

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU ARE RECOMMENDED TO SEEK ADVICE FROM YOUR BANK MANAGER, STOCKBROKER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT FINANCIAL ADVISER AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000.

IF YOU HAVE SOLD OR TRANSFERRED YOUR ORDINARY SHARES IN MATRIX VENTURE FUND VCT PLC YOU SHOULD SEND THIS DOCUMENT TOGETHER WITH THE ACCOMPANYING PROXY CARD IMMEDIATELY TO THE PURCHASER OR TRANSFEREE OR THE STOCKBROKER OR OTHER AGENT THROUGH WHOM THE SALE OR TRANSFER WAS EFFECTED FOR TRANSMISSION TO THE PURCHASER OR THE TRANSFEREE.

Matrix Venture Fund VCT plc

(Incorporated in England and Wales under the Companies Act 1985 with registered number 3946235)

Proposed Creation of C Ordinary Shares

and

Notice of Extraordinary General Meeting

Your attention is drawn to the letter from the Chairman of the Company set out on pages 3 to 6 of this document which contains a recommendation to vote in favour of the resolutions to be proposed at the Extraordinary General Meeting referred to below.

A notice convening an Extraordinary General Meeting of the Company to be held at the offices of Matrix-Securities Limited, Gossard House, 7-8 Savile Row, London W1S 3PE at 2.00 p.m. on 26 March 2004 is set out at the end of this document. A Form of Proxy accompanies this document.

To be valid, Forms of Proxy for use at the meeting must be completed and returned so as to be received at the offices of the Company's registrars, Capita IRG Plc, not later than 2.00 p.m. on 24 March 2004.

The completion and depositing of a Form of Proxy will not preclude you from attending and voting in person at the meeting should you find you are able to do so.

DEFINITIONS

“Admission”	admission to the Official List and to trading on the London Stock Exchange
“Extraordinary General Meeting” or “EGM”	the Extraordinary General Meeting of the Company to be held at 2.00 p.m. on 26 March 2004
“Board” or “Directors”	the board of directors of the Company
“Company” or “Fund”	Matrix Venture Fund VCT plc
“C Shares”	C Ordinary Shares of 1 pence each in the Company
“FSA”	the Financial Services Authority
“London Stock Exchange”	the London Stock Exchange plc
“Manager” or “MPE”	Matrix Private Equity Limited, the manager of the Fund
“Matrix-Securities” or “Promoter”	Matrix-Securities Limited, the promoter of the Company, which is authorised and regulated by the FSA
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	existing ordinary shares of 1 pence each in the Company
“Qualifying Investments”	an investment in an unquoted or listed quoted company carrying on a qualifying trade wholly or mainly in the UK satisfying the conditions in Schedule 28B to the Taxes Act
“Shares”	Ordinary Shares and C Shares (as the context permits)
“Shareholder”	a holder of Ordinary Shares or C Shares
“Taxes Act”	Income and Corporation Taxes Act 1988 (as amended)
“the 70% test”	the condition specified in section 842AA (2)(b) of the Taxes Act
“the 30% test”	the condition specified in section 842(2)(c) of the Taxes Act
“The Merger Regulations”	the current draft of The Venture Capital Trust (Winding up and Mergers) (Tax) Regulations 2004 as may be amended
“UK Listing Authority”	the FSA 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 842A of the Taxes Act

MATRIX VENTURE FUND VCT PLC

Registered in England and Wales (Registered Number 3946235)

Directors

Michael Cumming (*Chairman*)
Fredrik Adams
Nigel Melville
Larry Sullivan
Ken Vere Nicoll

Registered Office

Gossard House
7-8 Savile Row
London W1S 3PE

27 February 2004

To the Shareholders

Dear Shareholder

Proposed creation of C Shares and Notice of Extraordinary General Meeting

Introduction – a new public offer

As a Shareholder you will know the Company raised £13.2 million in its original fund raising which closed in December 2000. The Directors and the Manager would like to increase the size of the Company's funds to enable the Company to continue as an active investor and to spread the cost base over a larger amount of assets, to the benefit of all shareholders. The purpose of this circular is to seek your approval for these proposals.

The Directors, the Manager and the Promoter consider that the new issue market for Venture Capital Trusts remains difficult and, therefore, no decision has yet been made as to whether to make an offer to raise new share capital for the Company or as to the size of any such offer. However, the Directors do anticipate improvements in both investor sentiment and market conditions and this should accelerate the flow of attractive investment opportunities during the next three years and beyond. The Directors consider it to be in the best interests of the Company to be in a position to take advantage of such opportunities. In addition, the changes in the tax rules for VCTs, which the Chancellor mentioned in his Autumn Statement and which are expected to take effect after 6 April 2004, should make VCTs more attractive as an investment vehicle.

