

THE INCOME & GROWTH VCT PLC



I&G VCT UPDATE MARCH 2010

Welcome to the latest Newsletter from The Income & Growth VCT plc (I&G VCT), providing an update of activity since the Annual Report for the year ended 30 September 2009.

	NET ASSET VALUE	SHARE PRICE
'O' SHARE FUND	72.2P	49.0P
'S' SHARE FUND	93.1P	94.5P

As at 31 December 2009, the 'O' Share Fund's total return (NAV basis) was 92.7p comprising NAV of 72.2p plus cumulative dividends paid of 20.5p. On a comparable basis, this represents an increase of 0.9% in total shareholder return from 91.9p in the three month period since 30 September 2009. The 'S' Share Fund's NAV per share and total return was 93.1p. On a comparable basis, this represents a decrease of 0.1% in total shareholder return from 93.2p in the three month period since 30 September 2009.

FINAL DIVIDENDS PROPOSED FOR THE YEAR ENDED 30 SEPTEMBER 2009 ANNOUNCED ON 16 DECEMBER 2009

Share class	Payment Date	Amount per Share
'O' Shares	17 March 2010	2.00p
'S' Shares	17 March 2010	0.50p

These dividends have not been deducted from the NAV data above.

SHAREHOLDER CIRCULAR AND EGM TO BE HELD ON 26 MARCH 2010

Enclosed with Shareholders' copies of this Newsletter is a Circular setting out the Board's proposals to merge the share classes of the Company. The Circular is also available on the Company's website: www.incomeandgrowthvct.co.uk

LATEST INVESTMENTS AND DIVESTMENTS

CB IMPORTS GROUP (COUNTRY BASKETS)



The UK's leading importer of artificial flowers and floral sundries

I&G VCT has invested £1 million ('O' Share Fund: £697k; 'S' Share Fund £303k) to support the management buy-out of CB Imports plc, a profitable company trading under the name of Country Baskets. The investment comprises loan stock and a 6% combined equity stake.

Founded in 1990 and operating from a national distribution centre in Leeds, the Group employs 270 people and has a turnover of circa £20 million.

The company is planning to roll out further outlets across the UK as part of a new growth phase funded by this investment.

IGLU.COM HOLIDAYS

I&G VCT has invested £1 million ('O' Share Fund: £697k; 'S' Share Fund: £303k) in the management buy-out and recapitalisation of Iglu.com, the UK's largest specialist ski holiday and fastest growing cruise holiday travel agent. The investment comprises loan stock and a combined equity stake of 8.1%.

Iglu is a profitable and cash generative business. Based in Wimbledon, South London, the company employs more than 95 people. Iglu.com's cruise sales have doubled year on year and this growth looks set to continue. Repeat business and referrals from satisfied customers, plus an increasing share of the growing cruise market have led Iglu.com to forecast total sales of £45 million for the current financial year, up from £38 million last year.



An Ocean Village cruise booked through Iglu.com

DIVESTMENT OF PASTAKING HOLDINGS

The 'O' Share Fund has successfully sold its investment in PastaKing, the Newton Abbot based foodservice company to NBGI Private Equity. PastaKing has profited from the Government-backed healthy eating campaign, enjoying rapid growth since investment in 2006, and now has a staff of 71 and an annual turnover of £12 million.

This realisation contributed total cash proceeds of some £949k to the Fund over the life of the investment, representing a 3.25 x return on the Fund's original investment of £292k.

FUND BREAKDOWN AT 31 DECEMBER 2009

	'O' SHARE FUND		'S' SHARE FUND	
	31-Dec-09	30-Sep-09	31-Dec-09	30-Sep-09
	£	£	£	£
Unquoted loan stock	8,997,248	8,518,656	1,025,449	436,642
Unquoted equities	8,288,736	8,864,480	224,308	161,752
AiM quoted investments	1,786,597	1,908,798	-	-
Money market funds	5,004,810	5,440,722	10,199,639	10,521,348
Cash	221,889	37,925	16,292	17,713
Net other assets/(liabilities)	695,814	111,300	(470,651)	(136,239)
Net assets	24,995,094	24,881,881	10,995,037	11,001,216
Number of shares in issue	34,620,627	34,824,397	11,806,467	11,806,467
Net asset value per share	72.20p	71.45p	93.13p	93.18p

