INGENIOUS ENTERTAINMENT VCT 2

HALF-YEARLY FINANCIAL REPORT
For the six months ended
30 June 2010

WE ARE **INGENIOUS**

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CORPORATE INFORMATION

The Company	Ingenious Entertainment VCT 2 plc
Directors	Paul Gregg* (Chairman) Patrick McKenna Lionel Martin*
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 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

INTERIM MANAGEMENT REPORT

I am delighted to present the half-yearly financial report of Ingenious Entertainment VCT 2 plc (the **Company**) covering the six months ended 30 June 2010 (the **Reporting Period**).

The offer for subscription for D Shares made by the Company and Ingenious Entertainment VCT 1 plc (the **Ingenious Entertainment VCTs**) closed on 30 July 2010 having raised a total of £13.5 million. The funds are split equally between the Ingenious Entertainment VCTs therefore £6.7 million is attributable to D Shareholders of the Company. The additional funds raised will allow the fixed costs of the Company to be spread over a larger capital base, resulting in economies of scale to the benefit of Ordinary, C and D Shareholders.

Overview of Activities

The Company has continued to actively source and review investment propositions during the Reporting Period. The Company made an investment in March 2010 to co-promote events at an original new live venue in Shoreditch, London, *XOYO*. In addition, I am pleased to report that a new investment has been made in June 2010 to back a new music, arts and comedy festival in London, *The Apple Cart*, further information on this investment is provided below.

A number of exciting opportunities are currently in negotiation and we therefore look forward to reporting to you on further developments in due course.

Since the end of the Reporting Period, the Company made one further investment to back a new dance music festival in London called *L.E.D. Festival*.

Festivals

80s Rewind Festival

Investment amount: £272,598 (£545,196 across the Ingenious Entertainment VCTs, and £693,696 across Ingenious Live VCT 1 plc and Ingenious Live VCT 2 plc).

We are pleased to report that the *80s Rewind Festival*, a two-day music festival to be held in Henley-on-Thames between 20 and 22 August 2010, is proving very popular with anticipated sales of over 35,000 tickets. The 2010 event hosts a list of 80s stars including *Rick Astley, Boy George, T'Pau, Marc Almond, Level 42, Tony Hadley* with *ABC* and *Go West*. We also anticipate that this event will generate a profit for the Company.

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* is a broader type of festival combining music, comedy, art, cinema, magic and spoken word. Planning is currently underway for a launch event in December 2010, which will expand the festival into Victoria Park, London in the summer of 2011.

Live Venues

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, Shoreditch, London.

XOYO is a 900 capacity live entertainment venue split over two floors which will programme, book and promote a broad and exciting range of live music, 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. It is set to open in September 2010.

INTERIM MANAGEMENT REPORT (CONTINUED)

Television Format and Distribution

Let's Dance

Investment amount: £500,000 (£2,000,000 across the Ingenious Entertainment VCTs, Ingenious Live VCT 1 plc and Ingenious Live VCT 2 plc).

Let's Dance was commissioned by the BBC for Comic Relief in 2009 and proved to be an instant hit, with audience ratings peaking at 8.6 million viewers for the final on BBC 1.

The show was recommissioned as *Let's Dance for Sports Relief* in 2010 which aired for four weeks in February to equally impressive audience figures. Following the ratings success of both series the format has now been sold and aired in both Germany and Holland. The Investment Manager is in discussions in a number of other territories around the world regarding the licensing of this format and the Company expects these sales to return a profit in the near future.

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 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* and a wide variety of children's programmes and factual documentaries. The investment is anticipated to generate a small return for the Company.

Exhibitions

Golf Live

Investment amount: £275,000 (£1,100,000 across the Ingenious Entertainment VCTs, Ingenious Live VCT 1 plc and Ingenious Live VCT 2 plc).

In December 2009, the Ingenious Entertainment VCTs, Ingenious Live VCT 1 plc and Ingenious Live VCT 2 plc invested alongside Brand Events Limited to co-promote *0_2 Golf Live* a new three-day interactive golf event which was staged at Stoke Park in Buckinghamshire between 14 and 16 May 2010.

Brand Events Limited has established a strong reputation within the UK for successfully launching new consumer shows. Brand Events Limited has now established two key shows: the *Taste Festivals*, food festivals celebrating different foods; and *Top Gear Live*, the *Top Gear* branded live motoring theatre format.

The event represents a creative way of bringing the Sports and Exhibition markets closely together, and the longer term aim is to role 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 event.

The event made a loss in the first year, but was extremely well received by both the corporate partners and the paying public. The audience satisfaction rating was the highest that Brand Events Limited had ever received. *Golf Live* is considered to have strong long term potential to build on the significant brand awareness that it has created in its first year.

