INGENIθUS ENTERTAINMENT VCT 2

ANNUAL REPORT & ACCOUNTS
For the year ended
31 December 2010

WE ARE INGENIθUS

CONTENTS

CORPORATE INFORMATION

The Company	Ingenious Entertainment VCT 2 plc
Directors	Paul Gregg* (Chairman, appointed 19 August 2010) Patrick McKenna Lionel Martin* Bob Storer* (Chairman, resigned 13 July 2010)
Company Secretary	Sarah Cruickshank
Registered Office	15 Golden Square London W1F 9JG
Company Number	6395025
Investment Manager and Administrator	Ingenious Ventures** 15 Golden Square London W1F 9JG
Auditors	Grant Thornton UK LLP Grant Thornton House Melton Street Euston Square London NW1 2EP
Taxation Advisers	PricewaterhouseCoopers LLP (PwC) 1 Embankment Place London WC2N 6RH
Registrar	SLC Registrars Thames House Portsmouth Road Esher Surrey KT10 9AD Tel: 01372 467 308
Sponsor	Howard Kennedy Corporate Services LLP 19 Cavendish Square London W1A 2AW

* Independent director (a director who is independent of the Investment Manager)

** Ingenious Ventures is a trading division of Ingenious Asset Management Limited

CHAIRMAN'S STATEMENT

I am delighted to present the Company's third Annual Report and Accounts covering the year to 31 December 2010 (the **Reporting Period**).

Overview of Activities

The Company has now completed its investment strategy and is fully invested under the VCT regulations for the Ordinary Shares and the management team will now focus on maximising the returns from these investments.

The Company continued to actively source and review investment opportunities during the Reporting Period for the C Shares and D Shares. In total, the Company made eight investments across the Ordinary Shares and C Shares during the Reporting Period. Details of all investments can be found in the Manager's Review on page 4.

I am pleased to announce that the first investment made by the Ordinary Shares, *80s Rewind Festival*, performed well attracting in excess of 35,000 people, making a good profit in its second year.

Fund Raising

In October 2010, the Ingenious Entertainment VCTs launched the E and F Share offers for subscription. As at 7 April 2011 the Ingenious Entertainment VCTs have raised over £8 million in respect of the E and F Share offers. The Ingenious Entertainment VCTs have now raised in excess of £46 million through their Ordinary, C Share, D Share, E Share and F Share classes. The E and F Share offer will remain open for subscription until 29 July 2011.

Following the end of the Reporting Period, the Company made further investments to back two new festivals, one based in Bournemouth and the other in Brighton. These were the first deals entered into through a co-investment of the funds raised by the C Shares and the D Shares.

Results

The Ordinary Shares, C Shares and D Shares are accounted for as separate pools of funds necessitating separate reporting.

The Ordinary Shares made a loss on ordinary activities of £105,000 (31 December 2009: £173,000), the C Shares made a loss on ordinary activities of £66,000 (31 December 2009: £83,000) and the D Shares made a loss on ordinary activities of £163,000 (31 December 2009: £Nil) in the Reporting Period.

The net asset value per Ordinary Share is 87.6 pence (31 December 2009: 93.6 pence) although this is after the deduction of the interim dividend of 5.0 pence per share.

The net asset value per C Share is 84.4 pence (31 December 2009: 91.8 pence) although this is after the deduction of the interim dividend of 5.0 pence per share.

The net asset value of each D Share is 92.9 pence (31 December 2009: £Nil).

The Directors do not recommend the payment of a final dividend in respect of the Reporting Period.

Outlook

It was noted in our review of the market in the Annual Report and Accounts for the year ended 31 December 2009 that the challenging economic environment would be likely to adversely affect the live events sector as consumers became more cautious about their discretionary spending. However, I am pleased to report that the live events sector has performed resiliently in the downturn and we anticipate the expansion of the digital media sector creating new markets for content creators.

CHAIRMAN'S STATEMENT (CONTINUED)

Outlook (continued)

We believe that the strategy of the Ingenious Live VCTs, which are managed by Ingenious Ventures, shows strong signs of commercial success. It is one that successfully balances equity risk with a strong level of downside protection through minimum revenue arrangements of at least 70% in respect of each investment. The Ingenious Entertainment VCTs will very much continue to replicate this strategy, albeit with the ability to diversify the investment portfolio.

I would like to take this opportunity to thank all Shareholders for their support of the Company and I look forward to seeing those of you that are able to attend the AGM, scheduled for 18 May 2011.

Paul Gregg
Chairman
7 April 2011

MANAGER'S REVIEW

Investment Objective

The Company's main objective is to invest in companies established to create and bring to market live events and premium entertainment content which will provide Shareholders with an attractive return. This strategy will aim to maximise the opportunities for making tax-free dividends to Shareholders from both the actual income received and capital profits on the sale of the Investee Companies or their assets.

Festivals

80s Rewind Festival & *80s Rewind North*

Investment amount (*80s Rewind Festival*): £272,598 (£545,196 across the Ingenious Entertainment VCTs, and £693,696 across the Ingenious Live VCTs).

Investment amount (*80s Rewind North*): £500,000 (£1,000,000 across the Ingenious Entertainment VCTs).

In December 2008, the Company, alongside The Rival Organisation, co-promoted *80s Rewind Festival,* a two-day music event in Henley-Upon-Thames. The 2010 event held in August experienced an impressive increase in attendance figures, with a total audience of over 35,000 across both days. Highlights included performances by *Boy George*, *Tony Hadley*, *Go West* and *Rick Astley*.

We remain confident that *80s Rewind* will continue to perform strongly in the future. This year's event is to be held between 19 and 21 August and attendance levels are forecast at over 20,000 per day.

The latest investment in the *80s Rewind* brand was made in October 2010 in order to co-promote *80s Rewind North,* which will take place between 29 and 31 July 2011 at Scone Palace in Perthshire, Scotland. There is a star studded line up at both events, including *The Human League*, *Holly Johnson*, *Billy Ocean*, *The Bluebells*, *Ali Campbell's UB40*, along with many more. Tickets are now on sale and have already exceeded their target at this stage.

With the Rewind brand developing from strength to strength, we are now looking at an international rollout. It is anticipated that 2011 will see *80s Rewind* festivals take place in Holland, South Africa and Australia.

London Electronic Dance Festival (L.E.D.)

Investment amount: £500,000 (£1,000,000 across the Ingenious Entertainment VCTs).

In August 2010 the Ingenious Entertainment VCTs agreed to co-promote the *London Electronic Dance Festival (L.E.D.)* in partnership with AEG Live, Cream and Loudsound. This year the event hosted performances by some of the world's top dance acts including *David Guetta, Calvin Harris, Leftfield, Goldfrapp, Annie Mac* and many more.

The *L.E.D. Festival* was held over the August bank holiday weekend in London's Victoria Park and attracted over 25,000 people. However, these numbers were not enough to secure a profit for the opening year. With such an impressive range of partners behind this event, the Company is confident that this festival will prove a success in coming years.

The Apple Cart Festival

Investment amount: £125,000 (£250,000 across the Ingenious Entertainment VCTs).

In June 2010, the Company made an investment in The Apple Cart Festival Limited to promote a one-day music and arts festival in London. *The Apple Cart Festival* is a broader type of festival combining music, comedy, art, cinema, magic and spoken word. Planning is currently underway for the first festival in London's Victoria Park, during the summer of 2011.

MANAGER'S REVIEW (CONTINUED)

Exhibitions

O_2 Golf Live

Investment amount: £275,000 (£1,100,000 across the Ingenious Entertainment VCTs and the Ingenious Live VCTs).

O_2 Golf Live is a new three-day interactive golf event which was staged at Stoke Park in Buckinghamshire between 14 and 16 May 2010. *O_2 Golf Live* returns in 2011 and will be held at the prestigious London Golf Club in Kent from 20 to 22 May. In conjunction with our co-promoters Brand Events and IMG, the event will again be hosted by last year's Ryder Cup captain, *Colin Montgomerie*. The 2010 event was described by those who attended as the most exciting and dynamic event to be added to the golfing calendar.

IMG invested into the event as an equity partner giving Brand Events access to worldwide sporting talent. IMG Worldwide is a global sports, fashion and media business and is excited to be working with Brand Events, who together aim to roll the event out to further prestigious golf courses around the world. O_2, Jaguar and the European Tour were amongst the partners for the initial UK launch and have all agreed to continue to sponsor and support the event in 2011.

The event made a loss in the first year, however it was extremely well received by both the corporate partners and the paying public. Sponsorship and exhibitor income are already ahead of this year's budget and 2011 ticket sales are also ahead of where they were in 2010. Both Brand Events and IMG are confident that the event will move into profit in 2011, building on the significant brand awareness that was created in its first year.

Live Venues

Scarborough Open Air Theatre

Investment amount: £1,000,000 (£4,000,000 across the Ingenious Entertainment VCTs and the Ingenious Live VCTs).

The Ingenious Live VCTs along with Apollo Resorts and Leisure Scarborough joined forces to co-promote a new venue in 2009 known as the *Scarborough Open Air Theatre*. The theatre was originally opened in 1932 and in 2009 Scarborough Council entered into a major restoration programme as part of the North Bay Project to reinstate the theatre, reopening it to the public in 2010. Further funding of £2,000,000 was introduced by the Ingenious Entertainment VCTs in December 2010.

Scarborough now has the largest open air theatre in Europe. It was opened by the Queen on 20 May 2010 and this ceremony was followed by a series of sell out events throughout the summer season. These included the Gala Opening with performances by *José Carreras* and *Dame Kiri Te Kanawa* as well as the *80s Rewind* concert, which included performances from *Boy George*, *Rick Astley* and *Paul Young*. The second half of the season showcased an impressive range of events, one of which included a number of shows by *Justin Fletcher*, the Bafta award winning children's presenter and star of *CBeebies*. This new venue also hosted some less successful events, meaning that in its opening year the Scarborough theatre did not generate a profit. Nonetheless, following the encouraging reception the Scarborough theatre received over its first year, we are confident that this venue will move into profit in 2011.

XOYO

Investment amount: £400,000 (£800,000 across the Ingenious Entertainment VCTs).

In March 2010 the Company made an investment with Assorted Works Limited to co-promote events at a new live venue on Cowper Street, in London's Shoreditch district.

XOYO is a 900 capacity live entertainment venue split over two floors which books and promotes a broad and exciting range of live music acts, club nights, visual art and other creative media events. *XOYO* has a prime location in Shoreditch; the hub of London's music, art and party scene.

The venue opened in September 2010 and has proved to be very popular with an average of up to six shows a week, with over 14,000 people coming through the doors every month.

MANAGER'S REVIEW (CONTINUED)

Live Venues (continued)

Jongleurs Comedy Live

Investment amount: £1,000,000 (£2,000,000 across the Ingenious Entertainment VCTs).

In October 2010, it was agreed that the Ingenious Entertainment VCTs would co-promote a variety of live comedy events throughout the UK with *Jongleurs Comedy Live.* Over a period of 25 years *Jongleurs* has grown to become one of the biggest names in the comedy industry and the brand has helped to launch the careers of some of the best names in show business including *Eddie Izzard*, *Harry Enfield*, *Al Murray*, *Jack Dee* and *Graham Norton*.

Jongleurs is currently rolling out its brand through a number of club partnerships and franchises across the UK. The Company expects this development to generate positive returns in the course of 2011.

Television Format and Distribution

Let's Dance

Investment amount: £500,000 (£2,000,000 across the Ingenious Entertainment VCTs and the Ingenious Live VCTs).

Originally commissioned by the BBC for Comic Relief in 2009 and Sport Relief in 2010, the TV format *Let's Dance* is the celebrity packed dance spectacular which sees well known celebrities such as *Rufus Hound* and *Jo Brand* pay homage to some of the world's most iconic dance routines in front of a live audience. *Let's Dance* has started its international roll-out with deals in Russia, Holland, Germany, Slovakia, Indonesia and Sweden.

In 2010 the show had a peak audience of over eight million viewers and as a result, the programme has been recommissioned for the third year, once again in conjunction with Comic Relief. The series aired on 19 February 2011 and ran over four weeks, comprised of three heats and culminated in a spectacular final dance off on Red Nose Day weekend.

Digital Rights Group

Investment amount: £1,000,000 (£2,000,000 across the Ingenious Entertainment VCTs).

In June 2009, the Ingenious Entertainment VCTs agreed with independent television distributor Digital Rights Group Limited (**DRG**) to jointly acquire, market and distribute a series of television programmes.

DRG is the leading independent distributor of content in the UK with eight brands in the DRG group supporting all genres from drama to reality and formats to entertainment. DRG has worked on shows as diverse as *The Inbetweeners*, *Kingdom* starring Stephen Fry, the Martin Clunes drama *Doc Martin*, Australian series *Sea Patrol*, a wide variety of children's programmes and factual documentaries. The investment is anticipated to generate a small return for the Company.

