

MATRIX INCOME & GROWTH VCT PLC

A Venture Capital Trust

Mini Prospectus
with Application Form

Sponsored by
Teather & Greenwood Limited
Offer for Subscription of up
to 30,000,000 Ordinary Shares



Offer Timetable

Offer opens	9 July 2004
Deadline for receipt of applications for final allotment in 2004/2005 tax year	1 April 2005
Offer closes	30 June 2005
Allotment	Weekly
Effective date for the listing of Shares and commencement of dealings	Expected to be 3 Business Days following allotment

The Directors reserve the right to extend the closing date of the Offer at their discretion. The Offer will close earlier than the date stated above if it is fully subscribed by an earlier date.

Offer Statistics

Initial price per share	100p
Initial net asset value per Share	94.5p
Maximum number of Shares in issue following the Offer	30,000,000

Costs relating to the Offer

Offer costs as a percentage of the gross proceeds	5.5%
Initial commission to intermediaries (included in 5.5% Offer costs)	2.25%
Annual commission (subject to maximum cumulative payment of 2.25% of the net asset value attributable to financial intermediaries' clients' holdings)	0.375%

Availability of the Prospectus

This Mini Prospectus contains information, in summary form, drawn from the Prospectus dated 9th July 2004, relating to the Fund which has been published and the Prospectus alone contains full details of the Fund and the Ordinary Shares. The UK listing Authority has authorised the issue of this document without approval of its contents. **This document is not for distribution outside of the UK.** The Directors are satisfied that this Mini Prospectus contains a fair summary of key information set out in the Prospectus. Copies of the Prospectus and of this document are available to the public for inspection at the UK Listing Authority's Document Viewing Facility (during normal business hours) which is situated at The Financial Services Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS and are obtainable on request, free of charge, until the close of the Offer from the Company's registered office and from:

Matrix-Securities Limited
Gossard House
7-8 Savile Row
London W1S 3PE

Teather & Greenwood Limited
Beaufort House
15 St Botolph Street
London EC3A 7QR

Contents

	PAGE
Offer Timetable & Offer Statistics	IFC
Letter from the Chairman	2
Key features	3
Part I: Why invest in the Matrix Income & Growth VCT?	4
Benefits of Venture Capital Trusts investing in UK private equity	4
Twin sources of tax free dividends	4
The Manager	5
Enhanced liquidity	8
Tax benefits	8
Dividend policy	8
Part II: How will the Fund be invested?	9
Investment policy	9
The fully invested fund	9
Everyday products & services with profit growth potential	9
Investment process	9
Post-investment management	10
Co-investment policy	10
Part III: The Board	11
Part IV: Management, expenses & administration	12
Part V: Tax planning for VCT shareholders	13
Part VI: Tax position of the Fund	15
Part VII: Risk factors	17
Part VIII: Terms & conditions of application	18
Definitions	22
Part IX: Application procedure	23
Application Form	25
Application Form	27
Directors, Managers & Advisers	IBC

Matrix Income & Growth VCT plc

(Registered in England No. 05153931)

Gossard House 7/8 Savile Row
London W1S 3PE
T: 020 7292 0800 F: 020 7292 0801

9 July 2004

Dear Investor,

Matrix Income & Growth VCT plc is a generalist Venture Capital Trust ("VCT") that aims to provide a growing stream of tax free dividends to Investors, arising both from the income generated by the companies selected for the portfolio and from realising any growth in capital value.

In the 2004 Finance Bill, the Government announced significant tax law changes that have a major impact on the returns that individuals can expect from VCTs. The most significant of these changes is the increase in up-front income tax relief from **20% to 40%**, making VCTs one of the most tax efficient investment products available in the UK. This means that any income tax paying Investor can receive up to 40% of their investment back in the form of an income tax rebate.

In order to pursue our investment objective, we will be investing primarily in a diversified portfolio of established profitable unquoted companies. The Manager is one of the most experienced teams engaged in managing VCTs and has a proven track record and a value-driven investment approach that focuses on unquoted companies capable of delivering income and growth. The VCT Qualifying Investment portfolios for the three VCTs that the Manager currently advises have generated returns, including income and dividends paid by investee companies, capital returned and current net asset value, that have significantly outperformed the FTSE All-Share Index over comparable periods. Further details of the Manager's VCT track record can be found on pages 5 and 6.

The Manager's approach should enable investors to receive tax free dividends on a regular twice yearly basis, comprising income from investments supplemented by profits from realisations of investments. Realisations are expected to be achieved from trade sales or flotations of portfolio investee companies.

In order to enhance the liquidity of the Shares in the Fund and to seek to manage in normal markets the level of the discount to net asset value at which Shares may trade, the Directors intend to pursue an active share buyback policy.

You can invest between £2,500 and £200,000 per tax year in Matrix Income & Growth VCT and you will find the Application Form on page 25 of this prospectus.

The Manager's investment team and the Directors will be investing a minimum of £150,000 in the Offer and we very much look forward to welcoming you as a shareholder.

Yours sincerely,



Keith Niven

Chairman

Key features

- **Investment objective**

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. This should be achieved by making investments structured not only to generate **income** but also to provide the potential for **capital gains** from trade sales and flotations. It is intended that the Fund will pay twice yearly dividends.

- **Compelling investment strategy**

A generalist VCT investing primarily in a diversified portfolio of established profitable unquoted companies which are attractively valued at the point of investment and which are cash-generative and therefore capable of producing income and capital repayments to the Fund prior to their ultimate sale or flotation. A particular focus will be on investing in Management Buy-Outs ("MBOs").

- **Experienced investment manager**

One of the most experienced, stable and successful teams engaged in managing VCTs with an executive team of nine managers specialising in unquoted investments, three of whom have over two decades' experience. The Manager has a proven record demonstrating its ability to deliver the Fund's investment objective.

- **Track record**

The Manager has a strong record of investing in unquoted companies to generate income and growth. Since April 1999, thirty five investments in Qualifying Companies have been made for three VCT portfolios. The gross Total Returns generated from the VCT portfolios advised by the Manager for each of the three VCTs, including income and dividends paid by investee companies, capital returned and current net asset value, are set out in the table below:

First investment made 22 April 1999	Total Return expressed as a percentage of starting net asset value
TriVen VCT (generalist VCT)	+15.7%
FTSE All-Share index*	-13.3%

First investment made 14 December 2000	Total Return expressed as a percentage of starting net asset value
TriVest VCT (generalist VCT)	+39.2%
FTSE All-Share index*	-16.3%

First investment made 31 July 2000	Total Return expressed as a percentage of starting net asset value
Matrix Venture Fund VCT (technology VCT)	+12.5%
FTSE All-Share index*	-18.2%

*Source: Reuters Hindsight, gross dividends reinvested, from the dates of the first investment to 31 May 2004

Further details of the Manager's VCT track record and the calculation methods are provided on pages 5 and 6.

- **Liquidity**

The Directors intend to pursue a policy of actively buying back Shares in the market thereby seeking to manage the level of the discount to net asset value at which the Shares may trade in normal markets. In line with the buyback policy, while acting prudently in the interests of remaining shareholders and subject to realisable funds being available for such a purpose, the Directors will seek to ensure that Investors who wish to sell their holding in the Fund should be able to do so through the market.

- **Significant tax benefits for Investors**

An Investor can enjoy the following tax reliefs under the Offer:

- up-front 40% income tax relief
- tax free dividends
- gains on disposal of shares free from capital gains tax

Note: Investment in VCT Qualifying Companies by its nature involves a higher degree of risk than investment in the main market. The value of an investment in the Fund, and the income derived from it, may go down as well as up and an investor may not get back the amount invested. Potential investors are referred to the Risk factors on page 17.

