



**IBIS Media VCT 1 plc**  
**Annual Report & Financial Statements**  
for the year ended 31 January 2010



Incorporated in England and Wales  
with registration number 5660269

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## Financial Summary

Year ended 31 January	2010	2009
Net assets	£7,588,410	£7,423,978
Net asset value per share	94.29p	92.25p
Investment income	£128,819	£341,146
<b>Return on ordinary activities before tax</b>		
- Revenue	£(68,566)	£130,685
- Capital	£353,714	£(239,652)
- Total	£285,148	£(108,967)
<b>Return per share</b>		
- Revenue	(0.85)p	1.34p
- Capital	4.40p	(2.76)p
- Total	3.55p	(1.42)p
<b>Dividend per share declared in respect of the year</b>		
- Revenue	Nil	1.0p
- Capital	1.5p	0.5p
- Total	1.5p	1.5p
<b>Share price at end of year</b>	£0.88	£0.95

## Investment Policy

The over-riding objective of IBIS Media VCT 1 plc ("IBIS" or the "Company") is to make investments in unquoted companies within the media sector that have the potential to grow and to achieve capital appreciation on a subsequent exit.

Whilst the Company's directors ("Directors") and the Company's investment committee ("Investment Committee") are primarily targeting investments in privately owned companies, suitable opportunities to acquire VCT qualifying investments in smaller AIM and PLUS-quoted stocks will also be considered where there is potential to achieve the level of return targeted by the Company's board of directors ("Board"). It is also the intention of the Directors to build a balanced portfolio with interests in a mixture of cyclical and non-cyclically exposed media companies operating both in mature and high growth areas of the market. IBIS is, however, unlikely to invest in all media sub-sectors as factors such as growth prospects, the competitive environment and valuations may mean that the prospective investment performance of certain of those sub-sectors would be unlikely to provide satisfactory rates of return.

Investments in business start-ups will generally be avoided unless the management team has a strong profile in the media sector and a track record of value creation for shareholders.

The Company's investment adviser is IBIS Capital Limited ("IBIS Capital" or "Investment Adviser").

## Chairman's Statement

### Company Overview

The year ended 31 January 2010 again presented a challenging economic and financial climate. There were signs of recovery which, from the Company's perspective, were most evident in the performance of the FT All Share Media Index (see below). However, in the unquoted sector many businesses failed while many others struggled to remain afloat. Against this background, it is encouraging to report that the Company's net asset value per share increased over the year driven by an increase in the carrying value of its venture capital investment portfolio. Key features of the Company's year included:

- An unrealised capital gain of £406,937
- An increase in net asset value per share from 92.25p to 94.29p
- Payment of a dividend of 1.5p per share
- Completion of five investments for a total of £1,487,360 thereby satisfying the HMRC investment criteria for all funds raised by the Company
- Preliminary work on a top-up offer which closed after the year-end, fully subscribed, within four weeks of its launch having raised over £750,000 net of expenses

For the Company's shareholders who invested in tax year 2005/06 and recovered the full income tax relief of 40p per £1 subscribed, their total return per share as at 31 January 2010 was 43p and the net asset value per share was 94.29p.

### Financial Performance

The Board, in consideration of the Company's financial performance and taking account of the comparatively long-term nature of the Company's investments, pays particular attention to the net asset value total return per share, performance against the FT All Share Media Index (which the Investment Adviser considers to be the most appropriate broad equity market index for comparative purposes) and the total expense ratio.

The Company's return attributable to its shareholders was £285,148. This comprised a revenue return of £(68,566) and a capital return of £353,714 – the latter being made up of a realised loss of £(53,223) and an unrealised gain of £406,937.

The Company's net assets increased by £164,432 – the annual profit of £285,148 less the dividend payment of £120,716. The net asset value per share, therefore, increased from 92.25p to 94.29p and the net asset value total return per share increased from 93.75p to 97.29p, an increase of 3.8%.

Over the year ended 31 January 2010, the FT All Share Media Index rose by 34.1%. A graph comparing the Company's net asset value total return per share and share price total return per share against the total return from a notional investment of 100p in the Index from the date of the Company's launch to 31 January 2010 is given on page 24. This shows that the net asset value total return per share has outperformed the Index over that period. If consideration were taken of the maximum income tax relief for which our shareholders were eligible, then the net asset value total return per share would be increased by a further 40p or 30p (depending on the date of investment).

The Company's total expense ratio fell from 3.9% to 3.4%, an encouraging decrease of 12.8%.

### Dividends

During the year, the Company paid a dividend of 1.5p per share which was a final dividend in respect of the year ended 31 January 2009. At the forthcoming annual general meeting, a final dividend of 1.5p per share will be proposed in respect of the year ended 31 January 2010.

### Investment Performance

Five investments totalling £1,487,360 were completed during the year increasing the cost of the Company's venture capital portfolio from £4,022,338 to £5,509,698 and, in the process, satisfying the HMRC investment criteria for all funds raised by the Company as at 31 January 2010.

No investments were realised during the year; and the carrying value of the venture capital investments increased by £406,937.

The Company's cash, pending its investment in qualifying venture capital holdings, was invested in a number of liquidity funds with the emphasis on capital preservation.

A full report on the performance of the Company's investments is given in the Investment Adviser's Review.

**Outlook**

The Board congratulates the Investment Adviser for its success to date in creating and managing a media portfolio which has weathered a particularly challenging period and is beginning to show signs of delivering a satisfactory capital return. This has also involved considerable individual commitment by the Directors and the Company's independent special investment adviser in reviewing and assisting in the selection of the Company's investments.

The success of the top-up offer, which raised over £0.75m net of expenses after the year-end, and the funds still held from earlier fund raisings will allow the Company to give further support to several of its existing investments and to consider a few new investments in the year ending 31 January 2011. An increasing priority, however, will be to work with the managements of investee companies to fashion the business growth and identify the business opportunities which should result in successful exits for the Company and suitable returns for its shareholders.

The Board is grateful for the support of the Company's shareholders and would encourage them (or their advisers) to contact the company secretary on 0131 243 7210 with any questions which they may have about either the Company or their shareholdings in it. The Investment Adviser also maintains a website for the Company which may be accessed at [www.ibismediavct.com](http://www.ibismediavct.com).

**Sir Robin Miller**

Chairman

27 May 2010

## The Board, Investment Committee & Investment Adviser

### The Board

**Sir Robin Miller**, independent non-executive chairman

Robin was formerly chief Executive (1985-98 and 2001-03) and chairman (1998-2001) of Emap plc, one of the UK's leading media groups with businesses including consumer and trade publishing, commercial radio and music TV channels and events.

In 2003, Robin became senior media advisor to HgCapital, and was involved in the successful disposal of Boosey & Hawkes and Clarion Events Limited. He has also been a non-executive director of Channel Four Television (1999-2006), and was chairman of their New Business Board, was non-executive chairman of the HMV Group (2004-2005), senior non-executive director at Mecom Group plc (2005-2009), chairman of Entertainment Rights plc (2008-2009), and Setanta Sports in 2009.

Robin is currently a non-executive director of The Racing Post and Time Out Group, chairman of IBIS Media VCT 1 plc, Edge VCT plc, Getmemedia.com Limited, Golf Club Network and Crash Media Group, is a director of Bikesportnews.com and a trustee of the Golf Foundation and Riders for Health.

**Peter English**, independent non-executive director

Peter English co-founded VCF LLP, which now trades as Foresight Group, in 1985. Foresight Group has managed or advised Fleming Ventures Limited and a number of venture capital trusts including Foresight VCT plc, TriVest VCT plc, Foresight 2 VCT plc, Foresight 3 VCT plc (formerly Advent VCT plc) and Foresight 4 VCT plc (formerly Advent VCT 2 plc).

**Lucy Macdonald**, independent non-executive director

Lucy Macdonald is a Managing Director and member of the board of RCM (UK), a subsidiary of Allianz Global Investors. She has been the Chief Investment Officer, Global Equities, of RCM since 2001. She is responsible for £6.3 billion of global equity funds. Previously, she was a director of Baring Asset Management and head of UK specialist funds. She has 24 years of investment experience.

**Peter Williams**, independent non-executive director

Peter Williams has been the group finance director of Daily Mail & General Trust ("DMGT") since 1991. DMGT is a leading UK-based media company with a market capitalisation of approximately £1.8 billion.

**Simon Jamieson**, independent non-executive director

Simon Jamieson is a director of FF&P Asset Management Limited. He is also a member of Flemings Family & Partners Asset Management Limited's investment committee and of FF&P Private Equity Limited's investment committee. Mr Jamieson was the fund manager of FF&P Special Situations 1 LLP, which has invested some £17 million in a portfolio of British and American businesses since 2001. He also manages FF&P Venture Funds 1 and 2 which target private equity funds that invest primarily in US and European businesses.

**David Forster**, non-independent non-executive director

Between 1986 and 2003, David Forster worked as an equity analyst covering the media sector for firms including Kleinwort Benson, Merrill Lynch and latterly Salomon Smith Barney. For the eight year period to 2001 he was co-head of a team that was ranked first by institutions for its coverage of the UK media sector. Between 1996 and 2003, whilst he was at Salomon Smith Barney, he became a managing director taking over responsibility for the global equity media research product in 2001. In 2003 he left and established IBIS Capital in conjunction with Charles McIntyre.

**Charles McIntyre**, non-independent non-executive director

Charles McIntyre began his career with Apax Partners, which today is one of Europe's largest private equity investors. In 1999, together with other senior managers, Mr McIntyre spun off the investment banking arm of Apax Partners to form Altium Capital which was developed into a pan-European investment bank. At Altium Capital, he headed up the European media investment banking team and originated deal flow in the small to mid-sized sector of the market.

### **The Investment Committee**

There are eight members of the Investment Committee comprising all the Company's directors ("Directors") and an independent special adviser, Gary Hughes.

Investment decisions are taken by the Investment Committee. A minimum of two Directors must be in attendance at each meeting of the Investment Committee and each investment must be approved by at least two Directors with no member of the Investment Committee voting against. David Forster and Charles McIntyre have no vote on the Investment Committee but can participate in its discussions.

#### **Gary Hughes**

Gary Hughes is a chartered accountant and was appointed as the chief financial officer of Gala Coral Group in October 2008. He was formerly chief executive of CMP Information Limited, a subsidiary of United Business Media plc, and group finance director of EMAP plc between 2000 and 2005. Prior to joining EMAP plc, Mr Hughes was the group finance director of SMG plc (Scottish Media Group) between 1996 and 2000 and deputy finance director of Forte plc from 1994 to 1996. He has also been a non-executive director of J Sainsbury plc since January 2005.

### **The Investment Adviser**

IBIS Capital Limited acts as the investment adviser to IBIS.

IBIS Capital Limited was established in August 2003. It is an FSA regulated business offering not only asset management services, including a long/short equity hedge fund focused on the global media industry, but also a full range of corporate finance services to clients in the media sector.

## Investment Adviser's Review

### Highlights

- 2010 year end NAV per share of 94.29p, after payment of the 2009 final dividend of 1.5p, compared to 92.25p at end of 2009. Further 1.5p dividend proposed in relation to 2010.
- HMRC investment criteria in relation to VCT qualification for the original and second offers for subscription satisfied.
- £1.5m of new investment during the year across four investments: one new (Contagious) and four follow-on into existing portfolio companies.
- £245k invested since the year end in four further follow-on investments across three portfolio companies.
- Pipeline of new investment opportunities remains strong.
- Top-up fund raising launched in March 2010 fully subscribed.
- Fund now substantially invested. Focus moving towards portfolio realisation.

The financial year ended 31 January 2010 saw further steady progress in the development of IBIS Media VCT 1 plc's portfolio, which now comprises 8 investee companies, with one further investment, Quintus, having been already exited.

Four VCT qualifying investments and one non-qualifying investment (loan to Masher) were completed during the year under review, including £850,000 into Steel River Media, which trades as Contagious, a new portfolio company. The following table summarises the year's investment activity, and further activity since the year end.

