

INGENIOUS ENTERTAINMENT VCT 1

HALF-YEARLY FINANCIAL REPORT
For the period ending
30 June 2008



WE ARE **INGENIOUS**

CONTENTS

THE COMPANY AND ITS ADVISERS.....	1
INTERIM MANAGEMENT REPORT	2
DIRECTORS' RESPONSIBILITY STATEMENT	3
REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF INGENIOUS ENTERTAINMENT VCT 1 PLC	4
INCOME STATEMENT.....	6
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	6
BALANCE SHEET	7
CASH FLOW STATEMENT.....	8
NOTES TO THE FINANCIAL STATEMENTS.....	9

INGENIOUS ENTERTAINMENT VCT 1

THE COMPANY AND ITS ADVISERS

The Company	Ingenious Entertainment VCT 1 plc
Directors	David Munns* (Chairman) Patrick McKenna Keith Turner*
Company Secretary	Sarah Cruickshank
Registered Office	15 Golden Square London W1F 9JG
Company Number	6395011
Investment Manager & 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 1 Embankment Place London WC2N 6RH
Registrar	SLC Registrars Thames House Portsmouth Road Esher Surrey KT10 9AD
Sponsor and Stockbroker	Howard Kennedy 19 Cavendish Square London W1A 2AW

* Independent director

** Ingenious Ventures is a trading division of Ingenious Asset Management Limited. Ingenious Ventures Limited was the Manager up until 1 March 2008, when the Investment Management and Administration Agreement was novated to Ingenious Asset Management Limited.

INTERIM MANAGEMENT REPORT

As this is my first statement since Ingenious Entertainment VCT 1 plc (“the Company”) first opened for subscription, I would like to welcome all shareholders to the Company.

I am pleased to report that more than £19 million was raised in the period from 10 October 2007 to the initial closing on 5 April 2008, making the Ingenious Entertainment VCTs the largest specialist fundraising in the 07/08 tax year. A further £1 million was raised by final closing on 31 July taking the total funds raised to more than £20 million. The funds are split equally amongst the VCT twin structure which encompasses Ingenious Entertainment VCT 1 plc and Ingenious Entertainment VCT 2 plc, therefore £10.2 million is attributable to the Company. This represents an excellent outcome and I would like to thank all of our shareholders for their support.

Investment objective

Our objective is to invest in a portfolio of companies that will engage in the production and exploitation of media and entertainment content to provide shareholders with an attractive return. This will be achieved by maximising the opportunities for making tax-free dividends to shareholders from both income received and capital profits on the sale of the investee companies or their assets.

The fund will be making investments alongside Ingenious Entertainment VCT 2 plc, which allows us to participate in investments of up to £2 million per year per qualifying investment (rather than £1 million if each company acted alone) thereby enabling the Company to invest in larger projects.

Overview of activities

The period to 30 June 2008 was dominated by fundraising, and now the fundraising has closed the Company will focus solely on continuing to actively source and review investment propositions. The Company has already created a number of key relationships with entertainment companies which, over time, should realise the strong deal flow potential of Ingenious Entertainment VCT 1&2.

VCT qualifying status

The Company is managed as a venture capital trust, 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. The Manager believes that the Company will meet this condition given the number of investment opportunities being pursued.

Outlook

The Manager remains positive that the opportunities created through changing media consumption habits, fragmenting media audiences and the digitisation of content offer attractive investment opportunities for the Company.

I intend to report further on such activities in my full statement to accompany the annual report and financial statements for the year ending 31 December 2008.



Patrick McKenna
Director
19 August 2008

INGENIOUS ENTERTAINMENT VCT 1

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors certify to the best of their knowledge that:

- the condensed set of financial statements contained within the half yearly financial report has been prepared in accordance with the Accounting Standards Board's Statement 'Half-Yearly Financial Reports';
- and the half-yearly management report includes a fair review of the information required by 4.2.7R and 4.2.8R of the FSA's Disclosure and Transparency Rules.

