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**THE COMPANY AND ITS ADVISERS**

<b>The Company</b>	Ingenious Music VCT 2 Plc
<b>Directors</b>	Patrick McKenna (Chairman) Roger Ames Lionel Martin* Peter Reichardt*
<b>Company Secretary</b>	Susan Ford
<b>Registered Office</b>	15 Golden Square London W1F 9JG
<b>Company Number</b>	5564790
<b>Investment Manager &amp; Administrator</b>	Ingenious Ventures Limited 15 Golden Square London W1F 9JG
<b>Auditors</b>	Grant Thornton UK LLP Grant Thornton House Melton Street Euston Square London NW1 2EP
<b>Taxation Advisers</b>	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
<b>Registrar</b>	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
<b>Brokers</b>	KBC Peel Hunt Ltd 111 Old Broad Street London EC2N 1PH
<b>Solicitors</b>	Mayer Brown Rowe & Maw 11 Pilgrim Street London EC4V 6RW

\* Independent director

## INGENIOUS MUSIC VCT 2

### CHAIRMAN'S STATEMENT

I am delighted to present the Company's half-yearly financial statements covering the six months to 30 June 2007 (the Reporting Period).

#### Overview of Activities

It has been an eventful few months for the Company, with seven qualifying investments totalling over £4.5 million having been made in the Reporting Period. Continuing our investment strategy of creating a balanced portfolio of diverse artists, the investments have included a mixture of both established artists and exciting new talent.

Our recent investments in experienced acts include backing the forthcoming albums of world-renowned artist *Peter Gabriel*, 2006 World Cup song writers *Embrace* and techno punk group *Prodigy*. We continue our focus of supporting the best emerging acts and are pleased to report on our investments in folk singer *David Ford*, London 5-piece band *Vatican DC*, electronic pioneer *Ulrich Schnauss* and Glastonbury unsigned band winners *Blackbud*. A more detailed description on these investments can be found in the Manager's Review which follows this statement.

Since the reporting period we have made two further investments: legendary reggae group *UB40* and three-piece girl band *Sirens*. *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 new album from *Sirens* will be produced in conjunction with a number of leading producers who have worked with the likes of *Eminem*, *Janet Jackson* and *Christina Aguilera*.

The Manager continues to actively source new investments with both the Independents and the Majors, and has evaluated a large number of interesting opportunities.

#### Results

During the reporting period we have invested and committed over £4.5million to qualifying investments. The Company made a loss on ordinary activities of £0.2 million in the period to 30 June 2007. The Company's net asset value, however, remained relatively constant during the period at 94.3 pence per share down from 95.2 at the beginning of period.

**Outlook**

The outlook for the next six months remains positive with a number of deals already in the legal process, and we look forward to updating you on these in the near future. There are also a number of album releases to look forward to from artists including *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.

A handwritten signature in black ink, appearing to read "P. McKenna". The signature is written in a cursive, flowing style.

**Patrick McKenna**

Chairman

19 September 2007

## INGENIOUS MUSIC VCT 2

### 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

There has been steady deal flow with seven investments made in the last six months, co-investing with its sister fund Ingenious Music VCT plc. This pace of investment has been achieved through our strong relationship with a number of different parties in the music sector, notably the Independents, the Majors, managers and the artists themselves, and we continue to review a large number of interesting investment opportunities.

#### PETER GABRIEL

In January 2007, the Company invested £1 million in High Level Recording Limited, the joint venture company set up in conjunction with Real World Records to provide funding for the support of all recording costs along with the artist, video, tour support and marketing expenditure required to launch *Peter Gabriel's* fifteenth album in North America.

Real World Records was founded by *WOMAD* and *Peter Gabriel* to provide talented artists from around the world with access to both state-of-the-art recording facilities and audiences beyond their geographic region. Launched in 1989, Real World Records has grown into a label of wide-ranging, world-class music from all corners of the globe.

*Peter Gabriel* has earned a worldwide reputation for his innovative work as a musician, writer and video maker. At school he co-founded the group *Genesis*, which he left in 1975. Since then, his albums, live performances and videos have won him a succession of awards. He launched his first solo album in February 1977 when he was just 26 years of age and has gone on to carve out a 25-year career in the music industry, releasing 14 albums with many Grammy award winning hits, including 'Sledgehammer', which has won the most music video awards ever.

