters when appropriate, particularly with regard to investment decisions.

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.

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 auditors is set out on pages 29-30 of this Annual Report.

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

Directors' and officers' liability insurance

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

Going concern

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

Post balance sheet events

On 16 January 2009, the company invested £68,433 as a follow-on investment in Monsal Holdings Limited.

Annual General Meeting

A notice for the Annual General Meeting of the VCT to be held at 11.00 am on 6 May 2009 at One Vine Street, London W1J 0AH is set out on pages 52-54 of this Annual Report. A proxy form is enclosed separately with Shareholder's copies of this Annual Report.

The notice of the meeting includes a resolution to re-appoint Tom Sooke as a Director and brief biographical details of Tom Sooke are published on page 18 of this Annual Report.

Authorities for the Directors to allot shares (Resolution 7) and the disapplication of pre-emption rights (Resolution 8) under sections 80 and 95 of the 1985 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 in accordance with section 89 of the 1985 Act.

Resolution 7 will enable the Directors to allot up to an aggregate nominal amount not exceeding £69,329 representing approximately one-third of the existing issued share capital of the Company as at the date of the Notice of the Meeting. This resolution is proposed as an ordinary resolution.

Under section 89 of the 1985 Act, if the Directors wish to allot any of the unissued share capital for cash they must first offer such shares to existing shareholders in proportion to their current holdings. Resolution 8 will enable this requirement to be disapplied in the specific circumstances named in the Resolution. These are in relation to a rights issue, any dividend investment scheme that may be introduced by the VCT in the future, to fund a purchase of shares and also pursuant to any future 5 per cent. "top-up" offer. This resolution is proposed as a special resolution.

Both of these authorities, unless previously renewed or revoked, will expire on the conclusion of the Annual General Meeting of the VCT to be held in 2010 except that the Directors may allot securities after this date in pursuance of offers or agreements made prior to the expiration of these authorities.

Both resolutions generally renew previous authorities approved on 16 May 2008. The Directors have no immediate intention of exercising these powers.

Authority to purchase the VCT's own shares (Resolution 9)

This resolution authorises the VCT to purchase its own shares pursuant to section 166 of the 1985 Act. The authority is limited to a maximum number of Ordinary Shares equal to 3,117,730 representing 14.99% of the issued share capital at the date of the Notice of the Meeting and will expire at the

conclusion of the Annual General Meeting of the VCT to be held in 2010. The maximum price (exclusive of expenses) which may be paid for an Ordinary Share will be the amount that is not more than the higher of 5% above the average of the middle market quotations for the VCT's Shares of that class as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the purchase and (ii) the price stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation (EC 2273/2003). The minimum price which may be paid is one penny per share, ie the nominal value of the shares.

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

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

Authorisation of Situational Conflict (Resolution 10)

Resolution 10 requests Shareholder approval to each of the Directors of the Company continuing to be directors of Matrix Income & Growth 3 VCT plc. Under the Companies Act 2006, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The Articles of Association of the Company permit the Directors to authorise such conflicts of interest but as all of the Directors of the Company are also directors of Matrix Income & Growth 3 VCT plc they are unable to exercise the power to authorise. Accordingly the Directors consider it appropriate to seek Shareholder approval to continue as directors and further to act in such role notwithstanding any such conflict between the Company and Matrix Income & Growth 3 VCT plc which may arise, in particular, but without limitation, due to common existing investments with Matrix Income & Growth 3 VCT plc and due to participating in future investments with Matrix Income & Growth 3 VCT plc. This resolution will be proposed as a special resolution requiring the approval of 75% of those voting at the meeting.

By order of the Board

Matrix-Securities Limited

Company Secretary

12 March 2009

Directors' Remuneration Report

This Report has been prepared by the Directors in accordance with the requirements of Schedule 7A of the Companies Act 1985. A resolution to approve the Report will be proposed at the Annual General Meeting to be held on 6 May 2009. 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 pages 29-30.

Remuneration committee

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

Remuneration policy

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

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

For further information on the incentive fee and on Bridget Guérin's connection to Matrix Group Limited please see Notes 4 and 23 respectively of the Notes to the Accounts on pages 37 and 50. The Directors do not have any plans to introduce any further incentive schemes at the present time and will seek Shareholder approval for any such schemes should they be proposed in the future.

It is intended that this policy will continue for the year ended 31 December 2009 and subsequent years.

Terms of appointment

All of the Directors are non-executive. The Articles of Association provide that Directors may be appointed either by an ordinary resolution of the Company or by the Board provided that a person appointed by the Board shall be subject to re-election at the first Annual General Meeting following their appointment. Subject to the provisions of the Companies Acts 1985 and 2006, one-third of the Directors retire from office by rotation at each Annual General Meeting, or if their number is not a multiple of three, the number nearest to but not greater than one-third. The Director retiring at each Annual General Meeting shall be the Director who has been longest in office since their last re-election.

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

Directors' 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 2008 £	Year ended 31 December 2007 £
Keith Niven	21,500	20,000
Bridget Guérin	16,000	15,000
Christopher Moore	18,750	17,500
Tom Sooke	18,750	17,500
Total	75,000	70,000

The Directors received no further emoluments in respect of their services. Aggregate fees in respect of qualifying services for all Directors amounted to £75,000 (31 December 2007: £70,000). Fees paid to Christopher Moore and Tom Sooke include an additional £3,000 pa (£2,500 until 30 June 2008) for Chairmanship of the Investment Committee and Audit Committee respectively.

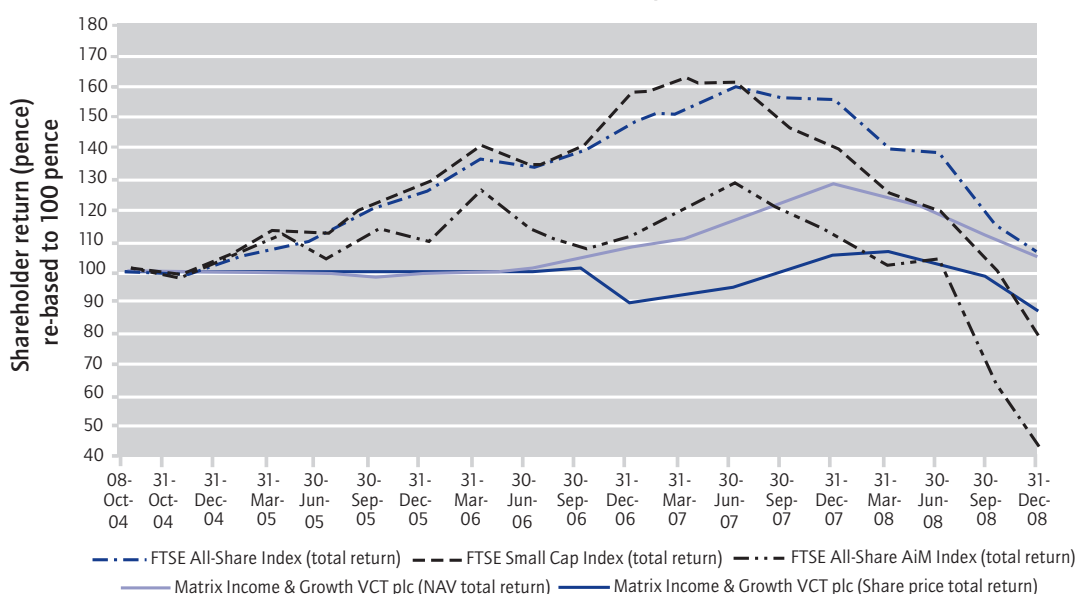
Total shareholder return

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

The net asset value (NAV) total return for the Company has been shown separately on the graph because the Directors believe that for a very long-term investment such as a VCT, this represents a fairer reflection of the Company's long-term value than the share price.

