# IBIS Media VCT 1 plc

## Half-Yearly Report

for the period ended 31 July 2011

Incorporated in England and Wales
with registered number: 5660269

# Contents

# Financial Summary

| Period ended | 31 July 2011 | 31 July 2010 | 31 January 2011 |
|---|---|---|---|
| Net assets | **£8,791,345** | £8,048,336 | £8,419,249 |
| Net asset value per share | **89.46p** | 90.30p | 94.46p |
| Investment income | **£78,387** | £100,087 | £25,475 |
| **Return on ordinary activities before tax** | | | |
| - Revenue | **£(8,465)** | £(1,650) | £(164,434) |
| - Capital | **£(323,179)** | £(218,629) | £315,069 |
| - Total | **£(331,644)** | £(220,279) | £150,635 |
| **Return per share** | | | |
| - Revenue | **(0.09)p** | (0.02)p | (1.88)p |
| - Capital | **(3.40)p** | (2.54)p | 3.60p |
| - Total | **(3.49)p** | (2.56)p | 1.72p |
| **Dividend per share declared in respect of the period** | | | |
| - Revenue | **Nil** | Nil | Nil |
| - Capital | **Nil** | Nil | 1.5p |
| - Total | **Nil** | Nil | 1.5p |
| Share price at end of period | **84p** | 86p | 86p |

# Investment Policy

The objective of IBIS Media VCT 1 plc ("IBIS" or the "Company") is to make investments in unquoted companies within the media sector that have the potential to grow and to achieve capital appreciation on a subsequent exit.

Whilst the Company's directors ("Directors") and the Company's investment committee ("Investment Committee") are primarily targeting investments in privately owned companies, suitable opportunities to acquire VCT qualifying investments in smaller AIM and PLUS-quoted stocks will also be considered where there is potential to achieve the level of return targeted by the Company's board of directors ("Board"). It is also the intention of the Directors to build a balanced portfolio with interests in a mixture of cyclical and non-cyclically exposed media companies operating both in mature and high growth areas of the market. IBIS is, however, unlikely to invest in all media sub-sectors as factors such as growth prospects, the competitive environment and valuations may mean that the prospective investment performance of certain of those sub-sectors would be unlikely to provide satisfactory rates of return.

Investments in business start-ups will generally be avoided unless the management team has a strong profile in the media sector and a track record of value creation for shareholders.

The Company's investment adviser is IBIS Capital Limited ("IBIS Capital" or "Investment Adviser").

# Chairman's Statement

## Company Overview

The significant features of the six month period ended 31 July 2011 were:

- Payment of a fourth dividend of 1.5p per share bringing the cumulative dividend per share paid to 6.0p and the net asset value total return per share to 95.46p as at 31 July 2011
- The stability of the Company's investment portfolio in a stormy economic climate
- The considerable success of the Company's innovative share realisation and reinvestment programme ("SRRP")

## Financial Performance

During the period, a fourth dividend of 1.5p per share was paid, bringing the total dividend paid per share to 6.0p. The net asset value total return per share (comprising the sum of the net asset value per share and the cumulative dividends paid per share) as at 31 July 2011 was 95.46p, a decrease of 3.54% from the 31 January 2011 return of 98.96p. If account is taken of the 40% tax relief available to those who invested in tax year 2005/2006 or the 30% tax relief available to all others, then the net asset value total return per share becomes 135.46p or 125.46p per £1 invested respectively.

In the six months to 31 July 2011, the Company's net assets increased by £372,096. This increase had three strands: a net increase of £851,141 across the share capital, share premium and special reserve accounts as a result of the funds subscribed under the Company's Public Offer and the net funds subscribed under the Company's SRRP; a decrease of £147,401 in respect of the dividend payment; and a decrease of £331,644 being the six months' loss on ordinary activities after tax, the most significant element of which was an unrealised loss on the Company's venture capital investment portfolio.

## Investment Performance

During the period under review, the Company completed three follow-on investments at a total cost of £392,694 and the portfolio's valuation, excluding the new investments, fell by £257,957. Despite this unrealised capital loss in the period, the portfolio's carrying value as at 31 July 2011 was 105.08% of its cost – an encouraging performance given the economic turbulence of the past two years.

Generally, the Board continues to view the portfolio as maturing satisfactorily and believes there are signs that a couple of the investments may produce attractive realisations in the next year or two, having managed significant growth despite the adverse economic conditions. More detail of the performance of the Company's portfolio is given in the Investment Adviser's Review.

## Corporate Developments

In January 2011, the Company launched a share realisation and reinvestment programme ("SRRP") structured as linked tender and open offers. The programme gave all shareholders the opportunity to sell their shares to the Company at the most recently published net asset value per share, provided the proceeds of the sale were reinvested in new shares, which investment carried income tax relief of 30%. The SRRP was targeted at investors whose shares were allotted on or before 30 June 2006, as these shares could be sold without jeopardising the up-front income tax relief (40% if allotted on or before 5 April 2006 and 30% if allotted later) associated with their acquisition.