VCT Qualifying Status

The Company is managed as a venture capital trust (**VCT**), enabling Shareholders to benefit from both the income and capital gains tax relief available. Shareholders will be aware that in order to qualify for this tax relief 70% of net funds raised must be invested in VCT qualifying companies within three years. It is now two years since the close of fundraising for the Ordinary Shares and one year since the close of fundraising for the C Shares. The Investment Manager has confirmed to the board of directors that it remains confident that the Company will meet this condition given the number of investment opportunities being pursued.

INTERIM MANAGEMENT REPORT (CONTINUED)

Results

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

The Ordinary Shares made a loss on ordinary activities of £111,000 (31 December 2009: £173,000 loss; 30 June 2009: £72,000 loss), the C Shares made a loss on ordinary activities of £34,000 (31 December 2009: £83,000 loss; 30 June 2009: £45,000 loss) and the D Shares made a loss on ordinary activities of £95,000 (31 December 2009: £Nil; 30 June 2009: £Nil) in the period to 30 June 2010.

The Company paid its first interim dividends of 5 pence per Ordinary Share and 5 pence per C Share in the period to 30 June 2010.

The net asset value of each Ordinary Share is 87.5 pence (31 December 2009: 93.6 pence; 30 June 2009: 94.6 pence), the 30 June 2010 net asset value reflects the payment of 5.0 pence per share interim dividend.

The net asset value of each C Share is 85.6 pence (31 December 2009: 91.8 pence; 30 June 2009: 92.9 pence), the 30 June 2010 net asset value reflects the payment of 5.0 pence per share interim dividend.

The net asset value of each D Share is 93.6 pence (31 December 2009: Nil; 30 June 2009: Nil).

Principal Risks and Uncertainties

The Company's assets consist of equities and interest bearing investments, cash and realisable marketable securities. Its principal risks and uncertainties for the remaining six months of the year are therefore market risk, interest rate risk, credit risk and liquidity risk. Other risks faced by the Company include investment and strategic risks, loss of approved status as a Venture Capital Trust, regulatory, financial and other external risks. These risks, and the way in which they are managed, are described in more detail in the Directors' Report and Business Review in the Annual Report and Accounts for the year ended 31 December 2009. The Company's principal risks and uncertainties have not changed materially since the date of that report.

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, while the expansion of the digital media sector creates new markets for content creators.

For example, a report from the Association of Independent Festivals released in the reporting period demonstrates that the music festival business remains strong and despite the economic downturn is contributing more than £1bn each year to the UK economy.

Our investment strategy of underpinning investments with contractual minimum guarantees, as well as working with only the very best partners in the entertainment industry, has ensured exposure to risks from the economic environment has been minimised. In fact, the portfolio has performed strongly in the Reporting Period with investments such as *Let's Dance* and *80s Rewind* indicating that the entertainment sector continues to develop.

The Company is pleased to announce that it intends to launch a public offer for subscription for new ordinary E shares and new ordinary F shares in the share capital of the Company in September 2010.

I intend to report further on such activity in my full statement to accompany the Annual Report and Accounts for the year ending 31 December 2010.

Paul Gregg
Chairman
19 August 2010

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for preparing the half-yearly financial report and the condensed set of financial statements in accordance with the Accounting Standards Board's Statement 'Half-Yearly Financial Reports'.

In preparing these condensed financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 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.

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 the condensed 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 interim 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 they face.

Paul Gregg
Chairman
19 August 2010

INCOME STATEMENT (UNAUDITED)
for the six months ended 30 June 2010

		Six months ended 30 June 2010 (unaudited)			Six months ended 30 June 2009 (unaudited)			Year ended 31 December 2009 (audited)		
	Note	**Revenue £'000**	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gain on disposal of investments		**-**	**105**	**105**	-	-	-	-	1	1
(Decrease)/increase in fair value of investments held		**-**	**(177)**	**(177)**	-	47	47	-	72	72
Investment income		**98**	**-**	**98**	27	-	27	40	-	40
Arrangement fees		**(64)**	**-**	**(64)**	(27)	-	(27)	(31)	-	(31)
Investment management fees		**(64)**	**(64)**	**(128)**	(48)	(47)	(95)	(100)	(100)	(200)
Other expenses		**(74)**	**-**	**(74)**	(64)	(5)	(69)	(127)	(11)	(138)
Loss on ordinary activities before taxation		**(104)**	**(136)**	**(240)**	(112)	(5)	(117)	(218)	(38)	(256)
Tax on ordinary activities		**-**	**-**	**-**	-	-	-	-	-	-
Loss attributable to equity shareholders		**(104)**	**(136)**	**(240)**	(112)	(5)	(117)	(218)	(38)	(256)
Basic and diluted return per share (pence)										
Ordinary Share	2	**0.1**	**(1.2)**	**(1.1)**	(0.7)	0.0	(0.7)	(1.4)	(0.3)	(1.7)
C Share	2	**(1.0)**	**(0.2)**	**(1.2)**	(5.2)	(0.2)	(5.4)	(3.9)	(0.3)	(4.2)
D Share	2	**(3.0)**	**(0.3)**	**(3.3)**	-	-	-	-	-	-