Date of Investment	Investee Company	Amount	Use of Funds
<b>2009</b>			
May	Get Me Media	£210,000	Development
July	Freshwater	£27,360	Acquisition
Nov.	Skive	£300,000	Acquisition
Nov.	Masher	£100,000	Development
<b>2010</b>			
Jan.	Contagious	£850,000	Development
Total for 2009/10		£1,487,360	
Feb.	Heritage House	£150,000	Refinancing
Feb.	Riva	£4,500	Development
Mar.	Freshwater	£45,000	AIM market purchase
Apr.	Freshwater	£45,880	Open offer to fund acquisition and provide working capital
Total for 2010/11 to date		£245,380	

Although calendar year 2009 saw some easing in the broad trading environment compared to 2008, the overall economic environment remained challenging. Against this background we were satisfied with our portfolio companies' trading performance and pleased that the VCT's NAV per share showed a modest increase to 94.29p, compared to last year end's NAV of 92.25p. Taking into account the 1.5p dividend paid during the course of the year this represents an overall increase in value of 3.8%.

As explained in more detail later in this review, we made a number of adjustments, both up and down, in the carrying value of our investments. Investee companies where we maintained or increased the carrying value of our investments, on a like for like basis, were Skive, Polyview, Get Me Media, Masher and Riva. However, we reduced the carrying value of our investments in Heritage House and Freshwater.

The investment in Contagious was completed shortly before the end of the VCT's financial year and is carried at cost. We are pleased to report that Contagious' trading since our investment has been very satisfactory. More generally, trading for most of our portfolio companies in the new calendar year to date is showing a marked improvement compared to a year ago. However, the economic outlook remains uncertain. This tempers our optimism to a degree, but if present trends persist most of our portfolio companies should experience a year of healthy growth.

As our shareholders will be aware, we announced a top-up offer in March 2010, which raised £756,902 net of expenses for the VCT. We were pleased that the offer was taken up in full, with subscriptions from both existing investors, including every member of the VCT Board and Investment Committee, and a number of new investors. In addition, the Directors, at their discretion, have approved additional subscriptions outside of the offer of a further £60,000, with those shares issued at the same price per share as the offer shares.

In conjunction with the cash remaining from the earlier offers, the VCT has total cash available for further investments of £2.3m. Given that it is prudent to retain a reasonable cash cushion to meet the VCT's ongoing cash expenses and unexpected investment opportunities, including follow-ons, we envisage making a further two to three new investments and some further follow-on investments into existing portfolio companies.

Our pipeline of new investment opportunities remains strong and we are confident that the VCT will make significant progress towards being fully invested by the end of the current financial year. Given our rigorous and highly selective approach to making investments our lead times can be long. For example, our initial meetings in relation to Contagious, where we confirmed our investment in January this year, took place in January 2007! Our current active pipeline includes a company where we have been in discussion since November 2008 but also a business that we first met two months ago.

### **Other developments in relation to IBIS Capital Ltd**

As the majority of our investors will be aware IBIS Capital Ltd has other media related finance activities in addition to being the Investment Adviser to IBIS Media VCT 1 plc. We thought that a brief summary of the broader development of IBIS Capital would be of interest and relevant to VCT shareholders as we believe it provides some additional insight into how we source investment opportunities for the VCT, including assessing eventual exits, work on the structuring of investments and look to work with our portfolio companies on the strengthening of their management teams and development of their strategies.

Prior to the launch of the IBIS Media VCT, IBIS Capital had already established a corporate finance practice, working with both large and small, and domestic and international media companies. IBIS Capital's corporate finance activities and network have continued to develop and provide a window into the investment appetites of larger companies as well as sources of finance, both equity and debt, across the spectrum of fundraising size and complexity. Some of the investment opportunities that have been made available to the VCT have been a direct by-product of IBIS Capital's corporate finance activities, often by way of introduction, and a number of individual clients have become investors in the VCT.

As described in the VCT's original Offer for Subscription document, IBIS Capital's founders had already begun to develop a track record of private equity investing in the media sector, prior to the launch of the VCT. Of the three sizeable investments - MAMA Group (formerly Channelfly), Quintus, Third Millennium Information - completed prior to the VCT's launch, Quintus and MAMA Group have now been exited, while Third Millennium is still held and is currently expanding into the US.

Quintus, was an investment where an original investment was made prior to the launch of the VCT, with the VCT participating in a follow-on opportunity. Quintus was subsequently acquired for cash by IMG, a large US based sports, entertainment and media company, at a value that represented a 41% uplift on the follow-on round in which the IBIS VCT participated.

On 1 February 2010 HMV Group announced that it had acquired MAMA Group, a diversified music company, for £46 million in cash. The Directors of IBIS Capital's original involvement with MAMA Group (then Channelfly) was in 2003, when they worked with, and invested alongside, management to arrange a manage buy-out from the AIM stock market at a valuation of the company of £1.0m. Channelfly was subsequently brought back to the AIM market in 2005, by way of a reverse takeover, and changed its name to MAMA Group. Prior to the eventual exit to HMV, MAMA Group strengthened its management team, executed a number of acquisitions and successful fundraisings. The investors in the buy-out achieved a return of 7.25x their original equity investment. The Directors of IBIS Capital are pleased to have been involved with a highly successful investment in the music industry at a time when the industry has been undergoing significant structural change which has presented challenges for many other investors.

In addition to developing its private equity offering, IBIS Capital has also sought to develop its asset management activities with regards to the public markets. IBIS Capital Partners LLP was established in 2006, with backing from IBIS Capital, which is a substantial shareholder, with a view to launching a global long/short equity hedge fund focused on the media industry ("IBIS Global Media Fund"). The IBIS Global Media Fund was launched in July 2007 and now has a track record covering 35 months, which encompasses one of the most tumultuous periods in stock market history. Since launch, the IBIS Global Media Fund has produced a positive net return for its day one investors (to end April 2010) of 25.8% over a period when the Global Media sector, as measured by the MSCI Media Index, has fallen 24.3%, and the overall Global Market, as measured by the MSCI World Index, has fallen by 25.2%. A significant factor behind IBIS Capital's decision to launch a long/short hedge fund was a belief that the complexity of the media industry at a time of great structural change would provide both long and short investment opportunities and a specialist investor competitive advantage in relation to the generalist investors that comprise the majority of money invested in public markets.

Although its investment focus is materially different, IBIS Capital believes that there are benefits to investors in the VCT to be realised from the active involvement of the hedge fund in understanding the strategic interests and appetites of larger media companies, especially when it comes to considering exits. Conversely the managers of the IBIS Global Media Fund find value in access to the managements and business models of young, dynamic private media companies as they can often provide insights into the challenges that confront more established and mature media businesses.

IBIS Capital is gratified to note that there are a growing number of investors who are invested in both the VCT and the IBIS Global Media Fund.

## Conclusion

The year ended 31 January 2010 has been one of steady progress for IBIS Media VCT in the face of a still challenging economic environment. The portfolio has proven resilient, which is testimony to the companies comprising our portfolio and to their managements. Current year trading for most of the portfolio companies is materially ahead of the corresponding period a year ago.

We hope that the VCT's investment phase is moving towards completion, which will see a switch in emphasis to portfolio realisation and returns to investors. In the meantime the VCT's continued maintenance of VCT qualification means that its earliest investors have secured income tax relief of 40% and later investors of 30%. In conjunction with the cumulative 3.0p of dividends paid to date, investors, who invested at 100p per share, have already secured a useful return on their initial investment. The VCT's year end NAV per share of 94.29p, which excludes the dividends paid to date, indicates that further significant returns of tax-free cash to investors should be forthcoming in due course. Notwithstanding, the proof of the success of the IBIS VCT will depend on future exits and much work remains to be done.

We would like to take this opportunity to thank each of the members of the VCT Board and the Investment Committee, who are ultimately responsible for approving every investment made by the VCT, and who have been supportive in introducing investment opportunities and investors to the VCT. We would also like to thank all existing VCT shareholders for their continued support, and we are gratified that the top-up offer was taken up in full and so swiftly. We would also like to welcome those new investors who participated in the top-up offer, and thank them for their vote of confidence.

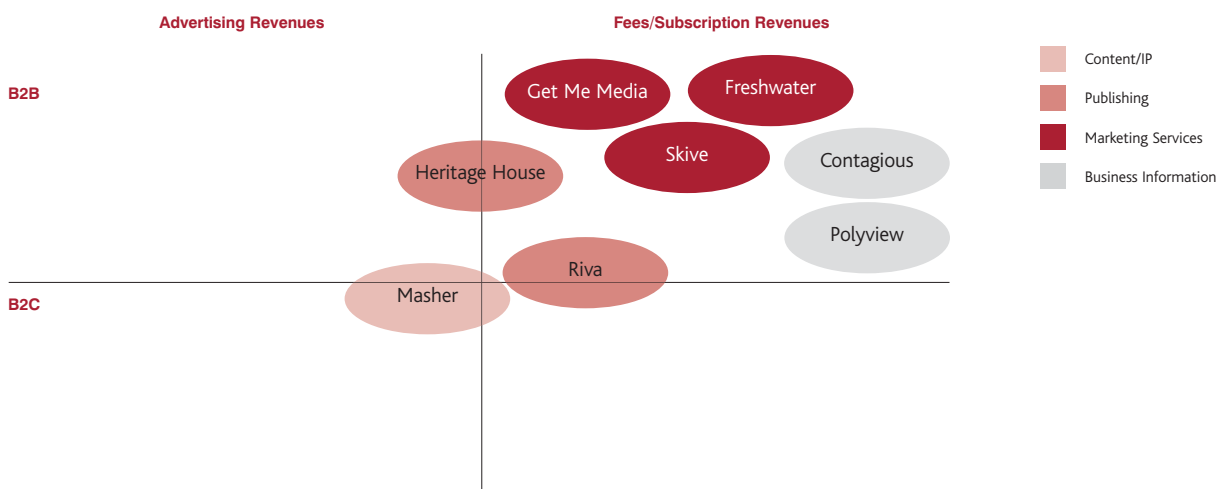
## Portfolio review

The current portfolio of IBIS Media VCT 1 plc comprises investments in eight companies: Get Me Media, Skive Group, Riva Digital Media, Freshwater, Heritage House Media, Masher Technologies, Polyview Media and Steel River Media, the holding company for Contagious Communications.

The investment strategy has been to create a portfolio of investments exposed to different sectors of the media industry as well as to different types of revenue streams. This approach provides balance to the portfolio, which has been particularly important in the recent economic climate which has seen some sectors more adversely affected than others.

The schematic below seeks to provide an overview of the positioning of each of the portfolio companies. It highlights that our emphasis has been on investing in businesses that provide chargeable services to other businesses (B2B) as opposed to businesses focusing on consumer products and services (B2C). The attraction of the B2B market is the greater visibility of the underlying customer base and the ability to build significant contractual income streams. The marketing services companies (Get Me Media, Skive and Freshwater) are linked to the advertising and marketing expenditure cycle and have been affected by the challenging economic climate but to differing degrees. Skive Group, with its strong digital offering, has fared relatively well in comparison to Freshwater, where PR budgets have been cut back with a knock-on effect on revenues.

### Overview of the IBIS portfolio of investee companies by business and media subsector



The Board's strategy is to structure its investments so as to provide a degree of protection, where it is able to do so, to the underlying investment. This protection is typically achieved by subscribing for a mixture of ordinary shares and loan notes in a portfolio company. In respect of the valuation provided for 31st January 2010, approximately 48% of the valuation is based on loan repayments from the investments made and the balance from equity.

Overall, we believe that the portfolio has held up well over the last year, and since the year end there have been encouraging signs of growth within individual companies which we detail later.

The following is a review of the current portfolio.

### Get Me Media

Initial investment:	22 January 2007. Date of follow-on investment: 28 May 2009.
Investment:	£560,000 comprising a mixture of ordinary shares and unsecured loan notes.
Valuation as at 31 January 2010:	£675,600.

#### Investment Overview

Get Me Media, which trades as Getmemedia.com, is an online directory of marketing and media spend ideas. The company helps marketers and their agencies find relevant and up to date marketing opportunities for their brands. The company serves two needs: 1) for media owners, it gives them a shop window to promote their inventory of media opportunities to advertisers and their agencies, from whom the media owners hope to attract a share of marketing spend; and 2) for advertisers and their agencies, it gives them an easily navigable and searchable database of alternative media and ideas for their marketing campaigns.

#### Investment Thesis

Get Me Media was launched in 2006 by Pete Davis, who previously had nine of years of marketing experience at Nestlé UK. We decided to invest in support of Pete's belief that there would be a market need for a service that enabled advertisers and their agencies to keep abreast of all suitable marketing opportunities for their brands, in an environment of growing media complexity and fragmentation. Since our investment in January 2007, Getmemedia.com has developed a leading position as an online directory of marketing and media spend ideas, providing a neutral space for brands and their agencies to find marketing, media and sponsorship solutions.