*IBIS was the first VCT to launch such a programme*

When the SRRP closed in August 2011, 78.0% of the shares allotted on or before 30 June 2006 had been tendered, suggesting a very positive response to this pioneering initiative and a highly encouraging level of shareholder loyalty, for which the Board is very grateful. It has also persuaded the Board to consider how best to make such a programme available to all shareholders as their shareholdings reach the end of the minimum period (currently five years) for which shares must be held to secure the initial income tax relief.

## Outlook

The strong support of our shareholders as evidenced in the response to the SRRP, the success of top-up offer launched in 2009/10 and the continuing interest of investors in the Company's proposition as shown by the reaction to the 2010/11 public offer point to the possibility of annual fund-raising rounds to secure the Company's capacity to nurture its current portfolio to maturity and to take full advantage of the steady flow of good quality investment opportunities being seen by our investment adviser. This possibility is being explored by the Board as plans are made for the launch of another SRRP.

Meanwhile, the Company's investment adviser, IBIS Capital, continues to work closely with the managements of investee companies to identify the business opportunities which should result in successful exits for the Company and suitable returns for its shareholders.

The Board is grateful for the support of the Company's shareholders and would encourage them (or their advisers) to contact the company secretary on 0131 243 7210 with any questions which they may have about either the Company or their shareholdings in it. The Investment Adviser also maintains a website for the Company which may be accessed at www.ibismediavct.com.

**Sir Robin Miller**
Chairman

30 September 2011

# Investment Adviser's Review

### *Investment Overview*

The six months to 31 July 2011 can be characterised as a period when hopes of sustained recovery diminished in the face of a deteriorating economic climate. This was reflected in the performance of media companies quoted on the London stock exchange, with the FTSE All Share Media Index rising 5.6% from 31 January 2011, through to a high on 7 June 2011, followed by a sharp fall of 7.8% by 31 July 2011. Although all our portfolio companies are private, we do use quoted peers as one of the bases for valuation, so rises and falls in quoted media stocks will affect the carrying cost of our investments.

Underlying trading within the portfolio companies has been mixed, with good progress being made by portfolio companies such as Freshwater and Steel River Media but also set-backs for others that have been impacted by the difficult economic environment. Positive trading results have not necessarily translated into increased valuations for IBIS' investments where the quoted comparators against which the portfolio is measured have reduced in valuation over the period.

As explained in more detail later in this review, we made a number of adjustments, both up and down, in the carrying value of our investments. Investee companies where we maintained or increased the carrying value of our investments, on a like for like basis, were Riva, Freshwater, Masher and Ginx TV. However, we reduced the carrying value of our investments in Get Me Media, Skive Group, Heritage House, Futurelex and Steel River Media. We would note, however, that in some cases the reason for the reduced valuation was the fall in share prices of the comparator group rather than a fundamental reappraisal of the prospects of an investment.

IBIS' investments are valued in accordance with the International Private Equity and Venture Capital Guidelines. During the 6 month period ended 31 July 2011 we have seen a decrease of 5.29% in IBIS' net asset value per share, from 94.46p to 89.46p per share. The fall in value can be attributed to the payment of the 1.5p per share dividend, the net running costs of the VCT of 0.75p per share, the fall in the valuation of the investment portfolio of 2.63p per share and the cost to the Company of 0.12p per share for the bonus shares (in respect of early investor and existing investor incentives) issued under the recently closed public and open offers.

The table below summarises the changes in fair value at 31 July 2011 as compared to the year-end carrying values at 31 January 2011, including and excluding the impact of new investment by IBIS.

| | Change in Fair Value between 31 Jan 2011 and 31 Jul 2011 | New Investment in Period | Change in Fair Value between 31 Jan 2011 and 31 Jul 2011 (excluding new investment) | Percentage Change (excluding new investment) |
|---|---|---|---|---|
| Get Me Media | +£128,471 | £128,747 | -£276 | 0% |
| Skive Group | -£51,067 | £0 | -£51,067 | -6% |
| Riva Digital Media | +£0 | £0 | +£0 | 0% |
| Freshwater | +£4,853 | £0 | +£4,853 | +1% |
| Heritage House | -£96,333 | £28,947 | -£125,280 | -18% |
| Masher | +£0 | £0 | +£0 | 0% |
| Futurelex | -£53,578 | £0 | -£53,578 | -3% |
| Steel River Media | -£91,359 | £0 | -£91,359 | -6% |
| Ginx TV | +£293,750 | £235,000 | +£58,750 | +7% |
| **Total** | **+£134,737** | **£392,694** | **-£257,957** | **-3%** |

As the above table illustrates, we have seen a decrease in the overall value of the IBIS investment portfolio, which on a like-for-like basis has decreased by approximately 3% in the 6 month period to 31 July 2011.

