

MATRIX INCOME & GROWTH VCT PLC

A VENTURE CAPITAL TRUST

REPORT & ACCOUNTS



Unaudited Interim Report and Accounts
for the six months ended 30 June 2006

MATRIX

Investment Objective

Matrix Income & Growth VCT plc is a Venture Capital Trust ("VCT") managed by Matrix Private Equity Partners investing primarily in established, profitable, unquoted companies.

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

Financial Highlights

Interim results for the six months ended 30 June 2006

	30 June 2006	30 June 2005 (restated)	31 December 2005 (restated)
Net assets	£20,844,852	£20,878,793	£20,883,209
Net asset value per share	94.1p	94.3p	94.3p
Total return*	95.1p	94.3p	94.6p
Share price (mid-market price)	99.0p	99.0p	100.0p
Net cumulative dividends paid**	1.0p	0.0p	0.3p

* Net asset value per share plus cumulative dividends per share. This compares to an original investment cost of 100 pence per share, which, after allowing for income tax relief of 40 pence per share, equates to 60 pence per share.

** For a breakdown of dividends paid, please see 'Dividends paid' in the Income Statement on pages 8-9 of this Interim Report.

In addition, an interim dividend of 0.80 of a penny per share has been declared and is payable on 14 September 2006 to Shareholders on the Register on 18 August 2006, thereby increasing net cumulative dividends to 1.8 pence per share.

Chairman's Statement

Overview

I am pleased to present my second Interim Report as Chairman of Matrix Income & Growth VCT plc covering the six months to 30 June 2006.

The net asset value (NAV) at 30 June 2006 was 94.1 pence per share (2005: 94.3 pence per share).

In line with the Company's strategy, the Investment Manager has continued to make good progress in constructing a portfolio of investments primarily concentrated in established, profitable, unquoted companies.

Investment portfolio

The Investment Manager's strong dealflow has resulted in an active investment programme over the past six months. Seven new investments totalling £4.6m have been completed.

For further information on these investments please see the Investment Manager's Review and Investment Portfolio Summary on pages 5-7 of this Interim Report.

Results and dividend

The revenue account generated a net return (after tax) for the period of £231,302 (2005: £73,213). Your Directors have declared an interim dividend of 0.8 of a penny per share which will be paid on 14 September 2006 to

Shareholders on the Register on 18 August 2006. This is in line with the Company's policy to provide investors with a regular and growing stream of income.

Income

Income for the period came from two main sources; firstly, income from OEIC money market funds, yielded an average of approximately 4.4% over the period, and secondly, a rising level of loan stock interest as further qualifying investments have been made. The average annual yield on the loan stock investments made to date was running at 8.3% as at 30 June 2006. This yield will vary as further qualifying investments are made, or if some investee companies become unable to service their loans.

Investment in qualifying holdings

The key date by which the Investment Manager is required to meet the target set by HM Revenue & Customs of investing 70% of the funds raised in qualifying unquoted and AIM quoted companies is 31 December 2007. As at 30 June 2006, the Company was 33% invested in qualifying companies, which is in line with expectations. The balance of the portfolio has been invested in a selection of OEIC money market funds which are readily realisable for cash in order to meet the Investment Manager's qualifying investment programme as it continues to develop.

Cancellation of share premium account

The Company has authority, obtained at the Extraordinary General Meeting held on 30 June 2004, to apply to the Court to cancel the share premium account. The Directors are proceeding with the cancellation and it is anticipated that Court approval will be obtained within the next few months.

The cancellation of the share premium account will create a special reserve that can be used, amongst other things, to fund buy-backs of the Company's shares when the Directors consider that it is in the best interests of Shareholders so to do.

Communicating with Shareholders

The Company intends to communicate regularly with Shareholders. Annual General Meetings provide a useful platform to meet Shareholders and exchange views. Your Board welcomes active attendance at these meetings to give Shareholders the opportunity to meet your Directors and representatives of the Investment Manager. The next AGM of the Company will be held in April 2007. In addition to the Interim and Annual Reports, Shareholders will receive two newsletters a year providing further information on the progress of the Company. The next newsletter is due to be circulated to Shareholders in December 2006.