#### Recent Developments

Against the backdrop of a tough economic climate, Get Me Media has made good progress, increasing both the number of users of the site as well as the number of ideas being posted to the system. Ideas on the site have grown from approximately 900 in February 2009 to approximately 1,400 in January 2010. Membership has increased from approximately 4,790 to 9,000 over the same period. Since the year end, trading has been significantly ahead of the same period last year and in line with the management's budget for the year, while membership is now in excess of 10,000.

During the course of the year IBIS made a follow-on investment in Get Me Media of £210,000 to provide the company with additional capital to fund expansion. At the same time, Sir Robin Miller was appointed Chairman of Get Me Media. We are actively involved with all our portfolio companies and we believe that being able to bring Sir Robin's experience in the media sector to the Board of Get Me Media will be valuable to the on-going expansion of the business.

### Skive Group

Date of initial investment:	21 May 2007. Date of follow-on investment: 2 November 2009.
Investment:	£650,000 comprising a mixture of ordinary shares and convertible unsecured loan notes.
Valuation as at 31 January 2010:	£963,148.

#### Investment Overview

Skive Group is a creative digital marketing agency, which trades through two companies Skive Creative and Soup Digital. Their businesses deliver websites and interactive content for a wide range of clients, including Nestlé, Sky, Vodafone, Publicis Modem and TBWA. Skive has a particular strength and reputation for high quality interactive 'desktop' games produced on a bespoke basis for client marketing campaigns. Skive received a number of awards for its work in 2009, including Best Interactive Advertisement and Best Advergame from the British Interactive Media Association. Soup was acquired in July 2009 and is a complementary digital creative agency with offices in London and Norwich.

#### Investment Thesis

The advent of digital forms of advertising has resulted in a need for a whole new range of skill sets to serve the marketing requirements of advertisers. The changes in advertising have created opportunities for new market entrants to establish themselves. Skive Group is one such company that has responded to this window of opportunity and has built an impressive mix of clients. The market in the UK for creative digital agencies remains highly fragmented. As a consequence we believe there will continue to be a period of consolidation as marketing services groups seek to establish a degree of scale within the online advertising sector. We would expect Skive Group to benefit from this consolidation in due course as larger marketing services companies seek to acquire smaller digitally-focused agencies.

#### Recent Developments

New business wins have been encouraging and year-on-year revenue growth for 2009 was significant, with similar profit growth once the costs associated with the acquisition of Soup are excluded. Soup was acquired in July 2009 and is being integrated into the group. Further work is required to complete this integration and to improve the trading margins within the Soup business. However, 2010 will be the first full year's contribution from Soup, which will provide a significant increase in scale for Skive Group. We believe that this scale will provide greater visibility in the marketplace for the group and will help enhance the value of our investment at the time of an exit.

## Riva Digital Media

Date of initial investment:	23 May 2007. Dates of follow-on investments: 17 December 2007 and 11 February 2010.
Investment:	£345,015 in ordinary shares and £4,500 unsecured loan.
Valuation as at 31 January 2010:	£69,003 excluding the £4,500 unsecured loan which was made after the year end.

### Investment Overview

Riva Digital Media's core activity is the design, production and distribution of Epacs. Each Epac is a bundled collection of premium content which is digitally wrapped in a unique branded skin and is downloadable to a customer's personal computer. The components of an Epac can include video clips, MP3 files, ring tones, digital wall paper and customised information.

Since launch, Riva Digital Media has struggled to establish Epacs as a widely used consumer application for the consumption of mixed digital media. The original business model, that required significant web traffic to generate advertising income as well as a charging model for premium content, has not worked as originally envisaged. In response the management cut costs significantly while the business model was redeveloped.

### Investment Thesis

The original investment thesis was based on the management's ability to secure high quality content, such as exclusive celebrity video downloads, which would then be used to populate an online store for consumers. The business model suffered due to the lack of premium content and a resulting lower level of users of Epacs. The current plan from the management team is to re-position Epacs as a PC version of mobile applications ("Mobile Apps") on phones such as Apple's iPhone. The marketplace for Mobile Apps has grown enormously over the last year and Riva Digital Media is seeking to benefit from this demand spilling over into the PC environment where current Mobile Apps are not designed to function.

### Recent Developments

Riva Digital Media is in the process of launching a number of Epacs linked to Mobile Apps. For example, Paul McKenna has agreed to re-purpose a number of Mobile Apps on subjects such as "I Can Make You Sleep" and "I Can Make You Thin" for the PC using Epacs. Riva Digital Media will receive a commission for each downloaded Paul McKenna Epac.

The new business model has not yet been launched so the outcome of the re-launch remains uncertain.

## Freshwater

Date of investment:	18 July 2007. Date of follow-on investment: 2 July 2009.
Investment:	£725,210 in ordinary shares.
Valuation as at 31 January 2010:	£201,825
Post year end investments of	£45,000 and £45,880 in ordinary shares.

### Investment Overview

Freshwater, which is an AIM listed company, is a public relations led marketing group with teams operating in the UK and Ireland across five specialist areas. The company has four support divisions offering: marketing, graphic design and media buying; conferences; training and coaching; and, interactive and online media. In July 2009, Freshwater announced the acquisition of Life Communications, which extended the group's reach to Ireland. Since IBIS' year end Freshwater has also acquired an established Edinburgh based PR agency called Profile Plus (UK) Ltd, which has extended the group's presence in Scotland.

### Investment Thesis

The aim of Freshwater has been to build a network of regional PR agencies largely through acquisition and to integrate the businesses under one brand. The company has completed 11 acquisitions since 2004 and has built up expertise in a number of specialty areas.

However, the recession has had an impact on Freshwater's ability to deliver profitable growth. The company has a high level of operational gearing which has meant the reductions in revenue have had a disproportionate effect on profits and cash generation. Freshwater's share price has suffered as result. We remain supportive of management's plans and have since the year end made two further investments on the basis that the overall strategy of Freshwater remains attractive and the current share price undervalues the company.

### Recent Developments

On 17th March 2010, IBIS acquired a further 250,000 ordinary shares at 18p per share in the market followed by a further investment of £45,880 for 229,400 ordinary shares at 20p per share on 26th April 2010 as part of an Open Offer to fund the acquisition of Profile Plus (UK) Ltd. The acquisition which is based in Edinburgh is to be integrated into Freshwater's existing base in Glasgow. The acquisition will also expand the group's activities in leisure and lifestyle.

Freshwater announced its interim results for the half year to 28 February 2010 on 17 May. The interim statement noted that profitability had improved in the second quarter and "the early indications are that profitability in the second half is continuing to improve as the Group benefits from additional cost saving measures already implemented and takes advantage of encouraging trends in some markets".

### Heritage House Media

Date of initial investment:	6 September 2007. Follow-on investments: 30 November 2007, 27 May 2008, 1 December 2008 and 17 February 2010.
Investment:	£1,104,473 as at 31 January 2010 and a further £150,000 on 17 February 2010 after the Company's year end.
Valuation as at 31 January 2010:	£931,525 excluding the additional investment of £150,000 on 17 February 2010.

#### Investment Overview

Heritage House Media was created through three acquisitions in 2007: Hudson's Historic Houses and Gardens, the UK's only annually updated guide to historic houses; the assets of Heritage House Group's publishing and souvenir businesses; and, the purchase of the Jarrold contract publishing business from NPI Media. These businesses have been integrated into the group, albeit at a slower rate than was originally envisaged. Following the completion of these acquisitions the company has launched a number of new initiatives, including publishing the Visit Britain accommodation guides and the launch of Open Britain, which will provide directories for disabled access, region by region, across the UK.

#### Investment Thesis

In the last couple of years there has been a fall in UK residents travelling overseas with an increasing focus instead on domestic tourist destinations, of which the heritage house market forms an important part. The aim of Heritage House Media is to serve the publishing and souvenir needs of this market. The acquisitions that formed the group, together created one of the leading suppliers to the heritage market in the UK. Heritage House Media publishes guide books and ancillary materials to over 400 visitor attractions in the UK as well as publishing Hudson's Historic Houses and Garden, which is perceived as the "bible" of heritage venues in the UK. The investment thesis has been to establish a strong market position within the heritage market and to use this platform to launch a range of additional products and services.

Since the date of IBIS' initial investment, Heritage House Media has developed a number of spin-off products such as Hudson's Dream Weddings, a guide to heritage house wedding venues, as well as new initiatives such as Open Britain, a directory for disabled access.

#### Recent Developments

Heritage House Media was able to deliver a year-on-year improvement in profitability in 2009 through careful cost management. Notwithstanding, the recent economic climate has impacted revenues adversely, with guide books being most heavily affected in 2009 due to reduced orders compared to historic levels. The publishing contract with Visit Britain for UK accommodation guides made a strong contribution in 2009, which helped deliver the profit improvement.

An additional investment from Heritage House's shareholders, including £150,000 from IBIS, was made in February 2010 after IBIS' year end. The additional investment was used in part to retire some of the company's bank debt and the balance to provide working capital for the forthcoming year.

### Masher

Date of initial investment:	14 July 2008. Date of follow-on investment: 2 November 2009.
Investment:	£475,000 in ordinary shares and unsecured loan notes.
Valuation as at 31 January 2010:	£475,000.

#### Investment Overview

Masher produces an online video editing and messaging tool designed to be used in conjunction with online social networking communities; it is a B2C widget and application with simple and intuitive drag and drop functionality. Masher is a spin-off from BBC Worldwide. Through a content licensing agreement with the BBC, it offers its users access to a catalogue of video and audio content.

The key development in 2009 for Masher was the commercial agreement with the pan-European social network site Netlog. Netlog has approximately 50 million users spanning Western Europe, Turkey and Saudi Arabia. To date the Masher application has been rolled out in English, French, Italian, Turkish and Arabic. By the beginning of February 2010 Masher had over 50,000 registered users. Masher generates revenues from selling advertising on its website as well as licensing its application to other commercial users. For example, the Masher application was used by Nike to promote its award winning five-a-side football campaign.

### Investment Thesis

The advent of bite size video through sites such as YouTube has had a significant impact on the popularity of online video. According to ComScore, over 5.5 billion videos were viewed online in the UK alone in February 2010, up 37% on the previous year. The huge growth in online video represents the basis of the investment in Masher. Masher provides an application to make online video communication easier and more exciting to the user. In addition, Masher has access to significant BBC video content through its relationship with BBC Worldwide, who are a shareholder in the company. The key to the growth of this early stage company will be to ensure as wide as possible consumer exposure for its application, whilst at the same time commercialising Masher as an application for use within marketing campaigns. This twin approach is aimed at producing short term cashflow for the business whilst creating a valuable online consumer video application with attractive viral properties.

### Recent Developments

Masher has continued to build its online consumer presence, albeit at a slower rate than originally envisaged. On the commercial side, Masher has recently licensed the application to Adidas for a marketing campaign that has been run within Facebook. Integration of the Masher application within Facebook has been an important development for the business, as it allows Masher the potential to develop other applications within Facebook. Facebook has been the fastest growing top 10 online video site in UK over the last year. Masher is currently seeking to raise funds for its next stage of development, which will provide further functionality for its application and greater marketing resources.

### Polyview

Date of Initial Investment:	17 November 2008.
Investment:	£800,000 comprising ordinary shares and loan notes.
Valuation as at 31 January 2010:	£1,551,988.

### Investment Overview

Polyview, which was launched in 2006, has three principal strands to its business: the European Lawyer magazine, legal reference books and online legal procurement services. The European Lawyer is sold by means of subscription to European law firms and plays an important role in developing brand recognition for the sale of other related products published by Polyview. The reference books cover specialist legal topics and are also sold principally to European legal firms.

The online platform operates in two areas: the consumer search and comparison site takelegaladvice.com and the recently launched procurelaw.com, which provides a legal tendering and briefing platform for corporate legal services. The consumer site, takelegaladvice.com generates income from providing business leads to legal firms. Procurelaw.com provides a platform for the general counsel of a corporation to manage, wholly online, the tendering process for new legal instructions.

### Investment Thesis

Polyview was an opportunity for IBIS to back two successful entrepreneurs, Mark Wyatt and Mary Heaney, who had previously built up a legal publishing business which was sold to Incisive Media in 2005. Polyview provides a balance between both online and offline properties within the European legal market. The legal reference books are published on a variety of topics and are successfully sold across Europe directly to law firms. The online sites provide highly scaleable business services to predominantly UK law firms.