## *Portfolio Review*

The portfolio of IBIS Media VCT 1 plc comprises investments in nine companies: Get Me Media, Skive Group, Riva Digital Media, Freshwater, Heritage House Media, Masher Technologies, Futurelex, Steel River Media, the holding company for Contagious Communications and Ginx TV.

The following is a review of the current portfolio.

## Get Me Media

| | |
|---|---|
| Initial investment: | 22 January 2007 |
| Dates of follow-on investments: | 28 May 2009 and 10 February 2011 |
| Investment: | £688,808 comprising a mixture of ordinary shares and unsecured loan notes |
| Valuation as at 31 January 2011: | £753,772 |
| Investment in period: | £128,747 |
| Valuation as at 31 July 2011: | £882,243 |
| Change in valuation: | +£128,747, no change net of new investment, 0% |

### Investment Overview

Get Me Media, which trades as Getmemedia.com, is an online directory of marketing and media spend ideas. The company helps marketers and their agencies find relevant and up to date marketing opportunities for their brands. The company serves two needs: 1) for media owners, it gives them a shop window to promote their inventory of media opportunities to advertisers and their agencies, from whom the media owners hope to attract a share of marketing spend; and 2) for advertisers and their agencies, it gives them an easily navigable and searchable database of alternative media and ideas for their marketing campaigns.

### Recent Developments

Get Me Media is operating in a challenging environment, reflecting the pressures on its media owner and advertising agency client base as a result of the sluggish economic recovery. However, after a slow start, year on year revenue growth has been achieved in 4 of the last 6 months.

Encouragingly, overall membership continues to grow apace. The company currently has approximately 14,250 members, up over 40% compared to this time last year. Content on the site, in the form of paid-for media owner ideas, is also growing. There are currently 1,900 ideas on the site, compared to 1,615 in September 2010, +18%.

Larger clients are increasing their spend with Get Me Media. An analysis of the top 10 clients shows that they have increased their spend by 23% on average over the last 2 years. However, smaller media owners are particularly vulnerable to the economic environment, making renewals challenging and limiting the scope for price increases at the lower end of the spectrum.

As disclosed in the annual report, Get Me Media completed an equity fundraising of £225k on 10 February 2011 to fund the development of the business, principally through the hiring of additional staff, focusing on sales and account management. IBIS invested £128,747 as part of this round, with the balance of the investment coming from a new third party investor.

The carrying value has been held at the price set by the most recent investment round.

## Skive Group

| | |
|---|---|
| Date of initial investment: | 21 May 2007. |
| Date of follow-on investment: | 2 November 2009 |
| Investment: | £650,000 comprising a mixture of ordinary shares and convertible unsecured loan notes |
| Valuation as at 31 January 2011: | £845,122 |
| Valuation as at 31 July 2011: | £794,055 |
| Change in valuation: | -£51,067, -6% |

### Investment Overview
Skive Group is a creative digital marketing agency, which trades in the market through two companies Skive Creative and Soup Digital. Skive Group delivers websites and interactive content for a wide range of clients, including Nestle, L'Oreal, Aviva, Lotus and Dunhill. Skive Group ranks in the top 50 UK digital agencies according to Marketing magazine.

### Recent Developments
Trading for the period commenced well, with encouraging new client wins in the form of Carlsberg, Dorothy Perkins and Cheetos. However, certain key clients decided to cut back advertising and marketing expenditure in May and June of this year in light of the worsening economic climate, with a consequent impact on Skive Group's revenues. Although trading has subsequently improved, this fall-off in revenues, which necessitated some reduction in the cost base, did have a negative impact on the company's cashflows.

A key positive development has been the hiring, in June 2011, of James Sanderson as Chief Executive. James was previously President of Digitas, London, and prior to that Chief Operating Officer of Glue, where he helped build the digital agency prior to its successful sale to Aegis Group plc for £14m.

Since the end of IBIS' half year, Skive has announced a rights issue in order to raise further funds to support its on-going development and the cashflow requirements of the business. IBIS has agreed to support the rights issue and will seek to make a follow-on investment as part of the fundraising.

The carrying value of the IBIS investment in Skive has been reduced to reflect the impact on trading earlier in the year and the reduction in valuation of comparable companies which are used as a reference point in the valuation assessment.

## Riva Digital Media

| | |
|---|---|
| Date of initial investment: | 23 May 2007. |
| Dates of follow-on investments: | 17 December 2007 and 11 February 2010. |
| Investment: | £345,015 in ordinary shares and £4,500 unsecured loan |
| Valuation as at 31 January 2011: | £73,503 |
| Valuation as at 31 July 2011: | £73,503 |
| Change in valuation: | Nil, 0% |

### Investment Overview

Riva Digital Media's core activity is the design, production and distribution of Epacs. Each Epac is a bundled collection of premium content which is digitally wrapped in a unique branded skin and is downloadable to a customer's personal computer. The components of an Epac can include video clips, MP3 files, ring tones, digital wall paper and customised information.

