

# INGENIOUS MUSIC VCT 2

ANNUAL REPORT & ACCOUNTS  
For the year ended  
31 December 2008



WE ARE **INGENIOUS**



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## INGENIOUS MUSIC VCT 2

### CORPORATE INFORMATION

<b>Directors</b>	Patrick McKenna (Chairman) Roger Ames Lionel Martin* Peter Reichardt*
<b>Company Secretary</b>	Sarah Cruickshank
<b>Registered Office</b>	15 Golden Square London W1F 9JG
<b>Company Number</b>	5564790
<b>Investment Manager &amp; Administrator</b>	Ingenious Ventures 15 Golden Square London W1F 9JG
<b>Auditors</b>	Grant Thornton UK LLP Grant Thornton House Melton Street Euston Square London NW1 2EP
<b>Taxation Advisers</b>	PricewaterhouseCoopers LLP (PwC) 1 Embankment Place London WC2N 6RH
<b>Registrar</b>	SLC Registrars Thames House Portsmouth Road Esher Surrey KT10 9AD Tel: 01372 467 308
<b>Brokers</b>	Brewin Dolphin 34 Lisbon Street Leeds LS1 4LX

\* Independent director

## CHAIRMAN'S STATEMENT

It is with pleasure that I present to you the Company's annual report and accounts covering the 12 months to 31 December 2008 (the "Reporting Period").

### Overview of Activities

The Company has continued to actively source and review investment opportunities during the Reporting Period and eight further deals have been closed. I am pleased to announce that the Company has now committed all its funds in VCT qualifying investments ahead of the three year anniversary.

The Company has made 26 investments in total across a diverse range of musical genres and artists, at different stages in their careers, resulting in a well diversified portfolio. With just over half of the albums now released, the Manager has begun to receive royalty flows from the record labels and is now focusing its efforts on managing the portfolio of investments.

Following the Company's investment of just over £1 million in 2007 in The Prodigy, we are delighted to announce that their latest album (*Invaders Must Die*) reached Number 1 in the UK charts on its debut week in February with sales of 100,000 albums. To read more about this and the Company's other investment activities, please refer to the Manager's Review.

### Results

The Reporting Period has been dominated by new investments, with £6.9 million invested and committed to qualifying investments. The Company made a loss on ordinary activities of £522,000 in the year to 31 December 2008 (2007: £1,017,000 loss), which is largely attributable to the write down of certain investments where the Manager estimates that only the minimum income levels (at least 70% of the VCT's investment) will be achieved. The Company's net asset value moved in line with the operating loss, from 91.4 pence (2007) to 89.4 pence per share. The Directors do not recommend the payment of a dividend in respect of the Reporting Period.

### Outlook

The Company has some very exciting album releases this year from artists including The Prodigy, Peter Gabriel, Howling Bells, Blackbud, Orange Lights and Ocean Colour Scene, as well as the launch of the second VCT backed album by Australian artist Sia and a DVD by Roxy Music. A number of albums will also be released from artists signed to the ie:music and Real World label deals. In addition, singer/songwriter Charlie Winston, an artist the Company backed through the Real World slate, is currently performing very well in the French charts with a Number 1 single and Number 2 album.

The Company had met the requirements for formal approval as a VCT by 31 December 2008. The Board will meet with the Manager in May 2009 in order to consider proposals for the future return of capital to Shareholders, and I therefore look forward to updating Shareholders regarding this in due course.



**Patrick McKenna**

Chairman  
1 April 2009

## INGENIOUS MUSIC VCT 2

### MANAGER'S REVIEW

#### Investment Objective

The investment objective of the Company is to provide Shareholders with an attractive return from investments in a portfolio of music companies that will be engaged in the creation, development and exploitation of IP rights.

The Reporting Period has seen strong deal flow throughout, leaving the fund fully committed ahead of its 3 year anniversary. We have focused our efforts throughout the Reporting Period on identifying projects that we believe support the development of exciting acts, with the potential to deliver strong returns for our investors. Our strategy for the forthcoming months will be to work closely with the record labels to receive royalty flows which are due to the Company.

#### Investments

The Manager closed 8 qualifying investments during the Reporting Period. The first investment was outlined in the last Interim Accounts; as you will recall, this was £418,750 to back the fourth album of Welsh rock band Funeral For A Friend. The remaining 7 investments are highlighted below:

##### Duran Duran DVD

Ingenious Music VCT 2 and Eagle Rock signed an agreement on 11 July 2008 to produce a retrospective DVD on the band Duran Duran with an investment of £334,884. The DVD, entitled *Making Of Rio*, was released in October 2008 and tells the story of the creation of the second album from this era-defining artist. The DVD has received £61,000 in revenue from physical sales to date, alongside £68,000 from licensing the programme to TV stations around the world. In addition, further revenue is expected throughout 2009.

**About Duran Duran:** *Duran Duran were one of the most commercially successful UK bands of the 1980s. Following their first self-titled album on record label EMI in 1981, they began to achieve worldwide recognition in 1982 with their second album, Rio, achieving 4 UK Top 20 singles. The album peaked at number 6 in the U.S. and remained on the charts there for 129 weeks – almost 2 and a half years. Since the 1980s Duran Duran have placed 14 singles in the UK Top 10 and 21 in the Billboard Hot 100, and have sold more than 70 million records worldwide.*

##### ie:music Artist Slate

On 2 October 2008, the Company agreed 2 investments with ie:music of £1 million each, to sign, develop, record, market and release a series of albums from a slate of artists. The Manager will have the right to approve which artists the funding will be deployed on.

**About ie:music:** *ie:music is a forward thinking music management company with offices in London and Los Angeles. Co-Managing Directors Tim Clark and David Enthoven have worked over the years with some music industry legends, such as Cat Stevens, Bob Marley, T. Rex, Free King Crimson, Roxy Music and Traffic. In the mid 1990s they formed ie:music representing Massive Attack, Bryan Eno and Robbie Williams.*

##### Roxy Music DVD

Ingenious Music VCT 2 and Eagle Rock signed an agreement on 20 November 2008 to produce a Roxy Music DVD following an investment of £355,556. *More Than History – The Story of Roxy Music* is due for worldwide release summer 2009.

**About Roxy Music:** *Formed in 1971, Roxy Music instantly grabbed the public's attention with a string of hit singles from their debut album, Roxy Music. With a subsequent successful decade they enjoyed a worldwide bestseller with Avalon in 1982. In 2001 they reunited for the first time in 18 years for a 50 date world tour encompassing the UK and Europe, North America, Australia and Asia.*

**About Eagle Rock:** *Eagle Rock has released over 30 programmes in the Classic Albums series which have been sold on DVD and broadcast globally on TV. Following the success of the Company's first investment alongside Eagle Rock with the release of the John Lennon DVD in April 2008, Roxy Music and Duran Duran represent 2 further investments with this company.*

### **Ocean Colour Scene**

The Company agreed with Ocean Colour Scene New Ventures Limited on 21 November 2008 to back two new albums from the band; a new studio album and a greatest hits package (with an investment of £668,750).

**About Ocean Colour Scene:** *Alongside Blur and Oasis, Ocean Colour Scene were one of the biggest bands during the explosion of Britpop in the 1990s. Over their career, Ocean Colour Scene have sold over 3.3 million records in the UK alone, with 6 Top 10 singles and 5 Top 10 albums. Having just finished a successful UK tour, the band will commence recording the first album in early 2009.*

### **Independent Sounds Artist Slate**

On 21 November 2008, the Company agreed with Independent Sounds Limited, an established artist management firm, to release albums from a series of artists with an investment of £900,000.

**About Independent Sounds:** *Independent Sounds are an established and experienced music and management company who sign artists on a rights basis, maintaining a percentage of the artists' live and merchandise streams.*

### **Sia**

Following the Company's backing of Sia's last studio album, the Company invested £927,647 on 26 November 2008 to fund her next studio album, in conjunction with independent record label ie:music.

**About Sia:** *Australian songstress Sia has enjoyed worldwide success and recognition both as a solo artist and as a featured artist on Zero 7's last three albums.*

*Sia's latest album, "Some people have real problems" was released in January 2008 and has sold over 150,000 copies in the US and 18,000 in the UK. Momentum is continuing to build with performances on Later with Jools Holland and the Letterman Show in the US, as well as touring in the UK and Europe scheduled for summer 2009. The Manager therefore believes that Sia is a uniquely placed artist whose next album could potentially take her career to the next level.*

## **PORTFOLIO UPDATES**

### **The Prodigy**

We are delighted to announce that The Prodigy's new album, *Invaders Must Die*, has reached Number 1 in the UK charts on its debut week. With sales in excess of 100,000 units, this is a terrific achievement for the VCT backed album, especially as it was 40,000 units ahead of the Number 2 seller. The album was released on the band's label imprint, Take me to the Hospital, and as a result has been licensed to record companies worldwide which has generated advances of £550,000 to date.

