

THE INCOME & GROWTH VCT PLC

The Income & Growth VCT plc Dividend Investment Scheme

Approved by Shareholders on 31 January 2006

IMPORTANT NOTICE

Participants' attention is drawn to the notice of changes to the Scheme Terms and Conditions implemented on 1 February 2008.

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For the purpose of this document, the term “Ordinary Shares” shall be construed as including “ordinary shares of 1p each” and “S ordinary shares of 1p each” in the capital of the Company.

Dividend Investment Scheme

The Dividend Investment Scheme (“the Scheme”) is a convenient, easy and cost effective way to build your shareholding in the Company. Instead of receiving cash dividends you can elect to receive new Ordinary Shares in the Company. The Scheme is available exclusively to the Company’s Shareholders and their nominees.

The Scheme was approved by Shareholders on 31 January 2006.

Shareholders wishing to participate in the Scheme should complete, sign and return a Scheme application form to **Capita Registrars Limited, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, England**. Application forms received later than 15 days prior to a Dividend Payment Date will be effective from the following dividend payment date.

The key features set out below are a summary only of the Scheme and should be read in conjunction with the full terms and conditions of the scheme attached.

What are the key features?

Instead of receiving cash dividends on Ordinary Shares you receive new Ordinary Shares in the Company.

Applications must be made to join the Scheme in respect of all Ordinary Shares held.

Your new Ordinary Shares will be allotted as soon as practicable on or after the dividend payment date (“Payment Date”) at a price equal to the latest published net asset value of the Ordinary Shares.

Fractions of shares will not be allotted and any balance of funds remaining shall be held by the Company and carried forward and included in calculating your next dividend entitlement.

The Company retains the right to suspend or terminate the Scheme at any time.

A statement will be sent with each share certificate and tax voucher for new Ordinary Shares showing full information as to new Ordinary Shares issued including:

- the number of Ordinary Shares allotted;
- the price at which the Ordinary Shares have been allotted; and
- any cash balance to be carried forward to the next Dividend Payment Date.

The Scheme is operated by Capita Registrars Limited (“Scheme Administrator”).

Election deadlines

To give enough time for processing the Scheme Administrator must receive postal applications at least 15 days before the Payment Date, otherwise instructions will apply only to dividends after that date. Applicants need only apply once to join the Scheme in respect of all Ordinary Shares unless Ordinary Shares are held in nominee accounts which are subject to partial elections.

Participation in the Scheme can be cancelled at any time subject to the cancellation request being received by the Scheme Administrator at least 15 days before the next Payment Date.

Participation in the Scheme in respect of Ordinary Shares shall be automatically cancelled if you cease to hold Ordinary Shares.

What happens to cash balances?

Any cash balances remaining after a purchase of Ordinary Shares will be held by the Company and carried forward and added to the next Ordinary Share dividend respectively.

Cash balances in excess of £1 held by the Company will be returned on termination of participation in the Scheme.

VCT tax reliefs

Ordinary Shares issued pursuant to the Scheme will be new Ordinary Shares issued by the Company and will, subject to an individual shareholders' particular circumstances, attract VCT tax reliefs applicable for the tax year in which the new Ordinary Shares are allotted. The tax relief currently available to investors in new VCT shares is 40% for the 2005/06 tax year for investments up to £200,000 in any one tax year*.

Overseas shareholders

Shareholders outside the UK are not permitted to join the Scheme.

Information provided above should not be taken as a recommendation by the Company or the Scheme Administrator to buy or hold shares in the Company. It is your decision whether or not to take part. If you have any doubts you should seek advice from your independent financial advisor. The value of Ordinary Shares in the Company can go down as well as up and you may not get back the full amount of your investment.

Notice of changes to the Scheme Terms and Conditions on 1 February 2008

Existing Participants and other Shareholders are hereby given notice that the following changes will be made to the Terms and Conditions of the Scheme on 1 February 2008:

- Nominee Participants who make partial elections of holdings will be required to make such an election in respect of each dividend payment; and
- Nominee Participants shall not be entitled to instruct the Scheme Administrator to allot Ordinary Shares to a beneficial holder (and Participants are advised to read condition 15 in respect of the consequences for VCT Tax reliefs) and Conditions 2(e) and 4 will be amended accordingly.

* The tax relief available to investors in new VCT shares is 30% for the 2008/09 tax year for investments up to £200,000 in any one tax year.