The half yearly financial report was approved by the Board on 19 August and the above responsibility statement was signed on its behalf by

A handwritten signature in black ink, appearing to read 'P. McKenna.', is written on a light-colored background.

Patrick McKenna

Director

19 August 2008

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF INGENIOUS ENTERTAINMENT VCT 1 PLC

We have audited the condensed set of financial statements (the 'financial statements') of Ingenious Entertainment VCT 1 plc in the half yearly report for the period ended 30 June 2008 which comprise the income statement, the balance sheet, the cash flow statement, the reconciliation of movements in shareholders' funds and other explanatory notes 1 to 10. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority and the ASB's statement: Half-yearly Financial Reports.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the ASB Statement: Half-yearly Financial Reports.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit.

We read other information contained in the half yearly report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the condensed financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 June 2008 and of its loss for the period then ended; and

INGENIOUS ENTERTAINMENT VCT 1

- the condensed financial statements have been properly prepared in accordance with the ASB Statement: Half-yearly Financial Reports.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS

LONDON
19 August 2008

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

INCOME STATEMENT

for the period 10 October 2007 to 30 June 2008

	Note	Revenue £'000	Capital £'000	Total £'000
Increase in fair value of investments held		-	60	60
Investment income		34	16	50
Arrangement fees		(109)	-	(109)
Investment management fees		(22)	(22)	(44)
Other expenses		(52)	-	(52)
(Loss)/profit on ordinary activities before taxation		(149)	54	(95)
Tax on ordinary activities		-	-	-
(Loss)/profit attributable to equity shareholders		(149)	54	(95)
Basic and diluted return per share (pence)	2	(4.6)	1.7	(2.9)

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

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the period 10 October 2007 to 30 June 2008

	£'000
Equity shareholders' funds at 10 October 2007	-
Capital subscribed	9,930
Issue costs	(437)
Loss for the period	(95)
Equity shareholders' funds at 30 June 2008	9,398

INGENIOUS ENTERTAINMENT VCT 1

BALANCE SHEET

as at 30 June 2008

	Note	£'000
Current assets		
Debtors		260
Non-Qualifying investments	3	8,776
Cash at bank and in hand		389
Total current assets		9,425
Creditors: amounts falling due within one year		(27)
Net current assets		9,398
Net assets		9,398
Capital and reserves		
Called-up share capital	4	100
Share premium account	5	9,393
Capital reserves		
realised	5	(6)
unrealised	5	60
Revenue reserve	5	(149)
Shareholders' funds		9,398
Net asset value (pence per share)	6	94.4

CASH FLOW STATEMENT

for the period 10 October 2007 to 30 June 2008

	£'000
Net cash outflow from operating activities	(388)
Capital expenditure and financial investment	
Purchase of non-qualifying investments	(8,716)
Net cash outflow from capital expenditure and financial investment	(8,716)
Financing	
Issue of redeemable preference shares	50
Repurchase of redeemable preference shares	(50)
Issue of ordinary shares	9,930
Expenses of the issue of ordinary shares	(437)
Net cash inflow from financing	9,493
Increase in cash	389

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

	£'000
Loss on ordinary activities before tax	(95)
Increase in fair value of investments held	(60)
Increase in debtors	(260)
Increase in creditors	27
Net cash inflow from operating activities	(388)

Reconciliation of net cash flow to movement in net funds

	£'000
Opening cash balances	-
Net cash inflow	389
Closing cash balances	389

INGENIOUS ENTERTAINMENT VCT 1

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

(a) Basis of Accounting

The financial statements for the period ended 30 June 2008 have been prepared in accordance with UK Generally Accepted Accounting Practice, and with the Statement of Recommended Practice (the SORP) entitled "Financial Statements of Investment Trust Companies" which was issued in January 2003 and revised in December 2005.

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

(b) Valuation of Investments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. As set out in the Prospectus all investments are designated at fair value.