To coincide with the album release, The Prodigy are embarking on an arena tour with Dizzee Rascal as a special guest on all dates. The band are confirmed to play Wembley Arena in April and several other dates and festivals have been confirmed for 2009, including supporting Nine Inch Nails in the US.

## INGENIOUS MUSIC VCT 2

### **Funeral For A Friend**

The band's fourth album, *Memory and Humanity*, was released in major worldwide territories on 13 October 2008, with UK sales in excess of 25,000 units. They are currently touring Mexico and Japan and due to play all the major UK and European festivals over the summer.

### **Howling Bells**

Hotly tipped Australian 4 piece indie band, Howling Bells, released their new album, *Radio Wars*, in March 2009. The band is currently on tour, supporting Mercury Rev, and has their own full UK tour to promote the album as well as several festival appearances throughout the UK and Europe during the summer.

### **John Lennon Plastic Ono DVD**

The DVD was released on 28 April 2008 and has generated approximately £141,000 of physical sales income at the end of September 2008. The programme has also been licensed to various TV stations around the world, receiving £92,000 of revenue to date with the potential for more to follow throughout 2009.

### **Peter Gabriel**

Peter Gabriel is currently in the studio working on the forthcoming album and release plans are due to be finalised by the end of April 2009.

### **Blackbud**

The band has finished recording their album which is set for a release in March this year.

### **Gut Records Limited - Medallist**

In September 2008 Gut Records Limited went into administration. The Company had signed an agreement with Gut Records Limited to produce an album for the band Medallist.

We are pleased to report that the Company was able to recover not only the unspent portion of the funding incurred on the Medallist project (£833,000), but also the minimum returns on the amounts on the actual spend on Medallist to September 2008 (£238,000). The VCT was therefore able to deploy the funds recovered in further VCT qualifying activities.

## **Outlook**

In the current economic downturn it is vital for the music industry to counter digital piracy as it remains a very real and significant challenge to the sustainability of the sector.

Whilst recent years have seen a decline in the physical sales of recorded music, digital distribution has long been predicted to not only fill this gap, but contribute more to overall growth. However, according to the Institute of Policy Innovation, an estimated 95% of all music tracks are currently being downloaded illegally, thus preventing revenue returning to the recording companies.

The Ingenious Group believes strongly in this issue and is currently actively involved in the consultation on legislative options for illicit peer-to-peer file-sharing with the Department for Business Enterprise & Regulatory Reform. In a recent address entitled Digital Britain, Lord Carter, the Communications Minister, outlined measures to prevent illegal downloading by proposing that Internet Services Providers will be required by law to warn customers when they are illegally downloading. This proposal is the start of tackling

digital piracy through regulation, and we believe this will be of great benefit to the sustainability of the music industry in this challenging time, and therefore also to the Company and its underlying investments.

**Contact**

If you have any questions on this review or would like to speak with a member of the management team, please do not hesitate to call us on 0207 319 4000.

Ingenious Ventures  
1 April 2009

## **INGENIOUS MUSIC VCT 2**

### **BOARD OF DIRECTORS**

#### **Patrick McKenna (Chairman) (52)**

Patrick is one of the leading figures in the creative industries and is the founder and Chief Executive of Ingenious Media. He started his career in the accountancy profession and was appointed as a partner of Deloitte and Touche in 1985 aged 28 and subsequently ran their media group. Patrick was Chairman and Chief Executive of The Really Useful Group, leading the company's £77 million de-listing in 1991 and subsequently selling 30% to PolyGram.

Among his various media directorships, Patrick is currently Chairman of the Young Vic Theatre, Hat Trick Productions and Stage Three Music and is a board member of NESTA. He is also a member of the Film Business Academy Board, part of the Cass Business School, which offers executive MBA programmes and business courses specialising in film. He is actively engaged with the evaluation and selection of media projects proposed for funding by the investment vehicles operated by the Ingenious Group.

#### **Roger Ames (59)**

Roger began his career in the music industry with EMI UK in 1975. In 1979, he joined PolyGram UK in the A&R department of the Phonogram label and, in 1983, moved to PolyGram's re-launched London Records as General Manager, subsequently becoming Managing Director. In 1993, he was appointed Chairman and CEO of PolyGram UK. Roger was named Executive Vice President of PolyGram and President of the PolyGram Music Group in 1996, and was appointed Chairman and CEO of Warner Music Group in August 1999. Four months later he was appointed President of Warner Music International. Roger returned to the UK following the sale of the Warner Music division to private investors.

#### **Lionel Martin (58)**

Lionel is a Chartered Accountant and Consultant to Martin Green Ravden LLP, an accounting and business consultancy firm, which specialises in the media, entertainment and sports industries. Lionel founded the leading accountancy firm in 1980 advising on all areas of business and taxation for artists and corporates in the music and theatre industries. Clients have included Tears For Fears, the Sex Pistols, G4, The Thomson Twins, Emmanuel Petit and Thierry Henry among many others. He currently acts as consultant to several media and property companies.

#### **Peter Reichardt (59)**

Peter has over 30 years of experience in the music publishing business. Most recently, Peter was the UK Chairman and Chief Executive Officer of EMI Music Publishing UK, leaving in May 2005 after 16 years with EMI.

Peter started his music career as a 'plugger' with Elektra Records in 1973 before joining Warner Bros Music in 1976, progressing to Managing Director and then taking the same position when Warner merged with Chappell Music. He joined EMI Music Publishing in 1989, leading it to a Queen's Award for Export six years later.

## DIRECTORS' REPORT

The Directors submit their report and the audited financial statements for the year from 1 January 2008 to 31 December 2008.

### 1. Principal Activity, VCT & Investment Company Status

The principal activity of the Company is to invest in value-added creation, development and exploitation of music-related intellectual property rights. A review of the Company's business during the year and an indication of likely future developments are contained in the Chairman's Statement, Manager's Review and the Business Review.

The Directors have managed the affairs of the Company with the intention of maintaining its status as an approved VCT for the purposes of section 274 of the ITA. The Company was not at any time up to the date of this report a "close company" within the meaning of section 414 of the ICTA. The Company is an investment company as defined in section 833 of the Companies Act 2006.

### 2. Directors and Directors' Interests

The Directors and their respective biographies are set out on page 7. All Directors served throughout the year.

As at 31 December 2008, the interests of the Directors in the issued ordinary share capital of the Company were as follows:

Name	Number of Shares as at 31 December 2008	% of issued ordinary share capital
Patrick McKenna*	100,121	0.38
Roger Ames	1	0.00
Lionel Martin	Nil	Nil
Peter Reichardt	Nil	Nil
Total	100,122	0.38

\* Includes 100,120 Shares held by Patrick McKenna's wife, Margaret McKenna

Except for one subscriber share acquired by each of Patrick McKenna and Roger Ames on 15 September 2005, the Directors and, where relevant, their spouses subscribed for the above interests during the period of Offer and on the terms set out in the Prospectus. There have been no changes to the above interests between 31 December 2008 and the date of this report. All interests are beneficial.

### 3. Major Interests in Shares

As at the date of this report, the Company is aware that the following shareholders had an interest of 3% or more of the issued share capital of the Company.

Shareholder	Number of ordinary shares	% of issued share capital
Cazenove Capital Management Limited	4,831,750	17.9
HSBC Global Custody Nominee (UK) Limited	635,897	4.2

### 4. Capital

Details of the Company's capital are provided in note 12 to the financial statements. All shares carry equal voting rights.

### 5. VCT Status Monitoring

The Company has appointed PwC to advise it on compliance with relevant VCT legislation. PwC advises on proposed investments as required and regularly reviews the Company's investment portfolio. PwC works closely with the Manager in monitoring the Company's VCT status but reports directly to the Board.

### **6. Indemnities**

Pursuant to the Articles, and to the extent permitted by the Companies Act 2006, every Director or other officer and auditor of the Company is entitled to be indemnified out of the assets of the Company against all liabilities which they may incur in the execution of their office.

In certain circumstances, Directors or other officers and auditors of the Company are also entitled to be indemnified out of the assets of the Company against liabilities incurred by them in defending proceedings brought against them.

The above indemnities have been in force throughout the Reporting Period under review and all non-executive Directors are covered by Directors & Officers liability insurance and this will continue to remain in force.

### **7. Policy and Practice on the Payment of Creditors**

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment and to abide by the terms thereof. Trade creditor days of the Company as at 31 December 2008, calculated in accordance with the requirements of the Companies Act 1985, were 1 day. This represents the ratio, expressed in days, between the amounts invoiced to the Company in the Reporting Period by its suppliers and the amounts due, at the year end, to trade creditors falling due for payment within one year.

### **8. Financial Risk Management**

Details of the Company's financial instruments and risk management policies and objectives are provided in note 15 to the financial statements.