### Recent Developments

Since the date of the Company's initial investment Polyview has grown significantly with substantial year-on-year revenue growth in 2009. The acquisition of the European Lawyer magazine and reference books during the course of 2009 has made a strong contribution to the group's trading. The Board of Polyview expects the company to reach profitability in the current year.

The company has decided to change its name from Polyview to Futurelex, in order to emphasise the legal focus of the business.

### Steel River Media being the holding company of Contagious

Date of initial investment:	12 January 2010.
Investment:	£850,000 in ordinary shares.
Valuation as at 31 January 2010:	£850,000.

#### Investment Overview

Contagious, which was launched in 2004, is a respected global intelligence resource reporting on innovative marketing techniques and the impact of emerging technologies on brands. Contagious' clients include some of the world's leading advertisers such as Diageo, Nestlé, Nokia, Microsoft, Toyota and P&G as well as range of advertising agencies including Leo Burnett Worldwide, Ogilvy & Mather, Y&R, and Lowe Worldwide.

Contagious' offering includes a magazine, DVD and online resource, covering topics such as: branded content, mobile marketing, social networking, user-generated content, video games and emerging technologies. Contagious complements its core offering with a bespoke online intelligence resource and alerts service for advertisers and agencies. Separately, Contagious also provides interactive workshops and briefings on developments in the wider communications sector.

The overall proposition of the business is to identify ideas, trends and innovation behind the world's most revolutionary marketing strategies.

#### Investment Thesis

Digital media has had a major impact on the way that brands can communicate to their end customers. As the market has changed, it has become increasingly important for brand owners to be aware of new marketing techniques as they emerge, as well as understanding the associated technologies. Contagious seeks to address this market by providing an authoritative intelligence source for this information.

At the time of the investment by IBIS, Contagious was a profitable company with a management team that had successfully established Contagious' position in the market. The company benefits from an attractive business model which is largely based on annual subscriptions for its various business intelligence services.

#### Recent Updates

The investment by IBIS has only recently completed but the early indications of the company's progress on product sales have been encouraging. As of the end of March 2010, the company is trading ahead of budget and the pipeline for the rest of the year remains strong.

## Investment Portfolio

as at 31 January 2010

	2010			2009		
	Cost £	Valuation £	% of net assets by value	Cost £	Valuation £	% of net assets by value
<b>Venture capital investments</b>						
Get Me Media	560,000	675,600	8.90	350,000	427,224	5.75
Riva	345,015	69,003	0.91	345,015	69,003	0.93
Skive	650,000	963,148	12.69	350,000	595,456	8.02
Heritage House	1,104,473	931,525	12.28	1,104,473	1,261,549	16.99
Freshwater	725,210	201,825	2.66	697,850	295,560	3.98
Masher	475,000	475,000	6.26	375,000	375,000	5.05
Polyview	800,000	1,551,988	20.45	800,000	800,000	10.79
Steel River Media	850,000	850,000	11.20	-	-	-
<b>Total venture capital investments</b>	<b>5,509,698</b>	<b>5,718,089</b>	<b>75.35</b>	<b>4,022,338</b>	<b>3,823,792</b>	<b>51.51</b>
<b>Total fixed asset investments</b>	<b>5,509,698</b>	<b>5,718,089</b>	<b>75.35</b>	<b>4,022,338</b>	<b>3,823,792</b>	<b>51.51</b>
<b>Net current assets</b>		<b>1,870,321</b>	<b>24.65</b>		<b>3,600,186</b>	<b>48.49</b>
<b>Net assets</b>		<b>7,588,410</b>	<b>100.00</b>		<b>7,423,978</b>	<b>100.00</b>

## Venture Capital Investments

as at 31 January 2010

### Get Me Media Limited

Get Me Media is a B2B online information provider.

The Company's investment has been valued on the basis of discounted cash flow and valuations from similar publicly quoted companies and transactions involving comparable companies.

#### VCT Investment

Cost	£560,000
Valuation	£675,600
Equity holding	38%
Income paid to VCT in y/e 31 Jan '10	Nil

### Riva Digital Media Limited

Riva is a producer of digital media applications.

The Company's investment has been valued on the basis of original cost as adjusted by an impairment provision.

#### VCT Investment

Cost	£345,015
Valuation	£69,003
Equity holding	9%
Income paid to VCT in y/e 31 Jan '10	Nil

### Skive Creative Limited

Skive is a digital media agency.

The Company's investment has been valued on the basis of discounted cash flow and valuations from similar publicly quoted companies and transactions involving comparable companies.

#### VCT Investment

Cost	£650,000
Valuation	£963,148
Equity holding	16%
Income paid to VCT in y/e 31 Jan '10	Nil

### Freshwater UK plc

Freshwater is a regional PR network.

The Company's investment is valued on the basis of bid price on AIM.

#### VCT Investment

Cost	£725,210
Valuation	£201,825
Equity holding	7%
Income paid to VCT in y/e 31 Jan '10	£10,642

### Heritage House Media Limited

Heritage House is a media solutions provider to the heritage sector.

The Company's investment has been valued on the basis of the equity element held at cost as adjusted for an impairment provision and the debt element held at its repayment value as adjusted for an impairment provision.

#### VCT Investment

Cost	£1,104,473
Valuation	£931,525
Equity holding	20%
Income payable to VCT in y/e 31 Jan '10	£85,105

### Masher Technologies Limited

Masher is an online application for the creation of personal videos including BBC content.

The Company's investment has been valued at cost.

#### VCT Investment

Cost	£475,000
Valuation	£475,000
Equity holding	23%
Income payable to VCT in y/e 31 Jan '10	£10,500

### Polyview Media Limited

Polyview operates the law firm search and comparison website TakeLegalAdvice.com, which provides B2B and B2C services in the UK legal market. The company also publishes the European Lawyer magazine and legal reference books.

The Company's investment has been valued on the basis of discounted cash flow and valuations from similar publicly quoted companies and transactions involving comparable companies.

#### VCT Investment

Cost	£800,000
Valuation	£1,551,988
Equity holding	7.9%
Income paid to VCT in y/e 31 Jan '10	Nil

### Steel River Media Limited

Steel River Media Limited is the holding company for Contagious, a publisher of business information on new marketing strategies and associated technologies.

The Company's investment has been valued at cost.

#### VCT Investment

Cost	£850,000
Valuation	£850,000
Equity holding	26%
Income paid to VCT in y/e 31 Jan '10	Nil

## Directors' Report

The Directors present the financial statements of the Company (incorporated in England and Wales with registration number 5660269) for the year ended 31 January 2010 and their report on its affairs.

### Business and principal activities

The Company was launched in February 2006 to invest in private equity type transactions at the smaller end of the UK media industry. The over-riding objective of the Company is to make investments in unquoted companies within the media sector that have the potential to grow and to achieve capital appreciation on a subsequent exit.

IBIS invests principally in smaller unquoted companies, although AIM and PLUS-quoted companies are also considered. The focus is on providing development capital, second stage fundraisings, pre-IPO fundraisings and acquisition capital to investee companies. Investments in business start-ups will generally be avoided unless the management team has a strong profile in the media sector and a track record of value creation for shareholders.

The Directors and the Investment Committee look for the following characteristics when considering potential investments:

- A sustainable business model
- A high quality management team
- A competitive advantage within their target markets
- The scope for organic revenue growth
- Profitability or reasonable expectation of achieving profitability within a foreseeable timeframe

The Directors do not foresee any major changes in the activity undertaken by the Company in the foreseeable future.

### VCT status

The Company was granted provisional approval as a venture capital trust by HM Revenue & Customs under section 842AA of the Income and Corporation Taxes Act 1988 with effect from 5 April 2006. The Directors managed the affairs of the Company in compliance with this section throughout the year under review and intend to continue to do so. With its investment in Steel River Media in January 2010, the Company met the requirement of having at least 70% by value of its investments in VCT qualifying holdings by no later than 31 January 2010.

### Business review

A detailed review of the Company's development and performance during the year and consideration of its future prospects may be obtained by reference to this Report, the Chairman's Statement (pages 2 and 3) and the Investment Adviser's Review (pages 6 to 13). Details of the venture capital investments made by the Company are given in the Investment Portfolio summary (page 14) and the Venture Capital Investments report (pages 15 and 16). A summary of the Company's key financial measures is given on page 1.

The Board is responsible to shareholders for the proper management of the Company and for determining the Company's investment policy. Investment and divestment proposals are originated, negotiated and recommended to the Investment Committee by IBIS Capital Limited. Company Secretarial and Accountancy services are provided to the Company by The City Partnership (UK) Limited.

In reviewing the work of the Investment Committee and the Investment Adviser, the Board looks to be satisfied that:

- The Company's investment policy is being followed
- Each investment or divestment decision is subjected to rigorous due diligence
- Risk is spread by investing across a sufficiently diverse range of businesses within the media sector and by maintaining a balance between equity and loan stock exposure
- The portfolio will meet the HMRC VCT conditions

In consideration of the Company's financial performance, the Board, taking account of the comparatively long term nature of the Company's investments, pays particular attention to net asset value total return per share, total expense ratio and performance against the FT All Share Media Index (which is considered to be the most appropriate broad equity market index for comparative purposes).

### Net asset value total return per share

The net asset value total return per share comprises the net asset value plus cumulative dividends paid per share. Net asset value is calculated at least quarterly with investments valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines. As at 31 January 2010, the Company's net asset value total return per share was 97.29p.

During the year under review, the Company's net assets increased by £164,432. This increase comprised a profit for the year of £285,148 - an unrealised capital gain of £406,937, a realised capital loss of £53,223 and a revenue loss of £68,566 - and a total dividend payment of £120,716. The dividend which was paid in the year was a final dividend in respect of the year ended 31 January 2009 of 1.5p per share bringing the cumulative dividend paid per share to 3.0p. Therefore, the net asset value per share increased by 2.04p, an increase of 2.2%, and the net asset value total return per share increased from 93.75p to 97.29p, an increase of 3.8%.

Over the same period, the FT All Share Media Index increased by 34.1%. A graph comparing the Company's share price total return, the Company's net asset value total return per share and the total return from a notional investment of 100p in the FT All Share Media Index over the period from 5 April 2006 to 31 January 2010 is presented on page 24.

#### Total expense ratio

The total expense ratio, calculated as the year's expenses (as disclosed in the profit & loss account) divided by the average net asset value across the year, was 3.4% (2009: 3.9%). Although this ratio is higher than that achieved by many other venture capital trusts, the Board is satisfied with the ratio given that the Company's net asset value is significantly lower than that of many of its peers.

Under the terms of the Investment Adviser agreement, the running costs of the Company (excluding the Investment Adviser's performance related incentive fee, irrecoverable VAT, trail commission and costs of any significant corporate activity) are restricted to a maximum of 3.5% of the average value of the Company's net assets. Any excess will be paid by the Investment Adviser.

#### Results and dividends

As shown in the Company's Income Statement on page 31, the Company's returns in the year ended 31 January 2010 were:

Revenue return per share	(0.85)p
Capital return per share	4.40p
Total return per share	3.55p

The Board recommends the payment of a final dividend of 1.5p per share in respect of the year ended 31 January 2010. The proposed record and payment dates are 16 July 2010 and 27 July 2010 respectively.

The Balance Sheet, page 32, shows that the Company's net assets and the net asset value per share have increased over the year, primarily because of the unrealised gain in value, £406,937, of the Company's investment portfolio.

The cash outflow during the year was £1,913,010 reflecting a spend on investments of £1,554,666, a dividend distribution of £120,716, a cash outflow of £232,421 due to operating activities and a corporation tax payment of £5,207. No funds were raised during the year.

#### Future developments

The primary focus will continue to be on the development of an investment portfolio which will deliver attractive returns over the medium to longer term.

#### Risk management

The Board has adopted a risk management programme whereby it continually identifies the principal risks faced by the Company and reviews both the nature and effectiveness of the internal controls adopted to protect the Company from such risks as far as is possible.

The Board believes that the principal risks to which the Company is exposed are:

Economic risk – events such as a downturn in the media sector or a tightening of credit facilities may adversely affect the Company's investee companies and make successful divestments less likely.

Investment risk – the adoption of inappropriate investment policies, sourcing too few investment opportunities of the required standard, and taking investment decisions without having undertaken sufficiently robust due diligence.