The total returns below have each been re-based to 100 pence. An explanation of the recent performance of the Company is given in the Chairman's Statement on pages 5-6 and the Investment Manager's Review on pages 8-15.

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



Source: Matrix Corporate Capital LLP

By order of the Board

Matrix-Securities Limited

Company Secretary

12 March 2009

Corporate Governance Statement

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

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

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

Compliance with the Combined Code

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

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

The Board

The Company has a Board of four non-executive Directors. The Board meets at least quarterly and is in regular contact with the Investment Manager between these meetings. The Board held seven formal meetings during the year. The four quarterly Board meetings were each attended by all four directors except that Christopher Moore was absent from the February meeting. The Board met informally on other occasions.

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

Shareholders and that the best interests of creditors and suppliers to the Company are properly considered.

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

The AIC Code states that directors who sit on the boards of more than one company managed by the same manager will not be regarded as independent for either the purpose of fulfilling the requirement that there must be an independent majority or for serving as chairman. The Board does not agree with this measure, as it does not believe that this situation of itself would lead to any loss of independence.

The Board has considered whether each Director is independent in character and judgment and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, the Directors' judgment and has concluded that all of the Directors are independent of the Investment Manager with the exception of Bridget Guérin. In particular, it has concluded that Christopher Moore's directorships of Matrix Income & Growth 3 VCT plc, Matrix Income & Growth 4 VCT plc and The Income & Growth VCT plc, Keith Niven's Chairmanship of Matrix Income & Growth 3 VCT plc and Tom Sooke's directorship of Matrix Income & Growth 3 VCT plc, all of which are also managed by Matrix Private Equity Partners LLP, do not materially prejudice the independence of the Directors concerned in respect of the Combined Code as re-stated in principle 2 of the AIC Code. Bridget Guérin's interest in the agreements for the provision of investment management services and administration services are detailed in full in Note 23 of the Notes to the Accounts on page 50 on related party transactions.

The Board assessed the independence of the Chairman on appointment and concluded that he fully met the independence

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

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

The Board recognises, however, that as from October 2010 the Company will be required under the Listing Rules to have an independent Chairman and a majority of independent Directors where the tests for independence preclude directors from serving on the boards of more than one company managed by the same investment manager. The Board is giving this matter its active consideration and anticipates that this will result in changes to the Board in the period leading up to October 2010.

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

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

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

The primary focus at each quarterly Board meeting is overall strategy and a review of investment performance. The Board monitors the investments made by the Investment Manager to ensure that the overall investment portfolio is in line with the

Company's Investment Policy. The Board also considers peer group performance, asset allocation and wider industry and economic issues in reviewing investment performance and strategy.

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

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

The effectiveness of the Board and of the Chairman is reviewed regularly as part of the internal control process led by the Audit Committee. The Board has implemented an annual performance evaluation review during the year ended 31 December 2008.

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.

Tom Sooke has been nominated for re-election to the Board at the forthcoming AGM. His contribution to the Board is highly regarded and respected and the Board has no hesitation in recommending his re-election to Shareholders.

Board committees

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

Corporate Governance Statement

attendance from each of the three Directors except that Christopher Moore was absent from the February meeting, and has met informally on other occasions.

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

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

The Investment Committee comprises all four Directors: Christopher Moore (Chairman), Bridget Guérin, Keith Niven and Tom Sooke. The Committee meets as necessary to discuss and, if appropriate, to approve investment recommendations from the Investment Manager. The Committee held three formal meetings during the year fully attended by all the Directors except that Christopher Moore was absent from the February meeting and met informally on other occasions. The Committee and the Investment Manager endeavour to operate in a supportive, co-operative and open environment and the Committee regularly reviews the performance of the Investment Manager and agrees policies with the Investment Manager on key operational matters.

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

Internal control

The Board acknowledges that it is responsible for the Company's

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

The internal control systems aim to ensure the maintenance of proper accounting records, the reliability of the financial information used for publication and upon which business decisions are made, and that the assets of the Company are safeguarded. The financial controls operated by the Board include the authorisation of the investment strategy and regular reviews of the financial results and investment performance. The Board has put in place procedures for identifying, evaluating and managing the significant risks faced by the Company. As part of this process an annual review of the control systems is carried out in accordance with the Turnbull guidelines for internal control. The review covers a consideration of the key business, operational, compliance and financial risks facing the Company. Each risk is considered with regard to: the controls exercised at Board level; reporting by service providers; controls relied upon by the Board; exceptions for consideration by the Board; responsibilities for each risk and its review period; and risk rating. As part of this process, investment risk is spread by means of a diverse investment portfolio, details of which are described in the Investment Manager's Review.

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

This system of internal controls and the procedure for the review of control systems referred to above has been in place and operational throughout the year under review and up to the date of this Report. The assessment of the effectiveness of internal controls in managing risk included consideration of

reports from the relevant service providers. The last review took place on 26 February 2009. The Board has not identified any issues with the Company's internal control mechanisms that warrant disclosure in the Annual Report.

Directors' remuneration

A Directors' Remuneration Report, prepared in compliance with the Directors' Remuneration Report Regulations 2002, is contained on pages 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. Shareholders may contact the Senior Independent Director, Tom Sooke, if they have concerns which contact through the Chairman or Investment Manager has failed to resolve or for which such contact is inappropriate. Please see Shareholder Information on page 51 for contact details.

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

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

By order of the Board

Matrix-Securities Limited

Company Secretary

12 March 2009

Statement of Directors' Responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

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

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

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

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and United Kingdom accounting standards ('United Kingdom Generally Accepted Accounting Practice') are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Financial Statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and whether the Financial Statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Financial Statements. The information in the Directors' Report includes that specific information presented in the Chairman's Statement, Investment Manager's Review and Investment Portfolio Summary that is cross referenced from the business review and performance review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if

information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement, the Investment Manager's Review, the Investment Portfolio Summary, the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Corporate Governance Statement and the rest of the unaudited information in the Annual Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Financial Statements.