Part I: Why invest in Matrix Income & Growth VCT?

The investment objective of the Fund 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. The Manager intends to structure investments in unquoted companies as part loan and part equity, expecting both to receive regular income and to generate capital gains from trade sales and flotations.

Benefits of Venture Capital Trusts investing in UK private equity

Private equity describes the sector of the financial services industry that invests in private unquoted companies. The phrase relates to the UK industry as a whole, encompassing early stage and expansion stages of investment ("venture capital") and later stage and transaction based finance such as management buy-outs.

Venture Capital Trusts provide an opportunity for private investors to invest in the diverse range of companies targeted by the private equity industry through one of three principal types of VCT. These focus on :-

- early stage venture investment, often in technology based companies;
- investment in companies with securities quoted on either the AIM or OFEX market; or
- generalist investment across a broad spread of established unquoted companies.

The Fund will be managed as a generalist VCT.

In recent years the UK private equity market has consistently produced superior medium to long term returns compared to UK quoted markets. For instance, the annual compound return for private equity of 14.2% per annum over ten years to 31 December 2003 significantly exceeded the return from the FTSE All-Share Index of 6.1% per annum and the FTSE Small Cap Index of 5.8% per annum.

Annual compound investment returns to 31 December 2003

	Three years	Five years	Ten years
Private Equity	2.6%	10.2%	14.2%
FTSE All-Share	-6.8%	-1.1%	6.1%
FTSE SmallCap	-5.6%	6.4%	5.8%

The BVCA survey states that, within private equity, generalist funds were the best performing category in 2003 and also performed well over the longer term.

Source: BVCA Performance Measurement Survey 2003, returns to 31 December 2003

Twin sources of tax free dividends

A particular feature of Matrix Income & Growth VCT's approach will be to invest a high proportion of its assets in mature unquoted companies in the form of yield-bearing instruments such as preference shares or loan stock. The Manager aims to use these instruments to generate contractual streams of income to the Fund to enhance the Fund's capacity to pay tax free dividends.

Furthermore, as an overriding objective when making investments, the Manager will endeavour to ensure that the companies in which the Fund invests have the potential for further growth and ultimate capital realisation. Such realisations, which are expected to comprise primarily trade sales, are expected to enable the Fund to pay significant additional tax free dividends.

The Manager

The team at Matrix Private Equity Partners Limited ("MPEP") has extensive experience and a proven successful track record of VCT investment.

The Manager has a team of nine private equity investment managers, three of whom have over two decades' experience of venture capital. With an average of fourteen years' experience of relevant venture capital transactions, the team is one of the most experienced and successful teams investing in this arena.

The core of the team was formed in 1998 when four experienced private equity fund managers came together at GLE Development Capital ("GLEDC"). This team raised £40 million from VCT and institutional clients and recruited two additional private equity fund managers in 2000.

The team successfully invested this capital and built a reputation and track record that attracted Matrix Group Limited to acquire GLEDC in March 2004. At this time GLEDC was renamed Matrix Private Equity Partners Limited and enlarged through the addition of the two experienced fund managers of the Matrix Venture Fund VCT, one of the best-performing technology-based VCTs. In May 2004, in preparation for the launch of the Fund, the team was further expanded through the recruitment of an additional experienced private equity fund manager well known to the team.

Funds under management

The Manager currently has £65 million of private equity funds under management including the following three VCTs: -

TriVen VCT plc – The Manager is responsible for making and managing investments across a range of industrial and commercial sectors from a £6.0 million allocation from this multi-manager VCT raised in 1999.

TriVest VCT plc – The Manager is responsible for making and managing investments across a range of industrial and commercial sectors from a £13.2 million allocation from this multi-manager VCT raised in 2000.

Matrix Venture Fund VCT plc – The Manager is responsible for making and managing investments focused on the technology, media and telecommunications sectors on behalf of this £13.1 million VCT raised in 2000.

'VCT Qualifying Investment' performance

The team has been making VCT investments over a five year period from April 1999 and has a proven investment track record across the three VCTs above. Thirty five separate VCT Qualifying Investments have been completed with an average size of £663,000 at a total cost of £23.2 million.

The returns generated by these VCT Qualifying Investments demonstrate the ability of the Manager to deliver returns derived both from income and dividends paid by investee companies and from the capital growth of investee companies. These returns are set out to 31 May 2004 overleaf and are not intended to be a profit forecast:

The Manager's VCT Qualifying Investments for **TriVen VCT**, following a similar generalist investment policy to the Fund.

First investment made	22 April 1999	
Number of investments in VCT Qualifying Companies		10
Total cost of the investments	£	6,032,097
a) Income received from loan stock and dividends	£	909,760
b) Capital returned in cash to TriVen VCT	£	2,798,049
c) Net asset value of current investments	£	3,272,577
Total Return (a + b + c)	£	6,980,386
Absolute Return	%	+15.7
% growth of FTSE All-Share Index over same period*	%	-13.3

The Manager's VCT Qualifying Investments for **TriVest VCT**, following a similar generalist investment policy to the Fund.

First investment made	14 Dec 2000	
Number of investments in VCT Qualifying Companies		10
Total cost of the investments	£	7,923,461
a) Income received from loan stock and dividends	£	812,849
b) Capital returned in cash to TriVest VCT	£	3,105,725
c) Net asset value of current investments	£	7,107,956
Total Return (a + b + c)	£	11,026,530
Absolute Return	%	+39.2
% growth of FTSE All-Share Index over same period*	%	-16.3

The Manager's VCT Qualifying Investments for **Matrix Venture Fund VCT**, a specialist technology VCT managed following a more technology-focused investment policy than is proposed for the Fund.

First investment made	31 July 2000	
Number of investments in VCT Qualifying Companies		15
Total cost of the investments	£	9,244,421
a) Income received from loan stock and dividends	£	159,384
b) Capital returned in cash to Matrix Venture Fund VCT	£	1,742,272
c) Net asset value of current investments	£	8,500,340
Total Return (a + b + c)	£	10,401,996
Absolute Return	%	+12.5
% growth of FTSE All-Share Index over same period*	%	-18.2

Note: the returns quoted for each of MPEP's VCT portfolios above reflect only those returns from VCT Qualifying Investments made by MPEP for that VCT and are not representative of the returns of the VCTs as a whole; the returns quoted take into account neither non-qualifying investments nor the costs of running the VCTs.

The source of the VCT portfolio returns in each of the tables is the latest published report and accounts, supplemented by each VCT's management accounts to bring the data up to date as at 31 May 2004. Valuations of the individual investments that make up each of these portfolios have been carried out in accordance with BVCA guidelines or, in the case of AIM quoted investments, are valued at the mid market price on 31 May 2004. The above returns are before the Manager's remuneration including, where applicable, performance related fees, but exclude any tax related benefits.

*Source of FTSE All-Share returns, Reuters Hindsight, bid to bid, gross dividends reinvested, respectively from 22.04.1999, 14.12.2000 and 31.07.2000, all to 31.05.2004

The Investment Management Team

Mark Wignall (47) is Chief Executive of the Manager and commenced his career in 1980 with MAI Plc. He joined GLEDC's then parent company in 1987 and since 1994 has been Managing Director of GLEDC, building an investment team with £50 million private equity funds under management. In 1997, he originated and founded a factoring and invoice discounting company, Independent Growth Finance, in which GLEDC funds invested. In March 2004 he led the management team that acquired GLEDC to form Matrix Private Equity Partners Limited. He has seventeen years' relevant experience of private equity investment.

Ashley Broomberg (34) is a Director of the Manager and joined Matrix Private Equity Limited in 2001. He is a chartered accountant with a background in corporate finance and strategy consulting in the technology sector, having previously worked with Arthur D. Little and Arthur Andersen. He is a non-executive director of a number of Matrix Venture Fund VCT investee companies. He has four years' relevant experience of private equity investment.