Financial risk – poor financial controls which may lead to the misappropriation of assets or inappropriate financial decisions and breaches of regulations through deficient financial reporting.

Regulatory – failure to comply with any of the regulations to which the Company is subject which include the provisions of the Companies Act 2006, the UKLA listing rules, applicable Accounting Standards and HMRC VCT regulations.

Further information about the Company's internal controls is given in the Statement of Corporate Governance on pages 25 to 28.

## Corporate information

### Directors

The directors of the Company during the year under review were Sir Robin Miller, Peter English, Lucy Macdonald, Simon Jamieson, Peter Williams, David Forster and Charles McIntyre.

Brief biographical details of the Directors are given on page 4.

Sir Robin Miller, Peter English and David Forster will retire at the annual general meeting in 2010 and, being eligible, offer themselves for re-election.

### Directors' interests

The interests of the current Directors and their connected persons in the ordinary shares of the Company are shown below.

	No of ordinary shares as at 31 Jan 2010	Percentage holding	No of ordinary shares as at 31 Jan 2009	Percentage holding
Sir Robin Miller	56,122	0.7	56,122	0.7
Peter English	102,520	1.3	102,520	1.3
Lucy Macdonald	81,920	1.0	81,920	1.0
Simon Jamieson	102,040	1.3	102,040	1.3
Peter Williams	51,116	0.6	51,116	0.6
David Forster	643,525	8.0	643,525	8.0
Charles McIntyre	398,437	5.0	398,437	5.0

No options over shares in the capital of the Company have been granted to the Directors.

### Directors' remuneration report

An ordinary resolution to approve the Directors' Remuneration Report (presented on page 23) will be put to the annual general meeting.

### Companies Act 2006 disclosures

The Board recognises the requirement under Section 417(5) of the Act to detail information about environmental matters (including the impact of the Company's business on the environment), any Company employees and social and community issues; including information about any policies it has in relation to these matters and effectiveness of these policies. As the Company has no employees or policies in these matters this requirement does not apply.

### Investment adviser agreement

IBIS Capital Limited is the investment adviser to the Company and provides a range of services to the Company under an investment adviser agreement dated 7 February 2006.

This appointment shall continue until terminated by the expiry of not less than twelve months' notice in writing given by either party to the other at any time after the third anniversary of the last date (30 June 2006) on which ordinary shares issued pursuant to the prospectus published in February 2006 were admitted to the Official List and to trading on the London Stock Exchange. This appointment may also be terminated in circumstances of material breach by either party.

IBIS Capital Limited receives an annual advisory fee. The fee is payable quarterly in advance, such quarterly fee (exclusive of VAT) being equal to one-quarter of 2.25% of the net asset value of the Company as at the commencement of the quarter but excluding any amount taken into consideration in the calculation of that net asset value which is intended to be distributed to shareholders within that quarter.

Total annual running costs have been capped at 3.5% of average net assets (excluding the Investment Adviser's performance related incentive fee, irrecoverable VAT, trail commission and costs of any significant corporate activity) with any excess being borne by the Investment Adviser.

In the opinion of the Directors, the continuous appointment of the Investment Adviser is in the interests of the shareholders as a whole.

### Performance related incentive fee

The Investment Adviser and each member of the Investment Committee (other than Messrs. Forster and McIntyre who will benefit through their shareholdings in IBIS Capital Limited) will each be entitled to share in a performance related incentive fee equal to 20% of the increase in the Performance Value per ordinary share over an initial period of three years and thereafter each successive period of six months. No fee will be payable unless two tests are met. First, a performance hurdle must be achieved that requires the Performance Value per ordinary share to exceed 150 pence and that cumulative cash distributions are not less than 60 pence per ordinary share. Second, the Performance Value per ordinary share must be higher than the highest previously recorded Performance Value per ordinary share.

Each member of the Investment Committee will be entitled to a 3% share of the performance related incentive fee, save that the Chairman of the Board will be entitled to a share of 3.5%. The Investment Adviser will be entitled to the remaining 81.5% of the performance related incentive fee.

### Share capital

The Company was incorporated on 21 December 2005 with the name IBIS Media VCT 1 plc.

The Company's authorised share capital on incorporation was £300,000 divided into 25,000,000 ordinary shares of 1p each and 5,000,000 redeemable non-voting shares of 1p each.

On incorporation, 20 ordinary shares were issued, nil paid, to the subscribers to the Memorandum of Association of the Company.

To enable the Company to obtain a certificate under section 117 of the Companies Act, on 18 January 2006, 5,000,000 redeemable shares were allotted by the Company at par for cash, paid up as to one quarter of their nominal value, to IBIS Capital Limited. The 5,000,000 redeemable shares were redeemed in full on 6 April 2006. The authorised but unissued shares so arising were redesignated as ordinary shares and the Articles were amended by the deletion of all references to the redeemable shares and the rights attaching to them.

Between 30 March 2006 and 30 June 2006, a total of 5,839,009 ordinary shares of 1p each were issued at a price of £1 per share.

Between 1 February 2007 and 31 January 2008, a total of 2,198,735 ordinary shares of 1p each were issued at a price of £1 per share.

In April 2008, 10,000 ordinary shares of 1p each were issued at a price of £1 per share.

As at 31 January 2010 a total of 8,047,764 ordinary shares of 1p each of the Company were in issue.

Subsequent to 31 January 2010, the Company raised £793,034 under a top-up offer and allotted a further 804,776 ordinary shares of 1p each in the capital of the Company. The shares allotted to each Director and their connected persons under the offer were:

Sir Robin Miller	12,626
Peter English	25,252
Lucy Macdonald	12,121
Simon Jamieson	12,626
Peter Williams	12,626
David Forster	63,669
Charles McIntyre	25,252

The Board also exercised its discretion to accept two applications totalling £60,000 to invest in the Company's shares and allotted 60,606 ordinary shares of 1p each in the capital of the Company.

The Company will consider requests to buy back shares but is mindful that investment in the Company was promoted as comparatively long-term with venture capital portfolios typically taking from five to seven years to mature.

### Substantial shareholdings

As at the date of this report the Company was aware of the undernoted individual shareholdings exceeding 3% of the issued share capital:

- M Alen-Buckley, 7.5% (664,667 shares)
- D Forster, 5.6% (498,078 shares)
- C Davies, 4.6% (410,081 shares)
- A Beckingham, 4.6% (408,162 shares)
- C McIntyre, 4.3% (382,873 shares)

### Authority to make market purchases of shares

By a special resolution passed at the 2009 annual general meeting of the Company held on 2 July 2009, the Company was generally and unconditionally authorised pursuant to section 166 of the Companies Act 1985 to make market purchases of up to 14.99% of the ordinary shares in issue from time to time. The price paid must not be less than 1p per ordinary share nor more than 5 per cent above the average of the market value of the ordinary shares for the five business days prior to the day the purchase is made. The authority, unless renewed or revoked prior to such time, expires on the earlier of 18 months from the passing of the resolution and the conclusion of the Company's 2010 annual general meeting. Renewal of the authority will be sought at the 2010 annual general meeting.

### Special reserve

By a special resolution of the Company passed at an extraordinary general meeting of the Company held on 23 January 2006, the Company was authorised to cancel the amount standing to the credit of the share premium account of the Company at the date the order was made confirming such cancellation. Court approval was granted on 23 August 2006.

The cancellation of the share premium account created a special reserve that can be used, amongst other things, to fund buy-backs of the Company's shares when the Board considers that it is in the best interests of the Company to do so.

### Disclosure of information to auditors

The Directors who held office at the date of the approval of this Directors' Report confirm that, so far as they are aware: there is no relevant audit information of which the Company's auditors are unaware and the Directors have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

### Auditors

A resolution to re-appoint Scott-Moncrieff as auditors to the Company will be proposed at the forthcoming annual general meeting. A separate resolution will be proposed at the meeting authorising the Directors to fix the remuneration of the auditors.

### Creditor payment policy

The Company's policy is to pay all suppliers' invoices in accordance with agreed terms. There were six trade creditors as at 31 January 2010.

### Annual general meeting

The annual general meeting will be held at 6.00pm on 7 July 2010 at the Company's offices. Notice of the meeting and a proxy form are set out on pages 45 and 47 respectively of this report.

The business of the meeting is outlined below.

#### Resolution 1 - Annual Report and Financial Statements

The Directors are required to present to the annual general meeting the Annual Report and Financial Statements for the financial year ended 31 January 2010.

#### Resolution 2 – To declare a final dividend

The final dividend cannot exceed the amount recommended by the Directors and can only be paid after the members at a general meeting have approved it. The Directors recommend a final dividend of 1.5p per share payable on 27 July 2010 to the holders of ordinary shares registered at the close of business on 16 July 2010 which will bring the total dividend for the year to 1.5p per share.

#### Resolution 3 – Directors' Remuneration Report

Under Regulation 11 and Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008, the Company is required to produce a Directors' Remuneration Report for each relevant financial year and to seek shareholder approval for that report at the annual general meeting. The Directors' Remuneration Report is on pages 23 and 24 of the Annual Report and Financial Statements.

#### Resolution 4 – Re-election of Director

Sir Robin Miller retires by rotation in accordance with the Company's Articles of Association and, being eligible, offers himself for re-election.

#### Resolution 5 – Re-election of Director

Peter English retires by rotation in accordance with the Company's Articles of Association and, being eligible, offers himself for re-election.

#### Resolution 6 – Re-election of Director

David Forster retires by rotation in accordance with the Company's Articles of Association and, being eligible, offers himself for re-election.

#### Resolution 7 – Re-appointment of the Auditors

The Company is required to re-appoint auditors at each annual general meeting of the Company to hold office until the next general meeting at which accounts are presented. This resolution proposes that the Company's current auditors, Scott-Moncrieff, be re-appointed as auditors of the Company.

#### Resolution 8 – Remuneration of the Auditors

This resolution proposes that the Directors be authorised to set the auditors' remuneration.

#### Resolution 9 - Renewal of Directors' authority to allot shares

By virtue of Section 551 of the Companies Act 2006, the Directors require the authority of the shareholders of the Company to allot shares or other relevant securities in the Company. This resolution authorises the Directors to make allotments of up to an additional 1,336,900 shares (representing approximately 15% of the issued share capital of the Company as at the date of this report (being the latest practicable date prior to the publication of this document)). The existing authority will expire at the forthcoming annual general meeting and, by proposing this resolution, the Board seeks its renewal. The Directors have no present intention of exercising the authority given by this resolution. This authority will be effective until the earlier of the date of the annual general meeting of the Company to be held in 2011 and the date which is 15 months after the date on which this resolution is passed (unless the authority is previously revoked, varied or extended by the Company in general meeting).

#### Resolution 10 - Disapplication of pre-emption rights

Resolution 10 which will be proposed as a special resolution, supplements the Directors' authority to allot shares in the Company given to them by Resolution 9. The resolution authorises the Directors to allot equity shares for cash up to a total nominal value of £13,369 (representing approximately 15% of the share capital currently in issue). This authority will be effective until the earlier of the date of the annual general meeting of the Company to be held in 2011 and the date which is 15 months after the date on which this resolution is passed (unless the authority is previously revoked, varied or extended by the Company in general meeting).

#### Resolution 11 - Purchase of ordinary shares by the Company

Resolution 11, which will be proposed as a special resolution, will, if passed, authorise the Company to purchase in the market up to 14.99% of the issued share capital of the Company from time to time at a minimum price of 1p per share and a maximum price per share of not more than an amount equal to 105% of the average of the middle market prices shown in the quotations for an ordinary share in The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that ordinary share is purchased. This authority will be effective until the earlier of the date of the annual general meeting of the Company to be held in 2011 and the date which is 15 months after the date on which this resolution is passed (unless the authority is previously revoked, varied or extended by the Company in general meeting).

By Order of the Board

#### **The City Partnership (UK) Limited**

Company Secretary

27 May 2010

## Directors' Remuneration Report

This report has been prepared by the Directors in accordance with the requirements of Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008. A resolution to approve the report will be proposed at the annual general meeting.

The Company's auditors, Scott-Moncrieff, are required to give their opinion on certain information included in this report. The disclosures which have been audited are indicated as such. Their report is set out on page 30.

### Nomination and Remuneration Committee

During the period under review, the members of the Nomination and Remuneration Committee, a fully constituted board committee, were Lucy Macdonald (Chairman) and Simon Jamieson. The committee's remit regarding remuneration is included in the Statement of Corporate Governance which is set out on pages 25 to 28.