PKF (UK) LLP
Registered Auditors
London, UK

12 March 2009

Profit and Loss Account

for the year ended 31 December 2008

	Notes	Year ended 31 December 2008			Year ended 31 December 2007		
		Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
Realised gains on investments	10	–	86,979	86,979	–	1,433,612	1,433,612
Unrealised (losses)/gains on investments	10	–	(4,848,208)	(4,848,208)	–	2,386,239	2,386,239
Income	2	973,787	179,725	1,153,512	1,231,117	–	1,231,117
Recoverable VAT	3	35,893	107,680	143,573	–	–	–
Investment manager's fees	4	(88,810)	(266,428)	(355,238)	(137,119)	(411,357)	(548,476)
Other expenses	5	(336,510)	–	(336,510)	(337,887)	–	(337,887)
Profit/(loss) on ordinary activities before taxation		584,360	(4,740,252)	(4,155,892)	756,111	3,408,494	4,164,605
Tax on ordinary activities	7	(150,416)	42,319	(108,097)	(188,788)	132,958	(55,830)
Profit/(loss) for the year		433,944	(4,697,933)	(4,263,989)	567,323	3,541,452	4,108,775
Basic and diluted earnings per ordinary share	9	2.02p	(21.91)p	(19.89)p	2.58p	16.07p	18.65p

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

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

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

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

The Notes on pages 35 to 50 form part of these financial statements.

Balance Sheet

as at 31 December 2008

	Notes	as at 31 December 2008 £	as at 31 December 2007 £
Fixed assets			
Investments at fair value	10	13,556,878	17,998,075
Current assets			
Debtors and prepayments	12	372,816	147,575
Current investments	13, 19	4,375,724	7,747,608
Cash at bank	19	71,812	51,562
		4,820,352	7,946,745
Creditors: amounts falling due within one year	14	(378,668)	(216,905)
Net current assets		4,441,684	7,729,840
Net assets		17,998,562	25,727,915
Capital and reserves			
Called up share capital	15	207,989	220,097
Capital redemption reserve	16	13,449	1,341
Revaluation reserve	16	(1,117,216)	4,127,530
Special distributable reserve	16	18,388,358	19,561,655
Profit and loss account	16	505,982	1,817,292
Equity shareholders' funds		17,998,562	25,727,915
Net asset value per Ordinary Share	17	86.54p	116.89p

The Notes on pages 35 to 50 form part of these financial statements.

The financial statements on pages 31 to 50 were approved and authorised for issue by the Board of Directors on 12 March 2009 and were signed on its behalf by:

Keith Niven
Chairman

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2008

	Notes	Year ended 31 December 2008 £	Year ended 31 December 2007 £
As at 1 January 2008		25,727,915	22,244,902
Purchase of own shares	15	(1,056,868)	(95,275)
(Loss)/profit for the year		(4,263,989)	4,108,775
Dividends paid in year	8	(2,408,496)	(530,487)
Closing Shareholders' funds		17,998,562	25,727,915

The Notes on pages 35 to 50 form part of these financial statements.

Cash Flow Statement

for the year ended 31 December 2008

	Notes	Year ended 31 December 2008		Year ended 31 December 2007	
		£	£	£	£
Operating activities					
Investment income received		1,226,543		1,227,519	
Investment management fees paid		(498,733)		(548,476)	
Other cash payments		(345,255)		(399,250)	
Net cash inflow from operating activities	18		382,555		279,793
Investing activities					
Acquisitions of investments	10	(1,554,680)		(6,272,923)	
Disposals of investments	10	1,234,678		2,499,491	
Net cash outflow from investing activities			(320,002)		(3,773,432)
Taxation					
Taxation paid			(63,695)		(46,000)
Equity dividends					
Payment of dividends	8		(2,408,496)		(530,487)
Cash outflow before financing and liquid resource management			(2,409,638)		(4,070,126)
Management of liquid resources					
Decrease in current investments	19		3,371,884		4,158,713
Financing					
Purchase of own shares			(941,996)		(95,275)
Increase/(decrease) in cash for the year	19		20,250		(6,688)

The Notes on pages 35 to 50 form part of these financial statements.

Notes to the Accounts

for the year ended 31 December 2008

1 Accounting policies

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

a) Basis of accounting

The accounts have been prepared under UK Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies' ("SORP") issued by the Association of Investment Companies in January 2003, revised December 2005 ("the SORP").

b) Presentation of the Profit and Loss Account

In order to better reflect the activities of a VCT and in accordance with the SORP, supplementary information which analyses the Profit and Loss Account between items of a revenue and capital nature has been presented alongside the Profit and Loss Account. 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 ("ITA").

c) Investments

Investments are recognised on a trade date basis. All investments held by the Company are classified as "fair value through profit and loss" as the Company's business is to invest in financial assets with a view to profiting from their total return in the form of capital growth and income. For investments actively traded in organised financial markets, fair value is generally determined by reference to Stock Exchange market quoted bid prices at the close of business on the balance sheet date.

Unquoted investments are stated at fair value by the Directors in accordance with the following rules, which are consistent with the International Private Equity Venture Capital Valuation (IPEVCV) guidelines:

- (i) Investments which have been made in the last twelve months are at fair value which, unless another methodology gives a better indication of fair value, will be at cost.
- (ii) Investments in companies at an early stage of their development are also valued at fair value which, unless another methodology gives a better indication of fair value, will be at cost.
- (iii) Where investments have been held for more than twelve months or have gone beyond the stage in their development in (i) or (ii) above, the shares may be valued by applying a suitable price-earnings ratio to that company's historic, current or forecast post-tax earnings before interest and amortisation (the ratio used being based on a comparable sector but the resulting value being discounted to reflect points of difference identified by the Investment Manager compared to the sector, as well as to reflect lack of marketability). Where overriding factors apply, alternative methods of valuation will be used. These will include the application of a material arms-length transaction by an independent third party, cost less provision for impairment, discounted cash flow, or a net asset basis;
- (iv) Where a value is indicated by a material arms-length transaction by a third party in the shares of a company, this value will be used.
- (v) Unquoted investments will not normally be re-valued upwards for a period of at least twelve months from the date of acquisition. Where a company's underperformance against plan indicates a diminution in the value of the investment, provision against cost is made, as appropriate. Where the value of an investment has become permanently impaired below cost, the loss is treated as a permanent impairment and as a realised loss, even though the investment is still held. The Board assess the portfolio for such investments, and after agreement with the Investment Manager, will agree the values that represent the extent to which an investment has become permanently impaired. This is based upon an assessment of objective evidence of that investment's future prospects, to determine whether there is potential for the investment to recover in value.
- (vi) Premium on loan stock investments are accrued at fair value when the Company receives the right to the premium and when considered recoverable.

d) 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. Fixed returns on non-equity shares and on debt securities are recognised on a time apportionment basis so as to reflect the effective interest rate, provided there is no reasonable doubt that payment will be received in due course.

Notes to the Accounts

for the year ended 31 December 2008

e) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged wholly to revenue, with the exception of expenses incidental to the acquisition or disposal of an investment, which are written off to the capital column of the Profit and Loss Account, and with the further exception that 75% of the fees payable to the Investment Manager are charged against capital. This is in line with the Board's expected long-term split of returns from the investment portfolio of the Company. IFA trail commission is expensed in the year in which it is incurred.

f) 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.