Although further Ordinary Shares representing up to 10 per cent. of the current number of issued shares could be issued by way of a top up offer, the Directors would like to raise a more significant amount, which could require a full prospectus. The Directors believe that there would be advantages to Shareholders if such an Issue could be through a separate class of shares. Accordingly, I am now writing to you to request your support for proposals which will allow the Company to restructure its capital base so as to allow the issue of such a separate class of shares should the Directors decide such an offer is appropriate.

The unaudited net asset value of the fund as at 30 January 2004 (the latest practicable date before the printing of this document) was 86.1p per Share compared to the initial Net Asset Value of 94p after expenses and the effective net cost to original shareholders of 80p (100p less tax relief of 20p). This performance compares favourably with that of the FTSE techMARK All Share, FTSE All Share and FTSE AIM indices, which declined by 55 per cent., 26 per cent. and 39 per cent. respectively over the same period (from 1 December 2000 to 30 January 2004). The recent performance of a number of investments in the existing portfolio has also been encouraging. The Directors consider that it would be in the interests of existing shareholders for the Company to be able to raise additional capital by issuing C Shares rather than further Ordinary Shares. This would enable the Company to raise additional capital on a basis which will be entirely neutral to any changes in the net asset value of the current portfolio which occur during the marketing period.

Details of the C Shares

The capital raised by an issue of C shares would create a separate fund (“the C Fund”) which would be managed separately by the Company. The C Shares would be issued at 100 pence per share and any C Share offer would be available both to existing Shareholders in the Company and to new investors.

The segregation of the Company’s assets into two funds would mean that, until conversion of the C Shares, Ordinary Shareholders would be exclusively entitled to receive the net returns flowing from the investments made out of the existing capital of the Fund, whilst the holders of the C Shares would be exclusively entitled to receive the returns flowing from investments made out of the new monies raised under the proposed offer. Each fund would bear its pro rata share of the overheads of the Company.

The C Fund would be managed as a separate fund until the Directors, having taken advice, are satisfied that it is in the best interests of both classes of shareholders for the funds to be merged. While a conversion may not take place for some years, it could in certain circumstances take place shortly after the close of an offer.

When the two funds are merged the C Shares will be converted into new Ordinary Shares on a net assets ratio basis.

The raising of further funds by way of a C Share issue would be intended to create the following benefits:

- existing Shareholders will be entitled to the benefits which may arise from the success of the existing fund (“the Ordinary Fund”), including any dividends which the Directors may decide to pay following any realisations which the Ordinary Fund generates (until conversion);
- the fixed overheads of the Company will be attributable to a larger investment portfolio which will create appropriate economies of scale;
- the Company will be able to continue as an active investor and to take advantage of opportunities as and when market conditions improve; and
- existing shareholders and new investors will have the opportunity to place funds under the management of a proven and successful team.

The Board is responsible for the determination of the Fund’s investment policy and has overall responsibility for its affairs. The investment criteria for investments out of the C Fund would be the same as those for investments out of the Ordinary Fund which would enable co-investments to be made, but subject to a combined maximum of £1 million per company per annum.

The Directors will consider the C Fund co-investing with the Ordinary Fund. Any potential conflict of interest arising will be resolved on a basis which the Directors believe to be equitable and in the best interests of all Shareholders.

Application would be made for the C Shares to be admitted to the Official List and to trading on the London Stock Exchange when an offer is made.

The rights attaching to the C Shares will be contained in the Articles of Association of the Company as amended by the Special Resolution to be proposed at the EGM. These rights are set out in the Appendix.

The issue of C Shares should not prejudice the Company’s ability to satisfy the conditions for approval as a Venture Capital Trust under section 842AA of the Taxes Act as the 70% test and the 30% test do not need to be satisfied in relation to the proceeds of a new issue of shares until the start of the financial year which falls no later than the third anniversary of the date on which they are issued.

Shareholders should note that a subscription for C Shares would represent a qualifying investment in a Venture Capital Trust for taxation purposes.

Cancellation of a C Share Premium Account

It is proposed that if further capital is raised by an issue of C Shares that there would be an application to the High Court to cancel the C Share premium account.

The Companies Act 1985 places restrictions on the payment of dividends by public limited companies. In particular, a company can pay dividends only to the extent that accumulated realised profits exceed realised and unrealised losses. An additional new reserve created by the cancellation of the C Share premium account would be used to off-set the effects of any future unrealised losses on the ability of the Fund to pay future dividends in respect of the C Shares.

It is not envisaged that the creation of the new reserve would affect the Company's dividend or accounting policies. The opportunity to cancel the share premium account at this stage is being taken in order to save the costs of convening a further Extraordinary General Meeting following the closing of a C Share offer.