### **9. Management Agreement**

The Management Agreement is dated 22 November 2005, and allows for the Manager to assume responsibility for the continuous management of the Company's portfolio of investments and provide administrative services. In return for its services the Manager is paid an annual portfolio management fee of 2 percent of the Company's Net Asset Value, a performance-related incentive fee (details of which can be found in the Prospectus), and an annual administration fee of £35,000 (adjusted annually in line with inflation).

The HM Revenue & Customs (HMRC) Brief 35/08 introduced legislation meaning management fees payable by VCTs are now exempt from VAT. Consequently, the Management Agreement was amended on 1 April 2009 to enable the Manager to charge irrecoverable input VAT associated with the performance of its services, and the Manager has reclaimed from HMRC VAT charged retrospectively.

The Management Agreement runs for a minimum period of three years, terminable by either party at any time thereafter if both parties agree in writing or by one year's prior written notice. In the event that the Management Agreement is terminated (unless by reason of the Manager's default), a one-off fee will be payable by the Company to the Manager equivalent to 2.5 percent of the Company's Net Asset Value at the date of termination.

The Board has reviewed the performance of the Manager and is satisfied that the continued appointment of the Manager on the terms agreed is in the best interests of the Shareholders and the Company.

### **10. Business Review**

The Directors have included their business review on pages 11 to 12.

### **11. Environmental, Employee, Social and Community Matters**

The Company has no employees and all of its Directors are non-executive, the Company's day to day activities being carried out by Ingenious Ventures. There are therefore no disclosures to be made in respect of employees.

The Manager is part of the Ingenious Group which actively seeks to reduce its impact on the environment. Wherever possible, investor communications are distributed electronically in order to reduce the utilisation of natural resources.

For many years the Ingenious Group has been a strong supporter of The Young Vic Company (a registered charity). The Young Vic is an independent not-for profit theatre company.

## **12. Directors' Responsibilities**

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the Directors is aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

To the best of my knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.



**Patrick McKenna**

Chairman

1 April 2009

## **INGENIOUS MUSIC VCT 2**

### **BUSINESS REVIEW**

The purpose of this review is to provide Shareholders with a summary setting out the business objectives of the Company, the Board's strategy to achieve those objectives, the risks faced, the regulatory environment and the key performance indicators (KPIs) used to measure performance.

#### **1. Strategy for Achieving Objectives**

Ingenious Music VCT 2 plc is a tax efficient company listed on The London Stock Exchange.

The investment policy of the Company is to invest in a portfolio of music companies that will be engaged in the value-added creation, development and exploitation of music-related intellectual property rights.

The investment objective is to achieve a combination of a high degree of downside protection in an otherwise potentially high risk proposition and long-term capital growth, maximising distributions in order to take advantage of tax-free dividends.

The Board has delegated day-to-day investment management and administration of the Company to the Manager under the terms of the Investment Management and Administration Agreement.

The Manager's review on pages 3 to 6 provides a review of the investment portfolio and the market outlook.

#### **2. Investment Policy**

The Company uses the Manager's extensive network of record companies, artist management companies, independent record producers and music publishers to locate emerging and established bands and artists who will be assisted in developing their careers by investment in value added creation, development and exploitation of their intellectual property rights. The principal intellectual property rights owned by investee companies include some or all of the recording, publishing, distribution, synchronisation, touring and merchandising rights attaching to an Artist. The Company co-invests alongside a number of parties which may include, amongst others, a record company (but only once that record company has agreed to promote and distribute the Artist's recording), music publishers, the Artist's management and/or the Artist.

In order to mitigate risk, the Company has and will invest in an Investee Company where the Investee Company has been successful in negotiating a distribution license (or other contract arrangements) that provides for minimum royalty payments equivalent to at least 70 per cent of the Company's investment.

Although the existence of a distribution license with a record company does not, in itself, guarantee overall financial success, it is an indicator of potentially strong consumer appeal and evidences the overall quality and upside potential of the Artists that will be in the Company's investment portfolio.

The initial capital required by an Investee Company is provided by the Company. The majority of this initial capital is provided through loan finance which should provide additional capital protection. The Company can invest, under current venture capital trust legislation, up to £1million per tax year in any one Investee Company.

The Company has the flexibility to retain up to 30 percent of its assets in non-qualifying investments which the Directors believe should provide a significant degree of downside protection whilst preserving the considerable upside potential and marketability of successful rights exploitation within the portfolio.

At 31 December 2008 the Company had made investments in 26 qualifying companies, with contractual arrangements that provide for the Investee Company to receive minimum royalty payments equivalent to at least 70 per cent of the Company's investment, and all of which had received the prior approval of the Manager's Investment Committee.

### 3. Principal Risks, Risk Management and Regulatory Environment

The Board believes that the principal risks faced by the Company are:

- **Investment and strategic** – an investment in the recorded music sector is tied to a certain degree to the fortunes of that industry generally. In particular, there is a risk that the Company will not identify opportunities where the Artists’ success is sufficient to earn royalties over and above minimum contractual income negotiated.
- **Loss of approval as a Venture Capital Trust** – the Company must comply with section 274 of the ITA which allows it to be exempted from capital gains tax on investment gains realised by shareholders. Any breach of these rules may lead to the Company losing its approval as a VCT, qualifying shareholders who have not held their shares for the designated holding period having to repay the income tax relief they obtained and future dividends paid by the Company becoming subject to tax. The Company would also lose its exemption from corporation tax on capital gains.
- **Regulatory** – the Company is required to comply with the Companies Acts, the rules of the UK Listing Authority and United Kingdom Accounting Standards. Breach of any of these regulatory rules might lead to suspension of the Company’s Stock Exchange listing, financial penalties or a qualified audit report.
- **Financial** – inadequate internal controls might lead to misappropriation of assets. Inappropriate accounting policies might lead to misreporting or breaches of regulations.
- **External inherent risks** - the Company’s investments are in unquoted companies which by their nature involve a higher degree of risk than investment in the main market due to the fact there is no liquid market and may, therefore, be difficult to realise. Furthermore, there may be further constraints imposed on realisations because of the requirement to satisfy certain conditions necessary for the Company to maintain its VCT status (such as the obligation to have at least 70 per cent. by value of its investments in qualifying holdings).

The Board seeks to mitigate the internal risks by setting clear policies, including establishing a funding structure which provides for minimum royalty payments equivalent to at least 70 per cent of the investment, regular reviews of performance, monitoring progress and compliance. Details of the Company’s internal controls are contained in the Corporate Governance Report set out on pages 21 to 23.

### 4. Key Performance Indicators (KPIs)

The primary key performance indicator on which the Board assesses the performance of the Manager in meeting the Company’s objective is the change in Net Asset Value per share.

A review of the Company’s performance during the Reporting Period, the position of the Company at the year end and the outlook for the coming year is contained within the Chairman’s Statement and Manager’s Review on pages 2 to 6.

## INGENIOUS MUSIC VCT 2

### INVESTMENT PORTFOLIO

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<b>Independiente Music Ventures - Travis Limited</b>	
Artist:	Travis
Date of investment:	Jul-06
Total invested:	£1,500,000
Valuation:	£1,050,000
Valuation basis:	Fair value - Latest Available Information
Percentage of equity held:	24.95%

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<b>GR8 Pop Trading Limited</b>	
Artist:	Indiana Gregg
Date of investment:	Nov-06
Total invested:	£417,000
Valuation:	£291,900
Valuation basis:	Fair value - Latest Available Information
Percentage of equity held:	24.95%

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<b>Funwood Music Limited</b>	
Artist:	Apartment
Date of investment:	Nov-06
Total invested:	£227,647
Valuation:	£159,353
Valuation basis:	Fair value - Latest Available Information
Percentage of equity held:	24.95%

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<b>Genius Music Limited</b>	
Artist:	Passenger (formally known as Mike Rosenberg Band)
Date of investment:	Nov-06
Total invested:	£660,725
Valuation:	£462,507
Valuation basis:	Fair value - Latest Available Information
Percentage of equity held:	24.95%

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<b>High Level Recording Limited</b>	
Artist:	Peter Gabriel
Date of investment:	Jan-07
Total invested:	£1,000,000
Valuation:	£1,000,000
Valuation basis:	Fair value - Price of Recent Investment
Percentage of equity held:	24.95%

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**Independiente Music Ventures – David Ford Limited**

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Artist:	David Ford
Date of investment:	Jan-07
Total invested:	£387,500
Valuation:	£271,250
Valuation basis:	Fair value - Latest Available Information
Percentage of equity held:	24.95%

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**Independiente Music Ventures – Howling Bells Limited**

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Artist:	Howling Bells
Date of investment:	Jan-07
Total invested:	£1,000,000
Valuation:	£1,000,000
Valuation basis:	Fair value - Price of Recent Investment
Percentage of equity held:	24.95%

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**Cooking Vinyl Ventures Prodigy Limited**

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Artist:	Prodigy
Date of investment:	Jan-07
Total invested:	£1,056,817
Valuation:	£1,056,817
Valuation basis:	Fair value - Price of Recent Investment
Percentage of equity held:	24.95%