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.

g) Liquid resources

Liquid resources are the current investments disclosed in Note 13. Such funds are regarded as mainly available for investment, unless required to fund any shortfall between income and running expenses. The current investments are valued at the year-end closing fund prices.

2 Income

	2008 £	2007 £
Income from bank deposits	5,317	4,342
Income from investments		
– from equities	209,009	63,834
– from overseas based OEICs	331,739	583,935
– from loan stocks	607,447	579,006
	1,148,195	1,226,775
Total income	1,153,512	1,231,117
Total income comprises:		
Dividends	540,748	647,769
Interest	612,764	583,348
	1,153,512	1,231,117
Income from investments comprises:		
Listed overseas securities	331,739	583,935
Unlisted UK securities	209,009	63,834
Loan stock interest	607,447	579,006
	1,148,195	1,226,775

Loan stock interest above is stated after deducting an amount of £14,320 (2007: £1,807), being a provision made against loan stock interest regarded as collectable in previous years.

Total loan stock interest due but not recognised in the year was £223,603 (2007: £44,835).

3 Recoverable VAT

	Revenue 2008 £	Capital 2008 £	Total 2008 £	Revenue 2007 £	Capital 2007 £	Total 2007 £
VAT recoverable	35,893	107,680	143,573	–	–	–

On the basis of information supplied by the Company's Investment Manager, and discussions with the Company's professional advisors as a result of the European Court of Justice ruling and subsequent HM Revenue & Customs (HMRC) briefing that management fees be exempt for VAT purposes, the Directors consider it reasonably certain that the Company will in the foreseeable future obtain a repayment of VAT of not less than £200,000 as disclosed in Note 12. £56,427 of this amount relates to 2008 and has been set off against the total management fees for 2008 disclosed in Note 4 below, leaving the net amount disclosed above. This amount has been recognised as a separate item in the profit and loss account, allocated 25% to revenue and 75% to capital return and is the same proportion as that in which the irrecoverable VAT was originally charged. It is possible that additional amounts of VAT will be recoverable in due course but the Directors are unable at this stage to quantify the sums involved.

4 Investment manager's fees

	Revenue 2008 £	Capital 2008 £	Total 2008 £	Revenue 2007 £	Capital 2007 £	Total 2007 £
Matrix Private Equity Partners LLP	88,810	266,428	355,238	137,119	411,357	548,476

Matrix Private Equity Partners Limited was appointed to advise the Company on investments in qualifying companies under an agreement dated 9 July 2004. The agreement was novated to Matrix Private Equity Partners LLP on 23 October 2006. The Investment Manager's appointment may be terminated at any time by giving them not less than one year's notice in writing. Fees are payable in advance at the rate of 2% per annum, based upon the value of the net assets of the Company each quarter, one month after the end of that quarter.

The investment management expense disclosed above is stated after applying a cap on expenses excluding irrecoverable VAT and exceptional items set at 3.6% of closing net assets at the year-end. In accordance with the investment management agreement any excess expenses are borne by the Investment Manager. The excess expenses during the year amounted to £99,550 (2007: £nil).

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

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5 Other expenses

	2008 £	2007 £
Directors' remuneration (including NIC) (see Note 6)	83,136	77,773
IFA trail commission	57,791	85,174
Administration fees	87,030	85,031
Broker's fees	8,813	11,750
Auditors' fees – audit	19,016	19,348
– other services supplied relating to taxation	7,103	318
– other services supplied pursuant to legislation	3,819	2,644
Registrar's fees	8,084	12,938
Printing	11,772	11,229
Legal and professional fees	1,916	–
VCT monitoring fees	6,729	10,071
Directors' insurance	7,264	7,526
Listing and regulatory fees	15,272	12,297
Sundry	18,765	1,788
	336,510	337,887

6 Directors' remuneration

	2008 £	2007 £
Directors' emoluments		
Keith Niven	21,500	20,000
Bridget Guérin	16,000	15,000
Christopher Moore	18,750	17,500
Tom Sooke	18,750	17,500
	75,000	70,000
Employer's NIC and VAT	8,136	7,773
	83,136	77,773

No pension scheme contributions or retirement benefit contributions were paid. 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 ordinary activities

	2008 £	2007 £
a) Analysis of tax charge:		
– revenue charge	150,416	188,788
– credited to capital return	(42,319)	(132,958)
Current and total tax charge (note b) below)	108,097	55,830
b) Factors affecting tax charge for the year:		
Total return on ordinary activities before tax	(4,155,892)	4,164,605
Less: non-taxable realised gains	(86,979)	(1,433,612)
Add: non taxable unrealised (gains)/losses	4,848,208	(2,386,239)
Add: investment management expense charged to capital	266,428	411,357
Less: Income treated as capital return	(287,405)	–
Profit on ordinary activities before taxation	584,360	756,111
Corporation tax @ 20.75% (2007: 19.75%)	121,254	149,332
Non-taxable UK dividends	(6,079)	(12,607)
Income not yet taxable	3,785	2,242
Effect of marginal relief	28,480	51,777
– under(over) provision in prior period	6,497	15
– deferred tax	(3,521)	(1,971)
Taxation on revenue return	150,416	188,788
Taxable income credited to capital	22,344	–
Taxation on allowable expenditure charged to capital return	(55,284)	(81,243)
Effect of marginal relief	(9,379)	(51,715)
Credited to capital return	(42,319)	(132,958)
Tax charge for period (note a) above)	108,097	55,830
Analysis of tax charge		
Current year	105,121	57,786
Prior year	6,497	15
Deferred tax	(3,521)	(1,971)
Tax charge as above	108,097	55,830

Tax relief relating to investment management fees is allocated between revenue and capital in the same proportion as such fees.

There is no taxation in relation to capital gains or losses.

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

Deferred taxation

No provision for deferred taxation has been made on potential capital gains due to the Company's current status as a VCT under section 274 of the ITA and the Directors' intention to maintain that status. The provision shown in Note 14 relates to a provision for a timing difference that reverses in the new financial year, upon which there is a movement each year, as shown in the reconciliation above.

Notes to the Accounts

for the year ended 31 December 2008

8 Dividends paid and payable

	2008 £	2007 £
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2007 of 1.4p (income); 6.4p (capital) per Ordinary Share (year ended 31 December 2006: 1.4p (income))	1,706,290	309,451
Interim dividend for the year ended 31 December 2008 of 1.0p (income); 2.3p (capital) (2007 1.0p – income) per Ordinary Share	702,206	221,036
	2,408,496	530,487
Proposed distributions to equity holders at the year-end:		
Final income dividend for the year ended 31 December 2008 of 1p (2007: 1.4p) per Ordinary Share	207,989	308,137
Final capital dividend for the year ended 31 December 2008 of nil (2007: 6.4p) per Ordinary Share	–	1,408,624
	207,989	1,716,761

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

Set out below are the total income dividends payable in respect of the financial year, which is the basis on which the requirements of section 259 of the ITA are considered.