In addition, the reserve created by the cancellation may also be used, to a limited extent, to purchase C Shares in the market. Such purchases can help to limit the discount at which the C Shares may trade to their underlying net asset value but, pursuant to the Merger Regulations, they must be insignificant in relation to the issued ordinary share capital of the Company otherwise the Company would prejudice its ability to disregard, to the fullest possible extent, the grace period allowed for the investment of money raised pursuant to the C Share offer for the purposes of complying with the 70% test and the 30% test.

Extraordinary General Meeting

You will find set out at the end of this document a Notice convening an Extraordinary General Meeting of the Company to be held at 2.00 pm on 26 March 2004.

At this meeting, a Special Resolution will be proposed to approve *inter alia*, (a) an increase in the authorised share capital by the creation and issue of C Shares, (b) the allotment of C Shares, (c) purchases in the market by the C Fund of Shares for cash, (d) amendments to the Fund's Articles of Association, and (e) the cancellation of the share premium account relating to the C Shares.

An explanation of the Special Resolution to be passed at the Extraordinary General Meeting

It is proposed by **paragraph 1** of the Special Resolution that the authorised share capital of the Company be increased to £840,000 by the creation of 42,000,000 C Shares. The Fund's authorised share capital will then comprise 42,000,000 Ordinary Shares and 42,000,000 C Shares of which 13,136,004 Ordinary Shares will be in issue. The creation of 42,000,000 C Shares will increase the authorised share capital of the Company by 100 per cent.

It is proposed by **paragraphs 2 and 3** of the Special Resolution that the Directors be authorised to allot new C Shares and conditional performance warrant rights in connection with the proposed offer.

The power of the directors of a UK company to issue shares and other securities is restricted by statutory rules. Section 80 of the Companies Act 1986 ("the Act") sets out detailed rules restricting the allotment of shares and other securities and is supplemented by section 89 of the Act, which contains a general requirement that a UK company may not allot equity securities for cash unless it has first offered them to its existing shareholders pro rata to their existing holdings. These rules apply to the issue of new C Shares and any performance warrants that might be issued on a similar basis to the Ordinary Fund (see paragraph 8 of the Appendix) but would not apply to the issue of C shares pursuant to the exercise of performance warrant rights.

Paragraph 2 will authorise the Directors to allot relevant securities generally, in accordance with section 80 of the Act, up to a nominal amount of £420,000. The authority and power conferred by paragraph 2 will expire on the fifth anniversary of the passing of the resolution.

Paragraph 3 will sanction, in a limited manner, the disapplication of section 89 in respect of the authorised but unissued share capital of the Company (not yet committed) and will give the Directors power to allot equity securities (including performance warrant rights) wholly for cash for the purposes of the issue of C Shares pursuant to the proposed C Share offer. The Directors already have an existing authority to issue Ordinary Shares pursuant to a 10 per cent. "top up offer" pursuant to the authority conferred by the Special Resolutions of the Company numbered 6 and 7 and passed at the Annual General Meeting held on 10 September 2003. It will also sanction

the allotment of performance warrants, the allotment of Ordinary Shares and C Shares pursuant to any dividend reinvestment scheme and the allotment of equity securities with an aggregate nominal value of any amount up to but less than 10 per cent. of the issued C Share and Ordinary Share Capital of the Company immediately following the proposed offer.

It is proposed that in relation to the investment of capital subscribed for under the proposed offer, Matrix Private Equity and certain members of the Board be granted a performance incentive. This will either take the form of performance warrants exercisable on similar terms as the rights granted in respect of the investment of the Company's initial capital (as summarised in note 3 to the Annual accounts published for the period ended 30 April 2003 and in paragraph 8.7 of the Appendix to this document) (up to a maximum of 20 per cent. of the issued share capital) or may, alternatively, take the form of a cash based performance incentive of up to 20 per cent. of any distributions to shareholders, subject to the prior achievement of an appropriate hurdle rate of return to shareholders to be approved by members of the Board not entitled to participate in the performance incentive.

It is proposed by **paragraph 4** that the Directors be given authority to make purchases of the Company's own shares and warrants. Under this authority the Directors may purchase shares or warrants with an aggregate nominal amount up to but not exceeding 14.99 per cent. of the Company's issued share capital immediately after the close of the proposed offer and, when buying shares the Directors cannot pay a price per share which is more than 105 per cent. of the average of the middle market quotations for the C Shares taken from the London Stock Exchange Daily Official List for the five business days immediately before the day on which shares or warrants are purchased.