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**Jolly Roger Recordings Limited**

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Artist:	Vatican DC
Date of investment:	Feb-07
Total invested:	£276,530
Valuation:	£193,571
Valuation basis:	Fair value - Latest Available Information
Percentage of equity held:	24.95%

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**Independiente Music Ventures – Ulrich Schnauss Limited**

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Artist:	Ulrich Schnauss
Date of investment:	Mar-07
Total invested:	£221,875
Valuation:	£155,312
Valuation basis:	Fair value - Latest Available Information
Percentage of equity held:	24.95%

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## INGENIOUS MUSIC VCT 2

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### **Independiente Music Ventures – Blackbud Limited**

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Artist:	Blackbud
Date of investment:	Jun-07
Total invested:	£584,375
Valuation:	£584,375
Valuation basis:	Fair value – Price of Recent Investment
Percentage of equity held:	24.95%

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### **Reflex Licensing Limited**

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Artist:	UB40
Date of investment:	Jul-07
Total invested:	£471,765
Valuation:	£330,236
Valuation basis:	Fair value – Latest Available Information
Percentage of equity held:	24.95%

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### **H.I.T. Trade Limited**

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Artist:	Sirens
Date of investment:	Aug-07
Total invested:	£269,876
Valuation:	£188,913
Valuation basis:	Fair value – Latest Available Information
Percentage of equity held:	24.95%

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### **Blackbird Records 2 Limited**

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Artist:	Orange Lights
Date of investment:	Sep-07
Total invested:	£824,000
Valuation:	£824,000
Valuation basis:	Fair value – Price of Recent Investment
Percentage of equity held:	49.90%

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### **Real World Recordings Limited**

---

Artist:	Various
Date of investment:	Oct-07
Total invested:	£1,237,000
Valuation:	£1,237,000
Valuation basis:	Fair value – Price of Recent Investment
Percentage of equity held:	35.27%

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**Monkey Puzzle Records Limited**

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Artist:	Sia (third album)
Date of investment:	Nov-07
Total invested:	£1,072,353
Valuation:	£1,072,353
Valuation basis:	Fair value – Latest Available Information
Percentage of equity held:	49.90%

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**Ground Level Recording Limited**

---

Artist:	John Lennon DVD
Date of investment:	Nov-07
Total invested:	£439,125
Valuation:	£439,125
Valuation basis:	Fair value – Latest Available Information
Percentage of equity held:	49.90%

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**GUT MDL Recordings Limited\***

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Artist:	Medallist
Date of investment:	Dec-07
Total invested:	£340,212
Valuation:	£238,148
Valuation basis:	Fair value – Latest Available Information
Percentage of equity held:	49.90%

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**Join Us Copyrights Ltd\***

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Artist:	Funeral for a Friend
Date of investment:	May-08
Total invested:	£418,750
Valuation:	£293,125
Valuation basis:	Fair value – Latest Available Information
Percentage of equity held:	49.90%

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**Flying AV One Limited\***

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Artist:	Duran Duran DVD
Date of investment:	Sep-08
Total invested:	£334,884
Valuation:	£334,884
Valuation basis:	Fair value – Latest Available Information
Percentage of equity held:	49.90%

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**Moroto Two Ltd\***

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Artist:	Various – ie:music Fund 1
Date of investment:	Oct-08
Total invested:	£1,000,000
Valuation:	£1,000,000
Valuation basis:	Fair value – Price of Recent Investment
Percentage of equity held:	49.90%

---

**Moroto Ltd\***

---

Artist:	Various – ie:music Fund 2
Date of investment:	Oct-08
Total invested:	£1,000,000
Valuation:	£1,000,000
Valuation basis:	Fair value – Price of Recent Investment
Percentage of equity held:	49.90%

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**Keep On Keeping On Ltd\***

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Artist:	Ocean Colour Scene
Date of investment:	Nov-08
Total invested:	£668,750
Valuation:	£668,750
Valuation basis:	Fair value – Price of Recent Investment
Percentage of equity held:	49.90%

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**Monkey Puzzle Records 2 Ltd\***

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Artist:	Sia (fourth album)
Date of investment:	Nov-08
Total invested:	£927,647
Valuation:	£927,647
Valuation basis:	Fair value – Price of Recent Investment
Percentage of equity held:	49.90%

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**Morton Ltd\***

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Artist:	Independent Sounds development fund
Date of investment:	Nov-08
Total invested:	£900,000
Valuation:	£900,000
Valuation basis:	Fair value – Price of Recent Investment
Percentage of equity held:	49.90%

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**Flying AV Two Ltd\***

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Artist:	Roxy Music DVD
Date of investment:	Nov-08
Total invested:	£355,556
Valuation:	£355,556
Valuation basis:	Fair value - Price of Recent Investment
Percentage of equity held:	49.90%

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**TOTAL INVESTMENTS**

<b>Total invested:</b>	<b>£18,592,387</b>
<b>Valuation:</b>	<b>£16,034,822</b>

\* The company has recently been incorporated and has not yet filed audited accounts.

## DIRECTORS' REMUNERATION REPORT

This report has been prepared by the Directors in accordance with the requirements of Schedule 7A to the Companies Act 1985. The law requires the Company's auditors to audit certain information included in this report. Where disclosures have been audited, they are indicated as such. The auditors' opinion is included in their report on pages 24-25.

### 1. Directors' Remuneration Policy

Pursuant to the Articles, the aggregate fees of the Directors are capped at £100,000 per annum. The fees payable to non-executive Directors reflect their expertise, responsibilities and time spent on Company matters. In determining the level of non-executive remuneration, market equivalents are considered in comparison to the overall activities and size of the Company. Subject to the Articles, the Directors intend to continue to operate this remuneration policy for the forthcoming financial year and thereafter.

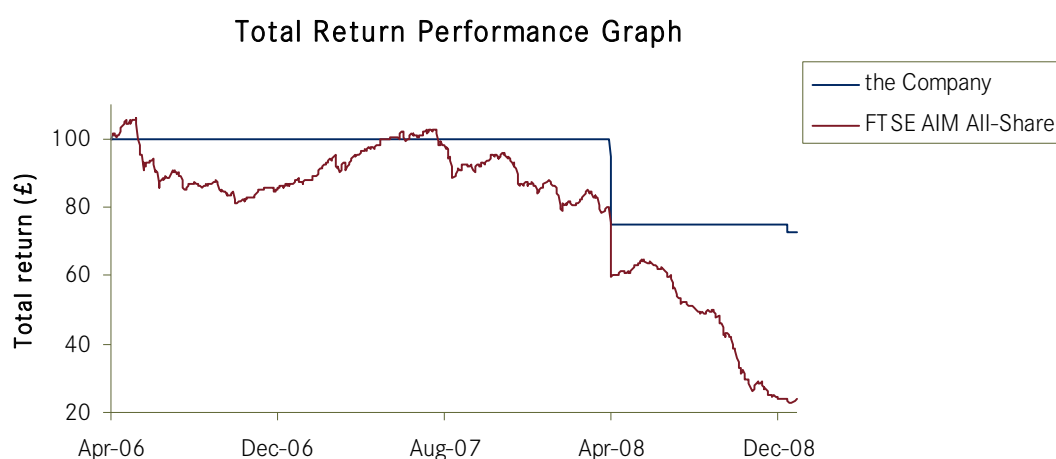
### 2. Appointment Letters

Each Director has executed an appointment letter which provides that he is to receive an annual fee equal to £15,000 per annum and to be reimbursed for any reasonable out-of-pocket expenses. These appointment letters state that each Director shall remain in office unless he: resigns as a Director; is removed from his office by the Board or the members of the Company; or becomes prohibited by law from being a Director.

The appointment letters do not provide for compensation upon early termination of appointment. There are no set minimum notice periods in the Directors' appointment letters but all Directors are subject to retirement by rotation. None of the Directors has a service contract.

### 3. Performance

The following line graph compares the total return on an investment of £100 in the ordinary shares of the Company, assuming any dividends are reinvested, with the total Shareholder return on a notional investment of £100 made up of shares of the same kinds and number as those by reference to which the FTSE AIM All-Share Index is calculated. This index was chosen for comparison purposes as it is the most relevant to the Company's investment portfolio.



**4. Directors' Remuneration**

The following table shows a breakdown of the remuneration of individual Directors (exclusive of National Insurance Contributions):

Director	Year ended 31 December	Year ended 31 December
	2008	2007
	Fees	Fees
	£'000	£'000
Patrick McKenna	15	15
Roger Ames	15	15
Lionel Martin	15	15
Peter Reichardt	15	15

No expenses were paid to any Director in the Reporting Period. The Company does not grant share options, long-term incentive schemes or retirement benefits to any Director. No contributions are made on behalf of the Directors to any pension scheme. No Director has received any bonuses, taxable expenses, compensation for loss of office or non-cash benefits for the year ended 31 December 2008. In respect of the year ended 31 December 2008, the Company has purchased (and continues to maintain) liability insurance covering the Directors and Officers of the Company.