Dividend Investment Scheme

Terms and Conditions

1. The Scheme was approved by Shareholders at the Annual General Meeting of the Company held on 31 January 2006. Elections to participate in the Scheme should be addressed to the Scheme administrator, Capita Registrars Limited ("Scheme Administrator") in accordance with condition 12 and will only be effective for dividends to be paid 15 days following receipt of the election by the Scheme Administrator.
2.
 - (a) The Income & Growth VCT plc ("the Company"), acting through the Scheme Administrator, shall have absolute discretion to accept or reject elections. An applicant shall become a member of the Scheme upon acceptance of his or her election by the Scheme Administrator on the Company's behalf ("Participants"). The Scheme Administrator will provide written notification if an election is rejected. Only Shareholders or their nominees may join the Scheme.
 - (b) The Company shall apply dividends to be paid to Participants on ordinary shares of 1p each ("Ordinary Shares") in the Company in the allotment of further Ordinary Shares. The Scheme Administrator shall not have the discretion, and Participants may not instruct the Scheme Administrator, to apply those dividends ("funds") towards any investments other than investment in Ordinary Shares as set out in this condition 2(b).
 - (c) Participants who are Shareholders may only participate in the Scheme if all Ordinary Shares registered in their name are mandated to the Scheme.
 - (d) Participants hereby instruct the Scheme Administrator that the mandate will apply to the full number of Ordinary Shares held by them, as entered onto the share register of the Company from time to time.
 - (e) Shareholders who hold their Ordinary Shares as nominees may make partial elections as long as all Ordinary Shares held in respect of a beneficial holder from time to time are mandated to the Scheme.
3.
 - (a) On or as soon as practicable after a day on which a dividend on the Ordinary Shares is due to be paid to a Shareholder or, if such day is not a dealing day on the London Stock Exchange, the dealing day thereafter ("Payment Date"), a Participant's funds held by the Company shall, subject to conditions 9, 11 and 19 below and the Company having the requisite shareholder authorities to allot Ordinary Shares, be applied on behalf of that Participant to subscribe for the maximum number of whole new Ordinary Shares which can be allotted with the funds.
 - (b) The number of Ordinary Shares to be allotted to a Participant pursuant to condition 3(a) above shall be calculated by dividing the Participant's funds by the last published net asset value per existing Ordinary Share.
 - (c) Fractional entitlements will not be allotted and any cash balance will be held by the Company and carried forward and included in calculating a Participant's next dividend entitlement. No interest shall accrue or be payable in respect of any such cash balances carried forward.
4. The Scheme Administrator shall as soon as practicable after the allotment of Ordinary Shares in accordance with condition 3 procure (i) that the Participants (or, where the Participant is a nominee and the nominee has so advised by written notification to the Scheme Administrator, the Shareholder on whose behalf the Ordinary Shares mandated to the Scheme are held) are entered onto the Ordinary Share register of the Company as the registered holders of those Ordinary Shares, (ii) that

Ordinary Share certificates (unless such Ordinary Shares are to be uncertificated) and, where applicable income tax vouchers ("Tax Vouchers") are sent to Participants at their own risk and (iii) that Participants receive a statement detailing:

- (a) the total number of Ordinary Shares held at the record date for which a valid election was made;
- (b) the number of Ordinary Shares allotted;
- (c) the price per Ordinary Share allotted;
- (d) the cash equivalent of the Ordinary Shares allotted;
- (e) the date of allotment of the Ordinary Shares; and
- (f) any funds to be carried forward for investment on the next Payment Date.

- 5. All costs and expenses incurred by the Scheme Administrator in administering the Scheme will be borne by the Company.
- 6. Each Participant warrants to the Scheme Administrator that all information set out in the Application Form on which the election to participate in the Scheme is contained is correct and to the extent any of the information changes he or she will notify the changes to the Scheme Administrator and that during the continuance of his or her participation in the Scheme he or she will comply with the provisions of condition 7 below.
- 7. The right to participate in the Scheme will not be available to any person who has a registered address in any jurisdiction outside the UK. No such person receiving a copy of the Scheme documents may treat them as offering such a right unless an offer could properly be made to such person. It is the responsibility of any Shareholder wishing to participate in the Scheme to be satisfied as to the full observance of the laws of the relevant jurisdiction(s) in connection therewith, including obtaining any governmental or other consents which may be required and observing any other formalities needing to be observed in any such jurisdiction(s).
- 8. Participants acknowledge that the Scheme Administrator is not providing a discretionary management service. Neither the Scheme Administrator nor the Company shall be responsible for any loss or damage to Participants as a result of their participation in the Scheme unless due to the negligence or wilful default of the Scheme Administrator or the Company or their respective employees and agents.
- 9. Participants may:
 - (a) at any time by notice to the Scheme Administrator terminate their participation in the Scheme and withdraw any funds held by the Company on their behalf; and
 - (b) give notice to the Scheme Administrator that, in respect of a forthcoming Payment Date, their election to receive Ordinary Shares is only to apply to a specified amount due to the Participant as set out in such notice.

Such notices shall not be effective in respect of the next forthcoming Payment Date unless it is received by the Scheme Administrator at least 15 days prior to such Payment Date. In respect of notices under (a) above, such notice will be deemed to have been served where the shareholding of the Participant reduces to nil. Upon receipt of notice of termination, all funds held by the Company on the Participant's behalf shall be returned to the Participant as soon as reasonably practical at the address set out in register of members, subject to any deductions which the Company may be entitled or bound to make hereunder.