The committee did not meet in the year ended 31 January 2010. Such a meeting in the Company's fourth year of business was thought unnecessary given that no Director retired and that the Directors' initial fees had been agreed in their letters of appointment.

The committee has not received any advice or services from any person in respect of the Directors' remuneration during the period.

### Directors' remuneration policy

The committee considers that directors' fees should reflect the time commitment required and the high level of responsibility borne by directors, and should be broadly comparable to the fees paid by similar companies. The Company's Articles of Association do not place an overall limit on directors' remuneration. None of the Directors is eligible for pension benefits, share options, bonuses or other benefits in respect of their services as non-executive directors of the Company.

As members of the Investment Committee, each Director (other than David Forster and Charles McIntyre) is entitled to share in a performance-related incentive fee from the Company. David Forster and Charles McIntyre will benefit through their shareholdings in the Investment Adviser which is also entitled to share in the incentive fee.

The aggregate performance fee payable by the Company is calculated as being equal to 20% of the increase in the Performance Value per ordinary share over an initial period of three years and thereafter each successive period of six months. No fee will be payable unless two tests are met. First, a performance hurdle must be achieved that requires the Performance Value per ordinary share to exceed 150 pence and that cumulative cash distributions are not less than 60 pence per ordinary share. Second, the Performance Value per ordinary share must be higher than the highest previously recorded Performance value per ordinary share when an incentive fee was paid.

Each member of the Investment Committee is entitled to a 3% share of the incentive fee, save that the Chairman of the Board is entitled to a share of 3.5%. The Investment Adviser is entitled to the remaining 81.5% of the fee.

### Directors' fees

The fees payable to individual Directors in respect of the year ended 31 January 2010 are shown in the table below. Sir Robin Miller's, Peter English's and Simon Jamieson's fees are paid to RMC Limited, VCF Partners, and FFP Services respectively in consideration for their services.

Director	Annual fee £	Fee for year ended 31 January 2010	Annual fee £	Fee for year ended 31 January 2009
Sir Robin Miller	15,000	15,000	15,000	15,000
Peter English	12,500	12,500	12,500	12,500
David Forster*	12,500	-	12,500	-
Simon Jamieson	12,500	12,500	12,500	12,500
Lucy Macdonald	12,500	12,500	12,500	12,500
Charles McIntyre*	12,500	-	12,500	-
Peter Williams	12,500	12,500	12,500	12,500

\*Both David Forster and Charles McIntyre, who are directors of the Investment Adviser, waived their entitlement to directors' fees in both periods.

### Terms of appointment

The Company's Articles of Association provide that the Directors shall retire and be subject to re-election at the first annual general meeting after their appointment and at least every three years thereafter.

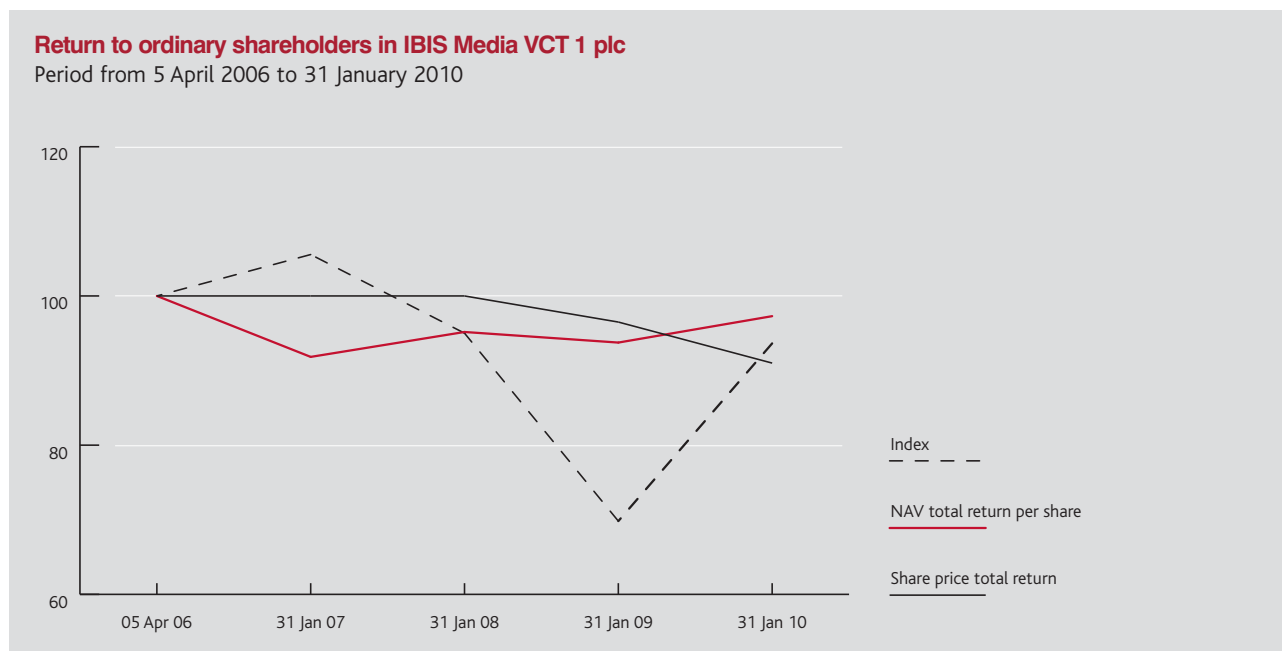
Sir Robin Miller, Peter English and David Forster will retire at the annual general meeting in 2010 and, being eligible, offer themselves for re-election.

Brief biographical details of these Directors are given on page 4.

None of the Directors has a service contract with the company. On being appointed or re-elected, Directors receive a letter from the Company setting out the terms of their appointment and their specific duties and responsibilities. A Director's appointment may be terminated by the Director or by the Company on the expiry of six months' notice in writing given by the Director or the Company as the case may be.

### Company performance

The graph below compares the Company's share price total return and the Company's net asset value total return per share with the total return from a notional investment of 100p in the FT All Share Media Index over the same period. This index is considered to be the most appropriate broad equity market index for comparative purposes.



By Order of the Board

### The City Partnership (UK) Limited

Company Secretary

27 May 2010

# Statement of Corporate Governance

## Statement of compliance

The directors of IBIS Media VCT 1 plc confirm that the Company has taken appropriate action to enable it to comply with the Principles of the Combined Code on Corporate Governance ("the Code") issued by the Financial Reporting Council in July 2003 and revised in June 2006.

As a venture capital trust, most of the Company's day-to-day responsibilities are delegated to third parties and the Directors are all non-executive. Thus, not all the provisions of the Code are directly applicable to the Company. Apart from the matters referred to in the following paragraphs, the requirements of the Code were complied with throughout the year ended 31 January 2010.

In view of its non-executive nature and the requirements of the Company's Articles of Association that all Directors retire by rotation at the annual general meeting, the Board considers that it is not appropriate for the Directors to be appointed for a specific term as recommended by the Code. Full details of duties and obligations are provided at the time of appointment and are supplemented by further details as necessary. In light of the responsibilities retained by the Board and its committees and of the responsibilities delegated to IBIS Capital Limited, Brewin Dolphin Securities Limited, PricewaterhouseCoopers and the company secretary, the Company has not appointed a chief executive, deputy chairman or a senior independent non-executive director. There is no formal induction programme for Directors.

## Board of Directors

The Company has a board of seven non-executive directors, five of whom are considered to be independent. The remaining two, David Forster and Charles McIntyre, are also directors of the Investment Adviser, IBIS Capital Limited. The Company has no staff.

All non-executive Directors have signed letters confirming the terms of their appointment as non-executive directors with effect from 18 January 2006. As these initial appointments were made by the Board, the Company's shareholders were invited to confirm the appointments at the 2007 annual general meeting. All appointments were confirmed. The letters of appointment will be available for inspection by shareholders immediately before and after each annual general meeting.

At each annual general meeting of the Company, at least one-third of the Directors shall retire from office by rotation. A retiring Director is eligible for re-election.

Directors are provided with key information on the Company's activities including regulatory and statutory requirements and internal controls by the Company's VCT status adviser, PricewaterhouseCoopers, and by the company secretary, The City Partnership (UK) Limited. The Board has direct access to corporate governance advice and compliance services through the company secretary, which is responsible for ensuring that board procedures are followed and compliance requirements are met.

All Directors may take independent professional advice in furtherance of their duties as necessary. Any newly appointed director will be given a comprehensive introduction to the Company's business including meeting the Company's advisers.

The Board is responsible to shareholders for the proper management of the Company and looks to meet on at least four occasions each year. It has formally adopted a schedule of matters which must be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues. The Chairman together with the company secretary establish the agenda for each board meeting and all necessary papers are distributed in advance of the meetings. The Board considers all matters not included within the remits of the board committees.

## Board committees

There are three board committees: an investment committee, an audit committee and a nomination and remuneration committee. Copies of their terms of reference are available from the company secretary.

## Investment committee

This is a fully constituted board committee established to perform the duties summarised below and to report on those matters to the Board:

- In respect of equity investment opportunities: to consider each such opportunity of which it is appraised by IBIS Capital; to decide which of the investment opportunities should be accepted by the Company; to ensure that investments fall within the investment policy described in the prospectus; to monitor investee companies and the Company's investments therein.
- In respect of fixed interest investments to monitor the Company's investment in fixed interest securities.
- Generally, to monitor the Company's performance in respect of the VCT investment criteria and to advise the Board as necessary.
- After reviewing the advice of advisers, to determine the valuation of each investment in accordance with the previously agreed valuation guidelines.

The members of the investment committee are all the Company's directors and an independent special adviser, Gary Hughes. The chairman of the committee is Sir Robin Miller.

A quorum shall be two members and must include at least two members of the committee other than David Forster and Charles McIntyre. Each investment must be approved by at least two Directors with no member of the committee voting against the proposed investment. Neither David Forster nor Charles McIntyre has a vote on the investment committee but both may participate in its discussions.

### **Audit committee**

This is a fully constituted board committee established to perform the duties summarised below and to report on those matters to the Board:

- To monitor the integrity of the financial statements of the Company, and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgments contained in them.
- To review the Company's internal financial controls and, unless expressly addressed by a separate board risk committee, or by the Board itself, to review the Company's internal control and risk management systems.
- To make recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor.
- To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements.
- To review the half-year and annual financial statements before submission to the Board.
- To discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss (in the absence of management where necessary).
- To monitor and review the effectiveness of any internal audit activities. If there is no internal audit function, to consider annually if there is a need for such an audit and to make a recommendation to the Board.
- To review the external auditor's management letter and management's response.

The committee shall comprise at least 3 independent Directors. The members of the committee are Peter Williams (chairman), Peter English and Lucy Macdonald.

A quorum shall be two members.

### **Nomination & remuneration committee**

This is a fully constituted board committee established to perform the duties summarised below and to report on those matters to the Board.

The duties of the committee as regards remuneration shall be:

- To determine and agree with the Board the framework or broad policy for the remuneration of the chairman, the Directors and the secretary. No Director or manager should be involved in any decisions as to their own remuneration.
- To determine targets for any performance-related pay schemes operated by the Company; to ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised; within the terms of the agreed policy, to determine the total individual remuneration package of each Director including, where appropriate, bonuses, incentive payments and share options; in determining such packages and arrangements, to give due regard to the contents of the Code as well as the UK Listing Authority's Listing Rules and associated guidance.
- To agree the policy for authorising claims for expenses from the Directors.
- To be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee.
- To report the frequency of, and attendance by members at, remuneration committee meetings in the annual reports.

The duties of the committee as regards nomination shall be:

- To be responsible for identifying and nominating for the approval of the Board, candidates to fill board vacancies as and when they arise.
- Before making an appointment, to evaluate the balance of skills, knowledge and experience on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment.

- To review annually the time required from a non-executive Director. Performance evaluation should be used to assess whether the non-executive Director is spending enough time to fulfil their duties.
- To monitor and review the effectiveness and performance of individual directors of the Company.
- To review regularly the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations to the Board with regard to any changes.
- To keep under review the leadership needs of the Company, with a view to ensuring the continued ability of the Company to compete effectively in the marketplace.
- To make a statement in the annual report about its activities; the process used for appointments and explain if external advice or open advertising has not been used; the membership of the committee, number of committee meetings and attendance over the course of the year.
- To ensure that on appointment to the Board, non-executive Directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside board meetings.