This sub-paragraph 4 has been audited by Grant Thornton UK LLP.

By order of the Board



**Sarah Cruickshank**  
 Company Secretary  
 1 April 2009

## CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining the highest standards of corporate governance. The Directors seek to comply with the Combined Code to the extent that it is proportionate and relevant to: (i) the size and nature of the Company and its operations; and (ii) the Company's particular board and management structure as a VCT. On this basis, the Directors believe that, during the Reporting Period under review, the Company has complied with the provisions of the 2006 Combined Code except as explained below.

### 1. Board Composition

The Board is comprised of four directors of which Lionel Martin and Peter Reichardt are considered to be independent.

Patrick McKenna, the Company's Chairman, is also a director of the Manager, which is a wholly owned subsidiary within the Ingenious Group that is controlled by Patrick McKenna. Patrick is also Chairman of Ingenious Music VCT plc, the Ingenious Live VCTs, and a Director of the Ingenious Entertainment VCTs and is not, therefore, considered to be independent. Roger Ames is a non-executive director of Ingenious Music VCT plc and is not considered to be independent.

However, the Board believes that these directorships of Patrick McKenna and Roger Ames allow for enhanced communication between the Company and the Manager as well as closer supervision of the Manager's performance and of the allocation of investments between the Company and Ingenious Music VCT plc. The Directors therefore believe that these directorships are advantageous to, and do not affect the well balanced nature of, the Board.

Biographical details of each of the Directors can be found on page 7.

### 2. Board Appointments

Directors are not appointed for specified terms. The Board believes that, in the circumstances of the Company, the contribution of a non-executive director is enhanced by longer, continuous service.

The Directors' terms of appointment may be inspected by Shareholders at the Company's registered office during normal business hours.

To date, no formal performance evaluation of the Directors or the Board has been undertaken. Specific performance issues will be dealt with as and when they arise. No performance issues arose during the Reporting Period under review and the Board considers that the individual performance of each of the Directors continues to be effective and to demonstrate their commitment to the role.

No senior independent director has been appointed due to the relatively small size of the Board. However, this will be reviewed again during the next financial year and appropriate action taken if this is deemed appropriate.

### 3. Board Proceedings

The following table sets out the number of Board meetings held during the Reporting Period and the number of meetings attended by each Director:

	Attended	Possible
Patrick McKenna	5	5
Roger Ames	4	5
Lionel Martin	4	5
Peter Reichardt	5	5

The Manager provides the Board with appropriate information in a timely manner prior to all Board proceedings and at such other times as may be required by the Directors.

All of the Directors have access to the advice and services of Sarah Cruickshank, the Company Secretary, and the Manager's investment team. The Directors may also take independent professional advice at the Company's expense where necessary in the furtherance of their duties and responsibilities.

#### **4. Board Responsibilities**

The Board has delegated day-to-day investment management and administration of the Company to the Manager under the terms of the Investment Management and Administration Agreement. The Board retains overall responsibility for the Company's affairs, including the determination of its investment policy.

The Board believes that terms of this delegation are clearly defined and provide a healthy balance between: (i) maintaining supervision over the Manager's activities; and (ii) allowing the Manager to effectively source and implement appropriate qualifying investments in fulfilment of the Company's investment policy.

The Board, therefore, does not believe that it is necessary to adopt a specific schedule of reserved matters over and above the terms of the Investment Management and Administration Agreement which are currently in force.

#### **5. Board Committees**

The Company has an audit committee comprising Lionel Martin and Peter Reichardt. The committee has defined terms of reference and duties. The audit committee first met on 1 April 2009 with all members being present.

The audit committee is responsible for reviewing the half yearly and annual accounts before they are presented to the Board, the terms of appointment of the Auditors, together with their remuneration, as well as a full review of the effectiveness of the Company's internal control and risk management systems.

The audit committee is satisfied with the performance of the auditors and recommends to Shareholders that they be reappointed as auditors for the forthcoming year.

The Directors have not appointed a nominations committee as they consider that this would be disproportionate to the size of the Board. Appointments of any new directors will be determined by the full Board.

No remuneration committee has been appointed by the Board on the basis that the Company has no executive directors, employees or share incentive plans. No individual Director is involved in setting his own level of remuneration.

#### **6. Relations with Shareholders**

The Board places great importance on maintaining effective communication with Shareholders. The Board has chosen to postpone the convening of the 2009 Annual General Meeting so that it may first consider proposals for the future return of capital to shareholders following the three year anniversary of the last share issue on 5 April 2009.

#### **7. Internal Controls**

The Board is responsible for supervising the Company's system of internal control operated by the Manager and for reviewing its effectiveness. The Board, in conjunction with the Manager, has therefore established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place for the Reporting Period under review and up to the date of approval of the Annual Report & Accounts and accords with the Financial Reporting Council's 'Internal Control: Revised Guidance for Directors on the Combined Code' issued in October 2005.

## **INGENIOUS MUSIC VCT 2**

The significant risks facing the Company, along with the internal controls operated by the Manager, have been reviewed by the Board. The particular focus of the review was on ensuring that the internal controls operated by the Manager continued to mitigate these significant risks in a manner which was satisfactory to the Board.

The Board will continue to conduct half-yearly reviews based on “by-exception” reports provided by the Manager.

In summary, the Company’s system of internal controls involves the following key elements:

- the Manager prepares management accounts which provide the Board with a regular overview of the progress and performance of the Company and its investment portfolio;
- all investment decisions are approved by the Manager’s investment team and communicated to the Board on a quarterly basis;
- the Manager monitors the qualifying status of each qualifying holding in conjunction with PwC who report to the Board twice annually on the Company’s VCT status and advise on investment proposals as appropriate; and
- the Manager continuously monitors the Company’s progress and promptly informs the Board of any material developments as and when they occur.

The Board believes that the above procedures represent a sound system of internal control for the safeguarding of the Shareholders’ investment and the Company’s assets.

It should be noted, however, that this system of internal control is designed to manage rather than eliminate the risk of failure to achieve the Company’s business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

### **8. Internal Audit Function**

The Company does not have an internal audit function. The Board believes that such a function would be disproportionate to the size of the Company. However, this will be reviewed again during the next financial year and appropriate action taken if this is deemed appropriate.

### **9. Going Concern**

Under the 2006 Combined Code the directors are required to satisfy themselves that it is reasonable to presume the Company is a going concern.

After making enquiries, and on the strength of its balance sheet, the Directors are of the opinion that the Company has adequate resources to continue its operational activities for the foreseeable future. The Board is therefore of the opinion that the going concern basis should be adopted in the preparation of the financial statements.

### **10. Auditor Independence**

The audit committee and the Board considers the scope and effectiveness of the Company’s external auditors. The Company’s auditors, Grant Thornton UK LLP also provide non-audit advice to the Company. These services relate to corporate tax compliance assistance and do not, in the Board’s opinion, compromise the independence of Grant Thornton’s audit team.

**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF INGENIOUS MUSIC VCT 2 PLC**

We have audited the financial statements (the "financial statements") of Ingenious Music VCT 2 plc for the year ended 31 December 2008 which comprise the income statement, reconciliation of movements in shareholders' funds, the balance sheet, the cash flow statement and notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Business Review that is cross referred to the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement, Manager's Review, the Directors' Report, Business Review, Investment Portfolio Schedule, the unaudited part of the Directors' Remuneration Report and the Corporate Governance Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

## INGENIOUS MUSIC VCT 2

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*Grant Thornton UK LLP*

GRANT THORNTON UK LLP  
REGISTERED AUDITOR  
CHARTERED ACCOUNTANTS

London  
1 April 2008

Note: The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**INCOME STATEMENT**

for the year ended 31 December 2008

		<b>2008</b>	<b>2008</b>	<b>2008</b>	2007	2007	2007
		<b>Revenue</b>	<b>Capital</b>	<b>Total</b>	Revenue	Capital	Total
	<b>Note</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	£'000	£'000	£'000
Gain on disposal of investments		-	475	475	-	226	226
Decrease in fair value of investments held		-	(535)	(535)	-	(658)	(658)
Investment income	2	16	109	125	31	229	260
Investment management fees	3	(169)	(169)	(338)	(295)	(295)	(590)
Other expenses	4	(181)	(68)	(249)	(219)	(36)	(255)
<b>Loss on ordinary activities before taxation</b>		<b>(334)</b>	<b>(188)</b>	<b>(522)</b>	(483)	(534)	(1,017)
Tax on ordinary activities	5	-	-	-	-	-	-
<b>Loss on ordinary activities after taxation attributable to equity shareholders</b>		<b>(334)</b>	<b>(188)</b>	<b>(522)</b>	(483)	(534)	(1,017)
<b>Basic and diluted return per share (pence)</b>	6	<b>(1.3)</b>	<b>(0.7)</b>	<b>(2.0)</b>	(1.8)	(2.0)	(3.8)

The Company has no recognised gains and losses other than those disclosed above.