Jonathan Gregory (43) is a Director of the Manager. He qualified as a chartered accountant with Baker Tilly and has been a director of GLEDC, responsible for new investment, since 1995. He has over twenty years' experience working with unquoted companies and he is a non – executive director of BBI Holdings Plc, a company quoted on AIM. He has nine years' relevant experience of private equity investment.

Bob Henry (50) is a Director of the Manager. He entered the private equity industry with County Bank in 1979 and established and ran HSBC Ventures from 1992, leaving to join GLEDC as a director in 1998. He is a former non – executive Chairman of Connaught Plc, a company quoted on AIM and he has over twenty years' relevant experience of private equity investment.

Helen Sinclair (38) is a Director of the Manager. After commencing her career in banking, she worked at 3i Plc for seven years. During this time she won the British Venture Capital Association (BVCA) Small Start Up of the Year award twice. She co-founded Matrix Private Equity Limited in 2000 and is a non-executive director of several companies. She is Lead Manager of the Matrix Venture Fund VCT Plc and has twelve years' relevant experience of private equity investment.

Eric Tung (42) is a Director of the Manager. He qualified as a chartered accountant with KPMG and joined Enterprise Ventures in 1990 becoming Head of Investment, leaving to join GLEDC in 2000 as a new investment director. He has fourteen years' relevant experience of private equity investment.

Mike Walker (51) is a Director of the Manager. He originally trained at 3i Plc and was a director of Gresham Trust Plc for seven years, becoming head of its Portfolio Management Unit. He joined GLEDC as a director in 1998 and is a non-executive director of several companies in GLEDC's portfolio. He has over twenty years' relevant experience of private equity investment.

John Brandon (60) is an Associate Director of the Manager. He is a qualified civil engineer and entered the venture capital industry in 1981 joining Midland Montagu Ventures. From 1992 – 2003 he was an investment director at HSBC Ventures, becoming Managing Director in 1998 following Bob Henry's departure. He joined MPEP in 2004 and has over twenty years' relevant experience of private equity investment.

Katia Frank (34) is an Associate Director of the Manager. She joined GLEDC in 2000 as an investment manager with particular responsibility for deal flow and origination. She is a qualified engineer and prior to joining GLEDC, she worked for Pi Capital and Nat West Development Capital. She has six years' relevant experience of private equity investment.

Enhanced liquidity

The Directors are aware that in the past it has often been difficult for investors to sell VCT shares at or close to net asset value. In order to facilitate Investors' ability to sell their Shares, the Directors intend to pursue an active share buyback policy.

At the regular quarterly board meeting the Directors will review, inter alia, the levels of discounts to net asset value at which comparable quoted private equity funds are trading. Based on this review and other factors, and seeking to manage the level of discount to net asset value at which Shares in the Fund may trade in normal markets, the Directors will agree the Fund's share buyback policy for the forthcoming period. It is intended that the Directors will maintain frequent communication with the market and that, whenever a significant number of Shares has been offered to the market, the Directors will be notified.

In pursuing this policy, the Directors' highest priority will be to ensure that they are acting prudently and in the interests of remaining shareholders. Share buybacks will be transacted entirely at the Directors' discretion and will be subject to the Fund having sufficient liquid assets available for such a purpose. They will also be subject to the rules of the UK Listing Authority and any applicable law at the relevant time. Although the Directors' intent is that Investors who wish to sell their holding in the Fund should be able to do so through the market, Investors should be aware that there is a risk that this may not be possible.

Tax benefits

The Offer provides a tax efficient investment opportunity for Investors, with the following attractive tax reliefs being available to Investors who can invest up to £200,000 per person per tax year:

- up to 40% of the amount invested can be deducted from the Investor's income tax liability;
- all dividends are tax free; and
- any capital gain on disposal of Shares is free from capital gains tax.

This is only a brief summary of the tax benefits of investing under the Offer. Further information appears on pages 13 and 14.

Dividend policy

Once the Offer has closed, the Fund's dividend policy will be to pay out income to investors half yearly, normally expected to be in May and December. A privileged feature of a VCT, not available to an investment trust, is the ability to distribute net realised capital profits.

Whenever the Fund makes successful realisations of unquoted portfolio investments for cash, the Directors intend to take full advantage of this feature, by paying out any net realised capital profit to Investors with the next half yearly dividend payment.

Initially the Fund will be structured as an investment company, which enhances its ability to pay dividends out of income. Subsequently, when the Directors consider it appropriate to distribute accumulated net capital profits by way of dividend (for example on the disposal of a successful equity investment in the portfolio of VCT Qualifying Investments), investment company status will be revoked to enable capital distributions to be made.

Part II: How will the Fund be invested?

Investment policy

A feature of VCTs is the ability to build up an investment portfolio over a three year period, allowing the Manager to conduct thorough due diligence on all potential investee companies. Initially the net proceeds of the Offer will be invested in a portfolio of readily realisable interest bearing investments and deposits. The Manager will aim to invest approximately 80% of the net funds raised in the Offer within three years. The Manager will primarily seek to invest in a diverse selection of established profitable unquoted companies. The Manager will only contemplate investment in an AIM quoted business where it has or has had an investment in that company prior to flotation. Investments in VCT Qualifying Companies will generally be made in amounts ranging from £200,000 to £1 million. Not more than 10% of the Fund's investments, based on cost, will be invested in any one company.

The fully invested Fund

The Manager aims to structure up to 70% of each deal as preference shares or loan stock with attractive income terms so that a regular stream of income and capital distributions should be generated for the Fund which can be distributed to Investors.

When the Fund reaches its 80% investment target, the balance of the net assets will remain invested in readily realisable interest bearing investments. These assets are expected to provide the capacity to support any future cash needs of investee companies, to cover running costs and to provide funds for any possible share buybacks.

Everyday products and services with profit growth potential

The Manager will focus on established, robust companies with credible plans and solid profit growth prospects. Typically these will be companies that make or supply the products and services that we see used around us in our daily lives. The investment team will seek to invest in companies that are already profitable, cash generative and therefore able to sustain a stream of contractual payments of yield and capital to the Fund.

The Manager has extensive experience of making investments across a broad range of industries and will

seek to invest in those companies that it believes to have a sustainable competitive advantage in their market, representing a barrier to entry to potential competitors. Such companies may also have a highly defensible position in a niche market where growth is being driven by external factors such as legislative, economic or demographic change.

Investment process

The Manager's approach will be to focus on unquoted investment opportunities, which it has routinely found to be more attractively priced than those presented by companies accessing public markets, such as AIM and OFEX. Unquoted companies also offer the opportunity for intensive appraisal, due diligence and negotiation of terms. Unquoted investment opportunities will be originated from the Manager's own extensive network of chartered accountants and corporate financiers who act as intermediaries on behalf of management teams looking to raise equity finance. Prior to an investment being made, each selected company will be subject to a rigorous process of due diligence which concentrates on the following:

- the quality of the management team;
- a track record of profitability;
- evidence of the company's competitive advantage in its markets;
- an attractive valuation at the time of investment;
- the opportunity to structure an investment that can deliver regular income for the Fund; and
- the prospect of achieving an exit, usually by way of a trade sale, within an appropriate timescale.

The Manager considers a broad range of sectors and different transaction types and has a particular focus on investing to support incumbent management teams in acquiring the business they manage, but do not currently own. This type of transaction, commonly referred to as a Management Buy-Out ("MBO") forms a significant proportion of UK private equity financing activity and accounted for 59% of all activity by amount invested in 2003 (Source – BVCA Report On Investment Activity 2003). Based on this and the Manager's experience, the Manager believes MBOs offer particularly attractive investment attributes because of incumbent management's unique and privileged

understanding of their business and their preparedness to invest personal capital in the transaction at the same time as the Manager. Of the aggregate thirty five investments in VCT Qualifying Investments completed by the Manager to date, 46 % by number were originally MBO transactions and in the Manager's most recent VCT, TriVest, all of the 10 separate holdings were originally MBO transactions.