This authority is restricted so that any purchase by the Company of its own shares does not prejudice the ability of the Company to disregard, to the fullest possible extent pursuant to section 842 AA (5B) of the Taxes Act, the use to which money raised pursuant to a share issue is put, for the purposes of complying with the 70% test and the 30% test, as those terms are defined in the Merger Regulations.

Paragraph 5 of the Special Resolution will amend the Fund's Articles of Association so that, *inter alia*, they include provisions reflecting the rights and restrictions attaching to the C Shares. These rights and restrictions are explained in further detail in paragraph of the Appendix to this circular.

Paragraph 6 of the special resolution will sanction the cancellation of the share premium account for the C Shares.

Action to be Taken

Enclosed with this document is a Form of Proxy for use at the Extraordinary General Meeting. Shareholders are asked to complete and return it to the Company's Registrars, Capita IRG Plc, so as to be received as soon as possible, and in any event not later than 2.00 p.m. on 24 March 2004. Completion and return of the Form of Proxy will not affect a registered Shareholder's right to attend and vote at the Extraordinary General Meeting should he/she wish to do so.

Recommendation

The Directors consider that the proposals referred to in this circular are fair and reasonable and in the best interests of the Company and its Shareholders as a whole.

Accordingly, the Directors recommend Shareholders to vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting, as they intend to do in respect of their own beneficial shareholdings totalling 79,244 Ordinary Shares (representing 0.6 per cent of the issued share capital).

Yours faithfully

Michael Cumming
Chairman

APPENDIX

It is proposed by paragraph 5 of the Special Resolution that the Articles of Association of the Fund will be amended to include provisions reflecting the rights and restrictions attaching to the C Shares as set out below.

1. Rights Attaching to the C Shares

The following provisions apply in respect of the “C” Shares and their subsequent conversion into Ordinary Shares:

“**Calculation Date**” means close of business on such date as the Directors shall approve.

“**Conversion**” means conversion of the C Shares in accordance with the Articles.

“**Conversion Date**” means the close of business on the day selected by the Directors falling not more than sixty days after the Calculation Date.

“**Conversion Ratio**” is $\frac{A}{B}$ where:

“**A**” = $\frac{C - D}{E}$ and

“**B**” = $\frac{F - (C - D)}{G}$

“**C**” is the aggregate of:

- (a) the amount which, in the Directors’ opinion, fairly reflects, having regard to the then current guidelines of the British Venture Capital Association, the value of all investments of the Company attributable to the C Shareholders on the Calculation Date; and
- (b) the amount which, in the Directors’ opinion, fairly reflects at the Calculation Date the value of the current assets of the Company attributable to the C Shareholders (including cash and deposits with or balances at a bank and including any income and other items of a revenue nature);

“**D**” is the amount (to the extent not otherwise deducted from the assets attributable to the C Shareholders) which, in the Directors’ opinion, fairly reflects the amount of the liabilities attributable to the C Shareholders on the Calculation Date;

“**E**” is the number of C Shares in issue on the Calculation Date;

“**F**” is the net asset value of the Company as at the Calculation Date which is arrived at after all adjustments reasonably deemed necessary by the Directors to reflect the current value (determined by the Directors in accordance with the then current guidelines of the British Venture Capital Association) of all assets and to allow for all liabilities including any income and other items of a revenue nature; and

“**G**” is the number of Ordinary Shares in issue on the Calculation Date;

provided that the Directors shall make such other adjustments to the value or amount of “A” and “B” as the auditors shall report to be appropriate having regard, inter alia, to the assets attributable to the C Shareholders on the Calculation Date, to the assets of the Company on the Calculation Date and in the event that conversion occurs before the issue of Performance Warrants in relation to either or both of the Ordinary Shares and the C Shares, after such other adjustments as the Directors shall make and as the auditors shall report to be appropriate to reflect the value of accruing obligations to issue Performance Warrants.

“**C Share Surplus**” means the net assets of the Company attributable to the C Shares (including, for the avoidance of doubt, any income and/or revenue arising from or relating to such assets) less such proportion of the Company’s liabilities including the fees and expenses of liquidation or return of capital (as the case may be) as the Directors or the liquidator (as the case may be) shall reasonably allocate to the assets of the Company attributable to the C Shareholders;

“Existing Ordinary Shares” means the Ordinary Shares in issue as at the Calculation Date.

“Issue Date” means the day on which the Company receives the net proceeds of the first issue of the C Shares.

“New Ordinary Shares” means new Ordinary Shares arising on Conversion of the C Shares which, when issued, shall rank *pari passu* in all respects and form a single class with the Existing Ordinary Shares.

“Performance Warrants” means the warrant rights which may be granted in relation to the investment of the capital raised by the issue of Ordinary Shares as stated in note 3 to the Annual Accounts published for the period ended 30 April 2003 and which may be granted on similar terms in relation to the investment of capital raised by the issue of the C Shares.