The total column is the profit and loss for the year.

All operations are considered to be continuing.

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

for the year ended 31 December 2008

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Opening shareholders' funds	<b>24,196</b>	25,213
Loss attributable to equity shareholders for the year	<b>(522)</b>	(1,017)
<b>Closing shareholders' funds</b>	<b>23,674</b>	24,196

The accompanying notes form an integral part of these financial statements.

## INGENIOUS MUSIC VCT 2

### BALANCE SHEET

As at 31 December 2008

	Note	2008 £'000	2007 £'000
<b>Fixed assets</b>			
Qualifying investments	7	16,035	10,416
<b>Current assets</b>			
Debtors	9	5	6
Non-Qualifying investments	10	7,528	13,940
Cash at bank and in hand		253	32
		<b>7,786</b>	13,978
<b>Creditors: amounts falling due within one year</b>	11	<b>(147)</b>	(198)
<b>Net current assets</b>		<b>7,639</b>	13,780
<b>Net assets</b>		<b>23,674</b>	<b>24,196</b>
<b>Capital and reserves</b>			
Called-up share capital	12	265	265
Share premium account	13	12,561	12,561
Other Reserve Account	13	12,561	12,561
Capital reserves			
realised	13	348	1
unrealised	13	(830)	(295)
Revenue reserve	13	(1,231)	(897)
<b>Equity shareholders' funds</b>		<b>23,674</b>	<b>24,196</b>
<b>Net asset value (pence per share)</b>	14	<b>89.4</b>	<b>91.4</b>

The financial statements on pages 26 to 37 were approved by the Board of Directors on 1 April 2009.

Signed on behalf of the Board of Directors:



**Patrick McKenna**  
Chairman

**CASH FLOW STATEMENT**

for the year ended 31 December 2008

	<b>2008</b>	2007
	<b>£'000</b>	£'000
<b>Net cash outflow from operating activities</b>	(512)	(685)
<b>Capital expenditure</b>		
Purchase of qualifying investments	(6,901)	(9,219)
Disposal of qualifying investments	832	-
<b>Net cash outflow from capital expenditure</b>	(6,069)	(9,219)
<b>Management of liquid resources</b>		
Purchase of non-qualifying investments	(2,924)	(4,310)
Disposal of non-qualifying investments	9,726	13,982
<b>Net cash inflow from liquid resources</b>	6,802	9,672
<b>Increase/(decrease) in cash</b>	221	(232)
<b>Reconciliation of loss before taxation to net cash flow from operating activities</b>		
	<b>£'000</b>	£'000
Loss on ordinary activities before taxation	(522)	(1,017)
Gain on disposal of investments	(475)	(226)
Decrease in fair value of investments held	535	658
Decrease in receivables	1	1
Decrease in payables	(51)	(101)
<b>Net cash outflow from operating activities</b>	( 512)	(685)
<b>Reconciliation of net cash flow to movement in net funds</b>		
	<b>£'000</b>	£'000
Opening cash balances	32	264
Net cash inflow/(outflow)	221	(232)
<b>Closing cash balances</b>	253	32

The accompanying notes form an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2008

**1. Accounting policies**

**(a) Basis of Accounting**

The financial statements for the year ended 31 December 2008 have been prepared in accordance with UK Generally Accepted Accounting Practice, and with the Statement of Recommended Practice (the SORP) entitled "Financial Statements of Investment Trust Companies" which was issued in January 2003 and revised in December 2005.

The Company's accounting policies are unchanged compared with the prior year.

The comparative figures are for the year, 1 January 2007 to 31 December 2007.

These financial statements have been prepared on the historical cost basis, except for the measurement at fair value of investments.

**(b) Valuation of Investments**

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. All investments are designated at fair value, using the basis of valuation set out below.

*Investee Companies*

Unquoted investments including equity and loan investments are stated at fair value in accordance with the International Private Equity and Venture Capital Guidelines and Financial Reporting Standard 26 "Financial Instruments: Recognition and Measurement" (FRS 26). They are designated at fair value through profit and loss in accordance with FRS 26.

Investments that are held as part of the Company's investment portfolio are carried at fair value even though the Company may have significant influence over these investee companies. This treatment is permitted by Financial Reporting Standard 9 "Associates and Joint Ventures" which requires investment trusts to treat all investments that are held as part of the investment portfolio in the same way.

The International Private Equity and Venture Capital Guidelines set out six permissible valuation methodologies, of these the two methodologies most applicable to the Company's investments are:

1 - Price of recent investment.

Where the investment being valued was made recently, its cost will generally provide a good indication of value. It is generally considered that this would only apply for a limited period; in practice a period of up to a year is often applied as the long stop date for such a valuation. In relation to the VCT investments, investments are generally held at cost until the album is either released or at such point at which new information provides more guidance as to the likely fair value of the investment.

2 - Discounted cash flows/earnings of the underlying business.

The calculation of the net present value of expected future cashflows of the investee companies. In relation to the Company's investments, anticipating future cashflows in excess of the guaranteed amounts would clearly require highly subjective judgements to be made in the early stage of each investment and therefore would not be an appropriate methodology to apply in the early stage of the investment.

The adopted approach fair values the investments upon initial recognition at the "price of recent investment" (i.e. cost) until album release or further information provides better guidance as to fair value. Subsequently,

the portfolio of investments is fair valued on the discounted cash flow/earnings basis using the latest available information following the release of the artists' records/albums.

If it is not considered likely that an investment will return to the Company an amount in excess of the contractually guaranteed 70 percent of total investment, the investment will be fair valued to 70 percent of the cost of the investment.

The valuation of investments and, in particular, investments in bands and artists is inherently subjective, due to the exercising of critical accounting estimates and judgements. The directors have adopted a valuation policy that they believe most appropriately reflects the fair value of such investments and compliance with the International Private Equity and Venture Capital Guidelines.

*Open Ended Investment Companies*

The Company's non qualifying investments are in interest bearing money market open ended investment companies (OEICs) are valued at fair value, this is the bid price. They have been designated as fair value through profit and loss for the purposes of FRS 26.

Gains and losses arising from changes in fair value of qualifying and non-qualifying investments are recognised as part of the capital return within the income statement and allocated to the realised or unrealised capital reserve as appropriate. Transaction costs attributable to the acquisition or disposal of investments are charged to capital within the income statement.

**(c) Investment Income**

Interest income is recognised in the income statement as it accrues.

**(d) Expenses**

All expenses are accounted for on an accruals basis. Expenses are charged to the revenue account within the income statement except that:

- expenses which are incidental to the acquisition or disposal of an investment are charged to capital in the income statement as incurred; and
- expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated.

**(e) Deferred Taxation**

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods.

**2. Investment Income**

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Bank deposit interest	<b>16</b>	31
Reinvested interest from OEICs	<b>109</b>	229
	<b>125</b>	260

**3. Investment Management Fee**

	<b>2008</b>	<b>2008</b>	<b>2008</b>	2007	2007	2007
	<b>Revenue</b>	<b>Capital</b>	<b>Total</b>	Revenue	Capital	Total
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	£'000	£'000	£'000
Investment management fee	<b>250</b>	<b>250</b>	<b>500</b>	251	251	502
Irrecoverable VAT	-	-	-	44	44	88
Reclaimed VAT	<b>(81)</b>	<b>(81)</b>	<b>(162)</b>	-	-	-
	<b>169</b>	<b>169</b>	<b>338</b>	295	295	590

For the purposes of the revenue and capital columns in the income statement, the management fee has been allocated 50% to revenue and 50% to capital, which represents the proportion of the fee attributable to the management of the investments of the Company.

**4. Other Expenses**

	<b>2008</b>	<b>2008</b>	<b>2008</b>	2007	2007	2007
	<b>Revenue</b>	<b>Capital</b>	<b>Total</b>	Revenue	Capital	Total
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	£'000	£'000	£'000
Directors' remuneration (including Employer's National Insurance)	<b>65</b>	-	<b>65</b>	65	-	65
Auditors' remuneration						
- Audit fees	<b>15</b>	-	<b>15</b>	16	-	16
- Tax services	<b>2</b>	-	<b>2</b>	1	-	1
- Other services	<b>1</b>	-	<b>1</b>	2	-	2
Legal & professional fees	<b>19</b>	<b>58</b>	<b>77</b>	24	31	55
Other administration expense	<b>63</b>	-	<b>63</b>	90	-	90
Irrecoverable VAT	<b>16</b>	<b>10</b>	<b>26</b>	21	5	26
	<b>181</b>	<b>68</b>	<b>249</b>	219	36	255

All figures include irrecoverable VAT, where applicable. The Company is not registered for VAT. Fees payable to the Company's auditor for the audit of the Company's financial statements are £15k excluding VAT. Further details on the Directors' fee disclosures are given in the Directors' Remuneration Report.