Outlook

The Investment Manager has been experiencing a healthy flow of interesting investment opportunities and the Board is confident that the recent steady progress towards constructing a well-balanced portfolio will be maintained.

Finally, I would particularly like to thank all of our Shareholders for their positive feedback and continuing support.

Keith Niven, *Chairman*
3 August 2006

Shareholder Information

Shareholders wishing to follow the Company's progress can visit the Matrix website at www.matrixgroup.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/engb/pricesnews provides up to the minute details of the share price and latest NAV announcements, etc. A number of commentators such as TrustNet at www.trustnet.com and Allenbridge at www.taxshelterreport.co.uk provide comparative performance figures for the VCT sector as a whole. The share price is also quoted in the Financial Times.

The Company circulates a bi-annual newsletter to Shareholders in the quarters in which it does not publish Annual or Interim Accounts. The next edition will be distributed in December 2006. The Board intends to announce the Company's preliminary results in respect of the year ending 31 December 2006 during February 2007 and the Annual Report will be circulated to Shareholders during March.

Net asset value per share

The Company's NAV per share as at 30 June 2006 was 94.1 pence. The Company announces its unaudited NAV on a quarterly basis.

Dividends

The Directors have declared an interim dividend of 0.8 of a penny per share to be paid on 14 September 2006 to Shareholders on the Register on 18 August 2006.

Shareholder enquires:

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.

Investment Manager's Review

In the last six months significant progress has been made towards creating a well-balanced portfolio of qualifying investments. The focus remains on investing primarily in profitable, established, unquoted companies, by way of management buy outs ("MBOs"), operating in a wide range of sectors.

Since December 2005 a total of £4.6 million has been invested in seven companies, bringing total investments to £6.9 million invested in eleven companies, of which nine were MBOs and two are AIM quoted investments.

In addition to the previously reported investments in the MBOs of **Campden Media** and **Vectair Holdings**, two further MBOs were completed in April: £618,053 was invested in **VSI**, a Sheffield-based developer of software for computer-aided design and manufacturing vendors, and £573,750 was invested in **Blaze Signs Holdings**, a manufacturer and installer of signage based in Broadstairs, Kent. These were followed in May by an investment of £381,976 in **BBI Holdings**, an AIM quoted manufacturer and supplier of gold conjugate and other products to the medical diagnostics industry, based in Cardiff.

Two investments were completed in June. **PastaKing Holdings** is a producer and supplier of fresh pasta meals, based in Newton Abbot,

Devon, which completed its MBO with an investment of £464,047 from your Company. At the end of June £1,000,000 was invested to support the MBO of Penzance-headquartered **British International Holdings**, an operator of military and commercial helicopter services, including the Cornwall-Scilly Isles service.

Our dealflow continues to be strong and your Investment Manager remains confident of achieving the minimum 70% VCT compliance test by the 31 December 2007 deadline.

The trading performance of the portfolio during the period has been encouraging. All valuations are made in accordance with International Private Equity & Venture Capital Valuation Guidelines (IPEVCV). As set out in these guidelines, valuations of unquoted investments are usually not changed from cost for at least twelve months from the date of investment unless the investee company has performed significantly behind or ahead of plan, in which case the investment may be written down or up in value accordingly. This has caused a provision to be taken against the equity in FH Ingredients, but your Investment Manager believes overall that the portfolio is making good progress and should begin to demonstrate this over the next 12 months.

