

IBIS Media VCT 1 plc

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Investment in Freshwater UK plc

We are pleased to announce that IBIS Media VCT 1 plc (IBIS) has completed its fifth investment - a £697,850 investment in Freshwater UK plc (Freshwater, or the Group), whose website can be found at www.freshwater-uk.com.

Company Description

Freshwater UK plc is an established and profitable public relations (“PR”) and marketing services group. The business has been operating since 1997 with a record of significant expansion in a fragmented industry, through both acquisitions and organic growth.

The Cardiff-headquartered Group combines a UK regional network with offices in Cardiff, London, Glasgow, Bristol, Birmingham, Southampton and Sheffield. The network has specialist consultancy and marketing support service teams in sectors such as technology, healthcare, consumer products and the public sector.

The directors of Freshwater consider that this provision of specialist expertise at a local level represents a significant competitive advantage; the Group operates largely under one brand and offers its clients a “best team” approach that can draw from its resource base comprising local regional know-how, functional marketing specialisms and vertical sectoral expertise.

The Group has extensive cross selling opportunities and is able to combine the Group’s national, regional and specialist strengths to offer clients the mix of expertise they require, regardless of location.

The directors of Freshwater believe that there are many consolidation opportunities within the sector, as independent PR agencies seek economies of scale, potential for cross-selling and the critical mass needed to win major public and private sector contracts. The directors of Freshwater believe that the Group has established a strong brand within the PR and marketing services sector and is well placed to achieve further growth both organically and through targeted acquisitions.

Freshwater has integrated seven acquisitions since 2004, of which all except the most recent are now trading under the Freshwater brand. The Board has already identified a number of additional potential targets that fit its acquisition criteria.

On Monday 16th July, Freshwater announced the successful closing of a £4 million gross placing (at a placing price of 85 pence per share) and that the company's shares have been admitted to trading on AIM under the trading symbol FWUK.

Investment Rationale

The market for PR agency services in the UK has grown strongly over the past five years and is estimated to be worth in excess of £1 billion. Freshwater has been one of the fastest growing agencies in the PR industry's league table of fee income for three consecutive years, registering growth in fee income of 87 per cent in 2006, 100 per cent in 2005 and 27 per cent in 2004.

IBIS shares Freshwater management's belief that growth opportunities for a PR-led group will continue as businesses recognise that reputation management and the provision of high quality and consistent communication are critical as media and information channels become more diverse, and reduced technology costs make them more accessible.

IBIS supports Freshwater's strategy to develop a substantial PR led marketing group with regional and national reach and a comprehensive range of specialist services. Freshwater's flotation and fundraising are intended to enable it to accelerate its growth plans, to make larger acquisitions and to recruit and retain the best people.

About IBIS Media VCT 1 plc (IBIS)

IBIS is a venture capital fund focusing on making investments at the smaller end of the UK media sector.

The fund has been structured as a Venture Capital Trust in order to enable investors in the fund to take advantage of the significant tax benefits available to VCTs, and investors in VCTs.

IBIS Capital Ltd

18 July 2007

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