“Ordinary Share Surplus” means the net assets of the Company (including, for the avoidance of doubt, any income and/or revenue arising from or relating to such assets) less the Company’s liabilities (including the fees and expenses of liquidation or return of capital, as the case may be) less the C Share Surplus.

“Statutes” means the Companies Act 1985 as amended and supplemented by the Companies Act 1989, and every other statute for the time being in force concerning companies affecting the Company.

For the purposes of the Articles, assets attributable to the C Shareholders or the C Shares shall mean the net cash proceeds (after all expenses relating thereto) of the issue of the C Shares as invested in or represented by investments or cash or other assets from time to time less such proportion of the expenses and liabilities of the Company incurred or accrued between the Issue Date and the Calculation Date (both dates inclusive) as the Directors fairly consider to be allocable to the C Shares.

References in the Articles to the auditors certifying any matter shall be construed to mean certification of their opinion as to such matter whether qualified or not.

2. Undertakings

Until Conversion and without prejudice to its obligations under the Statutes, the Company shall (i) procure that the Company’s records and bank accounts shall be operated so that the assets attributable to the C Shareholders can, at all times, be separately identified and, in particular but without prejudice to the generality of the foregoing, the Company shall procure that a separate income and expenditure account (or if applicable, profit and loss account) balance sheet and cash flow account and such other separate accounts as may, in the opinion of the Board, be desirable to ensure compliance by the Company with the provisions of section 842AA of the Income and Corporation Taxes Act 1988 as amended, shall be created and maintained in the books of the Company for the assets attributable to the C Shareholders, (ii) allocate to the assets attributable to the C Shareholders such proportion of the expenses and liabilities of the Company incurred or accrued between the Issue Date and Calculation Date (both dates inclusive) as the Directors fairly consider to be allocable to the C Shares and (iii) give appropriate instructions to the Company’s investment managers and advisers to manage the Company’s assets so that such undertakings can be complied with by the Company.

3. The Conversion Process

3.1 The Directors shall procure that:

3.1.1 within two months of the Calculation Date, both the Conversion Ratio as at the Calculation Date and the number of New Ordinary Shares to which each C Shareholder shall be entitled on Conversion shall be calculated; and

3.1.2 the auditors shall be requested to certify, within two months of the Calculation Date, that both the calculation of the Conversion Ratio and the total number of New Ordinary Shares arising on Conversion:

3.1.2.1 have been performed in accordance with the Articles; and

3.1.2.2 are arithmetically accurate;

whereupon, subject to the proviso immediately after the definition of “G” above, such calculations shall become final and binding on the Company and all shareholders.

- 3.2 The Directors shall procure that as soon as practicable following such certification a notice is sent to each “C” Shareholder advising such C Shareholder of the Conversion Date, the Conversion Ratio and the number of Ordinary Shares to which such C Shareholder shall be entitled on Conversion.
- 3.3 The Directors may in their absolute discretion from time to time decide the manner in which the C Shares are to be converted, subject to the provisions of the Articles and the Statutes, to the intent that on Conversion each C Share shall convert into one New Ordinary Share.
- 3.4 Without prejudice to paragraph 3.3 above, the Directors may, where the Conversion Ratio is greater than one, in order to facilitate the Conversion, provide for the profits or reserves attributable to the C Shares to be capitalised and applied in paying up in full such number of New Ordinary Shares as shall be calculated by multiplying the number of New Ordinary Shares arising on Conversion of the C Shares by the Conversion Ratio and then deducting the number of New Ordinary Shares arising on Conversion, and allot such shares, credited as fully paid up, to the holders of C Shares pro rata to their holdings.
- 3.5 Without prejudice to paragraph 3.3 above, the Directors may, where the Conversion Ratio is less than one, in order to facilitate the Conversion, provide for the profits or reserves attributable to the Existing Ordinary Shares to be capitalised and applied in paying up in full such number of New Ordinary Shares as shall be calculated by dividing the number of Existing Ordinary Shares by the Conversion Ratio and then deducting the number of Existing Ordinary Shares and allot such shares, credited as fully paid up, to the holders of Existing Ordinary Shares pro rata to their holdings.
- 3.6 The Directors may deal in such manner as they think fit with any fractional entitlements to New Ordinary Shares arising upon Conversion including, without prejudice to the generality of the foregoing, selling any such shares representing such fractional entitlements and retaining the proceeds for the benefit of the Company.
- 3.7 Forthwith upon Conversion, the Company shall issue to each former C Shareholder certificates in respect of the New Ordinary Shares which have arisen upon Conversion.
- 3.8 Forthwith upon Conversion, the rights attaching to the C Shares under the Articles shall lapse.