All unquoted investments will be valued in accordance with BVCA guidelines under which investments are not normally re-valued above cost within twelve months of acquisition unless third party funding has occurred. Any AiM or other quoted investment will be valued at the mid-market price of its shares as derived from the Daily Official List of the London Stock Exchange plc, in accordance with General Accepted Accounting Practice.

Post-investment management

Once an investment has been made, the Manager will seek to add value to investee companies in a number of ways including:

- strategic planning;
- helping with the development of the business;
- assisting with acquisitions or mergers and additional fundraisings; and
- structuring companies for sale.

Normally, a member of the Manager's team or an experienced individual well known to the Manager will be appointed to the board of each investee company as a non-executive director or chairman.

Co-investment policy

The Fund expects to co-invest with existing funds managed by the Manager during the initial three year period in which the portfolio of VCT Qualifying Investments is being constructed. The Directors believe that this will enable the Fund to invest in a wider range and larger size of transactions than would otherwise have been the case.

Should more than one of the Manager's VCT funds wish to participate in an investment opportunity, allocations will generally be made in the ratio of the net assets of each VCT fund allocated to the Manager, at the time it was raised, subject to the availability of funds to make the investment and other portfolio considerations such as sector exposure and the requirement to achieve or maintain a minimum of 70% of the Fund's portfolio in VCT Qualifying Investments.

Any variation from this co-investment policy, insofar as it affects the Fund, may only be made with the prior approval of the Directors who are independent of the Manager.

Part III: The Board

The Board

The Board comprises four non-executive Directors, three of whom are independent of the Manager. The Board has overall responsibility for the Fund's affairs including the determination of its investment policy. Investment proposals will be originated, transacted and recommended by the Manager and then formally approved by the Directors:-

Keith Niven, aged 55, (Chairman) has over 30 years' experience in the financial services industry, most of which was spent at Schroder Investment Management, 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, but remains a director of Schroder Income Growth Fund plc and Schroder UK Growth Fund plc. He is also a director of Impax Environmental Markets plc and an investment advisor to the Rolls-Royce Pension Fund.

Christopher Moore, aged 59, 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 board of TriVen and TriVest.

Tom Sooke, aged 59, is currently on the board of Quester VCT plc. In recent years he has been chairman and non-executive director of a number of quoted and unquoted private equity funds and other companies. Previously, up until 1991, he was a partner in Deloitte & Touche, 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 activity from 1980 to 1987.

Bridget Cleverly, aged 42, is a director of Matrix Group Limited and of its subsidiary Matrix-Securities Limited. The Group 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 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.

Corporate governance

The Board recognises the importance of sound corporate governance. It endorses and has adopted the main principles of good corporate governance set out in the new Combined Code published by the Financial Reporting Council in July 2003 to the extent that the Directors consider practical given the nature of the Fund.

Part IV: Management, Expenses and Administration

The Manager

The Manager has been appointed for an initial period of 3 years. Its appointment can be terminated by not less than twelve months' notice, which can be given at any time after the second anniversary of their appointment. The Manager's appointment may also be terminated in circumstances of material breach or insolvency by either party.

Issue Costs

The Promoter has agreed to indemnify the Fund to the extent of any excess of initial costs over 5.5% of the initial funds subscribed.

Fees

The Manager will receive a fund management fee of 2% per annum of the value of the net assets of the Fund. The fund management fees will be calculated and payable quarterly in advance together with any applicable VAT.

As is customary in the private equity industry, the Manager may retain for its own benefit and without liability to account to the Fund, subject to full disclosure having been made to the Board, arrangement fees which it receives in connection with any unquoted investment made by the Fund up to a maximum of 2.5% of the amount invested by the Fund in the relevant investee company. It may also receive all monitoring fees or directors' fees. Costs incurred on abortive investment proposals will be the responsibility of the Manager.

Matrix-Securities Limited will provide Company Secretarial and Accountancy services to the Fund. The appointment can be terminated by not less than twelve months' notice given at any time after the initial two year period following the initial admission of Shares. Matrix-Securities Limited will receive annual fees of 0.09% of funds raised (plus VAT) for the secretarial services and 0.21% of funds raised (plus VAT) for providing the accountancy services both rising in line with the Retail Prices Index (All Items). These fees will be paid quarterly.

A maximum of 75% of the Fund's management fees will be capable of being charged against capital reserves with the balance being charged against revenue.

Annual expenses

The annual running costs of the Fund will be capped at 3.6% (excluding any irrecoverable VAT) of the Fund's net asset value as at each Company year end. This figure

covers the annual costs incurred by the Fund in the ordinary course of its business and includes the management fees mentioned above, Directors' remuneration, fees payable to the Fund's registrar, stockbroker, auditor, tax adviser and the annual trail commission to financial advisers, as set out under the heading 'Adviser Commission' on page 13. The balance of any such excess will be borne by the Manager.

Performance related incentive fee

As is customary in the private equity industry, the Manager will receive a performance related incentive fee, to reward exceptional performance. The Manager will be entitled to receive a performance fee of 20% of the excess above 6p per Share of the annual dividends paid to Shareholders. After the Company's third annual reporting period this 6p hurdle will rise in line with the Retail Price Index (All Items). The performance fee will only be payable if the mean net asset value per Share over the year relating to payment has remained at or above 100p. The performance fee will be payable annually, with any cumulative shortfalls below the 6p per share hurdle having to be made up in later years.

Reporting to Investors

The annual report and accounts of the Fund will be made up to 31 July each year and should normally be circulated to Shareholders in the following November. Shareholders will also receive unaudited half yearly reports made up to the last Business Day in January each year which should normally be circulated to shareholders in the following May. The first report is expected to be sent to Shareholders in November 2005 and will be the annual accounts in respect of the period ending 31 July 2005.

In order to allow investors access to a flow of further additional information on new investments made, developments in investee companies and performance in addition to statutory reporting, the Manager intends to produce a twice-yearly newsletter on its VCT portfolios, which will be issued to shareholders together with the annual and interim reports.

Life of the Fund

It is intended that the Fund should have an unlimited life, but it is considered desirable that Shareholders should have the opportunity to review the future of the Fund at appropriate intervals. Accordingly, the Articles of Association of the Fund contain provisions requiring the Directors to put a proposal for the continuation of the Fund, in its then form, to Shareholders at the tenth Annual General Meeting and thereafter at five-yearly intervals.

VCT status monitoring

PricewaterhouseCoopers is retained by the Fund to advise on compliance with the legislative requirements relating to VCTs. PricewaterhouseCoopers will, if requested by the Board, review the qualifying status of new investment opportunities and carry out regular reviews of Matrix Income & Growth VCT's investment portfolio.

PricewaterhouseCoopers will work closely with the Manager and the Fund's accountant but will report directly to the Board.

Adviser commission

Authorised financial intermediaries will normally be paid commission of 2.25% on successful applications.

In addition, provided they continue to act for their client and the client continues to hold their Shares, financial

advisers will normally be paid, in respect of their clients' holdings, an annual trail commission of 0.375% of the net asset value (as determined from the audited annual accounts of the Fund) attributable to their clients' holdings as at the end of the preceding financial year.

The annual trail commission will normally be paid in December each year. It is anticipated that the first such payment will be paid in December 2005 in respect of the accounting period ending 31 July 2005.