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 with guidance published by the Association of Investment Companies (**AIC**).

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

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

NON-STATUTORY ANALYSIS (UNAUDITED) BETWEEN THE ORDINARY, C AND D SHARE FUNDS
INCOME STATEMENT (UNAUDITED)
for the six months ended 30 June 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	-	102	102	-	3	3	-	-	-
(Decrease)/increase in fair value of investments held	-	(183)	(183)	-	3	3	-	3	3
Investment income	98	-	98	-	-	-	-	-	-
Arrangement fees	-	-	-	-	-	-	(64)	-	(64)
Investment management fees	(42)	(42)	(84)	(11)	(11)	(22)	(11)	(11)	(22)
Other expenses	(44)	-	(44)	(18)	-	(18)	(12)	-	(12)
(Loss)/profit on ordinary activities before taxation	12	(123)	(111)	(29)	(5)	(34)	(87)	(8)	(95)
Tax on ordinary activities	-	-	-	-	-	-	-	-	-
(Loss)/profit attributable to equity shareholders	12	(123)	(111)	(29)	(5)	(34)	(87)	(8)	(95)
Basic and diluted return per share (pence)	0.1	(1.2)	(1.1)	(1.0)	(0.2)	(1.2)	(3.0)	(0.3)	(3.3)

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 with guidance published by the Association of Investment Companies (**AIC**).

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

NON-STATUTORY ANALYSIS (UNAUDITED) BETWEEN THE ORDINARY, C AND D SHARE FUNDS
INCOME STATEMENT (UNAUDITED)
for the six months ended 30 June 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
Increase in fair value of investments held	-	44	44	-	3	3	-	-	-
Investment income	27	-	27	-	-	-	-	-	-
Arrangement fees	-	-	-	(27)	-	(27)	-	-	-
Investment management fees	(43)	(42)	(85)	(5)	(5)	(10)	-	-	-
Other expenses	(53)	(5)	(58)	(11)	-	(11)	-	-	-
Loss on ordinary activities before taxation	(69)	(3)	(72)	(43)	(2)	(45)	-	-	-
Tax on ordinary activities	-	-	-	-	-	-	-	-	-
Loss attributable to equity shareholders	(69)	(3)	(72)	(43)	(2)	(45)	-	-	-
Basic and diluted return per share (pence)	(0.7)	0.0	(0.7)	(5.2)	(0.2)	(5.4)	-	-	-

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 with guidance published by the Association of Investment Companies (**AIC**).

The Company had no D Shares in issue for the six months ended 30 June 2009.

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

NON-STATUTORY ANALYSIS (UNAUDITED) BETWEEN THE ORDINARY, C AND D SHARE FUNDS
INCOME STATEMENT (UNAUDITED)
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 with guidance published by the Association of Investment Companies (**AIC**).

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

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

BALANCE SHEET (UNAUDITED)
as at 30 June 2010

	Note	**30 June 2010 (unaudited) £'000**	30 June 2009 (unaudited) £'000	31 December 2009 (audited) £'000
Fixed assets				
Qualifying investments		**2,572**	1,773	2,048
Current assets				
Debtors		**46**	23	31
Non-qualifying investments	3	**13,282**	10,093	10,029
Cash at bank and in hand		**958**	83	69
		14,286	10,199	10,129
Creditors: amounts falling due within one year		**(39)**	(39)	(42)
Net current assets		**14,247**	10,160	10,087
Net assets		**16,819**	11,933	12,135
Capital and reserves				
Called-up share capital		**189**	127	130
Share premium account		**5,516**	7,113	-
Other reserve account		**11,615**	4,815	12,266
Capital reserve		**49**	218	185
Revenue reserve		**(550)**	(340)	(446)
Shareholders' funds		**16,819**	11,933	12,135
Net asset value per Ordinary Share	4	**87.5**	94.6	93.6
Net asset value per C Share	4	**85.6**	92.9	91.8
Net asset value per D Share	4	**93.6**	-	-