SuperVision

Investment amount: £1,000,000 (£2,000,000 across the Ingenious Entertainment VCTs).

In 2010, an investment was made in *SuperVision* Media to co-promote and co-distribute alternative content. *SuperVision* is one of the leading owners and distributors of alternative content for cinemas around the globe in both the sport and entertainment fields. Their aim is to provide people with experiences that are the next best thing to being at the event whilst screening live, uninterrupted content mainly in 3D format, accompanied by surround sound.

MANAGER'S REVIEW (CONTINUED)

Television Format and Distribution (continued)

SuperVision (continued)

SuperVision has secured the exclusive rights to stage *Formula 1* racing in cinemas and was also able to distribute the *Football World Cup* in 3D in the UK during July 2010.

The company has more recently secured the exclusive rights to screen *Michael Flatley's Lord of the Dance in 3D* which was released on 17 March 2011. Major theatre chains in the US, UK, and Europe supported the movie and *SuperVision* had a screen goal of roughly 1,500 locations (half in the US, with the balance in the UK and Europe).

Saturn Explosion

Investment amount: £1,000,000 (£2,000,000 across Ingenious Entertainment VCTs).

In December 2010, Ingenious Entertainment VCTs agreed with the directors of *Supervision Media* to form a new company, Saturn Explosion Limited, to carry on the trade of the production, promotion and exploitation of alternative digital content (including but not limited to event based entertainment and sport content such as music concerts, festivals, theatrical productions and sporting events) across a range of media including television and cinema.

Supervision Media has recently acquired the rights to distribute *Michael Flatley's Lord of the Dance in 3D* and is one of the leading owners and distributors of alternative content for cinemas around the globe. *Saturn Explosion* anticipates that it will be able to acquire the rights to alternative digital content in respect of live entertainment events either as a result of working with third parties to create and develop the alternative digital content, such as the 3D rights to theatrical shows, or by acquiring the rights to exploit such content from third parties.

Outlook

The economic environment continues to display challenges for the Company as a whole. However, we are pleased to report that the live and entertainment events sector has performed resiliently in the downturn. In addition the expansion of the digital media sector has created new markets for content creators.

It appears that the industry's expectations in relation to the pace of consumers' migration to the new digital platform are progressing well ahead of what was originally expected. Changing consumer behaviour is impacting on all segments of the entertainment and media industry, and as a result the Company's search for revenue positioning in the digital value chain is extremely important. Therefore the decision was made to invest into *SuperVision Media* who are one of the leading owners and distributors of digital content. We therefore remain confident that our ability to invest in the diverse portfolio of sectors coupled with our proactive measures to further mitigate risk will continue to stand us, and our investors, in good stead.

As a result, we are confident that the Company will continue to add to its portfolio of good quality investments as the entertainment industry is constantly expanding.

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 contact us on 0207 319 4000.

Ingenious Ventures
7 April 2011

BOARD OF DIRECTORS

Paul Gregg (Chairman), 69

Paul has been closely involved with the entertainment industry throughout his career. After leaving his first employment with the ABC cinema chain, he spent time with Southport Council heading up its regional entertainment before founding and successfully building the Apollo Leisure Group into the UK's largest theatre and venue owner. The Apollo Leisure Group was one of the UK's leading promoters of live entertainment in the 1980s and 1990s and managed the UK and European tours of major artists. Paul sold the Apollo Group to SFX Entertainment Inc, the US promoter and venue operator and became chairman of SFX Europe. SFX was acquired by Clear Channel in 2000.

Patrick McKenna, 54

Patrick is one of the leading figures in the creative industries and is the founder and Chief Executive of the Ingenious Group. He started his career in the accountancy profession and was appointed as a partner of Deloitte & 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 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.

Lionel Martin, 60

Lionel is a Chartered Accountant and a 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 promoters, record and music publishing companies leading artistes and sportsmen. He currently acts as consultant to several media and property companies. Lionel also previously acted as director of Ingenious Music VCT 2 plc, which is currently in the process of returning capital to shareholders.

DIRECTORS' REPORT

The Directors submit their Annual Report and Accounts for the year from 1 January 2010 to 31 December 2010.

1. Principal Activity, VCT and Investment Company Status

The principal activity of the Company is to invest in a portfolio of companies established to create and bring to market live events and premium entertainment content. A review of the Company's business during the Reporting Period 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 8.

As at 31 December 2010, the interests of the Directors in the issued share capital of the Company were as follows:

Name	Number of Ordinary Shares	% of issued Ordinary Share capital	Number of C Shares	% of issued C Share capital	Number of D Shares	% of issued D Share capital
Paul Gregg	-	-	-	-	-	-
Patrick McKenna	202,500*	2.0	100,000	3.6	103,000	1.5
Bob Storer**	10,250	0.1	-	-	-	-
Lionel Martin	-	-	-	-	1,545	0.0
Total	212,750	2.1	100,000	3.6	104,545	1.5

* *Includes 100,000 shares held by Patrick McKenna's wife, Margaret McKenna*
** *Bob Storer was a director during the year and resigned on 13 July 2010*

The Directors and, where relevant, their spouses subscribed for the above interests during the period of the relevant Offer and on the terms set out in the relevant Prospectus.

Any changes to the above interests between 31 December 2010 and the date of this report are detailed in note 19; 'Events After the Balance Sheet Date'. 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 Shares	% of issued Share capital
Cazenove Capital Management Limited	1,690,830	7.6%

DIRECTORS' REPORT (CONTINUED)

4. Capital

Details of the Company's capital are provided in note 13 to the financial statements. All shares carry equal voting rights.

In October 2010, the Company launched E and F Share offers. No E Shares or F Shares were issued before the 31 December 2010 year end.

5. VCT Status Monitoring

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

6. Re-Appointment of Auditors

A resolution to re-appoint Grant Thornton UK LLP as auditors to the Company will be put to the Shareholders at the AGM (see resolution 10 of the Notice).

7. Indemnities

All Directors were covered by Directors and Officers liability insurance throughout the year under review and this will continue to remain in force.

8. 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 2010 were five days (2009: six days). This represents the ratio, expressed in days, between the amounts invoiced to the Company in the period by its suppliers and the amounts due, at the year end, to trade creditors falling due for payment within one year.

9. Financial Risk Management

Details of the Company's financial instruments and risk management policies and objectives are provided in note 16 to the financial statements.

10. Management Agreement

The Management Agreement was entered into on 19 November 2007 and has been subsequently varied and restated. The Management Agreement allows for the Manager to assume responsibility for the continuous management of the Company's portfolio of investments and to provide administrative services. In return for its services the Manager is paid an annual portfolio management fee of 1.75% of the Company's net asset value, a performance-related incentive fee (details of which can be found in the Prospectus and note 11 of the Directors' Report), and an annual administration fee of £53k adjusted annually in line with inflation (to be increased to £70k on the issue of the E and F Shares).

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.

DIRECTORS' REPORT (CONTINUED)

10. Management Agreement (continued)

The Management Agreement runs for a basic period of six years from 10 October 2007, the date of the first allotment of shares.

The Board has reviewed the performance of the Manager and is satisfied with the approach and procedures in providing investment management services to the Company and that the continued appointment of the Manager on the terms agreed is in the best interests of the Shareholders and the Company.

11. Performance Incentive Fees

The performance-related incentive fee payable by the Company is equal to 20% of cumulative distributions in excess of £1.05 per Ordinary Share, 20% of cumulative distributions in excess of £1.05 per C Share and 20% of cumulative distributions in excess of £1.05 per D Share. Further details can be found in the relevant Prospectus.

12. The AGM

The notice convening the AGM can be found on pages 49 to 53. Additional information relating to the AGM and the resolutions to be considered by Shareholders can be found on pages 54 to 55.

13. Business Review

The Directors have included their business review on pages 13 to 16.

14. Corporate Governance Report

The Directors have included their corporate governance report on pages 20 to 23.

15. 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 a not-for profit theatre company of which Patrick McKenna is Chairman and Director.

16. Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and Accounts 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 the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and 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 accounting estimates that are reasonable and prudent;

DIRECTORS' REPORT (CONTINUED)

16. Directors' Responsibilities Statement (continued)

- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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 management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board of Directors:

Sarah Cruickshank
Company Secretary
7 April 2011

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

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 Ingenious Ventures under the terms of a management agreement.

The Manager's review on pages 4 to 7 provides a review of the investment portfolio and the market outlook.

2. Investment Policy

The Company's investment policy is to focus on investing in companies established to create and bring to market live events and premium entertainment content. These investments should be Qualifying Investments for the purposes of the VCT legislation. Each share class of each of the Ingenious Entertainment VCTs (the **VCTs**) represents a separate pool of capital and each such pool has its own separate performance record and dividend history.

For the Ordinary Shares, 'C' Shares and 'D' Shares the Manager intends to balance the risk profile by investing no more than 30% of the respective funds raised under the respective offers in a blend of low risk money market funds (OEICs) (which are non-qualifying for the purposes of VCT legislation) and at least 70% of funds raised in VCT qualifying media content investments.

For the 'E' Shares, the Manager intends to balance the risk profile of the fund by investing no more than 30% of funds raised into a blend of low risk money market funds (which are non-qualifying for the purposes of VCT legislation) in the same way as for funds raised in the Ordinary Share Offer, the 'C' Share Offer and the 'D' Share Offer and at least 70% of funds raised in VCT qualifying media content investments.

In respect of 'F' Shares, the Manager will deploy no more than 30% of the funds in a balanced multi-asset management portfolio (which is non-qualifying for the purposes of VCT legislation) and at least 70% of funds raised in VCT qualifying media content investments.

The investment policy for VCT qualifying media content investments is the same for all share classes, and is based upon a rigorous selection process, together with a funding structure and minimum revenue contractual arrangements specifically designed to offer Investors downside protection whilst preserving the considerable upside potential of the live events and entertainment content within the portfolio.

Asset Allocation

The Manager will focus on investing in companies producing live events or creating branded entertainment content with a view to achieving a broad allocation of the VCTs' assets across the entertainment sector. Investments could include the production and promotion of a theatrical show or the launch of a music festival, the development and exploitation of new formats or the creation of online or mobile games. The Manager's objective will be to identify projects in which the VCTs can participate in the revenues and in the capital value of the content once the market is established.

Ordinary Shares, 'C' Shares and 'D' Shares

The Directors believe that pending deployment into Qualifying Investments funds should be deployed in a low risk, liquid investment, which also provides moderate returns to VCT Shareholders. The Manager intends to invest such capital raised in the Ordinary Share Offer, the 'C' Share Offer and the 'D' Share Offer and not deployed in Qualifying Investments in a number of low risk money market funds (OEICs) with a rating of at least AAAm (S&P) or Aaa/MR1+ (Moody's) or, where the fund is not rated by these agencies, the average credit quality of portfolio is not less than AA+ (S&P).

BUSINESS REVIEW (CONTINUED)

2. Investment Policy (continued)

'E' Shares

Of the funds raised from the 'E' Share Offer, at least 70% will be invested in Qualifying Investments (companies in the media and entertainment sector). The remaining 30% of the funds raised by the 'E' Share Offer will be retained in a blend of low risk money market funds (OEICs) throughout the life of the VCT, creating a lower risk profile for the 'E' Shares than for the 'F' Shares.

'F' Shares

Of the funds raised from the 'F' Share Offer, at least 70% will be invested in Qualifying Investments (companies in the media and entertainment sector). The remaining 30% of the funds raised by the 'F' Share Offer will be retained in a balanced multi-asset management portfolio throughout the life of the VCT.

Diversification

The Manager will seek to diversify the risk of Qualifying Investments through investment in media content and live events chosen from a broad spectrum of opportunities in the media and entertainment sector. However, the principal focus will be on the quality of the proposition, the experience of the production partner and the returns that can be generated. There is, therefore, no limitation on investments in any specific segment of the entertainment sector. There will, however, be restrictions on the size of investments (both Qualifying Investments and other investments) made by the VCTs as set out in the VCT Status and Maximum Exposures paragraph below.

Risk Mitigation

The following risk mitigation strategies will be utilised by the Investee Companies, and in common with industry practice:

- Each Investee Company will be required to put into place pre-sales or similar minimum revenue arrangements providing for the Investee Company to receive at least 75% of the VCTs' investment (Base Revenues).
- Each Investee Company will engage the services of an experienced producer or promoter with a proven track record in bringing media projects to market and delivering the returns targeted by the VCTs.
- Each Investee Company will be required, where appropriate, to obtain relevant insurance policies in order to protect against normal industry risks. After completion of its first project, each Investee Company may seek to undertake further projects (with at least the same level of downside protection) from its existing cash-flows. However, Investee Companies will not be permitted to undertake further projects which could reduce the Base Revenues generated from its first project. Each Investee Company will be expected to realise the capital value of its rights and goodwill after five years. This investment policy should ensure a high degree of downside protection whilst preserving the considerable upside potential of the premium media content within the portfolio.