4. Voting Rights

Subject to any disenfranchisement as provided in paragraph 7 below and subject to any special terms as to voting on which any shares may be issued, on a show of hands, every member present in person (or being a corporation, represented by an authorised representative) shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every share of which he is the holder. The Ordinary Shares and the C Shares shall rank *pari passu* as to rights to attend and vote at any general meeting of the Company.

5. Dividends

The rights of members to receive dividends are as follows:

- (i) the Ordinary Shareholders shall be entitled to receive, in that capacity, any dividends paid out of the net income derived from the assets attributable to the Ordinary Shares;
- (ii) the C Shareholders shall be entitled to receive in that capacity, any dividends paid out of the net income derived from the assets attributable to the C Shares; and
- (iii) the New Ordinary Shares arising on Conversion of the C Shares shall rank in full for all dividends and other distributions declared after the Conversion Date.

The Company may in general meeting by ordinary resolution declare dividends in accordance with the respective rights of the members, provided that no dividend shall be payable in excess of the amount recommended by the Directors. The Directors may pay such interim dividends as appear to them to be justified. No dividend or other monies payable in respect of a share shall bear interest as against the Company. There are no fixed dates on which entitlements to dividend arises.

All dividends unclaimed for a period of twelve years after being declared or becoming due for payment shall be forfeited and shall revert to the Company.

6. Distribution of assets on liquidation

The capital and assets of the Company shall on a winding up or on a return of capital prior, in each case, to conversion be applied as follows:

- (i) the Ordinary Share Surplus shall be divided amongst the holders of the Ordinary Shares pro rata according to their holdings of Ordinary Shares; and
- (ii) the C Share Surplus shall be divided amongst the holders of C Shares pro rata according to their holdings of C Shares.

After Conversion, on a winding-up any surplus assets will be divided amongst the holders of the shares according to the respective numbers of shares held by them and in accordance with the provisions of the Act, subject to the rights of any shares which may be issued with special rights or privileges. The Articles provide that the liquidator may, with the sanction of an extraordinary resolution and any other sanctions required by the Act, divide amongst the members in specie the whole or any part of the assets of the Company in such manner as he may determine.

7. Class Consents and Variation of Rights

Until Conversion the holders of C Shares as a class and the holders of the Ordinary Shares as a class shall be required to approve and, accordingly, without such approval, the special rights attached to the C Shares and the Ordinary Shares shall be deemed to be varied, *inter alia*, by:

- (i) any alteration to the Memorandum or Articles of Association; or
- (ii) any consolidation, division, sub-division, cancellation, reduction or purchase by the Company of any issued or authorised share capital of the Company other than on Conversion; or
- (iii) any allotment or issue of any security convertible into or carrying a right to subscribe for any share capital of the Company or any other right to subscribe or acquire share capital of the Company other than pursuant to the exercise of subscription rights in accordance with the terms of the share options granted or to be granted to the Manager; or
- (iv) the selection of any accounting reference date other than 30 April.

Whenever the capital of the Company is divided into different classes of shares, the rights attaching to any class may (unless otherwise provided by the terms of that class) be varied or abrogated either with the consent in writing of the holders of three-fourths of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate meeting of such holders.

8. Directors and other Interests

8.1 As at the date of this document, the total issued share capital of the Company was 13,136,004 Ordinary Shares.

8.2 The table below shows the interest of the Directors and their families and the interest of persons connected with them (within the meaning of section 346 of the Companies Act 1985) in the issued share capital of the Company as at 27 February 2004 and the percentage then held of the voting rights exercisable on a poll at a general meeting of the Company.

<i>Director</i>	<i>Ordinary Shares</i>	<i>Percentage of votes</i>
Michael Cumming	10,225	0.08
Fredrik Adams	2,556	0.02
Nigel Melville	20,450	0.16
Larry Sullivan	25,563	0.19
Ken Vere Nicoll	20,450	0.16

- 8.3 Ken Vere Nicoll is a director of Matrix Securities Limited, which acts as Promoter, Accountant and Company Secretary to the Company.
- 8.4 As at the date of this document the Company is not aware of any interests which represent 3 per cent. or more of the issued existing Ordinary Share capital.
- 8.5 There are no proposed or existing Directors' service contracts but each Director has a letter of appointment.
- 8.6 Matrix Private Equity Limited advise the Company on investments in qualifying companies under an agreement dated 10 May 2000 made between the Company and Matrix Private Equity (Managers) Limited, a subsidiary of the Company which was novated on 3 July 2001 to Matrix Private Equity Limited, a subsidiary of Matrix Group Limited and amended in December 2003. The Investment Advisers agreement may be terminated by not less than one year's notice in writing at any time.