Investment Portfolio Summary

as at 30 June 2006

Qualifying investments	Date of initial investment	Total Book cost £	Valuation £	% of net assets by value
AIM quoted investments				
BBI Holdings plc Development and manufacture of rapid test diagnostic products	May 2006	381,863	420,870	2.0%
SectorGuard plc Provision of manned guarding, mobile patrolling, and alarm response services	Aug 2005	150,000	171,429	0.8%
		531,863	592,299	2.8%
Unquoted investments				
British International Holdings Limited Supplier of Helicopter services	Jun 2006	1,000,000	1,000,000	4.8%
Ministry of Cake Limited Manufacturer of desserts and cakes for the food service industry	Sep 2005	1,000,000	1,000,000	4.8%
Youngman Group Limited Manufacturer of ladders and access towers	Oct 2005	1,000,000	1,000,000	4.8%
Campden Media Limited Magazine publisher and conference organiser	Jan 2006	975,000	975,000	4.7%
VSI Limited Developer and marketer of 3D software	Apr 2006	618,053	618,053	3.0%
Blaze Signs Holdings Limited Signwriter	Apr 2006	573,750	573,750	2.8%
Vectair Holdings Limited A provider of air care and sanitary washroom products	Jan 2006	560,302	560,302	2.7%
PastaKing Holdings Ltd Supplier to the educational and food service market	Jun 2006	464,047	464,047	2.2%
F H Ingredients Limited Processor of fresh herbs to produce a frozen product used by food processing companies in the production of ready meals	Feb 2005	212,893	167,653	0.8%
		6,404,045	6,358,805	30.6%
Total qualifying investments		6,935,908	6,951,104	33.3%

Investment Portfolio Summary (continued)

as at 30 June 2006

Non-qualifying investments	Book cost £	Valuation £	% of net assets by value
Money market funds ¹	14,052,947	14,052,947	67.4%
AIM quoted investments	219	203	0.0%
Total non-qualifying investments	14,053,166	14,053,150	67.4%
Total investments	20,989,074	21,004,254	100.8%
Other assets		147,382	0.7%
Current liabilities		(306,784)	(1.5%)
Net assets		20,844,852	100.0%

¹ Disclosed within Current assets (Investments at fair value) in the Balance Sheet

Unaudited Income Statement

(incorporating the Revenue Account of the Company for the six months ended 30 June 2006)

	Notes	Six months ended 30 June 2006		
		Revenue £	Capital £	Total £
Unrealised gains on investments held at fair value		–	15,180	15,180
Costs of investment transactions		–	(61)	(61)
Income	5	517,317	–	517,317
Investment management fees	3	(61,340)	(184,021)	(245,361)
Other expenses		(154,791)	–	(154,791)
Return on ordinary activities before taxation		301,186	(168,902)	132,284
Tax on ordinary activities		(69,884)	54,248	(15,636)
Return attributable to equity shareholders		231,302	(114,654)	116,648
Return per share	6	1.04p	(0.51)p	0.53p
Dividends paid				
Interim dividend paid for the fifteen months ended 31 December 2005 of 0.3 pence per share		–	–	–
Final dividend paid for the fifteen months ended 31 December 2005 of 0.7 pence per share		155,005	–	155,005
		155,005	–	155,005

The total column of the Income Statement is the profit and loss account of the Company. There were no other gains or losses in the six months ended 30 June 2006, or the comparative periods. Basic revenue and capital items in the above Income Statement derive from continuing operations.

Nine months ended 30 June 2005 (restated)			Fifteen months ended 31 December 2005 (audited and restated)		
Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
–	–	–	–	–	–
–	–	–	–	–	–
356,802	–	356,802	842,724	–	842,724
(49,000)	(146,999)	(195,999)	(110,779)	(332,337)	(443,116)
(211,903)	–	(211,903)	(375,313)	–	(375,313)
95,899	(146,999)	(51,100)	356,632	(332,337)	24,295
(22,686)	22,686	–	(67,692)	63,144	(4,548)
73,213	(124,313)	(51,100)	288,940	(269,193)	19,747
0.66p	(1.13)p	(0.47)p	1.86p	(1.73)p	0.13p
–	–	–	66,431	–	66,431
–	–	–	–	–	–
–	–	–	66,431	–	66,431