#### THE PRODIGY

In January 2007, the Company agreed to invest £1 million in joint venture company, Cooking Vinyl Ventures Prodigy Limited, set up in conjunction with Cooking Vinyl Records (the label behind musical luminaries such as *Billy Bragg* and the *Buzzcocks*) to back *The Prodigy's* latest album release.

*The Prodigy* is a British band whose music consists of various styles ranging from rave, hardcore techno and industrial in the early 1990s to alternative rock and bigbeat with punk vocal elements in later times. The current band members include Liam Howlett (composer/keyboards), Keith Flint (dancer/vocalist) and Maxim (MC/vocalist). *The Prodigy* first emerged on the underground rave scene in the early 1990s, and has since achieved immense popularity and worldwide renown. Some of their most popular songs include 'Charly', 'Out of Space', 'Smack My Bitch Up', 'Voodoo People', 'No Good (Start the Dance)', 'Breathe' and 'Firestarter'.

**EMBRACE, DAVID FORD, ULRICH SCHNAUSS and BLACKBUD**

Following the Company's investment in multi-platinum band *Travis*, a further four deals have been completed with leading independent record company Independiente; a testament to the strong relationship with the label that we have developed over the past few years.

*Embrace*

In January 2007, the Company agreed to invest £700,000 in successful Brit band and World Cup 2006 anthem writer/performers, *Embrace*, forming the joint venture company, Independiente Music Ventures – Embrace Limited.

Following in the footsteps of *Oasis* and *The Verve*, *Embrace* emerged in post-Brit-pop Britain in the late 1990s. Like *Oasis*; the group has a knack for big, anthemic hooks, which has contributed to their popularity and allowed them to cultivate a strong fan base around the world, with hits such as 'The Good Will Out'.

*David Ford*

In January 2007, £387,500 was invested in up-and-coming artist *David Ford*, forming the joint venture company, Independiente Music Ventures – David Ford Limited.

Emulating the emotional sounds of *Damien Rice*, *David Ford* released an album earlier this year to much critical acclaim. David starts touring throughout the UK in September finishing with a homecoming gig at Shepherds Bush Empire in October.

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 chart. The album "Songs for the Road" is scheduled for general release during October to be promoted with a UK tour.

*Ulrich Schnauss*

In March 2007, the Company invested £221,875 to set up the joint venture company Independiente Music Ventures – Ulrich Schnauss Limited.

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

*Blackbud*

The Company invested £584,375 in *Blackbud* in June 2007 through the joint venture company Independiente Music Ventures – Blackbud Limited.

*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.

## INGENIOUS MUSIC VCT 2

### VATICAN D.C.

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

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.

### Portfolio Update

In addition to the investments outlined above, the Company made two additional investments outside the reporting period in legendary reggae group *UB40* and three-piece girl group *Sirens*.

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

#### *Indiana Gregg*

The album "Woman at Work" was released in April 2007 and 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.

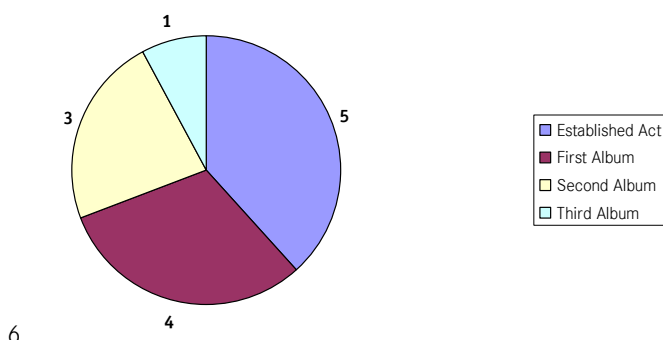
#### *Apartment*

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.

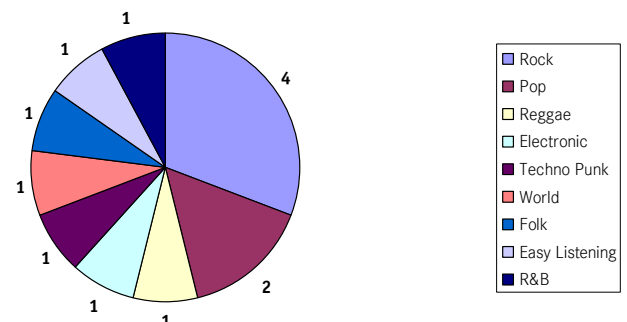
### Portfolio Summary

Our portfolio of investments now totals thirteen 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 adults<sup>1</sup>. 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<sup>2</sup>.