Funding Structure, Gearing and Contractual Arrangements

Each Investee Company will initially be formed for the purpose of engaging in the production and exploitation of premium media content or a live event. At present, the VCTs' intention is to invest in Qualifying Companies by subscribing for a minimum of 30% of their investment in share capital and the remaining 70% through loan stock instruments. However, there is legislation being introduced this year by way of the Finance Bill (No 3) 2010 which provides that at least 70% by value of Qualifying Investments must be in equity. Depending on when this legislation comes into force it will mean that the VCTs will instead invest a minimum of 70% of their investment in share capital and the remaining 30% through loan stock instruments. The VCTs will have a non-controlling interest in each Investee Company and other shareholders may include, amongst others, promoters, record labels, game developers and charities. It is expected that the initial capital provided by the VCTs will be sufficient to cover the Investee Company's budgeted costs of creating and bringing to market the initial project.

The VCTs can invest, under current VCT legislation, up to £1 million each (and, therefore, £2 million in aggregate) per tax year in any one Investee Company and will always co-invest on equal terms pro rata to the capital in each VCT. This should have the advantage of enabling the VCTs to co-invest in larger projects than if one VCT was investing by itself. The VCTs will not borrow money in relation to their activities.

BUSINESS REVIEW (CONTINUED)

2. Investment Policy (continued)

Liquidity

As was the case with each of the Ordinary Share Offer, the 'C' Share Offer and the 'D' Share Offer, each of the VCTs intends to create an 'E' Share reserve and an 'F' Share reserve which will enable it to make share buy-backs in the market, subject to liquidity restraints. The VCTs will operate a discount policy for repurchasing Shares, which will be determined by the boards of the VCTs at their discretion.

The VCTs intend to return funds to Shareholders after five years if Shareholders so desire. In any event, the Articles of Association of each of the VCTs currently contain a provision requiring the Directors to propose an ordinary resolution at the tenth annual general meeting of the VCTs to continue the life of the VCTs. If any such resolution is not passed, the Directors will draw up proposals for the re-organisation, reconstruction or voluntary winding up of the VCTs for consideration of members at a general meeting on a date not more than nine months after such general meeting. Implementation of such proposals will require the approval of Shareholders by special resolution.

VCT Status and Maximum Exposures

In order to obtain venture capital trust status, the VCTs must be approved by HM Revenue & Customs. The conditions which must be satisfied to obtain and retain such status include the following restrictions on the maximum exposure of each VCT:

- no holding in a company will represent more than 15% by value of each VCT's total investments; and
- each VCT is limited to investing up to £1 million per Investee Company in any one tax year or in any six month period straddling two tax years.

The limits stated in the policy above in relation to the percentage amount of the funds invested in Qualifying Investments and non-qualifying investments will need to be met within the three year VCT investment period in accordance with the VCT qualifying rules. The boards of the VCTs do not intend to vary the VCTs' investment policy, however, should a material change in the investment policy (including the conditions above) be deemed appropriate this will be done with Shareholders' approval and in accordance with the Listing Rules.

3. Principal Risks, Risk Management and Regulatory Environment

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

- **Investment and strategic** – the performance of an investment in an Event is tied to a certain degree to the fortunes of the industry generally. In particular, there is a risk that the Company will not identify opportunities where the commercial success of the live event or created branded content is sufficient to earn revenues over and above the minimum contractual income negotiated.
- **Loss of approved status 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 would have to repay the income tax relief they obtained and future dividends paid by the Company would become 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 Act, 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.

BUSINESS REVIEW (CONTINUED)

3. Principal Risks, Risk Management and Regulatory Environment (continued)

- **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 will be 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% by value of its investments in qualifying holdings by the beginning of the accounting period commencing three years after provisional VCT approval).

The Board seeks to mitigate the internal risks by setting clear policies, including establishing a funding structure which provides for minimum revenues equivalent to at least 75% 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 20 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 year, the position of the Company at the year end and the outlook for the coming year is contained within the Chairman's Statement on pages 2 and 3 and the Manager's Review on pages 4 to 7.

DIRECTORS' REMUNERATION REPORT

This report has been prepared by the Directors in accordance with the requirements of Chapter 6 of Part 15 of the Companies Act 2006. A resolution to approve the report will be proposed at the AGM. The Companies Act 2006 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 and 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.

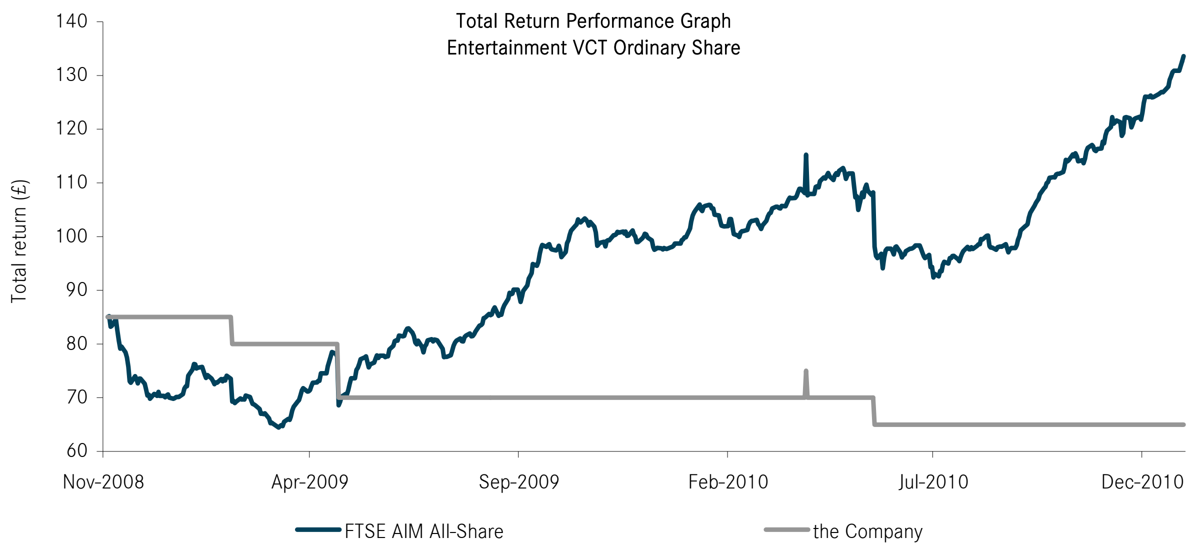
2. Appointment Letters

Each Director has executed an appointment letter which provides that he is to receive an annual fee, which is £15,000 per annum for Paul Gregg and Lionel Martin and £7,500 for Patrick McKenna, and for each Director to be reimbursed for any reasonable out-of-pocket expenses. These appointment letters state that a 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.

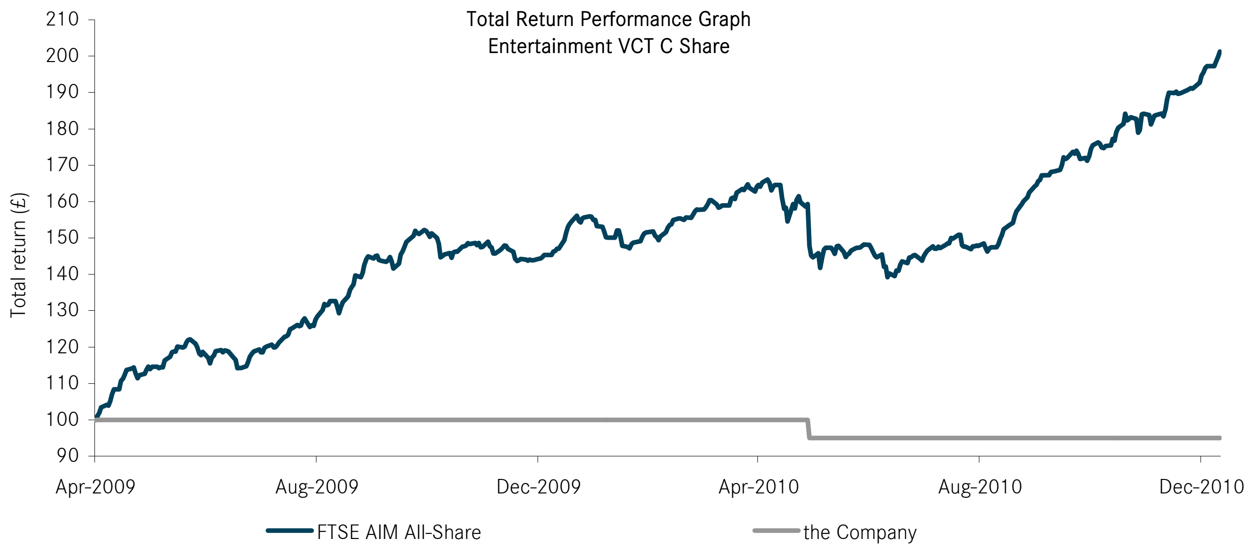
3. Performance

The following line graphs compare the total return on an investment of £100 in the Ordinary Shares and C 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. The first graph compares the Ordinary Shares of the Company, the second graph compares the C Shares of the Company and the third graph compares the D Shares of the Company all against the FTSE AIM All-Share Index.



DIRECTORS' REMUNERATION REPORT (CONTINUED)

3. Performance (continued)



Share price data is not available for the D Share as there has been no activity in relation to the share price.

4. Directors' Remuneration

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

	Year ended 31 December 2010 Fees	Year ended 31 December 2009 Fees
Director	**£'000**	£'000
Paul Gregg (appointed 19 August 2010)	**5**	-
Patrick McKenna	**8**	8
Lionel Martin	**15**	4
Bob Storer (resigned 13 July 2010)	**8**	15
Denise O'Donoghue (resigned 16 September 2009)	**-**	11
	36	38

No expenses were paid to any Director in the year. 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 2010. In respect of this Reporting Period, 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.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

5. Shareholder Approval

This Directors' Remuneration Report will be put to the Shareholders for their approval at the AGM.

By order of the Board

Sarah Cruickshank
Company Secretary
7 April 2011

Registered office
15 Golden Square
London
W1F 9JG

Company Registration Number: 6395025 (England and Wales)

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining the highest standards of corporate governance. The Directors seek to comply with the Combined Code on Corporate Governance 2008 (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 year under review, the Company has complied with the provisions of the Combined Code except as explained below.

A copy of the Combined Code on Corporate Governance 2008 can be obtained from the website of the Financial Reporting Council at: www.frc.org.uk/corporate/ukcgcode.cfm

1. Board Composition

The Board consists of three Directors: Paul Gregg (Chairman); Lionel Martin; and Patrick McKenna. Paul Gregg and Lionel Martin are considered to be independent in accordance with the Listing Rules and the Combined Code.

Paul Gregg joined the Board in August 2010. His appointment was approved by the Board as a whole following a recommendation by the Manager which completed a review of its extensive network of contacts in the media industry. As detailed in his biography on page 8, Paul has a wealth of relevant experience which he brings to the Board. Due to the specialised nature of the Company's investment policy, it was not felt necessary to engage the services of an external search consultancy firm or to advertise during the appointment process.

Patrick McKenna is not considered to be independent as he is a Director of the Manager and is also a director of Ingenious Live VCT 1 plc, Ingenious Live VCT 2 plc and Ingenious Entertainment VCT 1 plc to which the Manager also acts as investment manager. As a non-independent director, Patrick McKenna will stand for re-election at the 2011 AGM of the Company as required by Listing Rule 15.2.13A. The Board believes Patrick McKenna's directorship helps to enhance the communication between the Board and the Manager as well as allowing the Board to closely supervise the Manager's performance. The Board therefore believes that this directorship is advantageous to the Company, and does not affect the well balanced nature of the Board.

Biographical details of each of the Directors can be found on page 8.

2. Board Appointments and Tenure

Each of the Directors has been appointed for an initial term of six years and is subject to regular re-election by Shareholders in accordance with the articles of association of the Company. Each Director's appointment may be terminated on one month's written notice being given by the Company.

In accordance with the relevant requirements of the Company's articles of association, the Listing Rules and the Combined Code, Patrick McKenna and Paul Gregg will retire and seek re-election at the 2011 AGM. The Directors' terms of appointment may be inspected by Shareholders at the Company's registered office during normal business hours and at the AGM of the Company. The Board does not believe that length of service necessarily affects a Director's independence of character or judgement, but will continue to review its policy on tenure throughout the life of the Company.

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 year under review and the Board considers that the individual performance of each of the Directors continues to be effective. The Board therefore recommends that the Directors be re-appointed and, accordingly, that Shareholders vote in favour of resolutions 3 and 4 (inclusive) as set out in the Notice.

No senior independent director has been appointed by the Board as it does not consider this to be necessary as the Board is comprised solely of non-executive Directors. The Company does not have a Chief Executive or Deputy Chairman as these positions are not considered appropriate given the Company's size and status as a VCT.