Since launch, Riva Digital Media has struggled to establish Epacs as a widely used consumer application for the consumption of mixed digital media. The original business model, that required significant web traffic to generate advertising income as well as a charging model for premium content, has not worked as originally envisaged. In response the management cut costs significantly while the business model was redeveloped.

### Recent Developments

Riva continues to develop PC Apps for Paul McKenna and a series for Universal which are expected to be released later in the year. At present it remains difficult to assess the future prospects of Riva and, as a consequence, there has been no change to the valuation from the 80% writedown previously made.

## Freshwater

| | |
|---|---|
| Date of investment: | 18 July 2007. |
| Dates of follow-on Investments: | 2 July 2009, 17 March 2010, 26 April 2010, 26 October 2010 and 3 November 2010. |
| Investment: | £864,499 in ordinary shares. |
| Valuation as at 31 January 2011: | £431,369 |
| Valuation as at 31 July 2011: | £436,222 |
| Change in valuation: | +£4,853, +1% |

### Investment Overview

Freshwater is a public relations led marketing group, with teams operating in the UK and Ireland across five specialist areas. The company has four support divisions offering: marketing, graphic design and media buying; conferences; training and coaching; and, interactive and online media.

### Recent Developments
Since the delisting of Freshwater's shares in 2010 the company has reported on its 6 months trading to 28 February 2011 and it is pleasing to note the encouraging improved performance.

"The first half of the trading year saw Freshwater embark on a new strategy of de-listing from AIM to focus on organic growth against a background of a much improved trading performance.

"From the low point of the final quarter of 2009-10, revenue rose 2% in the first quarter and a further 8% in the second quarter to recover to an annualised rate at the same level as in the first half last year."

Freshwater has not made any further announcements as to its trading. Pleasingly, however, in June of this year Freshwater won the CIPR award for the best integrated campaign for its work for Donate Wales, a campaign to increase organ donation in Wales.

The valuation at the half year results in a small increase in the holding value of the IBIS investment, which reflects the net impact of the improved trading results and lower market valuations for comparable companies.

## Heritage House Media

| | |
|---|---|
| Date of initial investment: | 6 September 2007. |
| Follow-on investments: | 30 November 2007, 27 May 2008, 1 December 2008, 17 February 2010, 28 January 2011 and 27 April 2011. |
| Investment: | £1,370,262 |
| Investment in period: | £28,947 |
| Valuation as at 31 January 2011: | £679,150 |
| Valuation as at 31 July 2011: | £582,817 |
| Change in valuation: | -£96,333, net of new investment in period -£125,280, -18% |

### Investment Overview
Heritage House Media was established through three acquisitions in 2007 to create the UK's leading independent publisher focused on the heritage market. The group publishes tourist guidebooks for individual visitor attractions as well the industry directory Hudson's, the definitive guide to historic houses and gardens open to the public in the UK. The group also publishes the Visit Britain accommodation guides and the Open Britain disabled access guides.

### Recent Developments
Heritage House Media's trading over the six month period to 31 July 2011 has been mixed, with encouraging signs from the Hudson's directories and the Visit Britain accommodation guides but limited progress within the traditional venue guide publishing division. Over the last three years, Heritage House Media has seen a reducing number of new orders for guidebooks combined with a fall in the average order value.

In response, Heritage House Media has been building digital revenues around the group's core brands. So, for example, an online directory for visitor attractions has been launched using the Hudson's brand at www.hudsonsheritage.com. The intention is to integrate ticketing into the site in order to provide visitors with a one-stop shop for information and other services.

Since the end of the half-year, IBIS has agreed to invest up to a further £145k alongside the other VCT investors in support of the new initiatives being proposed by the management of Heritage House Media for the development of the group. The company continues to be dependent on the funding from its VCT investors and as such the next six months will be an important period for Heritage House to demonstrate that the new initiatives are producing positive results.

The fair value of the IBIS investment has been impacted largely by the reduction in value of comparable businesses against which Heritage House has been benchmarked.

## Masher

| | |
|---|---|
| Date of initial investment: | 14 July 2008. |
| Date of follow-on investment: | 2 November 2009 and 15 June 2010 |
| Investment: | £525,000 in ordinary shares |
| Valuation as at 31 January 2011: | £642,507 |
| Valuation as at 31 July 2011: | 642,507 |
| Change in valuation: | Nil, 0% |

### Investment Overview

Masher produces an online video editing and messaging tool designed to be used in conjunction with online social networking communities; it is a B2C widget and application with simple and intuitive drag and drop functionality. Masher is a spin-off from BBC Worldwide. Through a content licensing agreement with the BBC, it offers its users access to a catalogue of video and audio content.