The Fund shall be entitled to rely on a notification from a client that he has changed his adviser. No payment of trail commission shall be made to the extent that the cumulative trail commission would exceed 2.25% of the issue price of each Share.

Financial intermediaries may agree to waive their initial commission. If so an Investor's application will attract an additional allotment of Shares amounting to the equivalent value of the waived commission at no greater cost.

CREST

The Fund will apply for permission for the Shares to be admitted to the CREST system and Shareholders will be able to hold their Shares in certified and uncertified form.

Part V: Tax planning for VCT shareholders

The following information is only a summary of the law concerning the tax position of individual investors in VCTs. Potential Investors are recommended to consult a professional adviser as to the taxation consequences of investment in a VCT.

Tax reliefs for Investors

Under proposals put forward by the Government in a statement on 17 March 2004, VCT tax reliefs have changed, offering enhanced income tax relief and abolishing capital gains tax deferral relief. **These changes to VCT tax reliefs are subject to enactment in this year's Finance Act.** Below is a summary of the reliefs for VCT investments made on or after 6 April 2004.

The tax reliefs set out below are available to UK residents aged 18 or over who subscribe under the Offer for new Ordinary Shares ("Shares") in the Fund ("New Shares"). Whilst there is no specific limit on the amount of an individual's acquisitions of shares in a VCT, **tax reliefs will only be given to the extent that the total of an individual's subscriptions or other acquisitions of shares in VCTs in any tax year do not exceed £200,000.** Investors who intend to invest more than £200,000 in VCTs in any one tax year should consult their professional advisers.

1. Income tax

a) Relief from income tax on investment

An investor subscribing for Shares in the Fund will be entitled to claim income tax relief on amounts up to a maximum of £200,000 in any tax year. To obtain relief an investor must subscribe on his own behalf although the shares may subsequently be transferred to a nominee. The relief is given at the rate of 40% on the amount subscribed, provided that the relief is limited to the amount which reduces the investor's income tax liability to nil. Investments to be used as security for or financed by loans may not qualify for relief, depending on the circumstances.

	Effective cost	Income tax relief
VCT investment by an individual claiming no tax reliefs	£10,000	
VCT investment by an individual claiming full 40% income tax relief	£6,000	£4,000

b) Dividend relief

An investor who acquires, in any tax year, Shares having a value of up to a maximum of £200,000 will not be liable to income tax on dividends paid by the Fund on those shares.

c) Purchasers in the market

An individual purchaser of existing Shares in the market will be entitled to claim dividend relief (as described in paragraph b) above) but not relief from income tax on investment (as described in paragraph a) above).

d) Withdrawal of relief

Relief from income tax on subscription for shares in a VCT is withdrawn if the shares are disposed of (other than between spouses) within three years of issue or if the VCT loses its approval within this period.

2. Capital gains tax

a) Relief from capital gains tax on the disposal of New Shares

A disposal by an investor of Shares in the Fund will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. The relief is limited to the disposal of Shares acquired within the limit of £200,000 for any tax year.

b) Purchasers in the market

An individual purchaser of existing shares in the market will be entitled to claim relief from capital gains tax on disposal (as described in paragraph a) above).

If a VCT which has been granted approval subsequently fails to comply with the conditions for approval, approval as a VCT may be withdrawn or treated as never having been given. In these circumstances, relief from income tax on investment is repayable unless loss of approval occurs more than three years after the issue of the relevant shares; relief ceases to be available on any dividend paid in respect of profits or gains in any accounting period ending when VCT status has been lost or in any period when VCT status is treated as never having been given; any chargeable gain on which tax has been deferred will be brought into charge; and any gains on the shares up to the date from which loss of VCT status is treated as taking effect will be exempt but gains thereafter will be taxable. Where VCT status is treated as never having been given all gains are taxable.

The principal changes in the tax reliefs proposed in the Government's statement on 17 March 2004 were:

- a) to increase the maximum investment limit in any tax year from £100,000 to £200,000;
- b) to increase the income tax relief from 20% to 40%; and
- c) to abolish the ability to defer Capital Gains tax liabilities realised in the twelve months preceding or following the date of investment, of up to 40% of the amount invested in a VCT.

Obtaining tax reliefs

The Fund will provide a certificate to each investor which the investor may use to claim income tax relief, either by obtaining from the Inland Revenue an adjustment to his tax coding under the PAYE system or by waiting until the end of the tax year and using his self-assessment return to claim relief. Dividends received in respect of Shares acquired in the Fund up to the qualifying maximum of £200,000 per tax year need not be shown in an investor's self-assessment tax return.

Investors not resident in the UK

Investors not resident in the UK should seek their own professional advice as to the consequences of making an investment in the Fund as they may be subject to tax in other jurisdictions as well as in the UK.

Part VI: Tax position of the Fund

The Fund has to satisfy a number of tests in order to qualify as a VCT and therefore to obtain the tax benefits available to VCTs and their individual shareholders. A summary of those tests is set out below.

Qualifying as a VCT

In order to qualify as a VCT, the Fund must satisfy the following conditions in each accounting period:

- (a) it must be approved as a VCT by the Inland Revenue;
- (b) it must not be a close company;
- (c) throughout the period each class of its equity share capital must be quoted on the London Stock Exchange;
- (d) it must derive its income in that period wholly or mainly from shares or securities;
- (e) it must have at least 70% by value of its investments throughout the period in newly issued shares or securities (where the securities are not redeemable within 5 years of issue) comprised in holdings in unquoted or AIM quoted companies which satisfy the requirements of schedule 28B of the Taxes Act ("Qualifying Holdings"), of which 30% by value must be ordinary shares which carry no preferential rights to dividends or assets on winding up and no rights to be redeemed;
- (f) it must have at least 10% by value of its Qualifying Holdings in each single company or group in ordinary shares which carry no preferential rights to dividends or assets on winding up and no rights to be redeemed;
- (g) it must have not more than 15% by value of its investments throughout that period in a single company or group (other than a VCT, or other similar company); and
- (h) it must generally not retain more than 15% of the income which it derives from shares and securities in that period.

Qualifying Holdings

In order for an investment to qualify as an investment in a Qualifying Holding, not more than £1 million may be invested in the same company in any tax year. Where investments are made in two consecutive tax years up to this limit, there must be at least a six month gap between them. The £1 million limit is restricted further if

the trade in which the money invested is applied is carried on through a partnership or joint venture.

Each company in which the Fund makes an investment must satisfy the following tests:

- (a) it must be unquoted (which will, in the case of a company which was unquoted at the time of the VCT's investment, be deemed to be the case for a further five years after the company ceases to be unquoted). Companies whose shares are traded on AIM are treated as unquoted;
- (b) it must be a Qualifying Company (see below under the heading "Qualifying Companies and qualifying subsidiaries");
- (c) it must have gross assets of £15 million or less immediately pre-investment and £16 million or less immediately post-investment (in the case of companies which have qualifying subsidiaries (see below), the test is applied on a group basis);
- (d) it (or a relevant qualifying subsidiary of the Qualifying Company) must apply the money invested for the purposes of a qualifying trade, which is carried out wholly or mainly in the UK, (see below under the heading, "Qualifying Companies and qualifying subsidiaries") within certain time periods;
- (e) it must not be able to control (whether on its own or together with a connected person) any company which is not a qualifying subsidiary; and
- (f) it must not be controlled by another company (on its own or together with a connected person).

In certain circumstances, a holding can be split into part-Qualifying Holdings and part non-Qualifying Holdings.

Qualifying Companies and qualifying subsidiaries

A Qualifying Company is a company which exists to carry on one or more qualifying trades (see below) or is the parent of a trading group, where all of its subsidiaries are qualifying subsidiaries and the group as a whole is not engaged in non-qualifying activities (see below).

