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THE COMPANY AND ITS ADVISERS

The Company	Ingenious Music VCT Plc
Directors	Patrick McKenna (Chairman) Roger Ames Charles Peel* Kenneth Thompson*
Company Secretary	Susan Ford
Registered Office	15 Golden Square London W1F 9JG
Company Number	5289619
Investment Manager & Administrator	Ingenious Ventures Limited 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	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Brokers	KBC Peel Hunt Ltd 111 Old Broad Street London EC2N 1PH
Solicitors	Mayer Brown Rowe & Maw 11 Pilgrim Street London EC4V 6RW

* Independent director

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CHAIRMAN'S STATEMENT

I am delighted to present the Company's half-yearly financial statements covering the six months to 31 July 2007 (the Reporting Period).

Overview of Activities

The increased rate of investment referred to in the Annual Report and Accounts last May has continued apace. Further investments have been made including supporting the forthcoming albums of world-renown reggae band *UB40*, and the exciting new talent of *Blackbud* and *Ulrich Schnauss*. We continue therefore to maintain our mixed portfolio by investing in both established artists and up-and-coming acts.

Since the reporting period we have also invested in three-piece girl band *Sirens* in August to support their second album. The new album will be produced in conjunction with a number of leading producers who have worked with a diverse range of high profile artists including *Eminem*, *Janet Jackson* and *Christina Aguilera*.

Sirens was the penultimate investment for the company and I am pleased to report that the Company is now fully committed¹ with 70% of net funds raised having been invested in VCT qualifying companies. The final investment was a nominal contribution to Real World for discretionary investment across a portfolio of artists. The Company's status as a Venture Capital Trust is now confirmed, ensuring that shareholders benefit from the income and capital gains tax reliefs available.

A more detailed description of the Company's investment activities can be found in the Manager's Review which follows this statement.

Results

During the reporting period we have invested and committed over £2.0 million in qualifying investments. The Company made a loss on ordinary activities of £0.5 million in the period to 31 July 2007. The Company's net asset value moved in line with the operating loss, from 94.8 to 91.7 pence per share.

Outlook

The outlook for the next six months remains positive with album releases from a number of our artists including *Martina Topley-Bird*, *Passenger*, *David Ford*, *UB40* and *Sirens*. Other projects such as *Prodigy*, *Peter Gabriel* and *Embrace* will take longer to 'come to market', as the recording process is ongoing.



Patrick McKenna

Chairman

20 September 2007

¹ Subject to Independiente invoking the contractual option for further funding of £500,000 for Travis

MANAGER'S REVIEW

Investment Objective

The investment objective of the Company is to create a portfolio of investments in music companies that will engage in the creation, development and exploitation of IP rights, thereby providing shareholders with an attractive return.

Investments

In the Reporting Period the Company made four investments totalling over £2.0 million, bringing the number of investments made to fourteen. The Company will now focus its efforts on monitoring the investments and working with the record companies to exploit the copyrights attaching to each artist.

VATICAN D.C.

The Company closed its eleventh qualifying investment in February 2007, investing £276,530 in new band *Vatican DC* by forming a joint venture company, Jolly Rodger Recordings Limited, in partnership with The Red Flag Recording Company and Ingenious Music VCT 2 plc.

About Vatican DC

Formed in 2003, *Vatican DC* is a London-based 5 piece band signed to The Red Flag Recording Company which was founded by Dick Leahy, best known for discovering *Wham!* and *George Michael*. The band were promoted at an early stage by Radio One's Zane Lowe and XFM's John Kennedy and have gained popularity on the tour scene supporting the likes of *The Prodigy* and *Bloc Party*. Combined with several appearances at European festivals, *Vatican DC* is building a credible reputation in the industry as a band to watch.

The album "Make it Ride" was released in May 2007, with two singles being released to date. Due to limited radio support on the initial release, the campaign is planned for relaunch during September or October.

ULRICH SCHNAUSS and BLACKBUD

Our strong relationship with leading independent record company Independiente has been cemented through recent investments in *Travis*, *Embrace* and *David Ford*. The Company has now secured two further deals with the label by backing talented acts *Ulrich Schnauss* and *Blackbud*.

In March 2007, the Company invested £221,875 to set up the joint venture company Independiente Music Ventures – Ulrich Schnauss Limited, and in June 2007, the investment of £584,375 in Blackbud was completed by creating joint venture company Independiente Music Ventures – Blackbud Limited. Both investments were made in partnership with Ingenious Music VCT 2 plc.