**5. Tax Charge on Ordinary Activities**

	<b>2008</b>	<b>2008</b>	<b>2008</b>	2007	2007	2007
	<b>Revenue</b>	<b>Capital</b>	<b>Total</b>	Revenue	Capital	Total
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	£'000	£'000	£'000
Loss on ordinary activities before tax	<b>(334)</b>	<b>(188)</b>	<b>(522)</b>	(483)	(534)	(1,017)
Loss on ordinary activities by tax rate 28.5% (2007: 30%)	<b>(95)</b>	<b>(53)</b>	<b>(148)</b>	(145)	(160)	(305)
Adjustments:						
Non taxable losses on investments	-	<b>17</b>	<b>17</b>	-	148	148
Non taxable income	-	<b>(31)</b>	<b>(31)</b>	-	(87)	(87)
Disallowed expenses	-	<b>67</b>	<b>67</b>	8	11	19
Unutilised losses for the current year	<b>95</b>	-	<b>95</b>	137	88	225
	-	-	-	-	-	-

As the Company is a VCT its capital gains are not taxable.

At 31 December 2008 the Company had surplus management expenses of £1,774k (2007: £1,414k) which have not been recognised as a deferred tax asset. This is due to the fact that future taxable income cannot be predicted with reasonable certainty. Due to the Company's status as a VCT, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company does not provide deferred tax on any capital gains or losses which arise on the revaluation of investments.

## 6. Basic and Diluted Return per Share

	2008	2008	2008	2007	2007	2007
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Loss on ordinary activities after taxation	(334)	(188)	(522)	(483)	(534)	(1,017)
Weighted average shares in issue (number)	26,475,381	26,475,381	26,475,381	26,475,381	26,475,381	26,475,381
Loss attributable per share (pence)	(1.3)	(0.7)	(2.0)	(1.8)	(2.0)	(3.8)

There are no dilutive potential ordinary shares, including convertible instruments, options or contingent share agreements in issue for the Company.

## 7. Fixed Asset Investments

	2008	2007
	£'000	£'000
Unquoted investments	16,035	10,416
Equity shares	3,720	2,350
Unsecured loan notes	12,315	8,066
	16,035	10,416

	Qualifying Investments	
	£'000	£'000
Opening valuation	10,416	2,305
Purchases at cost	6,901	9,219
Disposal at cost	(832)	-
Fair value adjustment	(450)	(1,108)
<b>Closing valuation</b>	<b>16,035</b>	<b>10,416</b>

**8. Significant Interests**

The Company has interests of greater than 20% of the nominal value of the allotted shares of the following investee companies incorporated in the United Kingdom as at 31 December 2008:

Trading Companies	% class and share type	% voting rights
Independiente Music Ventures – Travis Limited	24.95% A Ordinary	24.95%
GR8 Pop Trading Limited	24.95% A Ordinary	24.95%
Funwood Music Limited	24.95% A Ordinary	24.95%
Genius Music Limited	24.95% A Ordinary	24.95%
High Level Recording Limited	24.95% A Ordinary	24.95%
Independiente Music Ventures – David Ford Limited	24.95% A Ordinary	24.95%
Independiente Music Ventures – Howling Bells Limited	24.95% A Ordinary	24.95%
Cooking Vinyl Ventures Prodigy Limited	24.95% A Ordinary	24.95%
H.I.T. Trade Limited	24.95% A Ordinary	24.95%
Independiente Music Ventures – Blackbud Limited	24.95% A Ordinary	24.95%
Independiente Music Ventures – Ulrich Schnauss Limited	24.95% A Ordinary	24.95%
Jolly Roger Recordings Limited	24.95% A Ordinary	24.95%
Real World Recordings Limited	35.27% A Ordinary	35.27%
Reflex Licensing Limited	24.95% A Ordinary	24.95%
Blackbird Records 2 Limited	49.90% A Ordinary	49.90%
Monkey Puzzle Records Limited	49.90% A Ordinary	49.90%
Ground Level Recordings Limited	49.90% A Ordinary	49.90%
GUT MDL Recordings Limited	49.90% A Ordinary	49.90%
Flying AV One Limited	49.90% A Ordinary	49.90%
Flying AV Two Limited	49.90% A Ordinary	49.90%
Join Us Copyrights Limited	49.90% A Ordinary	49.90%
Keep On Keeping On Limited	49.90% A Ordinary	49.90%
Monkey Puzzle Records Two Limited	49.90% A Ordinary	49.90%
Moroto Limited	49.90% A Ordinary	49.90%
Moroto Two Limited	49.90% A Ordinary	49.90%
Morton Limited	49.90% A Ordinary	49.90%

The investments made by the Company are part of its portfolio of investments. As a VCT, the Company values those investments at fair value in accordance with FRS 26.

**9. Debtors**

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Prepayments and accrued income	<b>5</b>	3
Trade debtors	<b>-</b>	3
	<b>5</b>	6

**10. Current Asset Investments**

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Funds held in listed money market instruments	<b>7,528</b>	13,940
<b>Non-Qualifying Investments</b>		
	<b>£'000</b>	£'000
Opening valuation	<b>13,940</b>	22,936
Purchases at cost	<b>2,924</b>	4,310
Disposal proceeds	<b>(9,726)</b>	(13,982)
Realised gains on disposal	<b>475</b>	226
Unrealised change in value of investments	<b>(85)</b>	450
<b>Closing valuation and book cost</b>	<b>7,528</b>	13,940

In order to safeguard the capital available for investment in Qualifying Investments and balance this with the need to provide good returns to investors, available funds from the net proceeds are invested in appropriate securities (money market securities and cash funds) until required for Qualifying Investment purposes.

**11. Creditors: Amounts Falling Due Within One Year**

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Trade creditors	<b>2</b>	13
Accruals and deferred income	<b>145</b>	185
	<b>147</b>	198

**12. Called-Up Share Capital**

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Authorised		
40,000,000 ordinary shares 1p each	<b>400</b>	400
Allotted, called-up and fully paid		
26,475,381 ordinary shares 1p each	<b>265</b>	265

**13. Reserves**

	Share premium	Other reserve	Capital realised	Capital unrealised	Revenue reserve	Total reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 January 2008</b>	12,561	12,561	1	(295)	(897)	23,931
Gain on disposal of investments	-	-	475	-	-	475
Decrease in fair value of investments held	-	-	-	(535)	-	(535)
Investment income	-	-	109	-	16	125
Investment management fees	-	-	(169)	-	(169)	(338)
Other expenses	-	-	(68)	-	(181)	(249)
<b>At 31 December 2008</b>	12,561	12,561	348	(830)	(1,231)	23,409

**14. Net Asset Value Per Share**

	<b>31 December 2008</b>	31 December 2007
Net assets attributable to shareholders (£'000)	<b>23,674</b>	24,196
Shares in issue (number)	<b>26,475,381</b>	26,475,381
Net asset value per share (pence)	<b>89.4</b>	91.4

**15. Financial Instruments and Risk Management**

The Company's financial instruments comprise equity and floating rate debt investments in unquoted companies, cash balances and listed money market instruments. The Company holds financial assets in accordance with its investment policy.

Fixed asset investments (see note 7) are valued at fair value. For quoted securities included in current asset non qualifying investments, this is bid price. In respect of unquoted investments, these are fair valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines. The fair value of all other financial assets and liabilities is represented by their carrying value on the Balance Sheet.

The Company's investing activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most important types of financial risk to which the Company is exposed are:

- Market risk;
- Interest rate risk;
- Credit risk; and
- Liquidity risk

The nature and extent of the financial instruments outstanding at the balance sheet date and the risk management policies employed by the Company are discussed below:

**a) Market Risk**

Market risk embodies the potential for both losses and gains and includes interest rate risk and price risk.

The Company's strategy on the management of investment risk is driven by the Company's investment objective. Investments in unquoted companies, by their nature, involve a higher degree of risk than investments in larger "blue chip" companies.

The risk of loss in value is managed through careful selection in accordance with a formalised investment decision process, with each investment proposal evaluated by the investment committee as part of the due diligence stage. The Company's investment policy can be found in the Business Review. The risk is also managed through continuous monitoring of the performance of investments and changes in their risk profile.

**b) Interest Rate Risk**

Some of the Company's financial assets are interest bearing, all of which are at floating rates. As a result, the Company is subject to exposure to interest rate risk due to fluctuations in the prevailing levels of market interest rate.

When the Company retains cash balances, the majority of cash is held within an interest bearing money market open ended investment company (OEIC), being the £7,528k Non-Qualifying Investments amount on the Balance Sheet (2007: £13,940k). The benchmark rate which determines the interest payments received on interest bearing cash balances and debt investments in unquoted companies is the bank base rate which was 2 per cent as at 31 December 2008 (31 December 2007: 5.5 per cent).

The following table illustrates the sensitivity of the profit on ordinary activities for the year before taxation and total equity to a change in interest rates of 100 basis points, with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Company's Non-qualifying investments held at each balance date. All other variables are held constant.