For the purposes of the Qualifying Holdings test in (d) above, a subsidiary will be a relevant qualifying subsidiary if at least 90% of its issued share capital and its voting power is owned by the Qualifying Company. Certain other tests as to the distribution of the subsidiary's profits and assets on a winding-up must also be satisfied.

In the case of Qualifying Holdings test in (e) above, a subsidiary will be a qualifying subsidiary if more than 50% of its issued share capital is owned by the Qualifying Company and the other tests are also satisfied.

A trade will be a qualifying trade only if it does not to a substantial extent include non-qualifying activities (non-qualifying activities include dealing in land or shares, providing financial services or activities which are largely land-based, such as farming, hotels and nursing homes). In the case of a company which is preparing to carry on a qualifying trade, the qualifying trade must begin within two years of the issue to the VCT of the shares or securities, and must continue thereafter.

Approval as a VCT

A VCT must be approved as such at all times by the Inland Revenue. Approval has effect from the time specified in the approval, which cannot be earlier than the time at which the application for approval is made.

A VCT cannot be approved until the relevant tests (see above under the heading, "Qualifying as a VCT") have been satisfied throughout the most recent complete accounting period of the VCT and the Inland Revenue is satisfied that the tests will be satisfied in relation to the accounting period of the VCT which is current at the time the application is made.

However, in order to facilitate the launch of VCTs, the Inland Revenue may grant provisional approval to a VCT, notwithstanding that not all the relevant tests are satisfied at the time of the application, provided that the Inland Revenue is satisfied that the tests will be satisfied within a certain period. In particular, the Inland Revenue may grant provisional approval if it is satisfied that:

- (a) the relevant tests in (c), (d), (g) and (h) under the heading, "Qualifying as a VCT" above will either be satisfied in the accounting period current when the application for approval is made or the following accounting period;
- (b) the relevant test in (e) under the heading, "Qualifying as a VCT" above, will be satisfied in relation to any accounting period beginning not more than three years after the time when approval is given, or if earlier, when it has effect; and
- (c) the relevant tests in (c), (d), (e), (g) and (h) under the heading, "Qualifying as a VCT" above, will continue to be satisfied in all subsequent accounting periods.

The Inland Revenue has granted the Fund provisional approval.

Withdrawal of approval

Approval of a VCT may be withdrawn by the Inland Revenue if the relevant tests (see above under the heading, "Qualifying as a VCT") are not satisfied. Withdrawal of approval generally has effect from the time when notice of withdrawal is given to the VCT but, in relation to capital gains of the VCT only, can be backdated to not earlier than the first day of the accounting period commencing immediately after the last accounting period of the VCT in which all the tests were satisfied.

The above is only a summary of the conditions to be satisfied under current law and practice for a company to be treated as a VCT. For comprehensive clarification, Investors are recommended to consult a professional adviser.

Part VII: Risk factors

The Directors draw the attention of potential investors to the following risk factors that may affect the Fund's performance and/or the availability of tax reliefs.

Prospective Investors should be aware that the value of Shares in the Fund can fluctuate and that they may not get back the amount they invested. In addition, there is no certainty that the market price of Shares will fully reflect the underlying net asset value or that any dividends will be paid nor should Investors expect that the share buyback policy will offer any certainty of selling their Shares at a price that reflects the underlying net asset value. Investors should be aware that an investment in the Fund should be considered as a long-term investment.

The following additional factors should be considered:

The past performance of the Manager is no indication of its future performance.

Investment in unquoted companies can offer good investment returns but by its nature is uncertain and consequently involves a higher degree of risk than a quoted portfolio.

Although it is anticipated that the Shares will be admitted to the Official List of the UK Listing Authority and traded on the London Stock Exchange's market for listed securities, it is expected that there will be an illiquid market and investors are expected to find it difficult to realise their investment.

Although the Fund may receive conventional venture capital rights in connection with some of its investments, as a minority investor it may not be in a position to fully protect its interests.

Realisation of investments in unquoted companies can be difficult and may take a considerable time. There may also be constraints imposed on the realisation of investments in order to maintain the tax status of the Fund.

Whilst it will be the intention of the Directors that the Fund will be managed so as to qualify as a Venture Capital Trust, there can be no guarantee that it will qualify or that such status will be maintained. A failure to meet the qualifying requirements could result in the Fund losing the tax reliefs previously obtained, resulting in adverse tax consequences for investors including a requirement to repay the 40% income tax relief obtained. Furthermore, should the Fund lose its Venture Capital Trust status, dividends and the disposal of Shares would become subject to tax

The tax rules or their interpretation in relation to an investment in the Fund and/or the rates of tax may change during the life of the Fund. Under proposals put forward by the Government in a statement on 17 March 2004, VCT tax reliefs have changed, inter alia offering enhanced income tax relief and abolishing capital gains tax deferral relief. **These changes to VCT tax reliefs are subject to enactment in this year's Finance Act.**

If an investor who subscribes for Shares under the Offer disposes of those Shares within three years the Investor will be subject to clawback by the Inland Revenue of any income tax relief originally claimed.

Part VIII: Terms and conditions of application

The words and expressions defined in the Prospectus, save where the context requires otherwise, have the same meanings when used in the Application Form and explanatory notes in relation thereto. The section headed "Application procedure" forms part of these Terms and conditions of application.

A Terms and conditions

1. The contract created by the acceptance of applications in the manner herein set out will be conditional on the Offer Agreement between Teather & Greenwood Limited, the Company and others becoming unconditional in all respects and not being terminated in accordance with its terms before the first allotment of Shares. If any application is not accepted, or if any contract created by acceptance does not become unconditional, or if any application is accepted for fewer Shares than the number applied for, the application monies or the balance of the amount paid on application will be returned without interest by post at the risk of the applicant. In the meantime application monies will be retained by Matrix Registrars Limited in a separate account.
2. The Fund reserves the right to present all cheques and banker's drafts for payment on receipt and to retain documents of title and surplus application monies pending clearance of the successful applicants' cheques and banker's drafts.
3. By completing and delivering an Application Form you (as the applicant):
 - (a) irrevocably offer to subscribe for the number of Shares specified in your Application Form (or any smaller number for which the application is accepted) at 100 pence per Share, subject to the provisions of this document, any supplemental Prospectus filed with the Registrar of Companies, these Terms and conditions and the Memorandum and Articles of Association of the Fund;
 - (b) authorise Computershare Investor Services PLC to send definitive documents of title for the number of Shares for which your application is accepted, and/or a crossed cheque for any monies returnable, by post to your address as set out in your Application Form and to procure that your name is placed on the register of members of the Company in respect of such Shares;
 - (c) in consideration of the Company agreeing that it will not, prior to the closing date of the Offer, offer any Shares to any persons other than by means of the procedures set out or referred to in this document, agree that your application may not be revoked until the closing date of the Offer, and that this paragraph constitutes a collateral contract between you and the Company which will become binding upon despatch by post or delivery by hand of your Application Form duly completed to Matrix Registrars Limited;
 - (d) agree and warrant that your cheque or banker's draft will be presented for payment on receipt and will be honoured on first presentation and agree that, if such remittance is not so honoured, you will not be entitled to receive certificates for the Shares applied for or to enjoy or receive any rights or distributions in respect of such Shares unless and until you make payment in cleared funds for such Shares and such payment is accepted by the Company (which acceptance shall be in its absolute discretion and may be on the basis that you indemnify it against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and that at any time prior to unconditional acceptance by the Company of such late payment in respect of such Shares, the Company may (without prejudice to its other rights) treat the agreement to allot such Shares as void and may allot such Shares to some other person in which case you will not be entitled to any refund or payment in respect of such Shares (other than return of such late payment);
 - (e) agree that any documents of title and any monies returnable to you may be retained pending clearance of your remittance and that such monies will not bear interest;
 - (f) agree that all applications, acceptances of applications and contracts resulting therefrom will be governed by, and construed in accordance with, English law and that you submit to the jurisdiction of the English courts and agree that nothing shall limit the right of the Company to bring any action, suit or proceeding arising out of or in connection with any such applications, acceptances of applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;