### Recent Developments

Following the investment from Northstar Equity Partners in 2010, Masher completed the integration of its application into Facebook. Since then Masher has embarked on a strategy of building consumer use of the application within Facebook, both directly with Facebook users and indirectly with marketing partners.

For example, in June of this year, Masher created a specific application within Facebook for Arsenal Football Club Facebook fans. The campaign, which allowed Arsenal fans to mash videos containing various goal highlights, attracted approximately 100k unique visitors, of which approximately 10% installed the application. As at the end of July 2011, Masher had approximately 180k installed users.

The value of the IBIS investment in Masher has been held at the price set by the last investment round from Northstar Equity Partners which was completed in December 2011.

### Futurelex (formerly known as Polyview)

| | |
|---|---|
| Date of Initial Investment: | 17 November 2008 |
| Investment: | £950,000 comprising ordinary shares and loan notes |
| Valuation as at 31 January 2011: | £1,593,578 |
| Valuation as at 31 July 2011: | £1,540,000 |
| Change in valuation: | -£53,578, -3% |

#### Investment Overview

Futurelex, which was launched in 2006, has three principal strands to its business: the European Lawyer magazine, European Lawyer legal reference books and online legal procurement services, ProcureLaw.com and TakeLegalAdvice.com. The European Lawyer magazine is sold by means of subscription to European law firms and plays an important role in developing brand recognition for the sale of other related products published by Futurelex. The reference books cover specialist legal topics and are also sold principally to European legal firms.

The online platform operates in two areas: the consumer search and comparison site TakeLegalAdvice.com and the e-procurement site ProcureLaw.com, which provides a legal tendering and briefing platform for corporate legal services. ProcureLaw.com offers a platform to the general counsel of a corporation to manage, wholly online, the tendering process for new legal instructions.

#### Recent Developments

The reference books division of European Lawyer, which was acquired in 2009, was sold at a profit shortly after the end of the IBIS half-year to Thomson Reuters, the business information group. The divestment will release funds for investment in the online legal platforms of Futurelex and the part repayment of IBIS loans.

Futurelex will continue to own and publish the European Lawyer magazine, as this was excluded from the transaction with Thomson Reuters. The remaining Futurelex group comprises the magazine publishing business of European Lawyer, the online legal tendering platform ProcureLaw.com and the legal lead generation business TakeLegalAdvice.com.

ProcureLaw.com, the online tendering platform, is currently being trialled by a number of firms including Mysys, the FTSE 250 global IT firm, which has successfully run a global tender over 14 jurisdictions through the Procure Law system.

The current valuation reflects the sale of the European Lawyer reference books and the impact of reduced valuations for comparable companies within the peer group of the remaining businesses.

## Steel River Media being the holding company of Contagious

| | |
|---|---|
| Date of initial investment: | 12 January 2010 |
| Investment: | £850,000 in ordinary shares |
| Valuation as at 31 January 2011: | £1,569,070 |
| Valuation as at 31 July 2011: | £1,477,711 |
| Change in valuation: | -£91,359, -6% |

### Investment Overview

Contagious, which was launched in 2004, is a respected global intelligence resource reporting on innovative marketing techniques and the impact of emerging technologies on brands. Contagious' clients include some of the world's leading advertisers such as Diageo, Nestle, Nokia, Microsoft, Toyota and P&G, as well as range of advertising agencies including Leo Burnett Worldwide, Ogilvy & Mather, Y&R, and Lowe Worldwide.

Contagious' offering includes a magazine, DVD and online resource, covering topics such as: branded content, mobile marketing, social networking, user-generated content, video games and emerging technologies. Contagious complements its core offering with a bespoke online intelligence resource and alerts service for advertisers and agencies. Separately, Contagious also provides interactive workshops and briefings on developments in the wider communications sector.

The overall proposition of the business is to identify ideas, trends and innovation behind the world's most revolutionary marketing strategies.

### Recent Updates

The business continues to expand and has achieved good revenue growth, although margins have been lower due to an increased investment in staff and a change in the mix of the business linked to the increase in the number of consultancy projects.

Part of the investment in staff, mentioned earlier, was the appointment of Simon Wylie, in May 2011, as Contagious' first Chief Executive. Simon was previously at the business information group Ebiquity plc and a former managing director at Xtreme Information.

The outlook for the business remains encouraging. The opening of a US office last year is progressing well, with a range of new client wins. However, the valuation of the IBIS investment has been held back principally by the impact of reduced valuations for comparable companies within Contagious' peer group.