Unaudited Balance Sheet

as at 30 June 2006

	Notes	As at 30 June 2006 £	As at 30 June 2005 (restated) £	As at 31 December 2005 (audited and restated) £
Non-current assets				
Investments at fair value	1b, 8	6,951,307	212,893	2,362,893
		6,951,307	212,893	2,362,893
Current assets				
Debtors and prepayments		83,998	974,817	1,657,859
Investments at fair value	9	14,052,947	19,924,470	17,109,025
Cash at bank		63,384	9,429	19,090
		14,200,329	20,908,716	18,785,974
Creditors: amounts falling due within one year		(306,784)	(242,816)	(265,658)
Net current assets		13,893,545	20,665,900	18,520,316
Net assets		20,844,852	20,878,793	20,883,209
Capital and reserves	14			
Called up share capital		221,438	221,438	221,438
Share premium account		20,711,686	20,711,686	20,711,686
Capital reserve – realised		(399,027)	(124,313)	(269,193)
Capital reserve – unrealised		15,180	–	–
Revenue reserves		295,575	69,982	219,278
Shareholders' funds		20,844,852	20,878,793	20,883,209
Net asset value per share	7	94.1 p	94.3 p	94.3 p

Unaudited Reconciliation of Movements in Shareholders' Funds

for the six months ended 30 June 2006

	Notes	Six months ended 30 June 2006 £	Nine months ended 30 June 2005 (restated) £	Fifteen months ended 31 December 2005 (audited and restated) £
Opening Shareholders' funds – as restated for FRS 21	13(a)	20,883,209	46,771	46,771
Issues of Ordinary Shares		–	22,093,621	22,093,621
Expenses of issues		–	(1,210,499)	(1,210,499)
Total recognised gains and losses before dividends		116,648	(51,100)	19,747
Dividends paid in period		(155,005)	–	(66,431)
Closing Shareholders' funds		20,844,852	20,878,793	20,883,209

Unaudited Summarised Cash Flow Statement

for the six months ended 30 June 2006

	Six months ended 30 June 2006	Nine months ended 30 June 2005	Fifteen months ended 31 December 2005 (audited)
	£	£	£
Operating activities			
Investment income received	527,331	297,930	758,659
Investment management fees paid	(246,172)	(36,607)	(319,543)
Other cash payments	(125,006)	(140,417)	(254,499)
Net cash inflow from operating activities	156,153	120,906	184,617
Investing activities			
Acquisitions of investments	(4,573,234)	(212,893)	(2,362,893)
Dividends			
Interim equity dividends paid	(155,005)	–	(66,431)
Cash outflow before financing and liquid resource management	(4,572,086)	(91,987)	(2,244,707)
Financing			
Share capital raised	–	21,171,454	22,131,121
Issue costs of Ordinary shares	–	(1,158,068)	(1,210,497)
	–	20,013,386	20,920,624
Management of liquid resources			
Decrease/(increase) in current investments	4,616,380	(19,924,470)	(18,669,327)
Increase/(decrease) in cash for the period	44,294	(3,071)	6,590

Notes to the Unaudited Financial Statements

For the six months ended 30 June 2006

1. Principal accounting policies

The following accounting policies have been applied consistently throughout the period. Full details of principal accounting policies will be disclosed in the Annual Report for the year ending 31 December 2006.

a) Basis of accounting

The accounts have been prepared under the fair value rules of the Companies Act 1985, and in accordance with applicable accounting standards and, to the extent that it does not conflict with the Companies Act 1985, with the 2003 Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies', revised December 2005.

b) Investments

All investments held by the Company are classified as "fair value through profit and loss", in accordance with the International Private Equity Venture Capital Valuation (IPEVVCV) guidelines published in 2005, which are similar to the British Venture Capital Association (BVCA) guidelines followed previously. For investments actively traded in organised financial markets, fair value is generally determined by reference to the London Stock Exchange quoted bid prices at the close of business on the balance sheet date. Previously all quoted investments were valued using closing mid-market prices at the balance sheet date, adjusted for a marketability discount where appropriate.