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10. Cash balances of less than £1 held by the Company on behalf of Participants who have withdrawn from the Scheme will not be repaid, but will be donated to a registered charity at the discretion of the Company.
 11. The Company shall be entitled at its absolute discretion, at any time and from time to time to:
 - (a) suspend the operation of the Scheme;
 - (b) terminate the Scheme without notice to the Participants; and/or
 - (c) resolve to pay dividends to Participants partly by way of cash and partly by way of new Ordinary Shares pursuant to the Scheme.
 12. All notices and instructions to be given to the Scheme Administrator shall be in writing and delivered or posted to Capita Registrars Limited, The Registry, 34 Beckenham Road, Beckenham BR3 4TU.
 13. The Company shall be entitled to amend the Scheme Terms and Conditions on giving one month's notice in writing to all Participants. If such amendments have arisen as a result of any change in statutory or other regulatory requirements, notice of such amendment will not be given to Participants unless in the Company's opinion the change materially affects the interests of Participants. Amendments to the Scheme Terms and Conditions which are of a formal, minor or technical nature or made to correct a manifest error and which do not adversely affect the interests of Participants may be effected without notice.
 14. By ticking the relevant election box and completing and delivering the Application Form, the Participant:
 - (a) agrees to provide the Company with any information which it may request in connection with such application and to comply with legislation relating to venture capital trusts or other relevant legislation (as the same may be amended from time to time); and
 - (b) declares that a loan has not been made to the Participant on whose behalf the Ordinary Shares are held or any associate of either of them, which would not have been made or not have been made on the same terms but for the Participant electing to receive new Ordinary Shares and that the Ordinary Shares are being acquired for bona fide investment purposes and not as part of a scheme or arrangement the main purpose of which is the avoidance of tax.
 15. Elections by individuals for VCT shares should attract applicable VCT tax reliefs (depending on the particular circumstances of a particular individual) for the tax year in which the Ordinary Shares are allotted but Participants and beneficial owners are responsible for ascertaining their own tax status and liabilities and neither the Scheme Administrator nor the Company accepts any liability in the event that tax reliefs are not obtained. Ordinary Shares allotted to Nominees may not attract VCT tax reliefs and beneficial owners should obtain tax advice in relation to their own particular circumstances. The Tax Voucher can be used to claim any relevant income tax relief either by obtaining from the HM Revenue & Customs an adjustment to a Participant's tax coding under the PAYE system or by waiting until the end of the year and using the Self Assessment Tax Return.
 16. The Company will, subject to conditions 9, 11 and 19, issue Ordinary Shares in respect of the whole of any dividend payable (for the avoidance of doubt irrespective of whether the amount of allotment is greater than any maximum limits imposed from time to time to be able to benefit from any applicable VCT tax reliefs) unless the Scheme Administrator has been notified to the contrary in writing at least 15 days before a Payment Date.

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17. Shareholders electing to receive Ordinary Shares rather than a cash dividend will be treated as having received a normal dividend. Shareholders qualifying for VCT tax reliefs should not be liable to income tax on Ordinary Shares allotted in respect of dividends from qualifying VCT shares.
 18. For capital gains tax purposes, Shareholders who elect to receive Ordinary Shares instead of a cash dividend are not treated as having made a capital disposal of their existing Ordinary Shares. The new Ordinary Shares will be treated as a separate asset for capital gains purposes.
 19. The Company shall not be obliged to accept any application or issue Ordinary Shares hereunder if the Directors so decide in their absolute discretion. The Company may do or refrain from doing anything which, in the reasonable opinion of the Directors, is necessary to comply with the law of any jurisdiction or any rules, regulations or requirements of any regulatory authority or other body, which is binding upon the Company or the Scheme Administrator.
 20. The amount of any claim or claims a Participant has against the Company or the Scheme Administrator shall not exceed the value of such Participant's Ordinary Shares in the Scheme. Nothing in these Scheme Terms and Conditions shall exclude the Company or the Scheme Administrator from any liability caused by fraud, wilful default or negligence. Neither the Company nor the Scheme Administrator will be responsible for:
 - (a) acting or failing to act in accordance with a court order of which the Scheme Administrator has not been notified (whatever jurisdiction may govern the court order); or
 - (b) forged or fraudulent instructions and will be entitled to assume that instructions received purporting to be from a Shareholder (or, where relevant, a nominee) are genuine; or
 - (c) losses, costs, damages or expenses sustained or incurred by an Shareholder (or, where relevant, a nominee) by reason of industrial action or any cause beyond the control of the Company or the Scheme Administrator, including (without limitation) any failure, interruption or delay in performance of the obligations pursuant to these Scheme Terms and Conditions resulting from the breakdown, failure or malfunction of any telecommunications or computer service or electronic payment system or CREST; or
 - (d) any indirect or consequential loss.
 21. These Scheme Terms and Conditions are for the benefit of a Participant only and shall not confer any benefits on, or be enforceable by, a third party and the rights and/or benefits a third party may have pursuant to the Contracts (Rights of Third Parties) Act 1999 are excluded to the fullest possible extent.
 22. These Scheme Terms and Conditions shall be governed by, and construed in accordance with, English law and each Participant submits to the jurisdiction of the English courts and agrees that nothing shall limit the right of the Company to bring any action, suit or proceeding arising out of or in connection with the Scheme in any other manner permitted by law or in any court of competent jurisdiction.

Shareholders who are in any doubt about their tax position should consult their independent financial adviser.