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

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

		As at 30 June 2010			As at 30 June 2009			As at 31 December 2009		
		Ordinary Shares	C Shares	D Shares	Ordinary Shares	C Shares	D Shares	Ordinary Shares	C Shares	D Shares
	Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fixed assets										
Qualifying investments		2,460	112	-	1,773	-	-	2,048	-	-
Current assets										
Debtors		46	-	-	11	12	-	26	5	-
Non-qualifying investments		5,741	2,109	5,432	7,841	2,252	-	7,471	2,558	-
Cash at bank and in hand		711	192	55	58	25	-	46	23	-
		6,498	2,301	5,487	7,910	2,289	-	7,543	2,586	-
Creditors: amounts falling due within one year		(24)	(8)	(7)	(27)	(12)	-	(36)	(6)	-
Net current assets		6,474	2,293	5,480	7,883	2,277	-	7,507	2,580	-
Net assets		8,934	2,405	5,480	9,656	2,277	-	9,555	2,580	-
Capital and reserves										
Called-up share capital		102	28	59	102	25	-	102	28	-
Share premium account		-	-	5,516	4,816	2,297	-	-	-	-
Other reserve account		9,121	2,494	-	4,815	-	-	9,631	2,635	-
Capital reserve		68	(11)	(8)	220	(2)	-	191	(6)	-
Revenue reserve		(357)	(106)	(87)	(297)	(43)	-	(369)	(77)	-
Shareholders' funds		8,934	2,405	5,480	9,656	2,277	-	9,555	2,580	-
Net asset value (pence per share)		87.5	85.6	93.6	94.6	92.9	-	93.6	91.8	-

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

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS (UNAUDITED)
as at 30 June 2010

	Six months ended 30 June 2010 (unaudited) £'000	Six months ended 30 June 2009 (unaudited) £'000	Year ended 31 December 2009 (audited) £'000
Opening shareholders' funds	**12,135**	9,728	9,728
Capital subscribed	**5,831**	2,429	2,784
Issue costs	**(256)**	(107)	(121)
Dividends	**(651)**	-	-
Loss for the period	**(240)**	(117)	(256)
Closing shareholders' funds	**16,819**	11,933	12,135

NON-STATUTORY ANALYSIS (UNAUDITED) BETWEEN THE ORDINARY, C AND D SHARE FUNDS
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS (UNAUDITED)
as at 30 June 2010

	Ordinary Shares £'000	C Shares £'000	D Shares £'000
Opening shareholders' funds	9,555	2,580	-
Capital subscribed	-	-	5,831
Issue costs	-	-	(256)
Dividends	(510)	(141)	-
Loss for the period	(111)	(34)	(95)
Closing shareholders' funds	8,934	2,405	5,480

NON-STATUTORY ANALYSIS (UNAUDITED) BETWEEN THE ORDINARY, C AND D SHARE FUNDS
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS (UNAUDITED)
as at 30 June 2009

	Ordinary Shares £'000	C Shares £'000	D Shares £'000
Opening shareholders' funds	9,728	-	-
Capital subscribed	-	2,429	-
Issue costs	-	(107)	-
Loss for the period	(72)	(45)	-
Closing shareholders' funds	9,656	2,277	-

NON-STATUTORY ANALYSIS (UNAUDITED) BETWEEN THE ORDINARY, C AND D SHARE FUNDS
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS (UNAUDITED)
as at 31 December 2009

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

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

CASH FLOW STATEMENT (UNAUDITED)
for the six months ended 30 June 2010

	30 June 2010 (unaudited) £'000	30 June 2009 (unaudited) £'000	31 December 2009 (audited) £'000
Net cash outflow from operating activities	**(179)**	(168)	(337)
Capital expenditure			
Purchase of qualifying investments	**(524)**	(1,500)	(1,775)
Net cash outflow from capital expenditure	**(524)**	(1,500)	(1,775)
Management of liquid resources			
Purchase of non-qualifying investments	**(5,430)**	(5,727)	(4,882)
Disposal of non-qualifying investments	**2,098**	5,049	4,293
Net cash outflow from liquid resources	**(3,332)**	(678)	(589)
Financing			
Dividends	**(651)**	-	-
Issue of Shares	**5,831**	2,429	2,784
Expenses of the issue of Shares	**(256)**	(107)	(121)
Net cash inflow from financing	**4,924**	2,322	2,663
Increase/(decrease) in cash	**889**	(24)	(38)

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

	£'000	£'000	£'000
Loss on ordinary activities before tax	**(240)**	(117)	(256)
Decrease/(increase) in fair value of investments held	**177**	(47)	(72)
Investment income	**(98)**	-	-
Increase in receivables	**(15)**	(16)	(24)
(Decrease)/increase in payables	**(3)**	12	15
Net cash outflow from operating activities	**(179)**	(168)	(337)

Reconciliation of net cash flow to movement in net funds

	£'000	£'000	£'000
Opening cash balances	**69**	107	107
Net cash inflow/(outflow)	**889**	(24)	(38)
Closing cash balances	**958**	83	69

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
for the six months ended 30 June 2010

1. Accounting Policies

a) Basis of Accounting

The financial statements for the Reporting Period 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.