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 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 you 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

19 September 2007

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<sup>1</sup> IFPI: Recording Industry in Numbers 2007

<sup>2</sup> Ibid.

## **INGENIOUS MUSIC VCT 2**

### **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 19 September and the above responsibility statement was signed on its behalf by

A handwritten signature in black ink, appearing to read 'P. McKenna'.

**Patrick McKenna**

Chairman

19 September 2007

**INVESTMENT PORTFOLIO SUMMARY**

as at 30 June 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.

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**Independiente Music Ventures – Travis Limited**

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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

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**GR8 Pop Trading Limited\***

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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

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**Funwood Music Limited\***

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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

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**Genius Music Limited\***

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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

## INGENIOUS MUSIC VCT 2

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### High Level Recording Limited

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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

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### Independiente Music Ventures – David Ford Limited\*

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Artist:	David Ford
Date of investment:	Jan-07
Total invested:	£387,500
Valuation:	£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\*

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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

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### Cooking Vinyl Ventures Prodigy Limited\*

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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

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**Jolly Rodger Recordings Limited – Vatican DC**

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

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**Independiente Music Ventures – Ulrich Schnauss Limited\***

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

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**Independiente Music Ventures – Blackbud Limited\***

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

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**TOTAL INVESTMENTS**

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<b>Total invested:</b>	<b>£6,975,652</b>
<b>Valuation:</b>	<b>£6,699,299</b>

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

## INGENIOUS MUSIC VCT 2

### INCOME STATEMENT (UNAUDITED)

for the six months ended 30 June 2007

		Six months ended 30 June 2007		
	Note	Revenue £'000	Capital £'000	Total £'000
Gains on disposal of investments		-	168	168
Increase/(decrease) in fair value of investments held		-	(122)	(122)
Investment income		6	112	118
Arrangement fees		-	-	-
Investment management fees		(149)	(149)	(298)
Other expenses		(100)	-	(100)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>(243)</b>	<b>9</b>	<b>(234)</b>
Tax on ordinary activities		-	-	-
<b>Profit/(loss) attributable to equity shareholders</b>		<b>(243)</b>	<b>9</b>	<b>(234)</b>
<b>Basic and diluted return per share (pence)</b>	2	<b>(0.9)</b>	<b>0.0</b>	<b>(0.9)</b>

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

**INCOME STATEMENT (UNAUDITED)** continued

Ten months ended 30 June 2006			Period ended 31 December 2006		
Revenue	Capital	Total	Revenue	Capital	Total
£'000	£'000	£'000	£'000	£'000	£'000
-	-	-	-	14	14
-	6	6	-	363	363
256	21	277	278	152	430
(265)	-	(265)	(265)	-	(265)
(82)	(82)	(164)	(245)	(245)	(490)
(68)	-	(68)	(182)	(44)	(226)
(159)	(55)	(214)	(414)	240	(174)
-	-	-	-	-	-
(159)	(55)	(214)	(414)	240	(174)
(1.7)	0.6	(2.3)	(2.6)	1.5	(1.1)

## INGENIOUS MUSIC VCT 2

### BALANCE SHEET (UNAUDITED)

as at 30 June 2007

		<b>30 June 2007</b>	30 June 2006	31 December 2006
	<b>Note</b>	<b>£'000</b>	£'000	£'000
<b>Fixed assets</b>				
Qualifying investments		<b>6,699</b>	-	2,305
<b>Current assets</b>				
Debtors		<b>15</b>	80	7
Non-Qualifying investments	3	<b>17,928</b>	12,010	22,936
Cash at bank and in hand		<b>515</b>	14,001	264
<b>Creditors: amounts falling due within one year</b>		<b>(178)</b>	(897)	(299)
<b>Net current assets</b>		<b>18,280</b>	25,194	22,908
<b>Net assets</b>		<b>24,979</b>	25,194	25,213
<b>Capital and reserves</b>				
Called-up share capital		<b>265</b>	265	265
Share premium account	4	<b>12,561</b>	25,143	25,122
Other reserves	4	<b>12,561</b>	-	-
Capital reserves				
realised	4	<b>8</b>	(82)	(123)
unrealised	4	<b>241</b>	27	363
Revenue reserve	4	<b>(657)</b>	(159)	(414)
<b>Equity shareholders' funds</b>		<b>24,979</b>	25,194	25,213
<b>Net asset value (pence per share)</b>	5	<b>94.3</b>	95.1	95.2