About Ulrich Schnauss

German born Ulrich Schnauss is an up-and-coming artist whose last album, "A Strangely Isolated Place", was released to much critical acclaim. His third album, "Goodbye", is his first for Independiente and has taken him three years to complete. The musical range merges songwriting and indie elements with electronic music to create a truly unique sound.

"Goodbye" was released in June 2007. The initial soft release of the album will be followed by an American tour scheduled for October and a UK tour planned in November to coincide with the first single release. Independiente expect this release to build over time, as electronic music tends to spread through word of mouth, magazine reviews and club performances.

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About Blackbud

Blackbud are a trio from the West Country who have been compared to artists such as *Jeff Buckley*, *Radiohead* and *Led Zeppelin* and have attracted the interest of Michael Eavis (Glastonbury Festival), Steve Lamacq (Radio 1) and Jimmy Page (Led Zeppelin) amongst others. Winning the Unsigned Bands Competition at Glastonbury in 2004, combined with a confident debut album released last year, *Blackbud* have laid the foundations for their forthcoming second album which is scheduled for release in February 2008.

UB40

In July 2007, the Company invested £471,765 in joint venture company Re:flex Licensing Limited with record label Re:flex Muzic Limited to back *UB40*'s latest album release. Re:flex Muzic is *UB40*'s own independent record label that continues the band's long standing tradition of artistic control and integrity which it has maintained for the last two decades.

About UB40

Legendary reggae group *UB40* is one of Britain's most successful bands with record sales in excess of 70 million, making them one of the UK's leading musical exports. They are the third most successful UK singles chart act in history, with over forty Top 40 singles. The band's last album "Who You Fighting For" was nominated in the category of "Best Reggae Album" at the 2006 Grammy Awards.

The new album, entitled "Tyler", is currently scheduled for a March release and will be supported by a full UK arena tour through November and December promoted by Live Nation. Both the album release and UK tour will be supported by extensive promotional media activity.

PORTFOLIO SUMMARY

The portfolio investments existing at the beginning of the reporting period are in various stages of production and release.

Travis

The album "The Boy With No Name" was released in May 2007 and has sold in excess of 100,000 units and reached number 4 in the charts. Two singles have been released to date with the third due for release in mid September and the band is planning a UK tour at the end of the year.

The Heights

The album, "Toys and Kings" was released in June 2007. The album has enjoyed greater success in the Japanese market than at home where sales have been slow. 4 singles have so far been released and the artist continues to promote itself at various festivals in the UK and abroad. They are confirmed to play at the 2 biggest festivals in Canada to be followed by shows in Quebec and Ontario.

Indiana Gregg

The album "Woman at Work" was released in April 2007. The first single received limited radio support. Indiana's next single, a strongly produced cover of "One of Us" by *Joan Osborne*, is due for release in October.

Apartment

The album "The Dreamer Evasive" was released in March 2007. Whilst there was limited radio support for the first single, the artist intends to licence the record to a US label in return for significant tour support.

David Ford

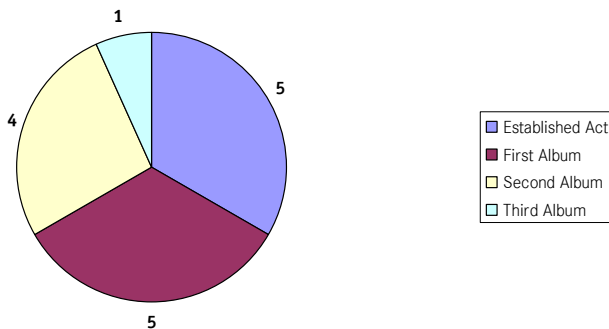
The first single from the album, “Songs for the Road”, was released in early August and after a soft digital launch, the album reached Number 1 on the iTunes (Folk/Solo Artist) chart and is sitting within the top 30 of the main iTunes chart. The album “Songs for the Road” is scheduled for general release during October to be promoted with a UK tour.

Forthcoming albums

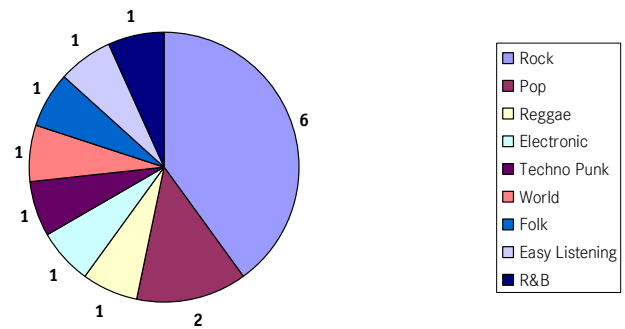
Exciting new album releases from *Martina Topley-Bird*, *Passenger*, *Peter Gabriel*, *Embrace* and *Prodigy* are scheduled for release in the coming months.