These financial statements have been drawn up adopting the accounting policies set out in the Annual Report and Accounts for the year to 31 December 2009, with the exception of the accounting policy below on Investment Income. The adoption of that policy has not led to an adjustment to the prior period financial statements as the effect is not significant.

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. Investment 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:

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.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
for the six months ended 30 June 2010

1. Accounting Policies (continued)

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 first 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 discounted cash flow/earnings 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 on investments is recognised in the income statement under the effective interest rate method. The effective interest rate is the rate required to discount the expected future income streams over the life of the loan to its initial carrying amount. The main impact for the Company in that regard is the accounting treatment of the loan note premiums. 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; and
- expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

for the six months ended 30 June 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. Basic and Diluted Return per Share

The calculation of basic return per Ordinary Share is based on the return on ordinary activities after tax for the period and on a weighted average of 10,205,011 Ordinary Shares in issue for the six months ended 30 June 2010 (31 December 2009: 10,205,011; 30 June 2009: 10,205,011). The basic return per C Share has been calculated on a weighted average of 2,810,596 C Shares in issue for the six months ended 30 June 2010 (31 December 2009: 1,980,118; 30 June 2009: 823,205). The basic return per D Share has been calculated on a weighted average of 2,924,224 D Shares in issue for the six months ended 30 June 2010 (31 December 2009: Nil; 30 June 2009: Nil).

There are no dilutive potential Ordinary Shares, C Shares or D Shares, including convertible instruments, options or contingent share agreements in issue for the Company. The basic return per share is therefore the same as the diluted return per share.

3. Non-qualifying Investments

In order to safeguard the capital available for investment in VCT 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.

4. Net Asset Value per Share

The net asset value per Ordinary Share has been calculated based on 10,205,011 Ordinary Shares being the number of Ordinary Shares in issue as at 30 June 2010 (31 December 2009: 10,205,011; 30 June 2009: 10,205,011).

The net asset value per C Share has been calculated based on 2,810,596 C Shares being the number of C Shares in issue as at 30 June 2010 (31 December 2009: 2,810,596; 30 June 2009: 2,451,855).

The net asset value per D Share has been calculated based on 5,852,814 D Shares being the number of D Shares in issue as at 30 June 2010 (31 December 2009: Nil; 30 June 2009: Nil).

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
for the six months ended 30 June 2010

5. 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 (December 2009: C Share; June 2009: C Share) offer 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 both wholly-owned 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. The Manager also charges an administration fee of £54k per annum and irrecoverable VAT.

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

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).

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
for the six months ended 30 June 2010

5. Related Party Transactions (continued)

During the period 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:

Entity	Note	Expenditure Paid			Amounts Due		
		30 June 2010 £'000	30 June 2009 £'000	31 December 2009 £'000	**30 June 2010 £'000**	30 June 2009 £'000	31 December 2009 £'000
Ingenious Asset Management Limited							
- Investment management fee	**b**	**128**	95	200	**-**	10	-
- Administration fee	**b**	**23**	18	35	**-**	-	-
- Irrecoverable VAT	**b**	**1**	9	9	**2**	9	3
Ingenious Media Investments Limited							
- Arrangement fee	**a**	**320**	133	152	**-**	-	-

Transactions between Related Parties

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 £22k excluding VAT (31 December 2009: £48k; 30 June 2009: £29k), have been invoiced in the period, no amounts remain outstanding as at 30 June 2010 (31 December 2009: £3k; 30 June 2009: £8k).

6. Events after the Balance Sheet Date

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).

7. Comparative Information

The unaudited half-yearly financial report for the period ended 30 June 2010 does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 and has not been delivered to the Registrar of Companies.

The Company's statutory financial statements for the year ended 31 December 2009 have been delivered to the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain statements under Section 498 (2) or section 498 (3) of the Companies Act 2006.

8. Availability of the Half-Yearly Financial Report

Copies of the half-yearly financial report are being sent or made available electronically to all Shareholders. Further copies can be downloaded from the Company's website: www.ingeniousvcts.co.uk

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