## Ginx TV

| | |
|---|---|
| Date of initial investment: | 24 August 2010 |
| Date of follow-on investment: | 21 July 2011 |
| Investment: | £985,000 comprising ordinary shares and loan notes |
| Investment in period: | £235,000 |
| Valuation as at 31 January 2011: | £877,500 |
| Valuation as at 31 July 2011: | 1,171,250 |
| Change in valuation: | +£293,750, net of new investment +£58,750, +7% |

### Investment Overview

Ginx produces a 24/7 video games TV channel as well as individual review and insight programmes on the latest in video games. The TV shows are targeted at an international audience, typically ranging in age between 8 and 35 and have been aired in the UK, Spain, South Africa, Israel and the Middle East.

The 24/7 channel was launched on the back of the success of the individual TV shows and is now available in Turkey, Indonesia and Eastern Europe. Ginx has a management team with particular expertise in broadcast media targeted at young adults. The Chairman of Ginx is Peter Einstein, who was formerly President of MTV Networks Europe and Showtime Arabia. The Chief Executive is Michiel Bakker, who was previously Executive Vice President and Managing Director of MTV Networks UK and Nordic.

### Recent Updates

Following the launch of the new format of the Ginx channel earlier in the year, the company is focused on rolling out its channel and programming internationally. The channel is currently on air in Turkey, Indonesia and the Adriatic region. In addition, programming blocks have been sold to the UK, Israel, Germany, South America and New Zealand. The company is in on-going discussions with a range of other international cable and satellite operators for the supply of Ginx channels and content.

IBIS made a follow-on investment of £235k in July 2011 to support the marketing initiatives to roll-out into new territories outside of the UK. Ginx is currently approaching third party investors for the funding of the launch of an independent Ginx 24/7 channel in the UK.

As the investment has been held for less than 12 months, the IBIS investment has been valued at cost plus the debt repayment premium due on the IBIS loans.

# Investment Portfolio Summary
as at 31 July 2011

| Company | As at 31 July 2011 Cost £ | Valuation £ | % of net assets by value | As at 31 January 2011 Cost £ | Valuation £ | % of net assets by value |
|---|---|---|---|---|---|---|
| Get Me Media | **688,747** | **882,243** | **10.03** | 560,000 | 753,772 | 8.95 |
| Riva | **349,515** | **73,503** | **0.84** | 349,515 | 73,503 | 0.87 |
| Skive | **650,000** | **794,055** | **9.03** | 650,000 | 845,122 | 10.04 |
| Heritage House | **1,370,262** | **582,817** | **6.63** | 1,341,315 | 679,150 | 8.07 |
| Freshwater | **864,499** | **436,222** | **4.96** | 864,499 | 431,369 | 5.12 |
| Masher | **525,000** | **642,507** | **7.31** | 525,000 | 642,507 | 7.63 |
| Futurelex (formerly Polyview) | **950,000** | **1,540,000** | **17.52** | 950,000 | 1,593,578 | 18.93 |
| Steel River Media | **850,000** | **1,477,711** | **16.81** | 850,000 | 1,569,070 | 18.64 |
| Ginx | **985,000** | **1,171,250** | **13.32** | 750,000 | 877,500 | 10.42 |
| **Total venture capital investments** | **7,233,023** | **7,600,308** | **86.45** | 6,840,329 | 7,465,571 | 88.67 |
| Total fixed asset investments | **7,233,023** | **7,600,308** | **86.45** | 6,840,329 | 7,465,571 | 88.67 |
| Net current assets | | **1,191,037** | **13.55** | | 953,678 | 11.33 |
| **Net assets** | | **8,791,345** | **100.00** | | 8,419,249 | 100.00 |

# Responsibility Statement of the Directors in respect of the Half-Yearly Financial Report

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with the Statement "Half-yearly financial reports" issued by the UK Accounting Standards Board
- The Chairman's Statement (constituting the interim management report) includes a fair review of the information required by DTR 4.2.7R of the "Disclosure and Transparency Rules", being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements
- The "Statement of Principal Risks and Uncertainties" on page 15 is a fair review of the information required by DTR 4.2.7R, being a description of the principal risks and uncertainties for the remaining six months of the year
- The financial statements include a fair review of the information required by DTR 4.2.8R of the "Disclosure and Transparency Rules", being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By Order of the Board

**The City Partnership (UK) Limited**
Company Secretary

30 September 2011

## Statement of Principal Risks and Uncertainties

The Company's assets consist of equities and fixed interest investments, cash and liquid resources. Its principal risks are therefore market risk, interest rate risk, credit risk and liquidity risk. Other risks faced by the Company include economic, investment, financial and regulatory risks. These risks, and the way in which they are managed, are described in more detail in the Directors' report, the Statement of Corporate Governance and Note 18 to the Financial Statements in the Company's Annual Report & Financial Statements for the year ended 31 January 2011. The Company's principal risks and uncertainties have not changed materially since the date of that report.