3. Board Proceedings

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

3. Board Proceedings (continued)

	Attended	Possible
Paul Gregg (appointed during the year)	2	2
Lionel Martin	5	5
Patrick McKenna	4	5
Robert Storer (resigned during the year)	3	3

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 Ingenious Ventures under the terms of a management agreement. The Board retains overall responsibility for the Company's affairs, including the determination of its investment policy.

The Board believes that the 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 agreements which are currently in force.

5. Board Committees

The Company has an audit committee comprising of Lionel Martin (chairman) and Paul Gregg who are both considered to be independent.

The audit committee has defined terms of reference and duties. The audit committee meets at least twice a year. The audit committee is responsible for reviewing the half-yearly and annual accounts before they are presented to the Board, the terms of appointment and independence 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 re-appointed as auditors for the forthcoming year.

The following table sets out the number of audit committee meetings held during the year and the number of meetings attended by each committee member:

	Attended	Possible
Lionel Martin	2	2
Paul Gregg (appointed during the year)	1	1
Robert Storer (resigned during the year)	1	1

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 and the AGM

The Board places great importance on maintaining effective communication with Shareholders. The AGM, which will be held on 18 May 2011, will be an opportunity for Shareholders to meet with both the Board and the Manager in order to discuss the Company's progress. Participation at the meeting is therefore encouraged.

CORPORATE GOVERNANCE REPORT (CONTINUED)

7. Internal Controls

The Board is responsible for supervising the Company's system of internal controls operated by Ingenious Ventures 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 year under review and up to the date of approval of the Annual Report and Accounts and accords with the Financial Reporting Council's 'Internal Control: Revised Guidance for Directors on the Combined Code' issued in October 2005.

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 at Board meetings held at least four times a year;
- the Manager monitors the qualifying status of each qualifying holding in conjunction with PwC who report to the Board annually on the Company's VCT status (with an interim monitoring report being provided to the Board by the Manager) and advise on each investment proposal 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 is not necessary, given the systems and procedures of the Manager together with the VCT monitoring services provided by PricewaterhouseCoopers LLP.

9. Authority to Make Market Purchases of Shares

By a special resolution of the Company passed at an annual general meeting of the Company held on 13 May 2010, the Company was generally and unconditionally authorised pursuant to section 701 of the Companies Act 2006 (the **Act**) to make one or more market purchases as defined in section 693 of the Act of up to 14.99% of the issued Ordinary Share capital, up to 14.99% of the issued C Share capital and up to 14.99% of the issued D Share capital. The price paid must not be less than 1p per share nor more than the net asset value per share nor more than 5% above the average market value of a share in the Company for the five business days prior to the day the purchase is made.

The authority expires at the conclusion of the 2011 annual general meeting and renewal of the authority will be sought at that meeting.

10. Share Capital

Details of the Company's share capital and substantial shareholdings can be found in the Directors' Report on pages 9 to 12.

CORPORATE GOVERNANCE REPORT (CONTINUED)

11. Going Concern

Under the 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.

12. Auditor Independence

The audit committee and Board regularly review and monitor the independence and effectiveness of the Company's auditors, Grant Thornton UK LLP. Grant Thornton UK LLP did not provide any non-audit services to the Company during the year.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF INGENIOUS ENTERTAINMENT VCT 2 PLC

We have audited the financial statements of Ingenious Entertainment VCT 2 plc for the year ended 31 December 2010 which comprise the Income Statement, the Reconciliation of Movement in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement on pages 11 and 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (**APB's**) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the APB's website at: www.frc.org.uk/apb/scope/private.cfm

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on Other Matters Prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 20 to 23 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF INGENIOUS ENTERTAINMENT VCT 2 PLC (CONTINUED)

Matters on Which We are Required to Report by Exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules, we are required to review:

- the Directors' statement, set out on page 23 in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to the Shareholders by the Board on Directors' remuneration.

Grant Thornton UK LLP

Mark Cardiff
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
7 April 2011

INCOME STATEMENT

for the year ended 31 December 2010

	Note	**Year ended 31 December 2010** Revenue £'000	Capital £'000	Total £'000	Year ended 31 December 2009 Revenue £'000	Capital £'000	Total £'000
Gain on disposal of investments		**-**	**211**	**211**	-	1	1
(Decrease)/increase in fair value of investments held		**-**	**(244)**	**(244)**	-	72	72
Investment income	2	**208**	**-**	**208**	40	-	40
Arrangement fees	3	**(74)**	**-**	**(74)**	(31)	-	(31)
Investment management fees	4	**(140)**	**(140)**	**(280)**	(100)	(100)	(200)
Other expenses	5	**(155)**	**-**	**(155)**	(127)	(11)	(138)
Loss on ordinary activities before taxation		**(161)**	**(173)**	**(334)**	(218)	(38)	(256)
Tax on ordinary activities	6	**-**	**-**	**-**	-	-	-
Loss attributable to equity shareholders		**(161)**	**(173)**	**(334)**	(218)	(38)	(256)
Basic and diluted return per share (pence)							
Ordinary Share	7	**0.3**	**(1.3)**	**(1.0)**	(1.4)	(0.3)	(1.7)
C Share	7	**(1.8)**	**(0.5)**	**(2.3)**	(3.9)	(0.3)	(4.2)
D Share	7	**(3.0)**	**(0.4)**	**(3.4)**	-	-	-

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

The total column is the Income Statement of the Company for the year. The supplementary capital and revenue columns are prepared following guidance published by the Association of Investment Companies (**AIC**).

All operations are considered to be continuing.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the year ended 31 December 2010

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Opening shareholders' funds	**12,135**	9,728
Capital subscribed	**6,714**	2,784
Issue costs	**(295)**	(121)
Dividends	**(651)**	-
Loss for the year	**(334)**	(256)
Closing shareholders' funds	**17,569**	12,135

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

NON-STATUTORY ANALYSIS BETWEEN THE ORDINARY, C AND D SHARE FUNDS
INCOME STATEMENT

for the year ended 31 December 2010

	Ordinary Shares			C Shares			D Shares		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gain on disposal of investments	-	202	202	-	7	7	-	2	2
(Decrease)/increase in fair value of investments held	-	(260)	(260)	-	(1)	(1)	-	17	17
Investment income	203	-	203	5	-	5	-	-	-
Arrangement fees	-	-	-	-	-	-	(74)	-	(74)
Investment management fees	(81)	(81)	(162)	(22)	(22)	(44)	(37)	(37)	(74)
Other expenses	(88)	-	(88)	(33)	-	(33)	(34)	-	(34)
Profit/(loss) on ordinary activities before taxation	34	(139)	(105)	(50)	(16)	(66)	(145)	(18)	(163)
Tax on ordinary activities	-	-	-	-	-	-	-	-	-
Profit/(loss) attributable to equity shareholders	34	(139)	(105)	(50)	(16)	(66)	(145)	(18)	(163)
Basic and diluted return per share (pence)	0.3	(1.3)	(1.0)	(1.8)	(0.5)	(2.3)	(3.0)	(0.4)	(3.4)

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

The supplementary capital and revenue columns are prepared following guidance published by the Association of Investment Companies (**AIC**).

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the year ended 31 December 2010

	Ordinary Shares £'000	C Shares £'000	D Shares £'000	**Total Shares £'000**
Opening shareholders' funds	9,555	2,580	-	**12,135**
Capital subscribed	-	-	6,714	**6,714**
Issue costs	-	-	(295)	**(295)**
Dividends	(510)	(141)	-	**(651)**
Loss for the year	(105)	(66)	(163)	**(334)**
Closing shareholders' funds	8,940	2,373	6,256	**17,569**

NON-STATUTORY ANALYSIS BETWEEN THE ORDINARY, C AND D SHARE FUNDS
INCOME STATEMENT

for the year ended 31 December 2009

	Ordinary Shares			C Shares			D Shares		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gain on disposal of investments	-	1	1	-	-	-	-	-	-
Increase in fair value of investments held	-	63	63	-	9	9	-	-	-
Investment income	40	-	40	-	-	-	-	-	-
Arrangement fees	-	-	-	(31)	-	(31)	-	-	-
Investment management fees	(85)	(85)	(170)	(15)	(15)	(30)	-	-	-
Other expenses	(96)	(11)	(107)	(31)	-	(31)	-	-	-
Loss on ordinary activities before taxation	(141)	(32)	(173)	(77)	(6)	(83)	-	-	-
Tax on ordinary activities	-	-	-	-	-	-	-	-	-
Loss attributable to equity shareholders	(141)	(32)	(173)	(77)	(6)	(83)	-	-	-
Basic and diluted return per share (pence)	(1.4)	(0.3)	(1.7)	(3.9)	(0.3)	(4.2)	-	-	-

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

The total column is the Income Statement of the Company for the year. The supplementary capital and revenue columns are prepared following guidance published by the Association of Investment Companies (**AIC**).

The Company had no D Shares in issue for the year ended 31 December 2009.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the year ended 31 December 2009

	Ordinary Shares £'000	C Shares £'000	D Shares £'000	Total Shares £'000
Opening shareholders' funds	9,728	-	-	9,728
Capital subscribed	-	2,784	-	2,784
Issue costs	-	(121)	-	(121)
Loss for the year	(173)	(83)	-	(256)
Closing shareholders' funds	9,555	2,580	-	12,135

BALANCE SHEET

as at 31 December 2010

	Note	**31 December 2010 £'000**	31 December 2009 £'000
Fixed assets			
Qualifying investments	8	**7,670**	2,048
Current assets			
Debtors	10	**81**	31
Non-qualifying investments	11	**9,753**	10,029
Cash at bank and in hand		**149**	69
		9,983	10,129
Creditors: amounts falling due within one year	12	**(84)**	(42)
Net current assets		**9,899**	10,087
Net assets		**17,569**	12,135
Capital and reserves			
Called-up share capital	13	**198**	130
Share premium account	14	**6,351**	-
Other reserve account	14	**11,615**	12,266
Capital reserve	14	**12**	185
Revenue reserve	14	**(607)**	(446)
Shareholders' funds		**17,569**	12,135
Net asset value per Ordinary Share	15	**87.6**	93.6
Net asset value per C Share	15	**84.4**	91.8
Net asset value per D Share	15	**92.9**	-

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

The financial statements on page 26 to 47 were approved by the Board of Directors on 7 April 2011.

Signed on behalf of the Board of Directors:

Lionel Martin
Director

Company Registration Number: 6395025 (England & Wales)

NON-STATUTORY ANALYSIS BETWEEN THE ORDINARY, C AND D SHARE FUNDS
BALANCE SHEET

	As at 31 December 2010			As at 31 December 2009		
	Ordinary Shares £'000	C Shares £'000	D Shares £'000	Ordinary Shares £'000	C Shares £'000	D Shares £'000
Fixed assets						
Qualifying investments	6,698	972	-	2,048	-	-
Current assets						
Debtors	59	-	22	26	5	-
Non-qualifying investments	2,135	1,369	6,249	7,471	2,558	-
Cash at bank and in hand	73	35	41	46	23	-
	2,267	1,404	6,312	7,543	2,586	-
Creditors: amounts falling due within one year	(25)	(3)	(56)	(36)	(6)	-
Net current assets	2,242	1,401	6,256	7,507	2,580	-
Net assets	8,940	2,373	6,256	9,555	2,580	-
Capital and reserves						
Called-up share capital	102	28	68	102	28	-
Share premium account	-	-	6,351	-	-	-
Other reserve account	9,121	2,494	-	9,631	2,635	-
Capital reserve	52	(22)	(18)	191	(6)	-
Revenue reserve	(335)	(127)	(145)	(369)	(77)	-
Shareholders' funds	8,940	2,373	6,256	9,555	2,580	-
Net asset value (pence per share)	87.6	84.4	92.9	93.6	91.8	-

The Company had no D Shares in issue for the year ended 31 December 2009.