The committee shall comprise at least two Directors. The members of the committee are Lucy Macdonald (chairman) and Simon Jamieson.

A quorum shall be two members.

### Attendance at Board and committee meetings

During the period ended 31 January 2010 there were:

- Four full Board meetings
- Five investment committee meetings
- Two audit committee meetings
- No meetings of the nomination & remuneration committee

The Directors' attendance at these meetings is noted below.

Director	Board	Investment committee	Audit committee
Robin Miller	4	5	
Peter English	3	4	2
Simon Jamieson	4	5	
Lucy Macdonald	3	4	2
Peter Williams	3	4	2
David Forster	4	5	
Charles McIntyre	4	5	

### Internal control

The Board has established an ongoing process for the identification, evaluation and management of the significant risks faced by the Company. The Board acknowledges that it is responsible for the Company's internal control systems and for reviewing their effectiveness. Internal controls are designed to manage the particular needs of the Company and the risks to which it is exposed. The internal control systems aim to ensure the maintenance of proper accounting records, the reliability of the financial information on which business decisions are made and which is used for publication, and that the assets of the Company are safeguarded. They can by their nature provide only reasonable and not absolute assurance against material misstatement or loss. The financial controls operated by the Board include the authorisation of investments and regular reviews of both the financial results and investment performance.

The Board has delegated to third parties the provision of: investment advisory services; VCT status advisory services; broking services; day-to-day accounting, company secretarial and administration services; and share registration services.

Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered. The Board receives and considers regular reports from the Investment Committee which, in turn, receives and considers regular reports from the Investment Adviser. Ad hoc reports and information are supplied to the Board as required. The Board keeps under review the terms of the agreement with the Investment Adviser.

### **Review of internal control**

The process adopted by the Board for identifying, evaluating and managing the risks faced by the Company includes an annual review of the control systems. The review covers a consideration of the significant risks in each of five areas: statutory and regulatory compliance, financial reporting, investment strategy, investment performance and reputation.

Each risk is considered with regard to: the likelihood of occurrence, the probable impact on the Company, and the controls exercised at source, through reporting and at board level.

The Board has identified no problems with the Company's internal controls.

### **Relations with shareholders**

The Board welcomes the views of shareholders and puts a premium on effective communication with the Company's members.

All written communication with shareholders is reviewed by the Board to ensure that shareholder enquiries are promptly and adequately resolved.

Shareholders are encouraged to attend the Company's annual general meeting where the Directors and representatives of the Company's advisers will be available to answer any questions members may have. The notice of the 2010 annual general meeting accompanies this report – separate resolutions are proposed for each substantive issue.

The Board also communicates with shareholders through interim and annual reports which will include a chairman's statement and an investment adviser's report both of which are reviewed and approved by the Board to ensure that they present a fair assessment of the Company's position and future prospects.

### **Accountability and audit**

The statement of the directors' responsibility in respect of the financial statements and the independent auditor's report are presented on pages 29 and 30 respectively of this report.

### **Internal audit**

The Company does not have an independent internal audit function. Such a function is thought by the Board to be unnecessary at this time given the size of the Company and the nature of its business. However, the audit committee considers annually whether an independent internal audit function should be introduced and reports its conclusions to the Board.

### **Going concern**

After making enquiries, the Directors are satisfied that the Company has adequate resources to continue to operate for the foreseeable future. For this reason, the going concern basis has been adopted in the preparation of the Company's financial statements.

## Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and the financial statements. The Directors have chosen to prepare the financial statements for the Company in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP").

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view in accordance with the UK GAAP of the state affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period and which comply with UK GAAP and the Companies Act 2006. In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgments and estimates that are reasonable and prudent.
- State whether all applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.
- Prepare the 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 adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report (including Business Review), Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Financial Statements are published on [www.ibiscapital.co.uk](http://www.ibiscapital.co.uk) a website maintained by IBIS Capital Limited. The maintenance and integrity of the website is, so far as it relates to the Company, the responsibility of IBIS Capital Limited. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and, accordingly, the auditors accept no responsibility for any changes that have occurred to the accounts since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the accounts may differ from legislation in other jurisdictions.

### Responsibility Statement of the Directors in respect of the Annual Financial Report

We confirm that to the best of our 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 Directors' Report includes a fair review of the development and performance of the business and the position of the issuer together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

**Sir Robin Miller**

Director

27 May 2010

## Report of the Independent Auditor

to the Shareholders of IBIS Media VCT 1 plc

We have audited the financial statements of IBIS Media VCT 1 plc for the year ended 31 January 2010, which comprise the Income Statement, the Reconciliation of Movements in Shareholder's Funds, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors' 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

As explained more fully in the Statement of Directors' Responsibilities on page 29, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2010 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement in compliance with rules 7.2.5 and 7.2.6 in the Disclosure and Transparency Rules sourcebook issued by the Financial Services Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures) is consistent with the financial statements.

### Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement on page 29 in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

We have nothing to report in respect of these matters.

### Graham Scrimgeour (Senior Statutory Auditor)

For and on behalf of Scott-Moncrieff, Statutory Auditor

Exchange Place 3

Sample St

Edinburgh

EH3 8BL

27 May 2010

## Income Statement

for the year ended 31 January 2010

	Note	Revenue £	Year ended 31 January 2010 Capital £	Year ended 31 January 2010 Total £	Revenue £	Year ended 31 January 2009 Capital £	Year ended 31 January 2009 Total £
Realised/unrealised movements on investments		-	406,937	406,937	-	(157,496)	(157,496)
Income	2	128,819	-	128,819	341,146	-	341,146
Investment adviser's fees	3	(17,741)	(53,223)	(70,964)	(27,385)	(82,156)	(109,541)
Other expenses	4	(179,644)	-	(179,644)	(183,076)	-	(183,076)
<b>Return on ordinary activities before tax</b>		(68,566)	353,714	285,148	130,685	(239,652)	(108,967)
Tax on ordinary activities	6	-	-	-	(22,800)	17,594	(5,206)
<b>Return attributable to equity shareholders</b>		(68,566)	353,714	285,148	107,885	(222,058)	(114,173)
<b>Transfer to reserves</b>		(68,566)	353,714	285,148	107,885	(222,058)	(114,173)
<b>Return per share</b>							
Return per ordinary share	8	(0.85)p	4.40p	3.55p	1.34p	(2.76)p	(1.42)p

The total column of this statement represents the profit and loss account of the Company. All revenue and capital items in the above statement derive from continuing operations. The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits. The Company has no gains and losses other than those recognised in the Income Statement above and has not therefore prepared a separate statement of total recognised gains and losses.

The accompanying notes on pages 35 to 44 are an integral part of the financial statements.

## Balance Sheet

as at 31 January 2010

	Note	As at 31 January 2010 £	As at 31 January 2009 £
<b>Fixed assets</b>			
Investments	1 & 9	5,718,089	3,823,792
<b>Current assets</b>			
Debtors	11	344,727	219,988
Liquidity funds and cash at bank		1,605,889	3,518,899
		1,950,616	3,738,887
<b>Creditors: amounts falling due within one year</b>	12	(80,295)	(138,701)
<b>Net current assets</b>		1,870,321	3,600,186
<b>Net assets</b>		7,588,410	7,423,978
<b>Capital and reserves</b>			
Called up share capital	13	80,478	80,478
Share premium account	14	2,087,254	2,087,254
Special reserve	14	5,271,997	5,312,236
Capital reserves	14	157,678	(196,036)
Revenue reserves	14	(8,997)	140,046
<b>Total equity shareholders' funds</b>		7,588,410	7,423,978
<b>Net asset value per share</b>	15	94.29p	92.25p

The accompanying notes on pages 35 to 44 are an integral part of the financial statements.

The financial statements were authorised for issue by the directors on 27 May 2010 and signed on their behalf by:

**Sir Robin Miller**  
Director

**David Forster**  
Director

## Cash Flow Statement

for the year ended 31 January 2010

	Note	£	Year ended 31 January 2010 £	£	Year ended 31 January 2009 £
<b>Operating activities</b>					
Investment income received – qualifying		40,711		266,191	
Deposit and similar interest received – non qualifying		49		4,864	
Investment adviser's fees paid		(109,652)		(112,166)	
Company secretarial fees paid		(25,300)		(25,850)	
Cash paid to and on behalf of directors		(86,584)		(87,679)	
Other cash payments		(51,645)		(58,384)	
Net cash outflow from operating activities	16		(232,421)		(13,024)
<b>Financial investment</b>					
Purchase of investments	9	(1,554,666)		(1,387,167)	
Sale of investments		-		-	
Net cash outflow from financial investment			(1,554,666)		(1,387,167)
<b>Corporation tax &amp; dividends</b>					
Corporation tax paid		(5,207)		-	
Equity dividends paid		(120,716)		(120,716)	
Net cash outflow from tax and dividends			(125,923)		(120,716)
Net cash outflow before financing			(1,913,010)		(1,520,907)
<b>Financing</b>					
New share issue		-		10,000	
Share issue expenses		-		(450)	
Net cash inflow from financing			-		9,550
<b>Increase/(decrease) in cash</b>	17		(1,913,010)		(1,511,357)

The accompanying notes on pages 35 to 44 are an integral part of the financial statements.

## Reconciliation of Movements in Shareholders' Funds

	2010 £	2009 £
Total net assets attributable at 31 January 2009 (31 January 2008)	7,423,978	7,649,317
Capital per share issue	-	10,000
Expenses of offer	-	(450)
Dividend	(120,716)	(120,716)
Return for the period	285,148	(114,173)
<b>Total net assets attributable at 31 January 2010 (31 January 2009)</b>	<b>7,588,410</b>	<b>7,423,978</b>

The accompanying notes on pages 35 to 44 are an integral part of the financial statements.

# Notes to the Financial Statements

## 1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below.

### a) Basis of accounting

The accounts have been prepared in accordance with applicable Accounting Standards and with the Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies' ("SORP"), revised in January 2009.

### b) Investments

The Company did not hold any listed investments at any time during the period under review. In accordance with UK Generally Accepted Accounting Practice ("UK GAAP"), investments in unlisted companies, other than those traded on AIM/PLUS, are valued at fair value by the Directors with reference to the International Private Equity and Venture Capital Association guidelines which include the following:

- Investments which have been made within the last twelve months are valued at cost except where the company's performance against plan is significantly below the expectations on which the investment was made, in which case provision against cost is made as appropriate
- Where a company is in the early stage of development, it will normally continue to be held at cost on the basis described above.
- Where a company is well established after one year from the date of investment the shares may be valued by applying a suitable price-earnings ratio to that company's historical post tax earnings. The ratio used is based on a comparable listed company or sector but discounted to reflect lack of marketability. Alternative methods of valuation will include cost, provision against cost, discounted cash flow or net asset value where such factors apply that make one of these methods more appropriate.

Alternatively, where a value is indicated by a material arm's-length transaction by a third party in the shares of a company, the valuation will normally be based on this.

Investments in companies traded on AIM/PLUS will be valued at their bid prices as appropriate.

Realised surpluses or deficits on the disposal of investments and impairments in the value of investments are taken to realised capital reserves, and unrealised surpluses and deficits on the revaluation of investments are taken to unrealised capital reserves.

### c) Income

Dividends receivable on listed equity shares are brought into account on the ex-dividend date. Dividends receivable on unlisted equity shares are brought into account when the Company's right to receive payment is established and there is no reasonable doubt that payment will be received. Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis so as to reflect the effective yield, provided there is no reasonable doubt that payment will be received in due course.

### d) Expenses

All expenses (inclusive of VAT where appropriate) are accounted for on an accruals basis. Expenses are charged wholly to revenue, with the exception of expenses incidental to the acquisition or disposal of an investment, which are included within the cost of the investment or deducted from the disposal proceeds as appropriate, and with the exception that 75% of the fees payable to IBIS Capital Limited are charged against capital.

### e) Deferred tax

Deferred tax 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 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. Due to the Company's status as a Venture Capital Trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising in the revaluation or disposal of investments.

### f) Financial instruments

The Company's financial instruments comprise its investment portfolio and cash balances. The Company holds financial assets that comprise investments in unlisted companies. The fair value is not materially different from the carrying value for all financial assets and liabilities.