Unquoted investments are valued by the Directors in accordance with the following rules, which are consistent with the IPEVVCV guidelines:

(i) Investments which have been made in the last 12 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 12 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 earnings (the ratio used being based on a comparable listed company or sector but the resulting value being discounted 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.

Notes to the Unaudited Financial Statements (continued)

c) Changes in accounting policies

With effect from 1 January 2006, the Company has adopted the following Financial Reporting Standards (FRS):

FRS 21 (Events after the Balance Sheet Date) – Dividends paid by the Company are accounted for in the period in which the Company is liable to pay them. Previously, the Company accrued dividends in the period in which the net revenue, to which those dividends related, was accounted for.

FRS 25 (Financial Instruments: Disclosure and Presentation) and FRS 26 (Financial Instruments: Measurement) – The Company has designated its investment assets as being measured at “fair value through profit and loss”. The fair value of quoted investments is deemed to be the bid value of these investments at the close of business on the relevant date.

The corresponding amounts in these financial statements have been restated in accordance with these new policies. Notes 10, 13(a) and 14 below provide further details of the change booked on the first day of the current year.

Non-current asset investments which are not quoted are stated at Directors' best estimate of fair value, in accordance with IPEVCV guidelines.

- Capital gains and losses on investments, whether realised or unrealised, are dealt with in the capital reserve and movements in the period are shown in the Income Statement.
- In accordance with the policy statement published under “Management and Administration” in the Company's prospectus dated 9 July 2004, the Directors have charged 75% of the investment management expenses to the capital reserve.
- Earnings for the six months ended 30 June 2006 should not be taken as a guide to the results for the full year.

5. Income

	Six months ended 30 June 2006 £	Nine months ended 30 June 2005 £	Fifteen months ended 31 December 2005 £
Income from investments			
Dividends	4,286	–	356
OEIC money market funds	354,737	334,236	764,054
Loan stock interest	139,331	7,001	49,662
Bank deposits	3,338	15,565	28,652
Other	15,625	–	–
Total income	517,317	356,802	842,724

6. Earnings and return per share

The basic earnings, revenue return and capital return per share shown below for each period are respectively based on numerators i)-iii), each divided by the weighted average number of shares in issue in the period – see iv) below.

	Six months ended 30 June 2006 £	Nine months ended 30 June 2005 £	Fifteen months ended 31 December 2005 £
(i) Total earnings after taxation Basis earnings per share (pence)	116,648 0.53p	(51,100) (0.47)p	19,747 0.13p
(ii) Net revenue from ordinary activities after taxation Revenue return per share (pence)	231,302 1.04p	73,213 0.66p	288,940 1.86p
(iii) Capital loss Capital loss per share (pence)	(114,654) (0.51)p	(124,313) (1.13)p	(269,193) (1.73)p
(iv) Weighted average number of shares in issue in the period	22,143,821	11,019,549	15,498,387

7. Net asset value per share

	As at 30 June 2006 £	As at 30 June 2005 (restated) £	As at 31 December 2005 (restated) £
Net assets	20,844,852	20,878,793	20,883,209
Number of shares in issue	22,143,821	22,143,821	22,143,821
Net asset value per share (pence)	94.1p	94.3p	94.3p
		(see note 12 a)	(see note 13 a)

Notes to the Unaudited Financial Statements (continued)

8. Summary of non-current investments at fair value during the period

	Traded on AIM £	Ordinary Shares £	Preference Shares £	Qualifying loans £	Total £
Cost/valuation at 1 January 2006	150,000	266,193	20,162	1,926,538	2,362,893
Purchase at cost	382,082	977,624	15,668	3,197,860	4,573,234
Increase/(decrease) in unrealised gains/(losses)	60,420	(44,242)	(998)	–	15,180
Cost/valuation at 30 June 2006	592,502	1,199,575	34,832	5,124,398	6,951,307
Book cost at 30 June 2006	532,082	1,243,817	35,830	5,124,398	6,936,127
Unrealised gains/(losses) at 30 June 2006	60,420	(44,242)	(998)	–	15,180
Valuation at 30 June 2006	592,502	1,199,575	34,832	5,124,398	6,951,307
Gains on investments					
Unrealised gains/(losses) at 1 January 2006	–	–	–	–	–
Net movement in unrealised appreciation in the period	60,420	(44,242)	(998)	–	15,180
Gains/(losses) on investments at 30 June 2006	60,420	(44,242)	(998)	–	15,180

