



Neptune-Calculus Income & Growth VCT plc
11 Lees Place
London
W1K 6LN

Telephone: 020 7493 4940
Fax: 020 7499 1898
Email: info@calculuscapital.com

22 January, 2007

Dear Shareholder,

I am writing to update you on the progress of your Company following the end of the financial year to 31 December 2006 and before we enter the close period ahead of the preliminary announcement of our results for the year in March.

As I reported at the time of our last interim statement, your Company closed its C-Share offering on 5th April 2006 raising £8.4 million (before costs). This fund raising will enable growth and diversification of the Company's investment portfolio and create economies of scale for all shareholders.

I am very pleased to report good progress. The qualifying and non-qualifying portfolios for both the Ordinary Share and the C-Share Funds have performed well. The strong performance of the qualifying portfolios during the period is in marked contrast to the overall performance of smaller companies as evidenced by the performance of the AIM All-share Index which fell over the equivalent period.

During the year the Company invested in a further nine companies in respect of the Ordinary Share Fund and six companies in respect of the C-Share Fund. Full details of the respective portfolios will be given when we publish our Report and Accounts for the year ended 31 December 2006. I will, however, mention the strong performance of two companies in which both the Ordinary Share and the C-Share Funds invested. Worthington Nicholls Group Plc, which is quoted on AIM and is the leading installer of air-conditioning systems to the hotel and retail sectors, has seen its shares rise 146% since we invested in June 2006. Quintus Group Limited, which owns the rights to a number of sporting events including the BlackRock Masters tennis tournament at the Royal Albert Hall, has appointed advisers with a view to floating on AIM later this year. We expect the flotation price to be at a good premium to the value of the company at the time of our investment last May.

Your board expects to be in a position to declare a further dividend in respect of the Ordinary Share Fund and a first dividend in respect of the C-Share Fund. I look forward to giving more information on this and reporting further on progress and performance when we publish our Report and Accounts for the year ended 31 December 2006 in March.

I would like, on behalf of the board, to thank you for your continued support.

Yours faithfully,

Philip Stephens
Chairman