CASH FLOW STATEMENT

for the year ended 31 December 2010

	Note	Ordinary Shares £'000	C Shares £'000	D Shares £'000	**Total Shares £'000**
Net cash outflow from operating activities		(76)	(68)	(146)	**(290)**
Financial investment					
Purchase of qualifying investments	8	(4,553)	(972)	-	**(5,525)**
Net cash outflow from financial investment		(4,553)	(972)	-	**(5,525)**
Management of liquid resources					
Purchase of non-qualifying investments	11	(1,762)	(564)	(7,335)	**(9,661)**
Disposal of non-qualifying investments	11	6,928	1,757	1,103	**9,788**
Net cash inflow/(outflow) from liquid resources		5,166	1,193	(6,232)	**127**
Financing					
Issue of D Shares		-	-	6,714	**6,714**
Issue costs of D Shares		-	-	(295)	**(295)**
Net cash inflow from financing		-	-	6,419	**6,419**
Dividends					
Payment of dividends		(510)	(141)	-	**(651)**
Net cash outflow from dividends		(510)	(141)	-	**(651)**
Increase in cash		27	12	41	**80**

Reconciliation of loss before taxation to net cash flow from operating activities

	£'000	£'000	£'000	**£'000**
Loss on ordinary activities before tax	(105)	(66)	(163)	**(334)**
(Increase)/decrease in fair value of investments held	260	1	(17)	**244**
Investment income	(187)	(5)	-	**(192)**
(Increase)/decrease in receivables	(33)	5	(22)	**(50)**
Increase/(decrease) in payables	(11)	(3)	56	**42**
Net cash outflow from operating activities	(76)	(68)	(146)	**(290)**

Reconciliation of net cash flow to movement in net funds

	£'000	£'000	£'000	**£'000**
Opening cash balances	46	23	-	**69**
Net cash inflow	27	12	41	**80**
Closing cash balances	73	35	41	**149**

Total net funds is cash of £149k (Ordinary Shares: £73k; C Shares: £35k and D Shares £41k) and non-qualifying investments of £9,753k (Ordinary Shares: £2,135k; C Shares: £1,369k and D Shares: £6,249k). The accompanying notes form an integral part of these financial statements.

CASH FLOW STATEMENT

for the year ended 31 December 2009

	Note	Ordinary Shares £'000	C Shares £'000	D Shares £'000	**Total Shares £'000**
Net cash outflow from operating activities		(247)	(91)	-	**(338)**
Financial investment					
Purchase of qualifying investments	8	(1,775)	-	-	**(1,775)**
Net cash outflow from financial investment		(1,775)	-	-	**(1,775)**
Management of liquid resources					
Purchase of non-qualifying investments	11	(2,333)	(2,549)	-	**(4,882)**
Disposal of non-qualifying investments	11	4,294	-	-	**4,294**
Net cash inflow/(outflow) from liquid resources		1,961	(2,549)	-	**(588)**
Financing					
Issue of C Shares		-	2,784	-	**2,784**
Issue costs of C Shares		-	(121)	-	**(121)**
Net cash inflow from financing		-	2,663	-	**2,663**
Increase/(decrease) in cash		(61)	23	-	**(38)**

Reconciliation of loss before taxation to net cash flow from operating activities

		£'000	£'000	£'000	**£'000**
Loss on ordinary activities before tax		(173)	(83)	-	**(256)**
Gain on investments		(1)	-	-	**(1)**
Increase in fair value of investments held	11	(63)	(9)	-	**(72)**
Increase in receivables		(19)	(5)	-	**(24)**
Increase in payables		9	6	-	**15**
Net cash outflow from operating activities		(247)	(91)	-	**(338)**

Reconciliation of net cash flow to movement in net funds

	£'000	£'000	£'000	**£'000**
Opening cash balances	107	-	-	**107**
Net cash inflow/(outflow)	(61)	23	-	**(38)**
Closing cash balancesss	46	23	-	**69**

Total net funds is cash of £69k (Ordinary Shares: £46k; C Shares: £23k) and non-qualifying investments of £10,029k (Ordinary Shares: £7,471k; C Shares: £2,558k). The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

1. Accounting Policies

a) Basis of Accounting

The financial statements for the year ended 31 December 2010 have been prepared in compliance with UK Generally Accepted Accounting Practice, and with the Statement of Recommended Practice (the **SORP**) entitled "Financial Statements of Investment Trust Companies and Venture Capital Trusts" which was issued in January 2009.

The comparative figures are for the year 1 January 2009 to 31 December 2009.

The financial statements have been prepared on a going concern basis under the historical cost convention, except for the measurement at fair value for investments. The principal accounting policies have remained unchanged from those set out in the Company's 2009 annual report and financial statements.

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. As set out in the prospectus all investments are designated at fair value.

Investee Companies

Unquoted investments including equity and loan investments are designated at fair value and valued in accordance with the International Private Equity and Venture Capital Guidelines and Financial Reporting Standard 26 “Financial Instruments: Recognition and Measurement” (**FRS 26**). Investments are initially recognised at fair value. The investments are subsequently re-measured at fair value, as estimated by the Directors with prudence and good faith. Investments holding gains or losses arising from the revaluation of investments are taken directly to the Income Statement. Fair value is determined as follows:

- Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.
- In estimating fair value for an investment, the Investment Manager will apply a methodology that is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio and will use reasonable assumptions and estimations.
- An appropriate methodology incorporates available information about all factors that are likely to materially affect the fair value of the investment. The valuation methodologies are applied consistently from period to period, except where a change would result in a better estimate of fair value. Any changes in valuation methodologies will be clearly disclosed in the financial statements.

The most widely used methodologies are listed below. In assessing which methodology is appropriate, the Directors are predisposed towards those methodologies that draw upon market based measures of risk and return.

- Price of recent investment
- Earnings multiple
- Net assets
- Available market prices

Of these the two methodologies most applicable to the Company's investments are:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2010

1. Accounting Policies (continued)

b) Valuation of Investments (continued)

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 up to the start of the first live event or entertainment content which forms the investment is often applied as the long stop date for such a valuation.

2 - Discounted cash flows/earnings of the underlying business

Investments can be valued by calculating the net present value of expected future cashflows of the companies in which the Company will invest (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.

In the period prior to the second live event or entertainment content it is considered appropriate to use the price paid for the recent investment as the latest available information. Thereafter, the portfolio of investments is fair valued on the earnings multiple basis using the latest available information on the performance of the live event or entertainment content. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Income Statement in the period in which they arise.

As a result of the above basis of valuation, there is significant judgement associated with the valuation of investments.

Non-qualifying Investments - Open Ended Investment Companies

The Company's non-qualifying investments in interest bearing money market open ended investment companies (**OEICs**) are valued at fair value, this is 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 relating to loan note premiums is recognised in the Income Statement as accrued on a time-apportionment basis so as to reflect the effective interest rate. Where those loan note premiums are charged in lieu of higher interest then they are credited to income over the life of the advance to the extent those premiums are anticipated to be collected.

d) Dividend Income

Dividend income is recognised in the Income Statement once declared by any investee company.

e) 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;
- 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; and
- the management fee has been allocated 50% to revenue and 50% to capital, which represents the split of the Company's long term returns.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2010

1. Accounting Policies (continued)

f) 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.

g) Ordinary Shares, C Shares and D Shares

The Company has three classes of shares; Ordinary Shares, C Shares and D Shares. Each share class has a separate pool of income and expenses as well as assets and liabilities attributable to it. Ordinary Shares, C Shares and D Shares rank pari passu with each other in terms of voting and other rights.

2. Investment Income

	2010	2009
	£'000	£'000
Bank deposit interest	**-**	4
Interest from non-qualifying investments	**-**	24
Dividend income from qualifying investments	**8**	-
Loan note interest from qualifying investments	**200**	12
	208	40

3. Arrangement Fees

	2010	2009
	£'000	£'000
Arrangement fees	**74**	31

All costs arising out of the relevant Offer, including listing expenses and commissions, were incurred by the Promoter (Ingenious Media Investments Limited) and a fee of 5.5% of the gross proceeds of the relevant Offer was paid in consideration of the service provided. The Directors believe that 80% of these fees relate directly to the raising of capital and have classified this proportion as issue costs. In accordance with Company law, the issue costs have been deducted from the share premium account. The remaining 20% reflected above has been taken to revenue.

Current year arrangement fees relate to the D Shares (2009: C Shares).

4. Investment Management Fee

	2010	**2010**	**2010**	2009	2009	2009
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Investment management fee	**140**	**140**	**280**	100	100	200

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 split of the Company’s long term returns.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2010

5. Other Expenses

	2010 Revenue £'000	**2010 Capital £'000**	**2010 Total £'000**	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000
Directors' remuneration (excluding employer's national insurance)	**36**	**-**	**36**	39	-	39
Auditors' remuneration						
- Audit fees	**13**	**-**	**13**	12	-	12
Legal & professional fees	**16**	**-**	**16**	-	4	4
Other administration expense	**87**	**-**	**87**	66	5	71
Irrecoverable VAT	**3**	**-**	**3**	10	2	12
	155	**-**	**155**	127	11	138

The Company is not registered for VAT. Fees payable to the Company's auditor for the audit of the Company's financial statements are £13k (2009: £12k) excluding VAT. Further details on the Directors' fee disclosures are given in the Directors' Remuneration Report.

6. Tax Charge on Ordinary Activities

	2010 Revenue £'000	**2010 Capital £'000**	**2010 Total £'000**	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000
Loss on ordinary activities before tax	**(161)**	**(173)**	**(334)**	(218)	(38)	(256)
Loss on ordinary activities by tax rate 28% (2009: 28%)	**(45)**	**(48)**	**(93)**	(61)	(11)	(72)
Adjustments:						
Non taxable (gains)/losses on investments	**-**	**9**	**9**	-	(20)	(20)
Disallowed expenses	**1**	**42**	**43**	1	31	32
Unutilised losses for the current year	**46**	**(3)**	**43**	60	-	60
UK dividends not taxable	**(2)**	**-**	**(2)**	-	-	-
	-	**-**	**-**	-	-	-

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

At 31 December 2010 the Company had surplus management expenses of £602k (2009: £445k). A deferred tax asset has not been recognised in respect of these surplus management expenses as the Company has only been investing for a short period of time, and future taxable income can not 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 recognise deferred tax on any capital gains or losses which arise on the revaluation of investments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2010

7. Basic and Diluted Return per Share

Ordinary Shares	**2010 Revenue £'000**	**2010 Capital £'000**	**2010 Total £'000**	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000
Profit/(loss on ordinary activities after taxation	**34**	**(139)**	**(105)**	(141)	(32)	(173)
Weighted average shares in issue (number)	**10,205,011**	**10,205,011**	**10,205,011**	10,205,011	10,205,011	10,205,011
(Profit/(loss) attributable per share (pence)	**0.3**	**(1.3)**	**(1.0)**	(1.4)	(0.3)	(1.7)

C Shares	**2010 Revenue £'000**	**2010 Capital £'000**	**2010 Total £'000**	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000
Loss on ordinary activities after taxation	**(50)**	**(16)**	**(66)**	(77)	(6)	(83)
Weighted average shares in issue (number)	**2,810,596**	**2,810,596**	**2,810,596**	1,980,118	1,980,118	1,980,118
Loss attributable per share (pence)	**(1.8)**	**(0.5)**	**(2.3)**	(3.9)	(0.3)	(4.2)

D Shares	**2010 Revenue £'000**	**2010 Capital £'000**	**2010 Total £'000**	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000
Loss on ordinary activities after taxation	**(14475)**	**(18)**	**(163)**	-	-	-
Weighted average shares in issue (number)	**4,773,028**	**4,773,028**	**4,773,028**	-	-	-
Loss attributable per share (pence)	**(3.0)**	**(0.4)**	**(3.4)**	-	-	-

There are no dilutive potential Ordinary, C or D Shares, including convertible instruments, options or contingent share agreements in issue for the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2010

8. Fixed Asset Investments

	2010	2009
	£'000	£'000
Unquoted investments	**7,670**	2,048
Equity shares	**2,177**	614
Unsecured loan notes	**5,493**	1,434
	7,670	2,048

Qualifying Investments

	£'000	£'000
Opening valuation	**2,048**	273
Purchases at cost	**5,525**	1,775
Fair value adjustment	**97**	-
Closing valuation	**7,670**	2,048

9. Significant Interests

The Ordinary Shares have interests of greater than 10% of the nominal value of the allotted shares in the following Investee Companies incorporated in the United Kingdom as at 31 December 2010:

Trading Companies	% class and share type	% voting rights
Jetstream Events Limited	24.95% A Ordinary	24.95%
Essential Experience Limited	24.95% A Ordinary	24.95%
Crystal Star Limited	24.95% A Ordinary	24.95%
Saturn Explosion Limited	16.50% A Ordinary	16.50%
DRG Media Assets Limited	24.95% A Ordinary	24.95%
Dance Floor Limited	12.48% A Ordinary	12.48%
Golfmania Limited	12.48% A Ordinary	12.48%
Into The Groove Limited	10.99% A Ordinary	10.99%
The Apple Cart Festival Limited	12.50% A Ordinary	12.50%
CLS Concerts Limited	16.67% A Ordinary	16.67%
Supervision Media Holdings Limited	10.00% A Ordinary	10.00%
Jongleurs Live Limited	20.00% A Ordinary	20.00%

It is considered that, as permitted by FRS9, "Associates and Joint Ventures", the above investments are held as part of an investment portfolio, and that, accordingly, their value to the Company lies in their marketable value as part of that portfolio. In view of this, it is not considered that any of the above represents investments in associated undertakings.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2010

9. Significant Interests (continued)

Dormant Companies	% class and share type	% voting rights
Tremor Events Limited	100% A Ordinary	100%
Electric Ventures Limited	100% A Ordinary	100%
Diamond Ventures Limited	100% A Ordinary	100%
Callisto Moon Limited	100% A Ordinary	100%
Mercury Events Limited	100% A Ordinary	100%
Moda Events Limited	100% A Ordinary	100%
Neptune Nine Limited	100% A Ordinary	100%
Oscar Moment Limited	100% A Ordinary	100%
Saturn Six Limited	100% A Ordinary	100%
Solar Experience Limited	100% A Ordinary	100%
Total Definition Limited	100% A Ordinary	100%

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

The Company is not required to prepare consolidated accounts as any remaining amounts in the above dormant companies are immaterial.