9. Current investments at fair value

These comprise investments in 7 Dublin based OEIC money market funds managed by The Royal Bank of Scotland, Merrill Lynch, Goldman Sachs, Insight Investment Management, Barclays Global Investors, Scottish Widows Investment Management and Fidelity Investment Management.

£12,974,219 (2005: £17,421,695) of this sum is subject to same day access, whilst £1,078,728 (2005: £2,502,775) is subject to 2 day access.

10. Impact of the Introduction of FRS21, FRS 25 and FRS 26

The financial information for the six months ended 30 June 2006 has been prepared in accordance with Financial Reporting Standards 21, 25 and 26. The introduction of these new standards has had the following impacts:

Valuation:

The quoted assets held at fair value through the profit and loss by the Company are valued at bid price rather than mid-market as in prior periods.

As at 30 September 2004 and as at 30 June 2005, no quoted assets were held.

As at 31 December 2005, the Company held shares in SectorGuard which is quoted on the AIM market. The bid price for these shares as at 31 December 2005 was 3.5p. Previously, these shares were valued at a mid-market price adjusted for a marketability discount also giving a valuation of 3.5p per share. Consequently, no adjustment is required despite the change in valuation method.

Transaction costs:

The transaction costs incurred when purchasing or selling an asset are now written off to the capital column of the Income Statement in the period they occur.

In the period to 30 June 2006, transaction costs of £61 have been incurred.

The opening balances as at 1 January 2006 for investment cost do not include any transaction costs.

Dividends:

Under FRS21, dividends are only recorded in the Financial Statements of the Company on declaration and dividends paid are no longer shown in the Income Statement but are disclosed as part of the movements on reserves. Consequently, the final dividend proposed for the period ended 31 December 2005 has been added back to the opening balances as at 1 January 2006 as in notes 15(a) & 16 and is shown as a deduction in this period in the Reconciliation of Movements in Shareholders' Funds.

11. Restatement of opening balances as at 30 September 2004

At 1 January 2006 the Company adopted Financial Reporting Standards 21, 25 and 26.

The accounts for the period ended 30 September 2004 are not subject to restatement as at that time, the Company did not hold investments and had not paid any dividends.

Notes to the Unaudited Financial Statements (continued)

12. (a) Restatement of balances as at 30 June 2005

At 1 January 2006 the Company adopted Financial Reporting Standards 21, 25 and 26.

The following is a reconciliation of the figures at 30 June 2005 previously reported under the applicable UK accounting standards and Statement of Recommended Practice.

	Previously reported as at 30 June 2005 £	Adjustments £	Restated as at 30 June 2005 £
Non-current assets	212,893		212,893
Current assets	20,908,716		20,908,716
Creditors: amounts falling due within one year	(309,247)	66,431	(242,816)
Net assets	20,812,362	66,431	20,878,793
Capital and reserves			
Called up share capital	221,438		221,438
Share premium account	20,711,686		20,711,686
Capital reserve – realised	(124,313)		(124,313)
Revenue reserves	3,551	66,431	69,982
Equity shareholders' funds	20,812,362	66,431	20,878,793
Net asset value per share	94.0p	0.3p	94.3p

Note to reconciliation:

No provision has been made for the interim dividend for the period ended 30 June 2005 of £66,431. Under FRS 21 dividends are not recognised until they are declared and become irrevocably payable. This dividend has therefore been added back to revenue reserves and creditors.