- (g) agree that, in respect of those Shares for which your application has been received and processed and not refused, acceptance of your application shall be constituted by notification of acceptance thereof by Matrix Registrars Limited;
 - (h) agree that all documents in connection with the Offer and any returned monies will be sent at your risk and may be sent by post to you at your address as set out in the Application form;
 - (i) agree that, having had the opportunity to read the Prospectus, you shall be deemed to have had notice of all information and representations concerning the Company contained herein;
 - (j) confirm that in making such application you are not relying on any information or representation in relation to the Company other than those contained in the Prospectus and any supplemental prospectus filed with the Registrar of Companies and you accordingly agree that no person responsible solely or jointly for this document and the Prospectus or any part thereof or involved in the preparation thereof shall have any liability for any such information or representation;
 - (k) confirm that you have reviewed the restrictions contained in paragraphs 4 and 5 below and warrant as provided therein;
 - (l) warrant that you are not under the age of 18 years;
 - (m) agree that such Application Form is deemed to be addressed to the Company, Teather & Greenwood Limited and Matrix-Securities Limited;
 - (n) agree to provide the Company with any information which it may request in connection with your application or to comply with the VCT or other relevant legislation (as the same may be amended from time to time);
 - (o) warrant that, in connection with your application, you have observed the laws of all relevant territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory and that you have not taken any action which will or may result in the Company, Teather & Greenwood Limited, or Matrix-Securities Limited acting in breach of the regulatory or legal requirements of any territory in connection with the Offer or your application;
 - (p) agree that Teather & Greenwood Limited and Matrix-Securities Limited will not regard you as its customer by virtue of your having made an application for Shares or by virtue of such application being accepted; and
 - (q) declare that a loan has not been made to you or any associate, which would not have been made or not have been made on the same terms, but for you offering to subscribe for, or acquiring Shares and that the Shares are being acquired for bona fide commercial purposes and not as part of a scheme or arrangement the main purpose of which, or one of the main purposes of which, is the avoidance of tax.
4. No action has been or will be taken in any jurisdiction by, or on behalf of, the Company which would permit a public offer of Shares in any jurisdiction where action for that purpose is required, other than the United Kingdom, nor has any such action been taken with respect to the possession or distribution of this document other than in the United Kingdom. No person receiving a copy of this document or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or, such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application for Shares to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities

required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.

5. The basis of allocation will be determined by the Company (after consultation, if applicable, with Teather & Greenwood Limited and Matrix-Securities Limited) in its absolute discretion. It is intended that applications will be accepted in the order in which they are received subject to any prior booking of allocations which may be agreed with Matrix-Securities Limited to give authorised financial intermediaries time to consult with their clients. The Offer will be closed as soon as full subscription is reached unless the size of the Company is extended at the absolute discretion of the Directors. The right is reserved, notwithstanding the basis so determined, to reject in whole or in part and/or scale down any application, in particular multiple and suspected multiple applications. The right is also reserved to treat as valid any application not complying fully with these Terms and conditions of application or not in all respects complying with the Application procedure set out on page 23. In particular, but without limitation, the Company (after consultation with Teather & Greenwood Limited and Matrix-Securities Limited) may accept applications made otherwise than by completion of an Application Form where the applicant has agreed in some other manner to apply in accordance with these Terms and conditions.
6. Save where the context requires otherwise, terms defined in this document bear the same meaning when used in these Terms and conditions of application and in the Application Form.
7. Authorised financial intermediaries who, acting on behalf of their clients, return valid Application Forms bearing their stamp and FSA, SRO or RPB number will normally be paid 2.25 per cent. commission on the amount payable in respect of the Shares allocated for each such Application Form. In addition, provided they continue to act for their client and the client continues to hold Shares, such intermediaries will be paid, in respect of their clients' holdings, an annual trail commission of 0.375 per cent. of the net asset value (as determined from the audited annual accounts of the Fund) attributable to their clients' holdings at the end of the preceding

financial year. The annual trail commission will normally be paid in December each year. It is anticipated that the first payment will normally be paid in December 2005 in respect of the accounting period ended 31 July 2005. The administration of annual trail commission will be managed on behalf of the Company by Matrix-Securities Limited which will maintain a register of intermediaries entitled to trail commission. The Company shall be entitled to rely on a notification from a client that he has changed his adviser in which case the trail commission will cease to be payable. No payment of trail commission shall be made to the extent that the cumulative trail commission would exceed 2.25 per cent. of the issue price of each such Share. Financial intermediaries should keep a record of Application Forms submitted bearing their stamp to substantiate any claim for selling commission. Matrix Registrars Limited will collate the Application Forms bearing the financial intermediaries' stamps and calculate the selling commission payable which will be paid within 14 days of each allotment.

8. Financial Intermediaries may agree to waive initial commission in respect of your application.

If this is the case then your application will be treated as an application to apply for the number of Shares stated in box number 2 of the Application Form plus a number of additional Shares equivalent to the amount of commission waived at £1 per additional Share.

B Lodging of Application Forms and Dealing

Completed Application Forms with the appropriate remittance must be posted or delivered by hand to Matrix Registrars Limited, Gossard House, 7-8 Savile Row, London W1S 3PE. The Offer opens on 9 July 2004 and will be closed on full subscription or, if earlier, at the discretion of the Directors but in any event, save that the Offer be extended by the Directors, not later than 30 June 2005. The basis on which applications have been accepted will be announced as soon as possible thereafter. If you post your Application Form, you are recommended to use first class post and to allow at least two business days for delivery.

It is expected that dealings in the Shares will commence on the business day following allotment and that share certificates will be despatched within seven days of

allotment of Shares. Temporary documents of title will not be issued. Dealings prior to receipt of share certificates will be at the risk of applicants. A person so dealing must recognise the risk that an application may not have been accepted to the extent anticipated or at all. To the extent that any application is not accepted, the monies in excess of any payment will be returned without interest by the applicant's cheque or banker's draft or by sending a crossed cheque in favour of the applicant through the post, at the of the person entitled thereto.

C Availability of Prospectus and Application Forms

Copies of the Mini Prospectus, Prospectus and Application Forms will be available free of charge on request until the Offer closes from the registered office of the Company and the following addresses:

Matrix-Securities Limited

Gossard House
7-8 Savile Row
London W1S 3PE
Tel: 020 7292 0825
Fax: 020 7292 0801

Teather & Greenwood Limited

Beaufort House
15 St Botolph Street
London EC3A 7QR
Tel: 020 7426 3269
Fax: 020 7247 0075

Copies of the Prospectus will also be available to the public for inspection at the Document Viewing Facility, at the Financial Services Authority, 25 North Colonnade, Canary Wharf, London E14 5HS.

Dated 9 July 2004

Definitions

The following definitions are used throughout this document, except where the context requires otherwise:

Absolute Return

the growth or diminution of an asset or aggregate collection of assets, as calculated by the sum of the net asset value and any dividends or income paid and any capital returned, as a percentage of the cost price

AIM

Alternative Investment Market

Business Day

Any day on which banks are generally open for business in London, other than a Saturday

BVCA

British Venture Capital Association

Directors or Board

Directors of Matrix Income & Growth VCT plc

Fund or Company

Matrix Income & Growth VCT plc

Investor

an individual aged 18 or over who is resident in the United Kingdom

Issue

the issue of new Shares pursuant to the Offer

Manager

Matrix Private Equity Partners Limited – authorised and regulated by the Financial Services Authority

Matrix-Securities

Matrix-Securities Limited, the Fund's promoter, a wholly owned subsidiary of Matrix Group Limited. Matrix-Securities Limited is authorised and regulated by the Financial Services Authority

Matrix Venture Fund VCT

Matrix Venture Fund VCT plc, a £13.1 million VCT focusing on technology investment.