	2008 £	2007 £
Revenue available for distribution by way of dividends for the year	433,944	567,323
Interim income dividend paid during the year	212,790	221,036
Proposed final income dividend for the year ended 31 December 2008 of 1p (2007: 1.4p) per Ordinary Share	207,989	308,137
	420,779	529,173

9 Basic and diluted earnings per share

	2008 £	2007 £
Total earnings after taxation:	(4,263,989)	4,108,775
Basic and diluted earnings per Ordinary Share (note a)	(19.89)p	18.65p
Net revenue from ordinary activities after taxation	433,944	567,323
Basic and diluted revenue earnings per Ordinary Share (note b)	2.02p	2.58p
Net realised capital gains	86,979	1,433,612
Net unrealised capital (losses)/gains	(4,848,208)	2,386,239
VAT recoverable	107,680	–
Dividends received treated as capital	179,725	–
Capital expenses (net of taxation)	(224,109)	(278,399)
Total capital return	(4,697,933)	3,541,452
Basic and diluted capital earnings per Ordinary Share (note c)	(21.91)p	16.07p
Weighted average number of shares in issue in the year	21,443,415	22,031,665

a) Total return per Ordinary Share is total return after taxation divided by the weighted average number of shares in issue.

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

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

There are no instruments that will increase the number of shares in issue in the 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	Unquoted equity shares	Unquoted preference shares	Loan stock	Total
	£	£	£	£	£
Cost at 31 December 2007	532,219	3,999,478	45,554	9,506,187	14,083,438
Unrealised gains at 31 December 2007	320,147	3,590,010	(1,249)	218,622	4,127,530
Permanent impairment in value of investments	–	(44,242)	(998)	(167,653)	(212,893)
Valuation at 31 December 2007	852,366	7,545,246	43,307	9,557,156	17,998,075
Purchases at cost	–	439,029	1,150	1,114,501	1,554,680
Sale proceeds	(842,889)	(94,350)	–	(297,439)	(1,234,678)
Realised gains	87,009	–	–	–	87,009
Unrealised losses for the year	(32,162)	(3,420,467)	(2,024)	(1,393,555)	(4,848,208)
Closing valuation at 31 December 2008	64,324	4,469,458	42,433	8,980,663	13,556,878
Cost at 31 December 2008	150,107	4,299,915	45,706	10,178,366	14,674,094
Unrealised losses at 31 December 2008	(85,783)	169,543	(3,273)	(1,197,703)	(1,117,216)
Valuation at 31 December 2008	64,324	4,469,458	42,433	8,980,663	13,556,878

During the period, the Company sold its investment in BBI Holdings plc, for net proceeds of £842,889, realising an overall gain of £460,776. Within unrealised losses of £4,848,208 were falls of £2,115,907 in Youngman Group Limited, £894,402 in PXP Holdings Limited, £636,488 in Blaze Signs Holdings Limited, £740,660 in Campden Media Limited and £437,100 in Racoon International Holdings Limited. There were no material write-ups in the year.

Reconciliation of cash movements in investment transactions

Deducting the transaction costs of £30 incurred on investments in the year from the realised gains of £87,009 disclosed above gives net realised gains of £86,979 as shown in the profit and loss account.

Notes to the Accounts

for the year ended 31 December 2008

11 Significant interests

At 31 December 2008 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) £	% of investee company's total equity
Blaze Signs Holdings Limited	472,125	1,101,625	1,573,750	17.20
Aust Construction Investors Limited	400,000	600,000	1,000,000	16.30
Barnfield Management Investments Limited	400,000	600,000	1,000,000	16.30
Calisamo Management Limited	400,000	600,000	1,000,000	16.30
VSI Limited	61,824	328,543	390,367	14.60
Racoon International Holdings Limited	262,258	611,941	874,199	12.20
Vectair Holdings Limited	138,074	422,228	560,302	12.00
Campden Media Limited	195,000	780,000	975,000	10.80
British International Holdings Limited	225,000	775,000	1,000,000	10.00
PXP Holdings Limited	288,000	875,436	1,163,436	8.50
Youngman Group Limited	100,052	900,000	1,000,052	8.50
Monsal Holdings Limited	208,380	407,538	615,918	8.20
ATG Media Holdings Limited	305,650	553,990	859,640	7.60
PastaKing Holdings Limited	185,619	278,428	464,047	7.20
DiGiCo Europe Ltd	386,522	613,478	1,000,000	6.50
The Plastic Surgeon Holdings Limited	39,029	351,260	390,289	5.90

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

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

Matrix Private Equity Partners LLP also advises The Income and Growth VCT plc, Matrix Income and Growth 2 VCT plc, Matrix Income and Growth 3 VCT plc and Matrix Income and Growth 4 VCT plc who have investments as at 31 December 2008 in the following:

	The Income & Growth VCT plc at cost £	Matrix Income & Growth 2 VCT plc at cost £	Matrix Income & Growth 3 VCT plc at cost £	Matrix Income & Growth 4 VCT plc at cost £	Total at cost £	% of equity held by funds managed by MPEP
PXP Holdings Limited	920,176	1,163,436	1,163,436	679,549	3,926,597	37.33
Blaze Signs Holdings Limited	1,338,500	1,398,498	379,236	610,016	3,726,250	52.50
ATG Media Holdings Limited	1,000,000	863,895	776,465	1,000,000	3,640,360	40.00
DiGiCo Europe Limited	656,900	1,000,000	943,100	1,000,000	3,600,000	30.00
Monsal Holdings Limited	471,605	854,450	618,156	704,771	2,648,982	46.51
Racoon International Holdings Limited	550,852	878,527	789,617	406,805	2,625,801	49.00
Focus Pharma Holdings Limited	516,900	660,238	593,424	772,451	2,543,013	13.00
Youngman Group Limited	1,000,000	1,000,000	–	500,000	2,500,000	29.70
British International Holdings Limited	500,000	1,000,000	750,000	250,000	2,500,000	34.93
Aust Construction Investors Limited	1,000,000	–	1,000,000	–	2,000,000	49.00
Barnfield Management Investments Limited	–	1,000,000	1,000,000	–	2,000,000	49.00
Calisamo Management Limited	1,000,000	–	1,000,000	–	2,000,000	49.00
The Plastic Surgeon Holdings Limited	406,082	392,264	352,528	458,837	1,609,711	30.00
Campden Media Limited	334,880	975,000	–	152,620	1,462,500	28.44
PastaKing Holdings Limited	292,405	466,344	419,148	133,055	1,310,952	27.50
VSI Limited	245,585	308,628	143,521	111,924	809,658	48.91
Vectair Holdings Limited	215,914	243,784	–	100,000	559,698	24.00
SectorGuard plc	150,000	150,106	–	150,102	450,208	4.32

12 Debtors

	2008 £	2007 £
Amounts due within one year:		
Accrued income	63,706	135,952
Prepayments	109,110	11,623
Other debtors	200,000	–
	372,816	147,575

Other debtors are £200,000 of VAT recoverable from VAT already paid upon previous management fee charges.