Total annual expenses of the Ordinary Fund are capped at 3.5 per cent. of opening net assets at the start of each quarter. Subject to this cap, Matrix Private Equity Limited is entitled to an annual advisory fee of 2.5 per cent. of the net assets attributable to the Ordinary Fund. The annual management fees are calculated and payable quarterly in advance, together with any applicable VAT.

The Company is responsible for external costs, such as legal and accounting fees, incurred on transactions that do not proceed to completion ("abort expenses") subject to the cap on total annual expenses referred to above. In line with common practice, Matrix Private Equity Limited retain the right to charge arrangement and syndication fees and directors' or monitoring fees ("deal fees") to companies in which the Company invests.

Matrix Private Equity Limited, Helen Sinclair and Ashley Broomberg and the Investment Committee (comprising Michael Cumming, Fredrik Adams and Lawrence Sullivan) are entitled to be issued with performance warrants granting the right to subscribe for Ordinary Shares at par which represents 16.67 per cent. of the sum of (i) the number of Ordinary Shares allotted pursuant to the Company's prospectus dated 10 May 2000 ("the Offer") plus (ii) the number of Ordinary Shares allotted pursuant to the exercise of performance warrants. The condition of the issue of performance warrants is that cumulative dividend payments are declared or paid amounting to the equivalent of not less than 80 pence for each Ordinary Share in issue ("the hurdle") at any time before the seventh anniversary of the launch of the Offer. If the hurdle is not reached until after the seventh anniversary of the launch of the Fund the above mentioned parties will have an entitlement to subscribe for a lesser number of shares at a rate of 1.5 per cent. per annum until the twelfth anniversary, after which, if the hurdle has not been reached, the performance warrant lapse. The proportion of the conditional warrant rights payable to Darryl Mattocks and Mark Burgess is restricted to the portion of the capital of the Company which had been invested in venture capital investment as at 1 July 2002 and 14 February 2003 respectively.

There are currently 2,636,755 performance warrants outstanding.

MATRIX VENTURE FUND VCT PLC

NOTICE OF AN EXTRAORDINARY GENERAL MEETING

NOTICE is hereby given that an Extraordinary General Meeting of Matrix Venture Fund VCT plc (the "Company") will be held at the offices of Matrix-Securities Limited, Gossard House, 7-8 Savile Row, London, W1S 3PE on 26 March 2004 at 2.00 p.m. for the purpose of considering and, if thought fit, passing the following Resolution as a special resolution:

Special Resolution

THAT:

- (1) The authorised share capital of the Company be increased from £420,000 to £840,000 by the creation of 42,000,000 C Ordinary Shares of 1p each ("C Shares"), such shares having attached thereto the respective rights and being subject to the respective limitations set out in the Articles of Association to be amended pursuant to paragraph (5) below;
- (2) in substitution for any existing authorities pursuant to Section 80 of the Companies Act 1985 ("the Act") the Directors be and are hereby authorised to allot, grant options over, offer or otherwise deal with or dispose of any relevant securities (as defined in Section 80(2) of the Act) of the Company up to an aggregate nominal value of £420,000 provided that this authority shall expire on the fifth anniversary of the date of the passing of this resolution unless renewed, varied or revoked by the Company in general meeting (except that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot equity securities in pursuance of such offers or agreements);
- (3) the Directors be and they are hereby empowered pursuant to Section 95(1) of the Act to allot or make offers or agreements to allot equity securities (as defined in Section 94(2) of the Act) for cash pursuant to the authority conferred upon them by paragraph (2) of this special resolution as if Section 89(1) of the Act did not apply to any such allotment, provided that the power conferred by this resolution shall be limited to the allotment of equity securities in connection with:
 - (i) the allotment of equity securities pursuant to an offer for subscription first published in 2004 of up to 42 million C Shares ("the C Share Offer");
 - (ii) the allotment of up to 8,400,000 C Shares pursuant to performance warrant rights to be granted in relation to the investment of the capital subscribed for C Shares issued pursuant to the C Share Offer;
 - (iii) any dividend reinvestment scheme which may be introduced by the Company; and
 - (iv) the allotment (otherwise than pursuant to sub-paragraphs (i),(ii) and (iii) above) of C Shares or Ordinary Shares up to an aggregate nominal amount of 10 per cent. of the issued Ordinary share capital or C Share capital of the Company immediately following the allotment of C Shares pursuant to the C Share Offer;
- (4) the Company be authorised to make one or more market purchases (within the meaning of section 163 of the Act) of Ordinary Shares and C Shares provided that:
 - (i) the maximum aggregate number of Ordinary Shares and C Shares authorised to be purchased is an amount equal to 14.99 per cent. of the issued Ordinary Share capital as at the date hereof and 14.99 per cent. of the C Ordinary share capital issued pursuant to the C Share Offer;
 - (ii) the minimum price which may be paid for Ordinary Shares and C Shares is 1 pence per share;
 - (iii) the maximum price which may be paid for an Ordinary Share and a C Share is 105 per cent. of the average of the middle market prices as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which that Ordinary Shares or C Share, as the case may be, is purchased; and