MBO

Management Buy-Out

Offer

the offer for subscription of up to 30,000,000 Shares pursuant to the terms of the Prospectus

Qualifying Company or VCT Qualifying Investment

an unquoted or AIM quoted company which satisfies the requirements of schedule 28B of the Taxes Act

Share(s)

ordinary shares of 1p each in the capital of the Fund

Shareholder

a holder of Shares

Taxes Act

the Income and Corporation Taxes Act 1988 (as amended)

Total Return

the aggregate value of an investment or collection of investments comprising net asset value, valued where appropriate in accordance with BVCA guidelines, plus any capital repaid and income or dividends received

TriVen

TriVen VCT plc, a £19.1 million multi-managed fund focusing on industrial and media, commercial and technology investment.

TriVest

TriVest VCT plc, a £41.8 million multi-managed fund focusing on industrial and media, commercial and technology investment.

UK Listing Authority

the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000

Venture Capital Trust or VCT

a company which is, for the time being, approved as a Venture Capital Trust under Section 842AA of the Taxes Act

Part IX: Application procedure

Before making any application to acquire Shares you are strongly recommended to consult an independent financial adviser authorised under the Financial Services and Markets Act 2000. The following instructions should be read in conjunction with the Application Form and the Terms and conditions of application.

Insert your full name and address in BLOCK CAPITALS in Box 1. Individuals can only apply on their own behalf and in their own name. You must be the beneficial owner of the Shares issued to you pursuant to the Offer. You must not use a nominee name as this will jeopardise your entitlement to tax reliefs. You must also give your own address and full postcode and telephone number. Telephone numbers will only be used in case of a query with regard to your application.

Insert in Box 2 (in figures) the number of Shares for which you are applying together with the amount payable. Each Share costs 100 pence and your application must be for a minimum of £2,500.

Payment must be by cheque or banker's draft; no other methods of payment will be accepted. Attach your cheques or banker's drafts to the Application Form. Cheques and banker's drafts should be made payable to "Matrix Registrars Limited re Matrix Income & Growth VCT plc".

Cheques or banker's drafts must be honoured on first presentation. A separate cheque or banker's draft must accompany each application. No receipt for your payment will be issued. The cheque or banker's draft must be drawn in sterling on an account at a bank branch or building society in the United Kingdom or the Channel Islands and bear a bank sort code number in the top right hand corner. You may, if you wish, use a personal cheque drawn by someone else, in which case your full name and address should be written on the back of the other person's cheque. Any money not accepted will be returned by the applicant's cheque or banker's draft or by sending a cheque crossed "Account Payee Only" in favour of the applicant.

Sign and date the form. If the form is signed on your behalf by an attorney or other agent, that person should state on the form the capacity in which they are signing and the original power(s) of attorney or a copy thereof duly certified by a solicitor must be enclosed for inspection and will be returned in due course.

Money Laundering Notice - Important procedures for Applications of the Sterling equivalent of €15,000 or more. The verification of identity requirements of the Money Laundering Regulations 2003 (as amended) will apply and verification of the identity of the applicant may be required. Failure to provide the necessary evidence of identity may result in your application being treated as invalid or in delay in confirming the application. If the application is for more than the Sterling equivalent €15,000:

- verification of the applicant's identity should be provided by means of a "Letter of Introduction", from an IFA or other regulated person (such as a solicitor or accountant) which is a member of a regulatory authority and which is required to comply with the Money Laundering Regulations 2003 (as amended) or a UK or EC financial institution (such as a bank). Matrix-Securities Limited will supply specimen wording on request; or
- if a cheque is drawn by a third party, you must ensure that one of the following documents is enclosed with the form: a certified copy of your passport or driving licence or a recent original bank or building society statement or utility bill in your name. Copies should be certified by a solicitor or bank. Original documents will be returned by post at your risk.

Application Form

Matrix Income & Growth VCT plc Ordinary Shares of 1 pence each ("Shares") at a price of 100 pence per share.

This Application Form should be completed in full and sent by post or by hand to:

THE RECEIVING AGENT, MATRIX REGISTRARS LIMITED, GOSSARD HOUSE, 7-8 SAVILE ROW, LONDON W1S 3PE

so as to arrive as soon as possible but in any case no later than 10.00 am on 30 June 2005. Before completing this application form you should read the Terms and conditions of application and Application procedure.

This application list for the Offer will open on 9 July 2004 and the closing date will be 30 June 2005. The closing date for applications for Shares to be allotted in the 2004/2005 tax year is 10.00am on 1 April 2005. The final closing date may be determined by the Directors in their absolute discretion.

1

Title	Dr/Mr/Mrs/Miss/Other		
Forename(s)			
Surname(s)			
Address			
	Postcode		
National Insurance Number	Date of Birth		
Telephone (work)	Telephone (home)		

I offer to subscribe for the following number of Shares on the Terms and conditions of application set out in the Prospectus dated 9 July 2004 and the Memorandum and Articles of Association. Applications must be for a minimum of 2,500 Shares. I ENCLOSE A CHEQUE OR BANKER'S DRAFT DRAWN ON A UK CLEARING BANK, MADE PAYABLE TO "MATRIX REGISTRARS LIMITED RE MATRIX INCOME & GROWTH VCT PLC".

2

2004/2005 tax year	<input type="text"/>	Number of Shares @100p per Share	£ <input type="text"/>
2005/2006 tax year	<input type="text"/>	Number of Shares @100p per Share	£ <input type="text"/>
Total Number of Shares	<input type="text"/>	Total payment enclosed	£ <input type="text"/>

Note: if you are applying for Shares in both the 2004/2005 and the 2005/2006 tax years, you must submit a separate cheque or banker's draft for each tax year.

Signature of applicant _____ Date _____

Name of Financial Adviser _____

Title Mr/Mrs/Miss Forename Surname

Name of Administrator/Support Staff _____

Title Mr/Mrs/Miss Forename Surname

Stamp of Financial Intermediary firm or full address details:

Directors, Managers and Advisers

Directors

Keith Niven
Christopher Moore
Tom Sooke
Bridget Cleverly

all of:

Gossard House
7-8 Savile Row
London
W1S 3PE

Secretary

Matrix-Securities Limited
Gossard House
7-8 Savile Row
London
W1S 3PE

Sponsor and Stockbroker

Teather & Greenwood Limited
Beaufort House
15 St Botolph Street
London
EC3A 7QR

Promoter

Matrix-Securities Limited
Gossard House
7-8 Savile Row
London
W1S 3PE

Receiving Agent

Matrix Registrars Limited
Gossard House
7-8 Savile Row
London
W1S 3PE

Solicitors

Osborne Clarke
Hillgate House
26 Old Bailey
London
EC4M 7HW

Investment Manager

Matrix Private Equity Partners Limited
Gossard House
7-8 Savile Row
London
W1S 3PE

VCT Tax Adviser

PricewaterhouseCoopers
1 Embankment Place
London
WC2N 6RN

Auditors

PKF
Farringdon Place
20 Farringdon Road
London
EC1M 3AP

Bankers

National Westminster Bank Plc
3rd Floor
1 Princes Street
London
EC2R 8PB

Registrar

Computershare Investor Services PLC
Corporate Actions
PO Box 859
The Pavilions
Bridgewater Road
Bristol
BS99 1XZ