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS (UNAUDITED)**

as at 30 June 2007

	<b>30 June 2007 £'000</b>	30 June 2006 £'000	31 December 2006 £'000
Opening Equity shareholders' funds	<b>25,213</b>	-	-
Capital subscribed	-	26,467	26,445
Issue costs	-	(1,059)	(1,058)
Loss for the period	<b>(234)</b>	(214)	(174)
Closing Equity shareholders' funds	<b>24,979</b>	25,194	25,213

## INGENIOUS MUSIC VCT 2

### CASH FLOW STATEMENT (UNAUDITED)

for the six months ended 30 June 2007

	Six months ended 30 June 2007 £'000	Ten months ended 30 June 2006	Period ended 31 December 2006 £'000
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(409)</b>	593	(259)
<b>Capital expenditure and financial investment</b>			
Purchase of qualifying investments	<b>(4,670)</b>	-	(2,305)
Purchase of non-qualifying investments	<b>(4,190)</b>	(12,000)	(24,129)
Disposal of non-qualifying investments	<b>9,520</b>	-	1,570
<b>Net cash inflow/(outflow) from capital expenditure and financial investment</b>	<b>660</b>	(12,000)	(24,864)
<b>Financing</b>			
Issue of redeemable preference shares	-	50	50
Repurchase of redeemable preference shares	-	(50)	(50)
Issue of ordinary shares	-	26,467	26,445
Expenses of the issue of ordinary shares	-	(1,059)	(1,058)
<b>Net cash inflow from financing</b>		25,408	25,387
<b>Increase in cash</b>	<b>251</b>	14,001	264
<b>Reconciliation of Loss Before Taxation to Net Cash Flow from Operating Activities</b>			
	£'000	£'000	£'000
Loss on ordinary activities before tax	<b>(234)</b>	(214)	(174)
Gains on investments	<b>(168)</b>	(10)	(14)
Decrease/(increase) in fair value of investments held	<b>122</b>	-	(363)
Decrease in receivables	<b>(8)</b>	(80)	(7)
Decrease/(increase) payables	<b>(121)</b>	897	299
<b>Net cash outflow/(inflow) from operating activities</b>	<b>(409)</b>	593	(259)
<b>Reconciliation of Net Cash Flow to Movement in Net Funds</b>			
	£'000	£'000	£'000
Opening cash balances	<b>264</b>	-	-
Net cash inflow	<b>251</b>	14,001	264
Closing cash balances	<b>515</b>	14,001	264

**NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**

for the six months ending 30 June 2007

**1. Accounting Policies**

**(a) Basis of Accounting**

The financial statements for the half year ended 30 June 2007 have been prepared in compliance with the 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.

This statement has been prepared using accounting policies and presentation consistent with those applied in the preparation of accounts for the period ended 31 December 2006.

**(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:

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

## INGENIOUS MUSIC VCT 2

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 period ended 30 June 2007 and on 26,475,381 (2006: 9,180,550) 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, £3.1 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
<b>At 1 January 2007</b>	25,122	-	(123)	363	(414)	24,948
Gain on disposal of investments	-	-	168	-	-	168
Decrease in fair value of investments held	-	-	-	(122)	-	(122)
Investment Income	-	-	112	-	6	118
Investment management fees	-	-	(149)	-	(149)	(298)
Other expenses	-	-	-	-	(100)	(100)
Reduction of share premium account	(12,561)	12,561	-	-	-	-
<b>At 30 June 2007</b>	12,561	12,561	8	241	(657)	24,714

On 06 June 2007, the Company Registered the court order dated 01 May 2007 which confirmed the reduction of the Company's share premium account by £12,561,000. The purpose of the reduction was to enable the company to create a distributable reserve for the purpose of purchasing shares in the market

### 5. Net Asset Value per Share

The calculation of net asset value per share is based on the net assets at 30 June 2007 divided by the 26,475,381 (2006 – 26,475,381) ordinary shares in issue at that date.

6. The unaudited half-yearly financial statements for the period ended 30 June 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 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.