	<b>31 December 2008</b>	31 December 2007
	<b>£ '000</b>	£ '000
	<b>+/- 100 basis points</b>	+/- 100 basis points
Profit on ordinary activities for the year before taxation		
Total Equity	<b>75</b>	139

**c) Credit Risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company.

Whilst the Company is exposed to credit risk due to its £12,315k unsecured loan note instruments (2007: £8,066k), this risk is mitigated by the Company requiring that minimum royalty arrangements are in place prior to the investment as set out in the Company's investment policy. In addition, and in accordance with the Company's monitoring procedure, the Manager closely monitors progress (including financial expenditure) against the investee companies' agreed business plans.

The £12,315k (2007: £8,066k) unsecured loan note is the contractually agreed 70% of initial investments.

**d) Liquidity Risk**

The Company's financial instruments include equity and debt investments in unquoted companies, which are not traded in an organised public market and which generally may be illiquid. As a result, the Company may not be able to liquidate quickly some of its investment in these instruments at an amount close to fair value.

The Company maintains sufficient reserves of cash and readily realisable marketable securities to meet its liquidity requirements at all times. No numerical disclosures have been provided in respect of liquidity risk as this is not considered to be material.

**16. Contingencies, Guarantees and Financial Commitments**

There is currently interest income accruing on the unsecured loan note instruments at a rate of 3.0 per cent, being 1 per cent over the bank base rate which was 2.0 per cent as at 31 December 2008, totalling £887,799 (2007: £357,594). The repayment of this interest is contingent on future profits being derived by the investee companies, which currently can not be determined with any certainty, therefore the Directors have not provided for it in the financial statements.

**17. Related Party Transactions**

The Company has appointed Ingenious Ventures to provide investment management services. Ingenious Ventures Limited was the manager until 1 March 2008, when the investment management agreement was novated to Ingenious Asset Management Limited, and Ingenious Ventures became a trading division of Ingenious Asset Management Limited. Patrick McKenna is a director of Ingenious Ventures Limited and Ingenious Asset Management Limited, which are both wholly owned subsidiaries within the Ingenious Group, which is controlled by Patrick McKenna.

During the Reporting Period the Company has carried out a number of transactions with the above-mentioned related parties in the normal course of the business and on an arm's length basis:

## INGENIOUS MUSIC VCT 2

Entity	2008 Expenditure paid £'000	2008 Amounts due £'000	2007 Expenditure paid £'000	2007 Amounts due £'000
Ingenious Ventures Limited				
- Investment management fee	94	-	443	147
- Administration fee	7	-	32	11
Ingenious Asset Management				
- Investment management fee	405	119	-	-
- Administration fee	31	-	-	-
		<b>Amounts receivable £'000</b>		<b>Amounts receivable £'000</b>
Ingenious Asset Management Limited				
- VAT reclaimed on Management and Administration fee		7		-
Ingenious Ventures Limited				
- VAT reclaimed on Management and Administration fee		165		-

Ingenious Media Consulting Limited, a company in which Patrick McKenna is a Director, has entered into consultancy agreements with each of the investee companies to provide management services. For the provision of such services, consulting fees totalling £454k including VAT (2007: £703k) have been invoiced in the year, £225k of which remains outstanding as at 31 December 2008.

The funds invested in OEICs, are managed by Ingenious Asset Management Limited, a company in which Patrick McKenna is a Director. Ingenious Asset Management is a wholly owned subsidiary within the Ingenious Group which is controlled by Patrick McKenna.

Patrick McKenna is a Director of The Young Vic Company (a registered charity) which holds 0.2% of the equity in each of the investee companies.

### 18. Capital Management

The capital management objectives of the Company are:

- To safeguard its ability to continue as a going concern so that it can continue to provide returns to Shareholders.
- To ensure sufficient liquid resources are available to meet the funding requirements of its investments and to fund new investments where identified.

The Company has no external debt, consequently all capital is represented by the value of share capital, distributable and other reserves. Total Shareholder equity at 31 December 2008 was £23,674k (2007: £24,196k)

In order to maintain or adjust its capital structure the Group may adjust the amount of dividends paid to the Shareholders, return capital to Shareholders, issue new shares or sell assets.

There have been no changes to the capital management objectives or the capital structure of the business from the previous period.

The Group is subject to the following externally imposed capital requirements:

- As a public company Ingenious Music VCT 2 plc must have a minimum of £50k of share capital.
- The level of dividends may be influenced by the need to comply with the VCT legislation which states that no more than 15% of income from shares and securities may be retained.

## **SHAREHOLDER INFORMATION**

### **1. Share Price**

All of the Shares have been admitted to trading on the LSE.

### **2. Share Trading**

Shares can be bought and sold in the same way as any other quoted company on the LSE via a stockbroker. The primary market maker for the shares is Brewin Dolphin Ltd.

Selling your shares may have tax consequences. You should contact your financial adviser if you are in any doubt as to such potential consequences.

### **3. Share Buy-Backs**

The Company is unable to buy-back shares directly from a Shareholder. Share buy-backs must therefore be conducted through a Shareholder's stockbroker. The Manager is able to provide details of periods when the Company is prohibited from buying-back shares from Shareholders under the Listing Rules.

### **4. Change of Shareholder Address**

Written communications with Shareholders are sent to the registered address held on the register of members. In the event of a change of address or any other relevant amendments, please notify the Company's registrar, SLC Registrars, under the signature of the registered holder of the shares in question.

### **5. Investor Relations Team**

The Company and the Manager are committed to maintaining excellent investor relations. Therefore, if you have any questions about the Company's progress please contact the Investor Relations Team below or your usual Ingenious contact.

Anouschka Elliott

Tel.: +44 (0) 207 319 4004

Fax: +44 (0) 207 319 4001

Email: [anouschka.elliott@ingeniousmedia.co.uk](mailto:anouschka.elliott@ingeniousmedia.co.uk)

Please note that neither the Investor Relations Team nor your usual Ingenious contact can provide you with any investment, tax, legal or other advice in relation to your shares.

## DEFINITIONS

The following definitions apply throughout these Annual Report & Accounts unless the context otherwise requires:

### **A&R**

Artist and repertoire.

### **Annual Report & Accounts**

These annual report & accounts of the Company for the year ending 31 December 2008.

### **Articles**

The Company's articles of association.

### **Board**

The Company's board of directors from time to time.

### **BPI**

The British Phonographic Industry (the British record industry's trade association).

### **Combined Code**

Combined Code on Corporate Governance 2006.

### **Companies Act**

Companies Act 1985 and Companies Act 2006.

### **Company**

Ingenious Music VCT 2 plc

### **Directors**

Directors of the Company from time to time.

### **FRS**

Financial Reporting Standard.

### **FSA**

Financial Services Authority.

### **Grant Thornton**

Grant Thornton UK LLP.

### **ICTA**

Income & Corporation Taxes Act 1988.

### **ITA**

Income Tax Act 2007.

### **Indies**

Small to medium-sized companies comprising the independent music sector.

### **Ingenious or Ingenious Group**

Ingenious Media Limited and its parent company and subsidiaries from time to time.

### **Ingenious Consulting**

Ingenious Media Consulting Limited.

### **Ingenious Entertainment VCTs**

Ingenious Entertainment VCT 1 plc and Ingenious Entertainment VCT 2 plc.

### **Ingenious Investments**

Ingenious Media Investments Limited.

### **Ingenious Live VCTs**

Ingenious Live VCT 1 plc and Ingenious Live VCT 2 plc.

### **Ingenious Music VCTs**

Ingenious Music VCT plc and Ingenious Music VCT 2 plc.

### **Majors**

Sony BMG, EMI Music, Warner Music and Universal Music.

### **Manager**

Ingenious Ventures Limited up until 1 March 2008 when the Investment Management and Administration Agreement was novated to Ingenious Asset Management Limited.

### **Offer**

The Company's offer to the public to subscribe for up to 30 million Shares at an issue price of 100p per Share launched on 22 November 2005.

### **Prospectus**

The prospectus published by the Company on 22 November 2005 in connection with the Offer.

### **PwC**

PricewaterhouseCoopers LLP.

### **Qualifying Company**

An unquoted company carrying on a trade wholly or mainly in the United Kingdom which satisfies certain other conditions as defined in schedule 28B of the ICTA and which meets the criteria to be a qualifying holding for the purpose of that schedule.

### **Qualifying Investment**

An investment by a VCT in a Qualifying Company.

### **Shares**

Ordinary shares of 1p each in the share capital of the Company.

### **Shareholder**

Holders of Shares.

### **SORP**

Has the meaning given to it on page 29.

### **VCT**

A company approved by HM Revenue & Customs as a venture capital trust under section 274 of the ITA.

In these Annual Report & Accounts (and unless the context otherwise requires), a reference to a time of day is to the time of day in London and a reference to a page is to a page of these Annual Report & Accounts.