In addition to the investments outlined above, the Company made an investment outside the Reporting Period in girl group *Sirens* in August 2007. Our portfolio of investments now totals fifteen and includes an exciting range of diverse musical artists. The charts below show that we have not only invested in artists across the musical genres, but also in artists at varying stages in their careers, giving a balanced mixture of investments to the portfolio.

CAREER STAGE OF ARTIST



GENRE



Outlook

Despite falling revenues in the recording industry, the demand for music is at an all time high as listening to music remains among the top activities of teenagers and adults². Such demand is testament to the quality of music currently being made, but also that people are being offered both a wider selection combined with further flexibility in how they consume it. The overall amount of music consumed (including albums, singles, music videos and digital tracks) in the US in 2006 exceeded one billion units for the second consecutive year, with volume up 19% on the previous year to over 1.2 billion.³

Digital sales continue to account for a larger percentage of recorded music sales with the UK being one of the top five digital markets alongside the US, Germany, Canada and Australia. Interestingly, Japan and South Korea have become the first countries to witness the increase in digital sales offsetting the decline in the physical market.

The recording industry is going through a period of change as companies have adapted their business model for the digital age. This has been achieved through a variety of methods including investing in systems that

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track digital transactions, building digital teams and working with digital partners such as mobile operators and social networking sites. The industry is increasingly seeing the activities of the Company as a catalyst accelerating this change, and we are therefore confident that the Company is well positioned to take advantage of the current market developments and to capitalise on the full range of intellectual property rights that are attached to our artists.

Nevertheless the Company's ultimate success will depend on investing in one or more hit albums. By building a portfolio of new and established artists we believe we have maximized the chances of achieving this.

Contact

If you have any questions on this review or would like to speak to a member of the management team please do not hesitate to call us on 020 7319 4000.

Ingenious Ventures Limited

20 September 2007

² IFPI: Recording Industry in Numbers 2007

³ Ibid.

DIRECTORS RESPONSIBILITY STATEMENT

The Directors confirm 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 20 September and the above responsibility statement was signed on its behalf by



Patrick McKenna

Chairman

20 September 2007

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INVESTMENT PORTFOLIO SUMMARY

as at 31 July 2007

The maximum fair value reduction on any single investment is strictly limited to 30% of cost. This is a result of the contractually guaranteed minimum return on each investment.

The Heights Recording Limited

Artist:	The Heights
Date of investment:	Jan-06
Total invested:	£200,000
Valuation:	£140,000
Valuation basis:	Fair value – Latest Available Information
Percentage of equity held:	49.90%
Album release date	Jun-07

Independiente Music Ventures – MTB Limited*

Artist:	Martina Topley-Bird
Date of investment:	Jun-06
Total invested:	£1,000,000
Valuation:	£1,000,000
Valuation basis:	Fair value - Price of Recent Investment
Percentage of equity held:	49.90%
Album release date	Oct-07

Independiente Music Ventures – Travis Limited

Artist:	Travis
Date of investment:	Jul-06
Total invested:	£1,500,000
Valuation:	£1,500,000
Valuation basis:	Fair value – Latest Available Information
Percentage of equity held:	24.95%
Album release date	May-07

GR8 Pop Trading Limited*

Artist:	Indiana Gregg
Date of investment:	Nov-06
Total invested:	£417,000
Valuation:	£291,900
Valuation basis:	Fair value – Latest Available Information
Percentage of equity held:	24.95%
Album release date	Apr-07

Funwood Music Limited*

Artist:	Apartment
Date of investment:	Nov-06
Total invested:	£227,647
Valuation:	£159,353
Valuation basis:	Fair value - Latest Available Information
Percentage of equity held:	24.95%
Album release date	Mar-07

Genius Music Limited*

Artist:	Passenger (formally known as Mike Rosenberg Band)
Date of investment:	Nov-06
Total invested:	£660,725
Valuation:	£660,725
Valuation basis:	Fair value - Price of Recent Investment
Percentage of equity held:	24.95%
Album release date	Sep-07

High Level Recordings Limited

Artist:	Peter Gabriel
Date of investment:	Jan-07
Total invested:	£1,000,000
Valuation:	£1,000,000
Valuation basis:	Fair value - Price of Recent Investment
Percentage of equity held:	24.95%
Album release date	Early-08