10. Debtors

	2010	2009
	£'000	£'000
Trade debtors	**22**	5
Prepayments and accrued income	**59**	26
	81	31

11. Current Asset Investments

	2010	2009
	£'000	£'000
Funds held in listed money market instruments	**9,753**	10,029

Non-Qualifying Investments

	£'000	£'000
Opening valuation	**10,029**	9,368
Purchases at cost	**9,661**	4,882
Disposal proceeds	**(9,788)**	(4,293)
Unrealised change in value of investment	**(149)**	72
Closing valuation	**9,753**	10,029

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2010

12. Creditors: Amounts Falling Due Within One Year

	2010	2009
	£'000	£'000
Trade creditors	**10**	6
Accruals and deferred income	**74**	36
	84	42

13. Called-Up Share Capital

	2010	2009
Allotted, called-up and fully paid	£'000	£'000
10,205,011 Ordinary Shares 1p each	**102**	102
2,810,596 C Shares 1p each	**28**	28
6,735,624 D Shares 1p each	**68**	-
	198	130

In the current year 6,785,624 D Shares were issued and allotted in accordance with the terms of the relevant Prospectus of which 6,735,624 D Shares were fully paid at year end. Share issue costs amounted to £369k of which £295k has been set off against the share proceeds.

In the year ended 31 December 2009, 2,810,596 C Shares were issued and allotted in accordance with the terms of the relevant Prospectus. Share issue costs amounting to £121k have been set off against the share proceeds.

In the period ended 31 December 2008, 10,205,011 Ordinary Shares were issued and allotted in accordance with the terms of the relevant Prospectus. The one subscriber share created upon incorporation was issued at par. Share issue costs amounting to £448k have been set off against the share proceeds.

Ordinary Shares, C Shares and D Shares rank pari passu with each other in terms of voting and other rights. The entire issued Ordinary, C and D Share capital of the Company has been admitted to the official list maintained by the Financial Services Authority and to trading on the London Stock Exchange.

	Number of D Shares allotted and fully paid	Aggregate nominal value allotted	Aggregate consideration received net of issue costs
		£'000	£'000
1 April 2010	4,192,080	42	3,941
3 April 2010	1,635,734	17	1,569
30 July 2010	907,810	9	835
	6,735,624	68	6,345

During the year 21,230 additional D Shares were issued and fully paid in accordance with the terms of the relevant Prospectus.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2010

14. Reserves

	Share premium £'000	Other reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total reserves £'000
At 1 January 2010	-	12,266	185	(446)	12,005
Issue of equity	6,646	-	-	-	6,646
Dividends paid	-	(651)	-	-	(651)
Gain on disposal of investments	-	-	211	-	211
Decrease in fair value of investments held	-	-	(244)	-	(244)
Investment income	-	-	-	208	208
Arrangement fees	(295)	-	-	(74)	(369)
Investment management fees	-	-	(140)	(140)	(280)
Other expenses	-	-	-	(155)	(155)
At 31 December 2010	**6,351**	**11,615**	**12**	**(607)**	**17,371**

The capital reserve includes realised investment holding losses of £1k and unrealised investment holding gains of £13k.

As an investment company under section 833 of the Companies Act 2006, the other reserve account is the only distributable reserve of the Company.

On 13 April 2010 and 28 May 2010, the Company paid dividends amounting to £510k on Ordinary Shares (2009: £Nil) and £141k on C Shares (2009: £Nil) respectively. Although the Company had applied to the High Court to reduce its share premium account and create distributable reserves, the Company had not complied with certain technical requirements of the Companies Act 2006. Specifically, prior to the payment of the dividends from capital reserves, the Company was required to revoke to its investment company status. The payments of the dividends received appropriate pre-clearance from HMRC, to confirm the Company's VCT status was not affected by the dividend payments. The Company is taking advice from its advisors and will inform shareholders as soon as practicable. The accounts have been drawn up on the basis that the issue referred to above is regularised. The proposals do not affect the results of the Company for the year to 31 December 2010, its net assets at 31 December 2010, nor its ability to pay future dividends.

15. Net Asset Value Per Share

	2010	2009
Net assets attributable to Ordinary Shareholders (£'000)	**8,940**	9,555
Ordinary Shares in issue (number)	**10,205,011**	10,205,011
Net asset value per Ordinary Share (pence)	**87.6**	93.6

	2010	2009
Net assets attributable to C Shareholders (£'000)	**2,373**	2,580
C Shares in issue (number)	**2,810,596**	2,810,596
Net asset value per C Share (pence)	**84.4**	91.8

	2010	2009
Net assets attributable to D Shareholders (£'000)	**6,256**	-
D Shares in issue (number)	**6,735,624**	-
Net asset value per D Share (pence)	**92.9**	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2010

16. 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 8) 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.

Fair Value Hierarchy

		2010	2009
		£'000	£'000
Listed money market instruments (note 11)	Level 1	**9,753**	10,029
Unquoted investments (note 8)	Level 3	**7,670**	2,048
		17,423	12,077

Level 3 investments include a £97k revaluation gain on Into The Groove Limited during the period.

In accordance with Financial Reporting Standard 29 "Financial Instruments: Disclosures", the above table provides an analysis of these investments based on the fair value hierarchy described below which reflects the reliability and significance of the information used to measure their fair value:

- Level 1 - investments with quoted prices in active markets;
- Level 2 - investments whose fair value is based directly on observable market prices or is indirectly drawn from observable market prices; and
- Level 3 - investments whose fair value is determined using a valuation technique based on assumptions that are not supported by observable current market prices or are not based on observable market data.

The valuation techniques used by the Company are explained in note 1 of the accounting policies.

Risk Management

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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2010

16. Financial Instruments and Risk Management (continued)

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 interest bearing money market open ended investment companies (OEICs). This is the Non-Qualifying Investments amount on the Balance Sheet of £9,753k (2009: £10,029k). 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 0.5% as at 31 December 2010 (31 December 2009: 0.5%).

The following table illustrates the sensitivity of the impact on ordinary activities for the year before taxation and total equity to a change in interest rates of 50 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 sheet date. All other variables are held constant.

	31 December £ '000 +/- 50 basis	31 December 2009 £ '000 +/- 50 basis points
Impact on profit/(loss) on ordinary activities for the year before taxation and total equity	**49**	50

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2010

16. Financial Instruments and Risk Management (continued)

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 £5,493k (2009: £1,434k) unsecured loan note instruments, 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 £5,493k (2009: £1,434k) unsecured loan notes are the contractually agreed 75% 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.

17. Contingencies, Guarantees and Financial Commitments

There is currently interest income accruing on the unsecured loan note instruments at a rate of 4.5% (2009: 1.5%, amended to 4.5% in April 2010), being 4% over the bank base rate which was 0.5% as at 31 December 2010 (2009: 0.5%), totalling £38k (2009: £8k). The repayment of this interest is not deemed recoverable based on current profits being derived by the Investee Companies, which currently can not be determined with any certainty, therefore the Directors have not recognised it in the financial statements.

18. Related Party Transactions

a) The Company has appointed Ingenious Media Investments Limited, a company of which Patrick McKenna is a director, to be its promoter. Ingenious Media Investments Limited is a wholly-owned subsidiary within the Ingenious Media Holdings plc group of companies (the **Ingenious Group**) which is controlled by Patrick McKenna. The Company paid Ingenious Media Investments Limited a fee of 5.5% of the gross proceeds of the D Share offer, amounting to £369k (2009: C Share fee amounting to £152k) which was paid in consideration for services provided as promoter.

b) Ingenious Ventures Limited was the Company's investment manager until 28 February 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 Asset Management Limited and was a director of Ingenious Ventures Limited until 1 June 2009, which are subsidiaries within the Ingenious Group, which is controlled by Patrick McKenna.

Ingenious Ventures (the **Manager**), as per the investment management agreement, receives a management fee of 0.4375% of the net asset value payable quarterly in advance. This amounted to £280k as at 31 December 2010 (2009: £200k). The Manager also charges an administration fee of £53k (2009: £35k) per annum and irrecoverable VAT.

c) The funds invested in OEICs are managed by the Asset Management division of Ingenious Asset Management Limited, of which Patrick McKenna is a director. Ingenious Asset Management Limited is a subsidiary of the Ingenious Group, which is controlled by Patrick McKenna. There is no fee associated with this transaction.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2010

18. Related Party Transactions (continued)

d) Patrick McKenna is a director and a shareholder of Ingenious Entertainment VCT 1 plc. The Company and Ingenious Entertainment VCT 1 plc have jointly agreed with Assorted Works Limited to form a new company, Essential Experience Limited, to co-promote a new live venue called *XOYO*. In March 2010 the Company invested £400k for a total of 24.95% of the equity in Essential Experience Limited. Ingenious Entertainment VCT 1 plc also invested £400k for 24.95% of the equity in Essential Experience Limited.

The investment of £400k in Essential Experience Limited is the first joint investment between the Ordinary Shares (£315k) and the C Shares (£85k).

Patrick McKenna is a director and chairman of The Young Vic Company (a registered charity) which holds 0.2% of the equity of Essential Experience Limited.

e) Patrick McKenna is a director and a shareholder of Ingenious Entertainment VCT 1 plc. The Company and Ingenious Entertainment VCT 1 plc have invested in an existing company, The Apple Cart Festival Limited, which will promote a festival in London called *The Apple Cart*. In June 2010 the Company invested £125k for a total of 12.5% of the equity in The Apple Cart Festival Limited. Ingenious Entertainment VCT 1 plc also invested £125k for 12.5% of the equity in The Apple Cart Festival Limited.

The investment of £125k in The Apple Cart Festival Limited is a joint investment between the Ordinary Shares (£98k) and the C Shares (£27k).

f) Patrick McKenna is a director and a shareholder of Ingenious Entertainment VCT 1 plc. The Company and Ingenious Entertainment VCT 1 plc have agreed to invest in an existing company, CLS Concerts Limited, to promote a dance music festival called *L.E.D. Festival*. In August 2010 the Company invested £500k for a total of 16.67% of the equity in CLS Concerts Limited. Ingenious Entertainment VCT 1 plc invested £500k for 16.67% of the equity in CLS Concerts Limited.

The investment of £500k in CLS Concerts Limited is a joint investment between the Ordinary Shares (£391k) and the C Shares (£109k).

g) Patrick McKenna is a director and a shareholder of Ingenious Entertainment VCT 1 plc. The Company and Ingenious Entertainment VCT 1 plc have agreed to invest in an existing company, Supervision Media Holdings Limited, to provide digital content to cinemas in both the sport and entertainment fields. In August 2010 the Company invested £1,000k for a total of 10.00% of the equity in Supervision Media Holdings Limited. Ingenious Entertainment VCT 2 plc invested £1,000k for 10.00% of the equity in Supervision Media Holdings Limited.

The investment of £1,000k in Supervision Media Holdings Limited is a joint investment between the Ordinary Shares (£779k) and the C Shares (£221k).

h) Patrick McKenna is a director and a shareholder of Ingenious Entertainment VCT 1 plc. The Company and Ingenious Entertainment VCT 1 plc have agreed to invest in a new company, Crystal Star Limited, to promote a music festival in Scotland called *80s Rewind North*. In October 2010 the Company invested £500k for a total of 24.95% of the equity in Crystal Star Limited. Ingenious Entertainment VCT 1 plc invested £500k for 24.95% of the equity in Crystal Star Limited.

The investment of £500k in Crystal Star Limited is a joint investment between the Ordinary Shares (£391k) and the C Shares (£109k).

i) Patrick McKenna is a director and a shareholder of Ingenious Entertainment VCT 1 plc. The Company and Ingenious Entertainment VCT 1 plc have agreed to invest in an existing company, Jongleurs Live Limited, to promote live comedy venues. In October 2010 the Company invested £1,000k for a total of 20.00% of the equity in Jongleurs Live Limited. Ingenious Entertainment VCT 1 plc invested £1,000k for 20.00% of the equity in Jongleurs Live Limited.

The investment of £1,000k in Jongleurs Live Limited is a joint investment between the Ordinary Shares (£779k) and the C Shares (£221k).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2010

18. Related Party Transactions (continued)

j) Patrick McKenna is a director and a shareholder of Ingenious Entertainment VCT 1 plc. The Company and Ingenious Entertainment VCT 1 plc have agreed to invest in a new company, Saturn Explosion Limited, to provide digital content to cinemas. In December 2010 the Company invested £1,000k for a total of 16.50% of the equity in Saturn Explosion Limited. Ingenious Entertainment VCT 1 plc invested £1,000k for 16.50% of the equity in Saturn Explosion Limited.