12. (b) Reconciliation of the Statement of Total Return as previously reported to the restated amount now shown for the nine months ended 30 June 2005

	£
Total return attributable to equity shareholders as previously reported	(117,531)
Add back dividends paid and proposed	66,431
Total return attributable to equity shareholders as restated	(51,100)

13. (a) Restatement of balances at 31 December 2005

At 1 January 2005 the Company adopted Financial Reporting Standards 21, 25 and 26.

The following is a reconciliation of the figures at 31 December 2005 previously reported under the applicable UK accounting standards and Statement of Recommended Practice.

	Previously reported as at 31 December 2006 £	Adjustments £	Restated as at 31 December 2005 £
Non-current assets	2,362,893		2,362,893
Current assets	18,785,974		18,785,974
Creditors: amounts falling due within one year	(420,663)	155,005	(265,658)
Net assets	20,728,204	155,005	20,883,209
Capital and reserves			
Called up share capital	221,438		221,438
Share premium account	20,711,686		20,711,686
Capital reserve – realised	(269,193)		(269,193)
Revenue reserves	64,273	155,005	219,278
Equity shareholders' funds	20,728,204	155,005	20,883,209
Net asset value per share	93.6p	0.7p	94.3p

Note to reconciliation:

No provision has been made for the interim dividend for the period ended 30 June 2005 of £66,431. Under FRS 21 dividends are not recognised until they are declared and become irrevocably payable. This dividend has therefore been added back to revenue reserves and creditors.

13. (b) Reconciliation of the Statement of Total Return as previously reported to the restated amount now shown for the fifteen months ended 31 December 2005

	£
Total return attributable to equity shareholders as previously reported	(201,689)
Add back dividends paid and proposed	221,436
Total return attributable to equity shareholders as restated	19,747

Notes to the Unaudited Financial Statements (continued)

14. Capital and reserves

	Called up share capital £	Share premium account £	Realised capital reserve £	Unrealised capital reserve £	Revenue reserve £	Total £
At 1 January 2006	221,438	20,711,686	(269,193)	–	64,273	20,728,204
Effect of changes in accounting policies arising from the introduction of: FRS 21, FRS 25 and FRS 26						
– valuation	–	–	–	–	–	–
– transaction costs	–	–	–	–	–	–
– dividends proposed	–	–	–	–	155,005	155,005
At 1 January 2006 (restated)	221,438	20,711,686	(269,193)	–	219,278	20,883,209
Profit/(loss) for the period	–	–	(129,834)	15,180	231,302	116,648
Dividend – final for fifteen months ended 31 December 2005	–	–	–	–	(155,005)	(155,005)
At 30 June 2006	221,438	20,711,686	(399,027)	15,180	295,575	20,844,852

15. The financial information for the six months ended 30 June 2006 and the nine months ended 30 June 2005 has neither been audited nor reviewed. The accounting policies used by Matrix Income & Growth VCT plc in preparing the Interim Report are consistent with those used in preparing the statutory accounts for the fifteen months ended 31 December 2005 except with regard to the changes required to comply with FRS 21, FRS 25 and FRS 26 (as described in note 1 (c)).
16. The information for the fifteen months ended 31 December 2005 does not comprise full financial statements within the meaning of Section 240 of the Companies Act 1985. The financial statements for the fifteen months ended 31 December 2005 have been filed with the Registrar of Companies. The auditors have reported on these financial statements and that report was unqualified and did not contain a statement under section 237(2) of the Companies Act 1985.
17. Copies of this statement are being sent to all Shareholders. Further copies are available free of charge from the Company's registered office, One Jermyn Street, London SW1Y 4UH or can be downloaded via the Company Secretary's web site at www.matrixgroup.co.uk.

Corporate Information

Directors

Keith Niven (Chairman)
Bridget Guérin
Christopher Moore
Tom Sooke

All of whom are non-executive and of:

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Secretary and administrator

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London SW1Y 4UH

Investment Manager

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

VCT Tax Adviser

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Receiving Agent

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Promoter

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