CONTACT MATRIX

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MATRIX

SIX MONTHLY UPDATE MARCH 2010
ASSET MANAGEMENT

QUALIFYING INVESTMENT PORTFOLIO AS AT 31 DECEMBER 2009

COMPANY	BUSINESS	INVESTMENT COST £	INVESTMENT VALUATION £	% OF THE INVESTMENT PORTFOLIO
'O' Share Fund				
Image Source	Royalty free images	305,000	2,269,347	11.9%
Amaldis 2008 (Original Additions)	Beauty products	80,313	1,496,217	7.8%
HWA (Holloway White Allom)	Specialist property contractor	34,553	1,457,610	7.6%
DiGiCo Europe	Audio mixing desks	371,291	1,039,247	5.5%
Apricot Trading	Marketing/media acquisitions	1,000,000	1,000,000	5.2%
Aust Construction Investors	Construction sector acquisitions	1,000,000	1,000,000	5.2%
VSI	Software for CAD and CAM vendors	245,596	821,332	4.3%
Youngman Group	Ladders and access towers	1,000,052	700,992	3.7%
Iglu.com Holidays	On-line ski and cruise travel agency	696,910	696,910	3.7%
CB Imports Group (Country Baskets)	Floral sundries	696,911	696,911	3.7%
Total for ten largest 'O' Share Fund investments		5,430,626	11,178,566	58.6%
	Other investments	19,567,605	7,894,015	41.4%
	Total 'O' Share Fund	24,998,231	19,072,581	100.0%
'S' Share Fund				
ATG Media	Publishing and online auctions	404,158	370,265	29.6%
Iglu.com Holidays	On-line ski and cruise travel agency	303,091	303,091	24.3%
CB Imports Group (Country Baskets)	Floral sundries	303,089	303,089	24.3%
MC 440 (Westway Cooling)	Air conditioning systems	148,712	248,559	19.9%
Plastic Surgeon	Specialist property contractor	99,011	24,753	1.9%
	Total 'S' Share Fund	1,258,061	1,249,757	100.0%

MANAGER'S COMMENTARY

There have been some encouraging signs that the rate of new deal activity is starting to increase, but it is still too early to say whether this will be sustained. We therefore continue to be cautious and selective in our consideration of potential new deals. We think this caution has been a significant factor in maintaining value in the portfolio through a very volatile period.

The majority of investee companies have managed their cashflow well and remain profitable. Some of the companies in the portfolio in particular continue to be strongly cash generative and amongst these Westway repaid £38,922 of loan stock considerably earlier than expected in October 2009. DiGiCo Europe has continued to roll out new products and this has led to sustained profit growth since investment. The company repaid a further £142,804 of loan stock in December 2009 plus the premium due. We have been working actively with the management teams of investee companies encouraging them to take cost cutting measures and looking with them at planning, forecasting and costing systems, where appropriate, to ensure that they are as resilient as possible in the current market.

The Company's investments in PXP, Youngman Group and Plastic Surgeon each have exposure to the house-building and construction markets and all have continued to suffer from the decline of this sector over the last two years. Blaze Signs has also continued to experience a fall in activity arising from much reduced levels of new signage rollouts from its major customers. Again, it has responded by reducing its cost base. The performance of Monsal during the year has also improved materially and the outlook is further enhanced by the prospect of new capital contracts as water companies commit to new waste management projects and the company exploits its expertise in anaerobic digestion. ATG Media has performed in line with expectations over last year and the progress of its online auction platform looks particularly promising.

The 'O' Share Fund has made two follow-on investments towards the end of last year. The first of these was of £422k into HWA Group which trades as Holloway White Allom, the specialist contractor in the high-end residential and heritage property refurbishment market bringing the Fund's total investment to £457k. The second was an investment of £91k into British International to provide additional working capital, bringing its total investment in this provider of helicopter services to £591k.

The Company's significant cash reserves place it in an excellent position both to support its existing portfolio and to capitalise on attractive new investment opportunities.

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