13 Current investments

	2008 £	2007 £
Monies held pending investment	4,375,724	7,747,608

This comprises cash invested in seven Dublin based OEIC money market funds. £4,372,136 (2007: £7,744,215) of this sum is subject to same day access, while £3,588 (2007: £3,393) is subject to two day access. These sums are treated as liquid resources in the Cash Flow Statement, and in Note 19.

14 Creditors: amounts falling due within one year

	2008 £	2007 £
Trade creditors	38,458	25,876
Other creditors	124,130	8,374
Accruals	109,595	120,572
UK corporation tax	105,121	57,198
Deferred taxation – see Note 7	1,364	4,885
	378,668	216,905

15 Called up share capital

	2008 £	2007 £
Authorised:		
Ordinary Shares of 1p each: 50,000,000 (2007: 50,000,000)	500,000	500,000
	500,000	500,000
Allotted, called-up and fully paid:		
Ordinary Shares of 1p each: 20,798,925 (2007: 22,009,752)	207,989	220,097
	207,989	220,097

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

Purchased	Date of purchase	Nominal value £
134,037	17 March 2008	1,340
488,269	23 May 2008	4,883
108,275	24 June 2008	1,083
326,246	4 September 2008	3,262
154,000	24 December 2008	1,540
1,210,827		12,108

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for the year ended 31 December 2008

16 Movement in share capital and reserves

	Called up share capital	Capital redemption reserve	Revaluation reserve	Special distributable reserve	Profit and loss account	Total
	£	£	£	£	£	£
At 1 January 2008	220,097	1,341	4,127,530	19,561,655	1,817,292	25,727,915
Share buybacks	(12,108)	12,108	–	(1,056,868)	–	(1,056,868)
Write off to special reserve (note a)	–	–	–	(116,429)	116,429	–
Realisation of previously unrealised appreciation	–	–	(396,538)	–	396,538	–
Dividends paid	–	–	–	–	(2,408,496)	(2,408,496)
(Loss)/profit for the year	–	–	(4,848,208)	–	584,219	(4,263,989)
As at 31 December 2008	207,989	13,449	(1,117,216)	18,388,358	505,982	17,998,562

Note a: The cancellation of the share premium account (as approved at the Extraordinary General Meeting held on 30 June 2004 and by the order of the Court dated 24 August 2006) has provided the Company with a special distributable reserve. The purpose of the reserve is to fund market purchases of the Company's own shares, and to write off existing and future losses, now that the Company has revoked its investment company status and is obliged to take into account capital losses in determining distributable reserves. The transfer of £116,429 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.

17 Net asset value per share

Net asset value per Ordinary share is based on net assets at the end of the year, and on 20,798,925 (2007: 22,009,752) Ordinary Shares, being the number of Ordinary Shares in issue on that date.

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

	2008	2007
	£	£
(Loss)/profit on ordinary activities before taxation	(4,155,892)	4,164,605
Net gains on realisations of investments	(87,009)	(1,508,876)
Net unrealised losses/(gains) on investments	4,848,208	(2,386,239)
Increase in debtors	(225,241)	(5,060)
Increase in creditors and accruals	2,489	15,363
Net cash inflow from operating activities	382,555	279,793

19 Analysis of changes in net funds

	Cash £	Liquid resources £	Total £
At beginning of year	51,562	7,747,608	7,799,170
Cash flows	20,250	(3,371,884)	(3,351,634)
At 31 December 2008	71,812	4,375,724	4,447,536

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.
- 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 2008:

	2008 (Book value) £	2008 (Fair value) £	2007 (Book value) £	2007 (Fair value) £
Assets at fair value through profit and loss				
Investment portfolio	13,556,878	13,556,878	17,998,075	17,998,075
Current investments	4,375,724	4,375,724	7,747,608	7,747,608
Cash at bank	71,812	71,812	51,562	51,562
Loans and receivables				
Accrued income	63,706	63,706	135,952	135,952
Other creditors	(272,183)	(272,183)	(216,905)	(216,905)
Total for financial instruments	17,795,937	17,795,937	25,716,292	25,716,292
Non financial instruments	202,625	202,625	11,623	11,623
Total net assets	17,998,562	17,998,562	25,727,915	25,727,915

The investment portfolio principally consists of unquoted investments of 99.5% (2007: 95.3%) and AiM quoted stocks of 0.5% (2007: 4.7%). The investment portfolio has a 100% (2007:100%) concentration of risk towards small UK based, £ denominated companies, and represents 75.3% (2007: 70.0%) of net assets at the year-end.

Current investments are money market funds, discussed under credit risk below, which represent 24.3% (2007:30.0%) 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.

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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 £13,556,878 at the year-end. It represents the potential gain or loss that the Company might benefit or suffer from through holding its investment portfolio in the face of market movements.

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

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

Market price risk sensitivity

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

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

The Board considers that the value of investments in equity and loan stock instruments are ultimately sensitive to changes in quoted share prices, insofar as such changes eventually affect the enterprise value of unquoted companies. The table below shows the impact on profit and net assets if there were to be a 20% (2007:15%) movement in overall share prices, which might in part be caused by changes in interest rate levels. However, it is not considered possible to evaluate separately the impact of changes in interest rates upon the value of the Company's portfolios of investments in small, unquoted companies.

The sensitivity analysis below assumes that each of these sub categories of investments (shares, preference shares and loan stocks) held by the Company produces a movement overall of 20% (2007:15%), and that the actual portfolio of investments held by the Company is perfectly correlated to this overall movement in share prices. However, Shareholders should note that this level of correlation is unlikely to be the case in reality, particularly in the case of the loan stock instruments. This is because loan stock instruments would not share in the impact of any increase in share prices to the same extent as the equity instruments, as the returns are set by reference to interest rates and premiums agreed at the time of initial investment. Similarly, where share prices are falling, the equity instrument could fall in value before the loan stock instrument. It is not considered practical to assess the sensitivity of the loan stock instruments to market price risk in isolation.

	2008 £ Profit and net assets	2007 £ Profit and net assets
If overall share prices fell by 20% (2007:15%), with all other variables held constant – decrease	(2,711,375)	(2,699,711)
Decrease in earnings, and net asset value, per Ordinary share (in pence)	(13.04)p	(12.25)p
If overall share prices increase by 20% (2007:15%), with all other variables held constant – increase	2,711,375	2,699,711
Increase in earnings, and net asset value, per Ordinary share (in pence)	13.04p	12.25p

The impact of a change of 20% (2007:15%) has been selected as this is considered reasonable given the current level of volatility observed both on a historical basis and market expectations for future movement. The range in equity prices is considered reasonable given the historic changes that have been observed.