Independiente Music Ventures – David Ford Limited*

Artist:	David Ford
Date of investment:	Jan-07
Total invested:	£387,500
Valuation:	£387,500
Valuation basis:	Fair value - Price of Recent Investment
Percentage of equity held:	24.95%
Album release date	Oct-07

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Independiente Music Ventures – Embrace Limited*

Artist:	Embrace
Date of investment:	Jan-07
Total invested:	£700,000
Valuation:	£700,000
Valuation basis:	Fair value - Price of Recent Investment
Percentage of equity held:	24.95%
Album release date	TBA

Cooking Vinyl Ventures Prodigy Limited*

Artist:	Prodigy
Date of investment:	Jan-07
Total invested:	£1,000,000
Valuation:	£1,000,000
Valuation basis:	Fair value - Price of Recent Investment
Percentage of equity held:	24.95%
Album release date	Mar-08

Jolly Rodger Recordings Limited – Vatican DC

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

Independiente Music Ventures – Ulrich Schnauss Limited*

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

Independiente Music Ventures – Blackbud Limited*

Artist:	Blackbud
Date of investment:	Jun-07
Total invested:	£584,375
Valuation:	£584,375
Valuation basis:	Fair value - Price of Recent Investment
Percentage of equity held:	24.95%
Album release date	Feb-08

Reflex Licensing Limited*

Artist:	UB40
Date of investment:	Jul-07
Total invested:	£471,765
Valuation:	£471,765
Valuation basis:	Fair value - Price of Recent Investment
Percentage of equity held:	24.95%
Album release date	Mar-08

TOTAL INVESTMENTS

Total invested:	£8,647,417
Valuation:	£8,311,064

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

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INCOME STATEMENT (UNAUDITED)

for the six months ended 31 July 2007

	Note	Six months ended 31 July 2007		
		Revenue £'000	Capital £'000	Total £'000
Gains on disposal of investments		-	104	104
Increase/(decrease) in fair value of investments held		-	(304)	(304)
Investment income		4	11	15
Investment management fees		(95)	(94)	(189)
Other expenses		(105)	-	(105)
Loss on ordinary activities before taxation		(196)	(283)	(479)
Tax on ordinary activities		-	-	-
Loss attributable to equity shareholders		(196)	(283)	(479)
Basic and diluted return per share (pence)	2	(1.3)	(1.9)	(3.2)

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

INCOME STATEMENT (UNAUDITED) continued

Six months ended 31 July 2006			Year ended 31 January 2007		
Revenue	Capital	Total	Revenue	Capital	Total
£'000	£'000	£'000	£'000	£'000	£'000
-	-	-	-	96	96
-	113	113	-	234	234
123	19	142	125	55	180
(63)	(63)	(126)	(170)	(170)	(340)
(122)	-	(122)	(190)	(38)	(228)
(62)	69	7	(235)	177	(58)
-	-	-	-	-	-
(62)	69	7	(235)	177	(58)
(0.4)	0.5	0.1	(1.6)	1.2	(0.4)

INGENIOUS MUSIC VCT

BALANCE SHEET (UNAUDITED)

as at 31 July 2007

	Note	31 July 2007 £'000	31 July 2006 £'000	31 January 2007 £'000
Fixed assets				
Qualifying investments		8,311	2,200	6,593
Current assets				
Debtors		10	8	10
Non-Qualifying investments	3	5,245	12,158	7,414
Cash at bank and in hand		300	22	2,026
Creditors: amounts falling due within one year				
		(33)	(11)	(1,731)
Net current assets				
		5,522	12,177	7,719
Net assets				
		13,833	14,377	14,312
Capital and reserves				
Called-up share capital		151	151	151
Share premium account	4	6,867	6,867	6,867
Other reserves	4	7,471	7,471	7,471
Capital reserves				
realised	4	(123)	(131)	(144)
unrealised	4	(38)	145	266
Revenue reserve	4	(495)	(126)	(299)
Equity shareholders' funds				
		13,833	14,377	14,312
Net asset value (pence per share)				
	5	91.7	95.3	94.8

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS (UNAUDITED)

as at 31 July 2007

	31 July 2007 £'000	31 July 2006 £'000	31 January 2007 £'000
Opening Equity shareholders' funds	14,312	14,370	14,370
Profit/(loss) for the period	(479)	7	(58)
Closing Equity shareholders' funds	13,833	14,377	14,312