The investment of £1,000k in Saturn Explosion Limited is a joint investment between the Ordinary Shares (£800k) and the C Shares (£200k).

k) Patrick McKenna is a director and a shareholder of Ingenious Entertainment VCT 1 plc. The Company and Ingenious Entertainment VCT 1 plc have agreed to invest in a new company, Jetstream Events Limited, to promote a venue called *Scarborough Open Air Theatre*. In December 2010 the Company invested £1,000k for a total of 24.95% of the equity in Jetstream Events Limited.

Ingenious Entertainment VCT 1 plc invested £1,000k for 24.95% of the equity in Jetstream Events Limited.

Transactions Between Related Parties

Entity	**2010 Expenditure paid £'000**	**2010 Amounts due £'000**	2009 Expenditure paid/(received) £'000	2009 Amounts due £'000
Ingenious Media Investments Limited				
- Arrangement fee	**369**	**-**	152	-
Ingenious Asset Management Limited				
- Investment management fee	**280**	**-**	200	-
- Administration fee	**53**	**-**	35	-
- Irrecoverable VAT	**-**	**3**	9	3

During the year the Company has entered into transactions with the above-mentioned related parties in the normal course of business and on an arm's length basis.

Ingenious Media Consulting Limited, a company which is a wholly-owned subsidiary in the Ingenious Group, which is controlled by Patrick McKenna, has entered into consultancy agreements with each of the Company's investee companies to provide management services. For the provision of such services, consulting fees totalling £89k excluding VAT (31 December 2009: £48k), have been invoiced in the period, no amounts remain outstanding as at 31 December 2010 (31 December 2009: £3k).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2010

19. Events After the Balance Sheet Date

The Company declared an interim dividend of 5.0 pence per Ordinary Share on 17 January 2011 (2010: 5.0 pence). The dividend was paid on 11 February 2011 by way of a capital distribution reducing the Company's other reserves.

The Company declared an interim dividend of 5.0 pence per C Share on 17 January 2011 (2010: 5.0 pence). The dividend was paid on 11 February 2011 by way of a capital distribution reducing the Company's other reserves.

Following the end of the Reporting Period, the Company made further investments to back two new festivals, one based in Bournemouth and the other in Brighton. These were the first deals entered into through a co-investment of both the C Share and the D Share funds.

On 5 April 2011, the Company allotted 51,662 E Shares of 1p and 51,662 F Shares of 1p to Patrick McKenna, a Director and a related party, for a consideration of £1 per share. On 5 April 2011 the Company also allotted 25,875 E Shares of 1p and 25,875 F Shares of 1p to Patrick McKenna's wife, Margaret McKenna for a consideration of £1 per share.

20. 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 2010 was £17,569k (2009: £12,135k).

In order to maintain or adjust its capital structure the Company 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 of the business from the previous period.

The capital structure of the Company was changed by the issue of D Shares (see note 13) during the year.

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

- As a public company Ingenious Entertainment 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.

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's share buy-back policy for the next financial year is set out on pages 49 to 51 but is subject to resolutions 5 to 7 as set out in the Notice being adopted at the AGM.

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

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, 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.

Ian Anderson

Tel.: +44 (0) 207 319 4000
Fax: +44 (0) 207 319 4001
Email: enquiries@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.

NOTICE OF ANNUAL GENERAL MEETING

INGENIθUS ENTERTAINMENT VCT 2 PLC
(Incorporated in England and Wales under the Companies Act 1985 with registered number 06395025)
(the **Company**)

NOTICE IS HEREBY GIVEN THAT the third Annual General Meeting (the **AGM**) of Ingenious Entertainment VCT 2 plc will be held at 2.15pm on Wednesday, 18 May 2011 at 15 Golden Square, London W1F 9JG for the following purposes:

To consider and, if thought fit, pass resolutions 1 to 4 and 10 to 11 as ordinary resolutions and resolutions 5 to 9 as special resolutions.

Annual Report and Accounts

1. To receive and consider the Company's Annual Report and Accounts for the year ended 31 December 2010.

Directors' Remuneration Report

2. THAT the Directors' Remuneration Report for the year ended 31 December 2010 be and is hereby approved.

Re-Election of Directors

3. THAT Patrick McKenna be and is hereby re-elected as a non-executive director in accordance with Listing Rule 15.2.13A and the Company's articles of association.

4. THAT Paul Gregg, who was appointed by the board on 19 August 2010, and retires in accordance with the Company's articles of association, be re-elected as a non-executive director.

Share Buy-Backs

5. THAT the Company be and is hereby generally and unconditionally authorised pursuant to section 701 of the Companies Act 2006 (the **Act**) to make one or more market purchases (as defined in section 693 of the Act) of ordinary shares of 1p each in the capital of the Company (the **Ordinary Shares**) on such terms and in such manner as the Directors may determine *provided that*:

   (a) such market purchases shall comply with UK Listing Authority and HM Revenue & Customs requirements;

   (b) the aggregate maximum number of Ordinary Shares authorised to be purchased pursuant to this resolution shall not exceed 14.99% of the issued Ordinary Share capital of the Company;

   (c) the price paid shall not be:

      (i) less than 1p per Ordinary Share;

      (ii) more than 5% above the average of the middle market quotation for an Ordinary Share taken from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which such shares are purchased;

      (iii) more than the net asset value per Ordinary Share;

      the maximum and minimum prices being exclusive of expenses (including stamp duty); and

   (d) this authority, unless renewed or revoked prior to such time shall expire on the earlier of 15 months from the passing of this resolution and the conclusion of the Company's next Annual General Meeting. The Company may, before the expiry of such authority, conclude contracts to purchase Ordinary Shares which will or may be completed wholly or partly after the expiry of such authority and may make purchases of Ordinary Shares in pursuance of any such contracts as if the authority hereby conferred had not expired.

6. THAT the Company be and is hereby generally and unconditionally authorised pursuant to section 701 of the Act to make one or more market purchases (as defined in section 693 of the Act) of 'C' ordinary shares of 1p each in the capital of the Company (the **'C' Ordinary Shares**) on such terms and in such manner as the Directors may determine *provided that*:

   (a) such market purchases shall comply with UK Listing Authority and HM Revenue & Customs requirements;

(b) the aggregate maximum number of 'C' Ordinary Shares authorised to be purchased pursuant to this resolution shall not exceed 14.99% of the issued 'C' Ordinary Share capital of the Company;

(c) the price paid shall not be:

(i) less than 1p per 'C' Ordinary Share;

(ii) more than 5% above the average of the middle market quotation for an 'C' Ordinary Share taken from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which such shares are purchased;

(iii) more than the net asset value per 'C' Ordinary Share;

the maximum and minimum prices being exclusive of expenses (including stamp duty); and

(d) this authority, unless renewed or revoked prior to such time shall expire on the earlier of 15 months from the passing of this resolution and the conclusion of the Company's next Annual General Meeting. The Company may, before the expiry of such authority, conclude contracts to purchase 'C' Ordinary Shares which will or may be completed wholly or partly after the expiry of such authority and may make purchases of 'C' Ordinary Shares in pursuance of any such contracts as if the authority hereby conferred had not expired.

7. THAT the Company be and is hereby generally and unconditionally authorised pursuant to section 701 of the Act to make one or more market purchases (as defined in section 693 of the Act) of 'D' ordinary shares of 1p each in the capital of the Company (the **'D' Ordinary Shares**) on such terms and in such manner as the Directors may determine *provided that*:

(a) such market purchases shall comply with UK Listing Authority and HM Revenue & Customs requirements;

(b) the aggregate maximum number of 'D' Ordinary Shares authorised to be purchased pursuant to this resolution shall not exceed 14.99% of the issued 'D' Ordinary Share capital of the Company;

(c) the price paid shall not be:

(i) less than 1p per 'D' Ordinary Share;

(ii) more than 5% above the average of the middle market quotation for an 'D' Ordinary Share taken from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which such shares are purchased;

(iii) more than the net asset value per 'D' Ordinary Share;

the maximum and minimum prices being exclusive of expenses (including stamp duty); and

(d) this authority, unless renewed or revoked prior to such time shall expire on the earlier of 15 months from the passing of this resolution and the conclusion of the Company's next Annual General Meeting. The Company may, before the expiry of such authority, conclude contracts to purchase 'D' Ordinary Shares which will or may be completed wholly or partly after the expiry of such authority and may make purchases of 'D' Ordinary Shares in pursuance of any such contracts as if the authority hereby conferred had not expired.

8. THAT the Company be and is hereby generally and unconditionally authorised pursuant to section 701 of the Act to make one or more market purchases (as defined in section 693 of the Act) of 'E' ordinary shares of 1p each in the capital of the Company (the **'E' Ordinary Shares**) on such terms and in such manner as the Directors may determine *provided that*:

(a) such market purchases shall comply with UK Listing Authority and HM Revenue & Customs requirements;

(b) the aggregate maximum number of 'E' Ordinary Shares authorised to be purchased pursuant to this resolution shall not exceed 14.99% of the issued 'E' Ordinary Share capital of the Company;

(c) the price paid shall not be:

(i) less than 1p per 'E' Ordinary Share;

(ii) more than 5% above the average of the middle market quotation for an 'E' Ordinary Share taken from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which such shares are purchased;

(iii) more than the net asset value per 'E' Ordinary Share;

the maximum and minimum prices being exclusive of expenses (including stamp duty); and

(d) this authority, unless renewed or revoked prior to such time shall expire on the earlier of 15 months from the passing of this resolution and the conclusion of the Company's next Annual General Meeting. The Company may, before the expiry of such authority, conclude contracts to purchase 'E' Ordinary Shares which will or may be completed wholly or partly after the expiry of such authority and may make purchases of 'E' Ordinary Shares in pursuance of any such contracts as if the authority hereby conferred had not expired.

9. THAT the Company be and is hereby generally and unconditionally authorised pursuant to section 701 of the Act to make one or more market purchases (as defined in section 693 of the Act) of 'F' ordinary shares of 1p each in the capital of the Company (the **'F' Ordinary Shares**) on such terms and in such manner as the Directors may determine *provided that*:

(a) such market purchases shall comply with UK Listing Authority and HM Revenue & Customs requirements;

(b) the aggregate maximum number of 'F' Ordinary Shares authorised to be purchased pursuant to this resolution shall not exceed 14.99% of the issued 'F' Ordinary Share capital of the Company;

(c) the price paid shall not be:

(i) less than 1p per 'F' Ordinary Share;

(ii) more than 5% above the average of the middle market quotation for an 'F' Ordinary Share taken from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which such shares are purchased;

(iii) more than the net asset value per 'F' Ordinary Share;

the maximum and minimum prices being exclusive of expenses (including stamp duty); and

(d) this authority, unless renewed or revoked prior to such time shall expire on the earlier of 15 months from the passing of this resolution and the conclusion of the Company's next Annual General Meeting. The Company may, before the expiry of such authority, conclude contracts to purchase 'F' Ordinary Shares which will or may be completed wholly or partly after the expiry of such authority and may make purchases of 'F' Ordinary Shares in pursuance of any such contracts as if the authority hereby conferred had not expired.

Auditors

10. THAT Grant Thornton UK LLP be and are hereby re-appointed as auditors to the Company, to hold office until the conclusion of the next general meeting at which accounts are laid.

11. THAT the Directors be and are hereby authorised to agree the remuneration of Grant Thornton UK LLP as auditors to the Company.

Dated: 7 April 2011
Registered Office:
15 Golden Square
London W1F 9JG

By order of the Board
Sarah Cruickshank
Company Secretary
Ingenious Entertainment VCT 2 plc

Information regarding the AGM including the information required by section 311A of the Act is available from www.ingeniousvcts.co.uk.

NOTES

(a) Explanations relating to the above resolutions can be found overleaf.

Entitlement to attend and vote

(b) In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, the Company gives notice that only those Shareholders entered on the relevant register of shareholders (the **Register**) for certificated or uncertificated shares of the Company (as the case may be) at 2:15pm on 16 May 2011 (the **Specified Time**) will be entitled to attend or vote at the AGM in respect of the number of shares registered in their name at the time. Changes to entries on the Register after the Specified Time will be disregarded in determining the rights of any person to attend or vote at the AGM. Should the AGM be adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of shareholders to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned AGM. Should the AGM be adjourned for a longer period, then to be so entitled, shareholders must be entered on the Register at the time which is 48 hours before the time fixed for the adjourned AGM or, if the Company gives notice of the adjourned AGM, at the time specified in the notice.