Credit risk

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

The Company's maximum exposure to credit risk is:

	2008 £	2007 £
Financials assets		
Loan stock investments	8,980,663	9,557,156
Money market funds	4,375,724	7,747,608
Accrued income and other debtor	63,706	135,952
Cash at bank	71,812	51,562
	13,491,905	17,492,278

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

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

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

	2008 £	2007 £
Repayable within		
0 to 1 year	1,800,000	–
1 to 2 years	930,000	–
2 to 3 years	2,923,483	885,714
3 to 4 years	2,531,544	5,424,845
4 to 5 years	795,636	3,246,597
Total	8,980,663	9,557,156

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

An aged analysis of the 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.

Past due loan stock assets:

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

	0-6 months £	6-12 months £	over 12 months £	2007 Total £
Loans to investee companies past due	1,638,971	437,100	–	2,076,071

Notes to the Accounts

for the year ended 31 December 2008

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 triple A rated funds, except for one double A rated fund, and so credit risk is considered to be relatively low even in the 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 2008 was:

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

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

	Financial net assets on which no interest paid £	Fixed rate financial assets £	Variable rate financial assets £	Total £	Weighted average interest rate %	Average period to maturity (years)
Equity shares	8,397,612	–	–	8,397,612		
Preference shares	–	43,307	–	43,307	4.23	3.21
Loan stocks	–	5,818,916	3,738,240	9,557,156	7.98	3.74
Money market funds	–	–	7,747,608	7,747,608	5.96	
Cash	–	–	51,562	51,562		
Debtors	135,952	–	–	135,952		
Creditors	(216,905)	–	–	(216,905)		
Total for financial instruments	8,316,659	5,862,223	11,537,410	25,716,292		
Non financial instruments	11,623	–	–	11,623		
Total net assets	8,328,282	5,862,223	11,537,410	25,727,915		

Floating rate cash earns interest based on LIBOR rates.

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

Cash flow interest rate sensitivity

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

	2008 Profit and net assets £	2007 Profit and net assets £
If interest rates fell by 1%, with all other variables held constant – decrease	(61,726)	(91,560)
Decrease in earnings, and net asset value, per Ordinary Share (in pence)	(0.30)p	(0.42)p
If interest rates rose by 1%, with all other variables held constant – increase	61,726	91,560
Increase in earnings, and net asset value, per Ordinary Share (in pence)	0.30p	0.42p

Liquidity risk

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

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

Currency risk

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

21 Management of capital

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

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

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

22 Segmental analysis

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

23 Related party transactions

Bridget Guérin is a director and shareholder (2.0%) of Matrix Group Limited, which owns 100% of the equity of MPE Partners Limited. MPE Partners Limited has a 50% interest in Matrix Private Equity Partners LLP ("MPEP"), the Company's Investment Manager. The fee arrangements and the fees payable are set out in Note 4. £12,481 (2007: £nil) was payable to the Investment Manager at the year-end, while £99,550 (2007:£nil) is recoverable from the Investment Manager in respect of the expense cap for the year. Bridget Guérin is also a director of Matrix-Securities Limited who provided Company Secretarial and Accountancy Services to the Company under agreements dated 9 July 2004, disclosed in Note 5 to these accounts as administration fees. The agreements with MPEP and with Matrix-Securities Limited became effective from 5 October 2004. £21,119 was due to Matrix-Securities Limited at the end of the year (2007: £21,579).

Matrix Group Limited also holds a significant interest in Matrix Corporate Capital LLP ("MCC"), who became the Company's brokers shortly before the year-end. One share buyback was undertaken by MCC on the Company's instruction, costing £114,301, which was owed to MCC at the year-end. No fees were payable to MCC for the period up to the year-end.

24 Post balance sheet events

The Company invested £68,433 as a follow-on investment in Monsal Holdings Limited on 16 January 2009.

Shareholder Information

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

The Company circulates a bi-annual newsletter to Shareholders in the quarters in which it does not publish annual or half-yearly accounts. The next edition will be distributed in June 2009.

Net asset value per share

The Company's NAV per share as at 31 December 2008 was 86.5 pence per Ordinary Share. The Company announces its unaudited NAV on a quarterly basis.

Dividend

The Directors will be proposing a final dividend to Ordinary Shareholders of 1 penny per Ordinary Share at the Annual General Meeting to be held on 6 May 2009. The dividends will be paid on 15 May 2009 to Shareholders on the Register on 17 April 2009.

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

Early April 2009	Annual Report for the year ended 31 December 2008 to be circulated to Shareholders.
17 April 2009	Record date for Shareholders to be eligible for a final dividend.
6 May 2009	Annual General Meeting.
15 May 2009	Final dividend for the year ended 31 December 2008 to be paid to Shareholders.
Early August 2009	Announcement of Half-Yearly Results.
Late August 2009	Half-Yearly Report for the six months ended 30 June 2009 to be circulated to Shareholders.
31 December 2009	Year-end.

Annual General Meeting

The next Annual General Meeting of the Company will be held on 6 May 2009 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 after the formal business of the AGM. The Notice of the meeting is included on pages 52-54 of this Annual Report. A proxy form for use at the Meeting is enclosed separately with Shareholders' copies of this Annual Report. Proxy forms should be completed in accordance with the instructions printed thereon and sent to the Company's Registrars, Computershare Investor Services plc, to arrive no later than 11.00 am on 4 May 2009.

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

MATRIX INCOME & GROWTH VCT PLC

(Registered in England and Wales No. 5153931)

NOTICE of the ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the fifth Annual General Meeting of the Company will be held at 11.00 am on 6 May 2009 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 7 will be proposed as ordinary resolutions and resolutions 8 to 10 will be proposed as special resolutions:-

ORDINARY BUSINESS

1. To receive and adopt the report of the Directors and the audited accounts of the Company for the year ended 31 December 2008, 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 2008.
3. To re-appoint PKF (UK) LLP of Farringdon Place, 20 Farringdon Road, London EC1M 3AP as Auditors.
4. To authorise the Directors to determine the remuneration of the Auditors.
5. To re-elect Tom Sooke as a Director of the Company.
6. To approve the payment of a final income dividend of 1 penny per share for the year ended 31 December 2008 payable on 15 May 2009 to Shareholders registered at close of business on 17 April 2009.
7. THAT in substitution for any existing authorities pursuant to section 80 of the Companies Act 1985 ("the 1985 Act"):
 - (i) The Directors shall have unconditional authority to allot, grant options over, offer or otherwise deal with or dispose of any relevant securities (as defined in section 80(2) of the 1985 Act) of the Company to such persons, at such time and generally on such terms and conditions as the Directors may determine. The authority hereby conferred shall expire on the conclusion of the Annual General Meeting of the Company to be held in 2010, unless previously renewed, varied or revoked by the Company in general meeting and the maximum nominal value of such relevant securities as aforesaid which may be allotted pursuant to such authority shall be up to an aggregate nominal amount of £69,329 being approximately one-third of the issued share capital of the Company at the date hereof.
 - (ii) The Directors shall be entitled under the authority conferred or under the renewal thereof to make at any time prior to the expiry of such authority any offer or agreement which would or might require relevant securities as aforesaid to be allotted after the expiry of such authority and to allot relevant securities accordingly as if the authority conferred thereof had not expired.