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CASH FLOW STATEMENT (UNAUDITED)

for the six months ended 31 July 2007

	Six months ended 31 July 2007 £'000	Six months ended 31 July 2006 £'000	Year ended 31 January 2007 £'000
Net cash outflow from operating activities	(1,977)	(76)	(540)
Capital expenditure and financial investment			
Purchase of Qualifying investments	(2,054)	(2,200)	(4,693)
Purchase of Non-qualifying investments	(1,125)	(12,513)	(12,549)
Disposal of Non-qualifying investments	3,430	2,000	6,997
Net cash inflow/(outflow) from capital expenditure and financial investment	251	(12,713)	(10,245)
Decrease in cash	(1,726)	(12,789)	(10,785)

Reconciliation of Profit/(Loss) Before Taxation to Net Cash Flow from Operating Activities

	£'000	£'000	£'000
Profit/(loss) on ordinary activities before tax	(479)	7	(58)
Gains on investments	(104)	-	(96)
Decrease/(increase) in fair value of investments held	304	(113)	(234)
Decrease in receivables	-	148	146
Decrease payables	(1,698)	(118)	(298)
Net cash outflow from operating activities	(1,977)	(76)	(540)

Reconciliation of Net Cash Flow to Movement in Net Funds

	£'000	£'000	£'000
Opening cash balances	2,026	12,811	12,811
Net cash outflow	(1,726)	(12,789)	(10,785)
Closing cash balances	300	22	2,026

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

for the six months ending 31 July 2007

1. Accounting Policies

(a) Basis of Accounting

The financial statements for the half year ended 31 July 2007 have been prepared in compliance with the UK Generally Accepted Accounting Practice (UK GAAP), 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.

This statement has been prepared using accounting policies and presentation consistent with those applied in the preparation of the accounts for the year ended 31 January 2007.

(b) Valuation of Investments

Qualifying Investments

Unquoted investments including equity and loan investments are stated at fair value in accordance with the International Private Equity and Venture Capital Guidelines and Financial Reporting Standard 26 "Financial Instruments Measurement" (FRS 26). They are designated at Fair Value Through Profit and Loss in accordance with FRS 26.

The guidelines set out six permissible valuation methodologies, of these the two methodologies most applicable to the VCT investments are:

1 - Price of recent investment. Where the investment being valued was made recently, its cost will generally provide a good indication of value. It is generally considered that this would only apply for a limited period, in practice a period of up to a year is often applied as the long stop date for such a valuation.

2 - Discounted cash flows/earnings of the underlying business, calculating the net present value of expected future cashflows of the investee companies. In relation to the VCT 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 (i.e. pre-release) and therefore would not be an appropriate methodology to apply in the early stage of the investment.

The adopted approach fair values the investments at the "price of recent investment" (i.e. cost) in their first year of investment. Subsequently, the portfolio of investments is fair valued on the discounted cash flow/earnings basis using the latest available information following the release of the artists' records/albums.

Non-Qualifying Investments

The Company's investments in interest bearing money market open ended investment companies (OEIC's) are valued at mark-to-market. They have been designated as fair value and recognised as revenue through the income statement for the purposes of FRS26.

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.

(d) Expenses

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

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- expenses which are incidental to the acquisition or disposal of an investment are charged to capital 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.

2. Basic and Diluted Return per Share

The calculation of basic return per share is based on the return on ordinary activities after tax for the six months ended 31 July 2007 and on 15,093,283 (2006 – 15,093,283) ordinary shares, being the weighted average number of shares in issue during the period.

There are no dilutive elements and hence the basic return per share is 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.

Included within the total amount of Non-qualifying investments, £2.0 million is invested in the Ingenious Enhanced Cash Fund, which is a quoted cash fund managed by Ingenious Asset Management Limited.

4. Reserves

	Share premium £'000	Other reserve £'000	Capital realised £'000	Capital unrealised £'000	Revenue reserve £'000	Total reserves £'000
At 1 February 2007	6,867	7,471	(144)	266	(299)	14,161
Gain on disposal of investments	-	-	104	-	-	104
Decrease in fair value of investments held	-	-	-	(304)	-	(304)
Investment Income	-	-	11	-	4	15
Investment management fees	-	-	(94)	-	(95)	(189)
Other expenses	-	-	-	-	(105)	(105)
At 31 July 2007	6,867	7,471	(123)	(38)	(495)	13,682

5. Net Asset Value Per Share

The calculation of net asset value per share is based on the net assets at 31 July 2007 divided by the 15,093,283 (2006 – 15,093,283) ordinary shares in issue at that date.

6. The unaudited half-yearly financial statements for the period ended 31 July 2007 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.
7. Copies of the unaudited half-yearly 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.