Appointment of proxies

(c) Shareholders entitled to attend and vote at the above AGM are entitled to appoint one or more proxies to attend, speak and vote in their place. You may not appoint more than one proxy to exercise rights attached to any one share. A proxy may demand, or join in demanding a poll. A proxy need not be a shareholder of the Company but must attend the AGM to represent you. Details of how to appoint the Chairman of the AGM or another person as your proxy are set out on the Proxy Form. A shareholder who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person.

If you are not a shareholder of the Company but you have been nominated by a shareholder of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in these Notes. Please read Note (j) below.

To be valid, the Proxy Form must be completed and signed in accordance with these notes and the instructions printed on it and must be deposited (together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority) with the Company's registrars, SLC Registrars, Thames House, Portsmouth Road, Esher, Surrey. KT10 9AD or electronically at ingenious@davidvenus.com in each case by no later than 48 hours (excluding weekends and public holidays) before the time appointed for holding the meeting. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at the meeting at which the demand is made.

A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the AGM.

Appointment of proxy by joint members

(d) In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holder appear in the Register in respect of the joint holding (the first named being the most senior.)

Changing proxy instructions

(e) To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Additional Proxy Forms may be obtained by photocopying this form or contacting the Company Secretary of the Company on 0207 319 4000. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

(f) In order to revoke a proxy instruction a shareholder will need to inform the Company using one of the following methods:

- by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to SLC Registrars, Thames House, Portsmouth Road, Esher, Surrey, KT10 9AD. In the case of a shareholder which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power of authority) must be included with the revocation notice; or
- by sending an email to ingenious@davidvenus.com.

In either case, the revocation notice must be received by SLC Registrars before the AGM or the holding of a poll subsequently thereto. If a shareholder attempts to revoke his proxy appointment but the revocation is received after the time specified then, subject to Note (g) below, the proxy appointment will remain valid.

Completion of a Proxy Form will not prevent you from attending and voting at the AGM in person. If a shareholder appoints a proxy and that shareholder attends the AGM in person, the proxy appointment will be automatically terminated.

Corporate representatives

(g) A corporation which is a shareholder can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a shareholder provided that not more than one corporate representative exercises powers over the same share.

In the case of a shareholder which is a company, the proxy form must be executed under its common seal or signed on behalf by an officer of the company or an attorney of the company.

Issued share capital and total voting rights

(h) As at close of business on 6 April 2011, the Company's issued nominal share capital comprised 10,205,011 Ordinary Shares, 2,810,596 C Ordinary Shares, 6,785,624 D Ordinary Shares, 2,712,935 E Ordinary Shares and 1,508,434 F Ordinary Shares. The total number of voting rights in the Company as at the close of business on 5 April 2011 was 24,022,600. The website referred to above will include information on the number of Shares and voting rights.

Questions at meeting

(i) Under section 319A of the Act, the Company must answer any question a shareholder asks relating to the business being dealt with at the AGM unless:

- answering the question would unduly interfere with the preparation for the AGM or involve the disclosure of confidential information;
- the answer has already been given on a website in the form of an answer to a question; or
- it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.

Nominated persons

(j) If you are a person who has been nominated under section 146 of the Act to enjoy information rights (a Nominated Person):

- you may have a right under an agreement between you and the shareholder of the Company who has nominated you to have information rights (the Relevant Shareholder) to be appointed or to have someone else appointed as a proxy for the AGM;
- if you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Shareholder to give instructions to the Relevant Shareholder as to the exercise of voting rights; and
- your main point of contact in terms of your investment in the Company remains the Relevant Shareholder (or, perhaps your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

Documents available for inspection

(k) The terms and conditions of appointment of the directors of the Company are available for inspection by any person at the Registered Office of the Company on each business day during normal business hours from the date of this notice until the time of the AGM and will be available on the day of the AGM, at the place of the AGM, from at least 15 minutes prior to the AGM until its conclusion.

Communication

(l) Shareholders may not use any electronic address provided either in this notice or any related documents (including the Proxy Form) to communicate with the Company for any purposes other than those expressly stated.

Except as set out above, Shareholders who have general queries about the AGM should write to the Company Secretary at the registered office set out above.

Website publication of audit concerns

(m) Members satisfying the thresholds in section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting that the members propose to raise at the meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement required to be placed on the website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website.

ADDITIONAL INFORMATION RELATING TO THE AGM

In compliance with the Combined Code, a separate resolution on each substantially separate issue will be considered by the Shareholders at the AGM. All proxy votes will be counted and, except where a poll is called, the Chairman of the AGM will indicate the level of proxies lodged on each resolution, the balance for and against the resolution in question and the number of votes withheld after the resolution has been dealt with on a show of hands.

The following resolutions will be considered by the Shareholders:

Resolution 1 – Annual Report & Accounts

The Shareholders will be asked to resolve to receive the Annual Report & Accounts for the year ended 31 December 2010.

Resolution 2 – Directors' Remuneration Report

In accordance with the Director's Remuneration Report Regulations 2002, the Shareholders will be asked in this resolution to approve the Directors' Remuneration Report for the year ended 31 December 2010 which can be found on pages 17 to 18.

Resolutions 3 and 4 – Re-election of non-executive Directors

Patrick McKenna and Paul Gregg will retire from office and are seeking to be re-elected at the AGM. Patrick McKenna is standing for re-election pursuant to Listing Rule 15.2.13A which requires that the director of the Manager to stand for annual re-election by Shareholders. Paul Gregg is retiring and seeking election in accordance with the Combined Code and the Company's articles of association (this being his first annual general meeting). Biographical details of all the Directors can be found on page 6.

Resolutions 5, 6, 7, 8 and 9 – Share Buy-Backs

These resolutions seek authority for the Company to make market purchases of its own Shares pursuant to section 701 of the Act and are proposed as special resolutions. Pursuant to the Company's articles of association, the Company would be authorised to make market purchases of an amount up to 14.99% of the issued share capital of Ordinary Shares, 'C' Ordinary Shares, 'D' Ordinary Shares, 'E' Ordinary Shares and 'F' Ordinary Shares separately subject to (amongst other things) the price paid being neither:

- less than 1p per Share; nor
- 5% above the average of the market value of the Shares for the five business days immediately preceding the date of purchase; nor
- more than the net asset value per Share.

These authorities will expire on the earlier of 15 months from the passing of the resolutions and the conclusion of the Company's next AGM. Although the Company has not made any market purchases during the period under review, the Shareholders will be asked to consider these special resolutions in order to extend the authority. Subject to these resolutions being passed, the Directors will continue to consider making market purchases of Shares during the next financial year.

Nevertheless, the Directors will only implement such purchases if they are satisfied, after careful consideration, that these are in the best interests of the Shareholders as a whole and would result in an increase in expected earnings per Share. Account will also be taken of the overall financial implications for the Company. Any market purchases will, therefore, be conducted entirely at the Directors' discretion. Market purchases will also be subject to the requirements of the Act, the rules of the UK Listing Authority and the rules of HM Revenue & Customs.

Although the Directors' intention is that Shareholders who wish to sell their Shares should be able to do so, Shareholders should be aware that this may not always be possible.

The Directors intend to cancel any Shares purchased by the Company in the next financial period, so reducing the total number of shares in issue.

Resolutions 10 and 11 – Re-Appointment of Grant Thornton UK LLP and Audit Fees

In these resolutions, the Shareholders will be asked to approve the re-appointment of Grant Thornton UK LLP as auditors to the Company and to authorise the Directors to agree their remuneration for audit services. Further background to these resolutions can be found in paragraph 6 of the Directors' Report.

PROXY FORM

ANNUAL GENERAL MEETING 18 MAY 2011

Please print clearly in **BLACK INK** and in **BLOCK CAPITALS**. Please read the **NOTES** below before completing this Proxy Form.

		Notes
Name: (full)		
Address: (full)		
Postcode:		

I/we the abovementioned shareholder(s) of Ingenious Entertainment VCT 2 plc, hereby appoint the Chairman of the Annual General Meeting
If you wish to appoint someone other than the Chairman of the Annual General Meeting as your proxy, then please cross-out the words the Chairman of the Annual General Meeting and insert the full name(s) of the person(s) that you wish to appoint as your proxy below (note that a proxy need not be a shareholder of the Company, but must attend the meeting in person):

Name: (full)		**1**
Address: (full)		
Postcode:		

as my/our proxy to vote in my/our name(s) and on my/our behalf at the Annual General Meeting of Ingenious Entertainment VCT 2 plc to be held at 2.15pm on 18 May 2011 at 15 Golden Square London W1F 9JG and at any adjournment thereof.

		For	**Against**	**Withheld**	**2**
1.	To receive and consider the Company's Annual Report and Accounts for the year ended 31 December 2010 (*ordinary resolution*)				
2.	To approve the Directors' Remuneration Report as set out in the 2010 Annual Report & Accounts *(ordinary resolution)*				
3.	To approve the re-election of Patrick McKenna as a non-executive director *(ordinary resolution)*				
4.	To approve the re-election of Paul Gregg as a non-executive director (*ordinary resolution*)				
5.	To approve the Company's authority to make market purchases of Ordinary Shares *(special resolution)*				
6.	To approve the Company's authority to make market purchases of 'C' Ordinary Shares *(special resolution)*				
7.	To approve the Company's authority to make market purchases of 'D' Ordinary Shares *(special resolution)*				
8.	To approve the Company's authority to make market purchases of 'E' Ordinary Shares *(special resolution)*				
9.	To approve the Company's authority to make market purchases of 'F' Ordinary Shares *(special resolution)*				
10.	To approve the re-appointment of Grant Thornton UK LLP as auditors to the Company *(ordinary resolution)*				
11.	To approve the Directors' authority to agree the remuneration of Grant Thornton UK LLP *(ordinary resolution)*				

Shareholder signature:		**3**
Date:		

NOTES

1 You may appoint one or more proxies to attend, speak and vote at the meeting provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional proxy form(s) may be obtained by photocopying this form or contacting the Company Secretary of the Company on 0207 319 4000. Please indicate next to the proxy holder's name the number of securities in relation to which they are authorised to act as your proxy. All multiple forms must be signed and returned in the same envelope.

2 Please indicate above how you wish your votes to be cast in respect of each resolution by placing an "**X**" (or entering the number of Shares which you are entitled to vote) in the appropriate box. If no indication is given, your proxy may vote or withhold their votes at his or her discretion and you authorise your proxy to vote or withhold their vote as he or she see fits in relation to any other matter which is properly put before the meeting. A vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes for and against each resolution.
This Proxy Form will only be used in the event of a poll being directed or demanded.

3 In the case of joint holders, the signature of one holder will be accepted but the names of all joint holders should be given. Where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of Shareholders in respect of the joint holding (the first-named being the most senior.) In the case of a corporation, this proxy should be either given under the corporation's common seal or signed for and on its behalf by a duly authorised officer or attorney of the corporation.

4 Further information, including details of how to change or revoke your proxy appointment can be found in the notes to the notice of AGM.

Upon completing this Proxy Form, please sign and return it to the Company's registrars, SLC Registrars, Thames House, Portsmouth Road, Esher, Surrey. KT10 9AD or electronically at ingenious@davidvenus.com. This Proxy Form must be received by SLC Registrars by no later than 48 hours (excluding weekends and public holidays) before the time appointed for holding the meeting together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority. The completion and return of this Proxy Form will not, however, preclude (a) holder(s) of Shares from attending and voting at the meeting if he/she (they) so wish/wishes and is (are) so entitled.

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DEFINITIONS

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

Act or Companies Act

Companies Act 2006.

AGM

The annual general meeting of the Company which is to be held on 18 May 2011 as convened by the Notice.

Annual Report & Accounts

These annual report & accounts of the Company for the year ending 31 December 2010.

Articles

The Company's articles of association.

Board

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

Combined Code

Combined Code on Corporate Governance 2008.

Company

Ingenious Entertainment VCT 2 plc.

Directors

Directors of the Company from time to time.

Event

Live or interactive events or entertainment content for consumers or businesses, of which examples are given in paragraph 1 of Part 5 of the Prospectus.

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.

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 Live VCTs

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

Ingenious Ventures

Ingenious Ventures is a trading division of Ingenious Asset Management Limited.

Investee Company or Investee Companies

The company in which the VCT will invest.

LSE

The London Stock Exchange

Manager

Ingenious Ventures.

Notice

The notice convening the AGM and which can be found on pages 49 to 53.

Offer

The Company's offers to the public under the relevant prospectus to subscribe for relevant class of shares at an issue price of 100p per share launched on various dates.

Prospectus

The relevant prospectus published by the Company in connection with the relevant 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 or Qualifying Companies

An investment by a VCT in a Qualifying Company.

Shares

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

C Shares of 1p each in the share capital of the Company.

D Shares of 1p each in the share capital of the Company.

E Shares of 1p each in the share capital of the Company.

F Shares of 1p each in the share capital of the Company.

Shareholder or Shareholders

Holder or Holders of Shares.

SORP

Has the meaning given to it on page 33.

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.

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