(iv) this authority shall expire on conclusion of the next Annual General Meeting of the Company;

and provided further that any purchase by the Company of its own shares does not prejudice the ability of the Company to disregard, to the fullest possible extent pursuant to section 842 AA (5B) of the Income and Corporation Taxes Act 1988, the use to which money raised pursuant to a share issue is put, for the purposes of complying with the 70% test and the 30% test, as those terms are defined in the current draft of The Venture Capital Trust (Winding up and Mergers) (Tax) Regulations 2004 as may be amended;

- (5) the Articles of Association of the Company be amended to allow for the creation and issue of the C Shares and , in particular, to reflect the rights and restrictions to be attached to the C Shares as set out in the circular published by the Company on 27 February 2004, a copy of the draft Articles as so amended, being produced to the meeting and signed by the Chairman for the purposes of identification; and
- (6) the amount standing to the credit of the share premium account of the Company attributable to the C Shares at the date of the Order made on the hearing for the Petition for confirmation of this Resolution be cancelled.

By Order of the Board
Matrix-Securities Limited
Secretary

27 February 2004

Registered Number: 3946235

Registered Office: Gossard House, 7-8 Savile Row, London W1S 3PE

NOTE

A member entitled to attend and vote at the above meeting is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. Forms of proxy should be lodged with the Company's Registrars, Capita IRG Plc, at least 48 hours before the time appointed for the meeting. Appointment of a proxy will not preclude a member from attending and voting at the meeting should he/she so wish.

PROXY FOR EXTRAORDINARY GENERAL MEETING

MATRIX VENTURE FUND VCT PLC

I/We

of.....

being a member/members of the Company hereby appoint the Chairman of the Meeting, or

.....
as my/our proxy to vote, on a poll, in my/our name and on my/our behalf at the Extraordinary General Meeting of the Company to be held on 26 March 2004 at 2.00 p.m. at Gossard House, 7-8 Savile Row, London, W1S 3PE and at any adjournment thereof.

Please indicate with an "x" in the boxes below how you wish your vote to be cast. Should this form of proxy be returned signed but without a specific direction, the proxy may vote or abstain as he/she thinks fit. On any other business at the Extraordinary General Meeting (including any motion to amend any resolution or adjourn the meeting) the proxy will vote or abstain from voting at his or her discretion.

The proxy is directed to vote on the resolution set out in the Notice convening the Extraordinary General Meeting, which is proposed as a Special Resolution, as follows:

Resolution	For	Against
(1) To increase the authorised share capital of the Company to 840,000 by the creation of 42,000,000 C Ordinary Shares of 1p each;		
(2) To authorise the Directors to allot Ordinary Shares and C Ordinary Shares;		
(3) To authorise the Directors to disapply pre-emption rights of members;		
(4) To authorise the Company to make market purchases of Ordinary Shares and C Ordinary Shares;		
(5) To amend the Articles of Association; and		
(6) To cancel the amount standing to the credit of the share premium account of the Company attributable to the C Shares.		

Signed..... Dated

NOTES AND INSTRUCTIONS

1. A person entitled to receive notice of, attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote, on a poll, in his place. A proxy need not be a member of the Company.
2. Delete "the Chairman of the Meeting" if it is desired to appoint any other person and insert his or her name and address. If no name is inserted, the proxy will be deemed to have been given in favour of the Chairman of the Meeting. If this Form of Proxy is returned without stating how the proxy shall vote on any particular matter the proxy will exercise his/her discretion as to whether, and if so how, he votes. Any alterations to the Form of Proxy should be initialled.
3. In the case of a Corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf.
4. To be effective, this form of proxy and any power of attorney or other authority under which it is signed or a notarially certified copy of such power of authority must be completed and deposited at the office of the Company's registrars, Capita IRG Plc, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU no less than 48 hours prior to the time fixed for the holding of the Meeting.
5. In the case of joint holders, the vote of the senior holder tendering a vote will be accepted to the exclusion of the votes of the other joint holders. Seniority depends on the order in which the names stand in the register of members.
6. The completion and return of this form of proxy will not preclude you from attending and voting at the meeting should you subsequently decide to do so.



Second Fold

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Capita IRG Plc
34 Beckenham Road
Beckenham
Kent
BR3 4TU

First Fold

Third Fold and tuck in