## Related Parties

IBIS Capital Limited ("Investment Adviser") has been appointed as the Company's investment adviser. The Investment Adviser receives an annual advisory fee of 2.25% of the net asset value of the Company. The Investment Adviser also bears any excess of the total modified annual running costs over a cap of 3.5% of the Company's average net asset value. These arrangements are described in more detail in Note 3 to the Financial Statements in the Company's Annual Report & Financial Statements for the year ended 31 January 2011. During the period the Company has incurred investment advisory fees of £98,216 (exclusive of VAT) and it is estimated that the Investment Adviser owes the Company £11,253 (exclusive of VAT) in respect of the cap on the Company's annual running costs. Under the Company's agreement with the Investment Adviser, this sum is paid by deduction from the Investment Adviser's fee for the year ending 31 January 2012.

# Income Statement (unaudited)

for the six months ended 31 July 2011

| | Six months ended 31 July 2011 Revenue £ | Capital £ | Total £ | Six months ended 31 July 2010 Revenue £ | Capital £ | Total £ | Year ended 31 January 2011 Revenue £ | Capital £ | Total £ |
|---|---|---|---|---|---|---|---|---|---|
| Realised/unrealised movements on investments | | **(257,957)** | **(257,957)** | - | (165,489) | (165,489) | - | 416,851 | 416,851 |
| Income | **78,387** | | **78,387** | 100,087 | - | 100,087 | 25,476 | - | 25,476 |
| Investment adviser's fees | **(21,741)** | **(65,222)** | **(86,963)** | (17,713) | (53,140) | (70,853) | (33,927) | (101,782) | (135,709) |
| Other expenses | **(65,111)** | | **(65,111)** | (84,023) | - | (84,023) | (155,983) | - | (155,983) |
| **Return on ordinary activities before tax** | **(8,465)** | **(323,179)** | **(331,644)** | (1,650) | (218,629) | (220,279) | (164,434) | 315,069 | 150,635 |
| Taxation on ordinary activities | - | - | - | - | - | - | - | - | - |
| **Return attributable to equity shareholders** | **(8,465)** | **(323,179)** | **(331,644)** | (1,650) | (218,629) | (220,279) | (164,434) | 315,069 | 150,635 |
| **Transfer to reserves** | **(8,465)** | **(323,179)** | **(331,644)** | (1,650) | (218,629) | (220,279) | (164,434) | 315,069 | 150,635 |
| **Return per share** | **(0.09)p** | **(3.40)p** | **(3.49)p** | (0.02)p | (2.54)p | (2.56)p | (1.88)p | 3.60p | 1.72p |

The total column of this statement represents the profit and loss account of the Company. All revenue and capital items in the above statement derive from continuing operations. The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits. The Company has no gains and losses other than those recognised in the Income Statement above and has not therefore prepared a separate statement of total recognised gains and losses.

# Balance Sheet (unaudited)

as at 31 July 2011

| | 31 July 2011 £ | 31 July 2010 £ | 31 January 2011 £ |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments | **7,600,308** | 5,982,980 | 7,465,571 |
| **Current assets** | | | |
| Debtors | **282,900** | 464,113 | 177,066 |
| Liquidity funds and cash at bank | **979,863** | 1,657,034 | 851,304 |
| | **1,262,763** | 2,121,147 | 1,028,370 |
| **Creditors: amounts falling due within one year** | **(71,726)** | (55,791) | (74,692) |
| **Net current assets** | **1,191,037** | 2,065,356 | 953,678 |
| **Net assets** | **8,791,345** | 8,048,336 | 8,419,249 |
| **Capital and reserves** | | | |
| Called up share capital | **98,268** | 89,132 | 89,131 |
| Share premium account | **7,106,761** | 2,892,502 | 2,892,502 |
| Special reserve | **1,618,645** | 5,138,300 | 5,138,300 |
| Capital reserve – realised | **(217,717)** | (103,853) | (152,495) |
| Capital reserve – unrealised | **367,284** | 42,902 | 625,242 |
| Revenue reserve | **(181,896)** | (10,647) | (173,431) |
| **Total Equity shareholders' funds** | **8,791,345** | 8,048,336 | 8,419,249 |
| **Net asset value per share** | **89.46p** | 90.30p | 94.46p |

Registered number: 5660269

# Reconciliation of Movement in Shareholders' Funds (unaudited)

for the six months ended 31 July 2011

| | Six months ended 31 July 2011 £ | Six months ended 31 July 2010 £ | Year ended 31 January 2011 £ |
|---|---|---|---|
| **Opening shareholders' funds** | **8,419,249** | 7,588,410 | 7,588,410 |
| Capital per share issue | **1,000,923** | 853,034 | 856,739 |
| Expenses of offer | **(149,782)** | (39,132) | (42,838) |
| Dividend | **(147,401)** | (133,697) | (133,697) |
| Return for the period | **(331,644)** | (220,279) | 150,635 |
| **Closing shareholders' funds** | **8,791,345** | 8,048,336 | 8,419,249 |