Open Ended Investment Companies

Part b The Company's investments in interest bearing money market open ended investment companies (OEICs) are valued at fair value, which is deemed to be mark-to-market. They have been designated as fair value through profit and loss for the purposes of Financial Reporting Standard 26: "Financial Instruments: Recognition and Measurement".

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 the capital return within the income statement.

(c) Investment Income

Interest income is included on an accruals basis using the effective interest method.

(d) Expenses

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

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

INGENIOUS ENTERTAINMENT VCT 1

2. Basic and Diluted Return per Share

			10 October 2007 to 30 June 2008
	Revenue	Capital	Total
<hr/>			
£'000			
Loss on ordinary activities after taxation	(149)	54	(95)
Weighted average shares in issue (number)	3,231,219	3,231,219	3,231,219
<hr/>			
Loss attributable per share (pence)	(4.6)	1.7	(2.9)

There are no dilutive potential ordinary 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 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. Share Capital

As at 30 June 2008 a total of 9,953,532 ordinary shares of 1p had been issued and allotted in accordance with the terms of the Prospectus. The two subscriber shares created upon incorporation were issued at par.

The entire issued ordinary share capital of the Company has been admitted to trading on the Official List of the London Stock Exchange.

During the period under review, 50,000 redeemable preference shares were issued and redeemed at par.

5. Reserves

	Share premium	Capital realised	Capital unrealised	Revenue reserve	Total reserves
	£'000	£'000	£'000	£'000	£'000
<hr/>					
At 10 October 2007	-	-	-	-	-
Issue of equity	9,830	-	-	-	9,830
Increase in fair value of investments held	-	-	60	-	60
Investment income	-	16	-	34	50
Arrangement fees	(437)	-	-	(109)	(546)
Investment management fees	-	(22)	-	(22)	(44)
Other expenses	-	-	-	(52)	(52)
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At 30 June 2008	9,393	(6)	60	(149)	9,298
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INGENIOUS ENTERTAINMENT VCT 1

6. Net Asset Value Per Share

The calculation of net asset value per share is based on the net assets at 30 June 2008 divided by the 9,953,532 ordinary shares in issue at that date.

7. Contingent Asset

The Company had a contingent asset subsequent to the balance sheet date relating to recoverable VAT. The contingent asset has arisen as a result of an announcement by HM Revenue & Customs in Brief 35/08 that it accepts the management of VCTs should have fallen within the VAT exemption for fund management introduced on 1 January 1990, and now invites claims for VAT charged retrospectively.

The amount of VAT recoverable by the Company is yet to be finalised.

8. Related Party Transactions

The Company has appointed Ingenious Media Investments Limited, a company in which Patrick McKenna is a director, to be their promoter. Ingenious Media Investments Limited is ultimately owned by Ingenious Media Holdings Plc which is controlled by Patrick McKenna.

The Company has appointed Ingenious Ventures to provide investment management and administrative services. Ingenious Ventures Limited was the Manager up until 1 March 2008, when the Investment Management Agreement was novated to Ingenious Asset Management Limited, and Ingenious Ventures became a trading division of Ingenious Asset Management Limited. Patrick McKenna is a director of Ingenious Ventures Limited and Ingenious Asset Management Limited, which are both wholly owned subsidiaries within the Ingenious Media Holdings plc group, which is controlled by Patrick McKenna.

The funds invested in OEICs, are also managed by Ingenious Asset Management Limited.

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

	30 June 2008	30 June 2008
	Expenditure paid	Amounts due
	£'000	£'000
Ingenious Ventures Limited		
- Investment management fee	44	-
- Administration fee	5	-
Ingenious Media Investments Limited		
- Arrangement fee	109	3
		Amounts receivable
		£'000
Ingenious Media Investments Limited		
- Expenses recharged		24

9. The audited interim financial statements for the period ended 30 June 2008 do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 and have not been delivered to the Registrar of Companies.
10. Copies of the audited interim report are being sent to all shareholders. Further copies can be obtained from the Company's Registered Office at 15 Golden Square, London, W1F 9JG.