To consider and, if thought fit, to pass the following as a Special Resolution:

8. THAT subject to the passing of resolution 7 above and in substitution for any existing authorities pursuant to section 95 of the 1985 Act the Directors be and they are hereby empowered to allot equity securities (as defined in section 94 of the 1985 Act) for cash pursuant to the authority conferred upon them by resolution 7 above as if section 89(1) of the 1985 Act did not apply to any such allotment, provided that the power conferred by this resolution shall be limited to:
 - (i) the allotment and/or sale of equity securities in connection with an issue or offer by way of rights or other pre-emptive issue or offer, open for acceptance for a period fixed by the directors where the Ordinary Shares offered to all shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary Shares held by them, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with legal or practical problems in respect of overseas shareholders, fractional entitlements or directions from any holders of Ordinary Shares to deal in some other manner with their respective entitlements, or the requirements of any recognised regulatory body or any stock exchange in any territory;
 - (ii) the allotment of equity securities with an aggregate nominal value of up to but not exceeding 10 per cent of the issued Ordinary Share Capital of the Company at the date hereof in connection with any dividend investment scheme or similar scheme as may be introduced by the Company from time to time;
 - (iii) the allotment of equity securities (otherwise than pursuant to sub-paragraphs (i) and (ii) above) up to an aggregate nominal amount of 10 per cent of the issued Ordinary Share capital of the Company at the date hereof where the proceeds of the allotment may be used in whole or in part to purchase the Company's Ordinary Shares in the market;
 - (iv) the allotment of equity securities (otherwise than pursuant to sub-paragraphs (i), (ii) and (iii) above) from time to time with an aggregate nominal value of up to 5 per cent of the issued Ordinary Share capital of the Company at the date hereof and shall expire on the conclusion of the Annual General Meeting of the Company to be held in 2010 (unless previously renewed, varied or revoked by the Company in General Meeting), except that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following as Special Resolutions:

9. THAT the Company be authorised to make one or more market purchases (within the meaning of section 163 of the 1985 Act) of Ordinary Shares provided that:
- (i) the maximum aggregate number of Ordinary Shares authorised to be purchased shall not exceed 3,117,730;
 - (ii) the minimum price which may be paid for Ordinary Shares is 1 penny per share, the nominal value thereof; and
 - (iii) the maximum price which may be paid for an Ordinary Share is not more (excluding expenses) per Ordinary Share than the higher of (i) 5 per cent above the average of the middle market quotations for the Ordinary Shares as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which that Ordinary Share is purchased and (ii) the price stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation (EC 2273/2003) and this authority shall expire on conclusion of the next Annual General Meeting of the Company and provided further that any purchase by the Company of its own shares does not prejudice the ability of the Company to disregard, to the fullest possible extent pursuant to section 274 of the Income Tax Act 2007 ("ITA"), the use to which money raised pursuant to a share issue is put, for the purposes of complying with the 70% test and the 30% test, as those terms are defined in the ITA.
10. That each of the directors of the Company be and hereby are authorised to hold office and continue to hold office and to act in such office as a director of Matrix Income & Growth 3 VCT plc notwithstanding that, by holding such office and acting in such office, a director has, or may have, a direct or indirect interest, duty or duties that conflict or possibly may conflict with the interests of the Company, in particular, but without limitation, in relation to existing common investments with Matrix Income & Growth 3 VCT plc and participating in future investment opportunities in which Matrix income & Growth 3 VCT plc may also participate in. In particular, but without limitation, the provisions of article 122A.3 of the articles of association of the Company shall apply as if this authority had been given by the board of directors in accordance with article 122A.1 and any breach of duty by the directors or any of them arising from their holding office as directors of Matrix Income & Growth 3 VCT plc prior to the date of the passing of this resolution be and hereby is ratified and approved for all purposes.

BY ORDER OF THE BOARD

Matrix-Securities Limited
Company Secretary

Registered Office
One Vine Street
London W1J 0AH

12 March 2009

NOTES:

- 1 To be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the votes they may cast), members must be registered in the Register of Members of the Company at 6.00 pm on 4 May 2009 (or, in the event of any adjournment, 6.00 pm on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- 2 A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak, with the permission of the Chairman, and vote on his or her behalf. A proxy need not also be a member but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the form of proxy are set out in the notes on the form of proxy. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.
- 3 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional form(s) of proxy may be obtained by contacting the Company's Registrars, Computershare Investor Services, on 0870 702 0010. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given.
- 4 The statement of the rights of members in relation to the appointment of proxies in paragraphs 1 to 3 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.
- 5 Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 ("the 2006 Act") to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the 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.
- 6 A reply paid form of proxy is enclosed with this document. To be valid, it should be lodged, together with the power of attorney or other authority, if any under which it is signed or a notarially certified or office copy thereof, at the offices of the Company's Registrars, Computershare Investor Services plc, PO Box 82, The Pavilions Bridgwater Road, Bristol B13 8AE, so as to be received not later than 11.00 am on 4 May 2009 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.
- 7 Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should he or she subsequently decide to do so. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.
- 8 As at 12 March 2009 (being the last business day prior to the publication of this notice), the Company's issued share capital consisted of 20,798,925 Ordinary Shares of 1p each, carrying one vote each. Therefore, the total voting rights in the Company as at 12 March 2009 were 20,798,925.
- 9 The Register of Directors' Interests and Directors' appointment letters will be available for inspection at the Company's registered office during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) until the end of the Annual General Meeting and will also be available for inspection at the place of the Annual General Meeting for at least fifteen minutes prior to and during the meeting. The Directors do not have any service contracts with the Company.
- 10 If you have been nominated to receive general shareholder communications directly from the Company, it is important to remember that your main contact in terms of your investment remains as it was (so the registered shareholder, or perhaps custodian or broker, who administers the investment on your behalf). Therefore any changes or queries relating to your personal details and holding (including any administration thereof) must continue to be directed to your existing contact at your investment manager or custodian. The Company cannot guarantee dealing with matters that are directed to us in error. The only exception to this is where the Company, in exercising one of its powers under the Companies Act 2006, writes to you directly for a response.
- 11 In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives - www.icsa.org.uk - for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (i) above.

Corporate Information

Directors

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

All of whom are non-executive and of:

One Vine Street
London W1J 0AH
e.mail mig@matrixgroup.co.uk

Secretary and Administrator

Matrix-Securities Limited
One Vine Street
London W1J 0AH

Investment Manager

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

Promoter

Matrix-Securities Limited
One Vine Street
London W1J 0AH

Solicitors

CMS Cameron McKenna LLP
Mitre House
106 Aldersgate Street
London EC1A 4DD

Sponsor and Stockbroker

Matrix Corporate Capital LLP
One Vine Street
London W1J 0AH

Registrar

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

Receiving Agent

Matrix Registrars Limited
One Vine Street
London W1J 0AH

VCT Tax Adviser

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Bankers

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

Auditors

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

Company Registration Number : 5153931

Website: www.migvct.co.uk