# Cash Flow Statement (unaudited)

for the six months ended 31 July 2011

| Period ended | | 31 July 2011 | | 31 July 2010 | | 31 January 2011 |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| **Operating activities** | | | | | | |
| Investment income received | **2,700** | | 3,060 | | 117,697 | |
| Interest received | **101** | | 721 | | 797 | |
| Investment adviser's fees paid | **(98,216)** | | (79,812) | | (53,979) | |
| Company secretarial fees paid | **(13,200)** | | (19,388) | | (25,850) | |
| Cash paid to and on behalf of directors | **(45,542)** | | (69,246) | | (86,732) | |
| Other cash payments | **(25,582)** | | (34,015) | | (50,885) | |
| **Net cash outflow from operating activities** | | **(179,739)** | | (198,680) | | (98,952) |
| **Financial investment** | | | | | | |
| Purchase of investments | **(394,082)** | | (430,380) | | (1,330,631) | |
| Sale of investments | **250,000** | | - | | - | |
| **Net cash outflow from financial Investment** | | **(144,082)** | | (430,380) | | (1,330,631) |
| **Corporation tax & dividends** | | | | | | |
| Corporation tax paid | **-** | | - | | (5,206) | |
| Equity dividends paid | **(147,401)** | | (133,697) | | (133,697) | |
| **Net cash outflow from tax & dividends** | | **(147,401)** | | (133,697) | | (138,903) |
| **Net cash outflow before financing** | | **(471,222)** | | (762,757) | | (1,568,486) |
| **Financing** | | | | | | |
| New share issue | **993,296** | | 853,034 | | 853,034 | |
| Share issue expenses | **(144,903)** | | (39,132) | | (39,133) | |
| Cancellation of share premium a/c | **-** | | - | | - | |
| **Net cash inflow from financing** | | **848,393** | | 813,902 | | 813,901 |
| **Increase/(decrease) in cash** | | **377,171** | | 51,145 | | (754,585) |

# Notes to the Interim Financial Statements

## 1. Accounting Policies

The unaudited interim financial statements which cover the six months ended 31 July 2011 have been prepared in accordance with applicable accounting standards and adopting the accounting policies set out in the statutory financial statements of the Company for the year ended 31 January 2011.

## 2. Return per Share

The return per share has been calculated based on a weighted average number of shares in issue for the six months ended 31 July 2011 of 9,497,365 (31 July 2010: 8,592,245).

## 3. Net Asset Value per Share

The net asset value per share has been calculated based on 9,826,777 shares being the number of shares in issue as at 31 July 2011 (31 July 2010: 8,913,146).

4. During the six months ended 31 July 2011 the Company issued 892,830 ordinary shares in accordance with the terms of the Public Offer and 129,091 in accordance with the terms of the SRRP Open Offer. During the period the Company bought back 3,608,233 ordinary shares in accordance with the terms of the SRRP Tender Offer and issued 3,499,943 ordinary shares in accordance with the terms of the SRRP Open Offer as a result of the reinvestment of the proceeds arising from the sale of shares under the Tender Offer.

5. The financial information for the period ended 31 July 2011 has not been audited and does not comprise full financial statements within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 January 2011 were unqualified. No statutory accounts in respect of any period after 31 January 2011 have been reported on by the Company's auditors or delivered to the Registrar of Companies.

6. Copies of this half-yearly report will be mailed to shareholders and are available to the public at the Company's registered office.

# Corporate Information

**Directors (all non-executive)**
*Independent*
Sir Robin W Miller (Chairman)
Peter D English
Lucy H MacDonald
John P Williams
Simon D A Jamieson

*Not independent*
David C K Forster
Charles A McIntyre

All of the registered office and principal place of business of IBIS Media VCT 1 plc

22 Soho Square
London
W1D 4NS
VCT web site: www.ibismediavct.com

**IBIS Media VCT 1 plc**
Incorporated in England and Wales
with registered number: 5660269

**Reporting Calendar**
For the year ending 31 January 2012

*Results announced:*
Interim – September 2011
Annual – May 2012

**Investment Adviser**
IBIS Capital Limited
22 Soho Square
London
W1D 4NS

**Bankers**
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99 Hatton Gardens
London
EC1N 8DN

**Secretary**
The City Partnership (UK) Limited
Thistle House
21 Thistle Street
Edinburgh
EH2 1DF
Telephone: 0131 243 7210

**Sponsor & Broker**
Brewin Dolphin Investment Banking
34 Lisbon Street
Leeds
LS1 4LX

**Registrars**
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Chartered Accountants
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