**2. Income**

	2010 £	2009 £
Income receivable		
- from liquidity funds	22,532	227,037
- from bank deposits	39	3,874
- from loan stock	95,605	85,605
- from equity dividends	10,643	24,630
	128,819	341,146

**3. Investment adviser's fees**

	2010 £	2009 £
IBIS Capital Limited	99,656	109,929
Irrecoverable VAT	-	29,612
VAT recoverable	(28,692)	(30,000)
	70,964	109,541

IBIS Capital Limited has been appointed as the Company's investment adviser. This appointment shall continue until terminated by the expiry of not less than twelve months' notice in writing given by either party to the other at any time after the third anniversary of the last date on which ordinary shares issued pursuant to the prospectus published in February 2006 were admitted to the Official List and to trading on the London Stock Exchange. This appointment may also be terminated in circumstances of material breach by either party.

IBIS Capital Limited receives an annual advisory fee. The fee is payable quarterly in advance, such quarterly fee (exclusive of VAT) being equal to one-quarter of 2.25% of the net asset value of the Company as at the commencement of the quarter but excluding any amount taken into consideration in the calculation of that net asset value which is intended to be distributed to shareholders within that quarter.

The Investment Adviser and each member of the Investment Committee (other than Messrs. Forster and McIntyre who will benefit through their shareholdings in IBIS Capital Limited, the Investment Adviser) will each be entitled to share in a performance related incentive fee equal to 20% of the increase in the Performance Value per ordinary share over an initial period of three years and thereafter each successive period of six months. No fee will be payable unless two tests are met. First, a performance hurdle must be achieved that requires the Performance Value per ordinary share to exceed 150 pence and that cumulative cash distributions are not less than 60 pence per ordinary share. Second, the Performance Value per ordinary share must be higher than the highest previously recorded Performance Value per ordinary share.

Each member of the Investment Committee will be entitled to a 3% share of the performance related incentive fee, save that the Chairman of the Board will be entitled to a share of 3.5%. The Investment Adviser will be entitled to the remaining 81.5% of the performance related incentive fee.

Total annual running costs have been capped at 3.5% of average net assets (excluding the investment adviser's performance related incentive fee, irrecoverable VAT and costs of any significant corporate activity) with any excess being borne by the Investment Adviser.

**4. Other expenses**

	2010 £	2009 £
Directors' remuneration	80,706	80,676
Company secretarial fees	22,000	22,000
Auditors' fees – audit services	11,200	10,000
Printing & stationery	8,384	6,903
Other costs	41,409	47,803
Irrecoverable VAT	15,945	15,694
	179,644	183,076

In the year, investment acquisition costs of £8,130 (£Nil) were incurred. At the year-end, these costs were transferred from fixed assets to unrealised adjustments in value of investments.

The Company has no employees.

**5. Directors' and special adviser's fees**

	2010 £	2009 £
Lucy Macdonald	12,500	12,500
Peter Williams	12,500	12,500
Gary Hughes (special adviser)	12,500	12,500
David Forster	-	-
Charles McIntyre	-	-
Amounts paid and payable to third parties for the services of:		
Sir Robin Miller	15,000	15,000
Peter English	12,500	12,500
Simon Jamieson	12,500	12,500
	77,500	77,500
Employer's NICs	3,206	3,176
	80,706	80,676

These sums are shown net of irrecoverable VAT as appropriate.

No pension scheme contributions or other retirement benefit contributions were paid. There are no share option contracts held by the Directors. Since all of the fee earning Directors are non-executive, the other disclosures required by the Listing Rules are not relevant.

**6. Tax on ordinary activities****a) Analysis of tax charge**

	2010 £	2009 £
Revenue charge	-	22,800
Credited to capital return	-	(17,594)
Current and total tax charge (note (b))	-	5,206

## b) Factors affecting tax charge for the year

Total return on ordinary activities before tax	285,148	(108,967)
Add: unrealised losses/(gains)	(406,937)	157,496
Less: non-taxable realised gains	-	-
Add: transaction costs and investment management expense charged to capital	53,223	82,156
Revenue return on ordinary activities before taxation	(68,566)	130,685
Corporation tax at 21.00% (2008: 20.84%)	-	27,230
Non-taxable UK dividends	(2,235)	(5,132)
Non-allowable expenditure	-	702
Taxation on revenue return	-	22,800
Taxation on allowable expenditure charged to capital return	-	(17,118)
Unrelieved expenses	132,432	-
Utilisation of previous tax losses	-	(476)
Credited to capital return	-	(17,594)
Tax charge for year (note (a))	-	(5,206)

Tax relief relating to investment management fees is allocated between revenue and capital where such relief can be utilised.

No asset or liability has been recognised for deferred tax in relation to capital gains or losses on revaluing investments as the Company is exempt from corporation tax in relation to capital gains or losses as a result of qualifying as a venture capital trust.

There is no potential liability to deferred tax (2009: nil). There is no unrecognised deferred tax asset (2009: nil). The deferred tax asset relates to prior year unutilised expenses.

## 7. Dividends paid and proposed

	2010 £	2009 £
Amounts recognised as distributions to equity holders in the year.	120,716	120,716

The Directors recommend a final dividend of 1.5p per share (2009: 1.5p) to be paid on 27 July 2010 to all shareholders on the register as at close of business on 16 July 2010. The proposed final dividend is subject to approval by the shareholders at the 2010 annual general meeting and has not been included as a liability in these financial statements.

The total dividend payable in respect of the financial year is set out below.

	2010 £	2009 £
Proposed final dividend – 1.5p per ordinary share (2009: 1.5p)	120,716	120,716

## 8. Return per share

	Revenue	Capital	2010 Total	Revenue	Capital	2009 Total
Return per ordinary share	(0.85)p	4.40p	3.55p	1.34p	(2.76)p	(1.42)p

Basic revenue return per share is based on the net revenue loss (2009: profit) from ordinary activities after taxation of £(68,566) (2009: £107,885) and on 8,047,764 (2009: 8,046,015) ordinary shares, being the weighted average number of shares in issue during the year. Basic capital return per share is based on the net capital gains (2009: losses) after taxation of £353,714 (2009: £(222,058)) and on 8,047,764 (2009: 8,046,015) ordinary shares, being the weighted average number of shares in issue during the year.

## 9. Investments

Movements in investments during the year are summarised as follows:

	Venture capital - unquoted £	Venture capital - quoted £	Total £
Book cost at 31 January 2009	3,324,488	697,850	4,022,338
Unrealised gains/(losses) at 31 January 2009	203,744	(402,290)	(198,546)
Valuation at 31 January 2009	3,528,232	295,560	3,823,792
Movements in the year:			
- purchases at cost	1,460,000	27,360	1,487,360
- disposals – proceeds	-	-	-
- net realised gains/(losses)	-	-	-
Movement in unrealised gains/(losses)	528,032	(121,095)	406,937
Valuation at 31 January 2010	5,516,264	201,825	5,718,089
Comprising:			
Book cost at 31 January 2010	4,784,488	725,210	5,509,698
Unrealised gains/(losses) at 31 January 2010	731,776	(523,385)	208,391

During the year, the Company incurred disposal transaction costs of £nil (2009: £nil).

As at 31 January 2010, the Company had no intention to dispose of any of its holdings.

The Company is required to report the category of fair value measurements used in determining the value of its investments, to be disclosed by the source of inputs, using a three-level hierarchy:

### Quoted market prices in active markets – “Level 1”

Inputs to Level 1 fair values are quoted prices in active markets for identical assets. An active market is one in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The Company's only investment classified in this category is Freshwater UK plc, an AIM-traded company.

### Valued using models with significant observable market parameters – “Level 2”

Inputs to Level 2 fair values are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. The Company has no investments classified in this category.

### Valued using models with significant unobservable market parameters – “Level 3”

Inputs to Level 3 fair values are unobservable inputs for the asset. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date (or market information for the inputs to any valuation models). As such, unobservable inputs reflect the assumptions the Company considers that market participants would use in pricing the asset. The Company's unquoted equities and loan stock are classified within this category. As explained in Note 1, unquoted investments are valued in accordance with the International Private Equity and Venture Capital Association guidelines.

## 10. Significant interests

As at the balance sheet date and from the dates of making the investments the Company has held 10% or more in the undernoted investments:

Investment	Percentage equity holding
Get Me Media	38.0
Heritage House Media Limited	20.0
Skive	16.0
Masher	23.0
Steel River Media Limited	26.0

**11. Debtors**

	2010 £	2009 £
Amounts falling due within one year:		
Accrued interest and other accrued income	274,867	158,116
Prepayments	1,465	3,473
Investment adviser	68,395	58,399
	344,727	219,988

**12. Creditors: amounts falling due within one year**

	2010 £	2009 £
Sundry creditors and accruals	80,295	138,701
	80,295	138,701

Included in the creditors is a balance of £5,291 (2009: £4,981) for the income tax and national insurance contributions ("NICs") payable in respect of the directors' remuneration – income tax £3,750 (2009: £3,750) and NICs £1,541 (2009: £1,231).

**13. Called-up share capital**

	2010 £	2009 £
<b>Authorised:</b>		
30,000,000 ordinary shares of 1p each	300,000	300,000
<b>Allotted, called-up and fully paid:</b>		
8,047,764 ordinary shares of 1p each (2009: 8,047,764)	80,478	80,478

During the year, the Company did not issue any shares.

**14. Reserves**

	Share premium £	Special Reserve £	Capital reserve (realised) £	Capital reserve (unrealised) £	Revenue Reserves £	Total £
At 31 January 2009	2,087,254	5,312,236	2,510	(198,546)	140,046	7,343,500
Share issue	-	-	-	-	-	-
Share issue expenses	-	-	-	-	-	-
Dividend	-	(40,239)	-	-	(80,477)	(120,716)
Movement in realised reserves	-	-	(53,223)	-	-	(53,223)
Movement in unrealised reserves	-	-	-	406,937	-	406,937
Movement in revenue reserves	-	-	-	-	(68,566)	(68,566)
At 31 January 2010	2,087,254	5,271,997	(50,713)	208,391	(8,997)	7,507,932

## 15. Net asset value per share

The net asset value per ordinary share at the year end was as follows:

	2010 Net asset values attributable		2009 Net asset values attributable	
	Net assets	Net assets per share	Net assets	Net assets per share
Ordinary shares (basic)	£7,588,410	94.29p	£7,423,978	92.25p

Net asset value per share is based on net assets at the period end and on 8,047,764 (2009: 8,047,764) ordinary shares, being the number of shares in issue at the year end.

## 16. Reconciliation of net return before taxation to net cash outflow from operating activities

	2010 £	2009 £
Net revenue before taxation for the period	(68,566)	130,685
Investment adviser's fees charged to capital	(53,223)	(82,156)
(Increase) in debtors	(124,739)	(75,930)
(Decrease) in creditors and accruals	(58,405)	86,889
Exclude tax-related balances	5,206	(5,206)
Exclude fixed asset balances	67,306	(67,306)
Net cash outflow from operating activities	(232,421)	(13,024)

## 17. Analysis of changes in net funds

	Cash £	Liquid funds £	Total £
As at 1 February 2009	163,044	3,355,855	3,518,899
Cash flows	(3,679)	(1,909,331)	(1,913,010)
As at 31 January 2010	159,365	1,446,524	1,605,889

## 18. Financial instruments

The Company's financial instruments comprise:

- Equity and fixed-interest investments and units in open-ended investment companies
- Cash balances and liquid resources

Investments are made in a combination of equity and loans. Surplus funds are held on bank deposit or in listed money market instruments. It is not the Company's policy to trade in financial instruments or derivatives.

Fixed asset investments are valued at fair value. For quoted investments this is bid price. In respect of unquoted investments, these are valued by the Directors in accordance with current industry guidelines. Where no reliable fair value can be estimated, unquoted investments are carried at cost subject to provision for impairment where necessary. The fair value of all other financial assets and liabilities is represented by their carrying value in the balance sheet.

The Company held the following categories of financial instruments, all of which are included in the balance sheet at fair value, at 31 January 2010:

	2010 (Book cost) £	2010 (Fair value) £	2009 (Book cost) £	2009 (Fair value) £
<b>Assets at fair value through profit and loss</b>				
Investment portfolio	5,509,698	5,718,089	4,022,338	3,823,792
Current investments	1,446,524	1,446,524	3,355,855	3,355,855
Cash at bank	159,365	159,365	163,044	163,044
<b>Loans and receivables</b>				
Accrued income	274,867	274,867	158,116	158,116
Other debtors	69,860	69,860	61,872	61,872
Other creditors	(80,295)	(80,295)	(138,701)	(138,701)
	7,380,019	7,588,410	7,622,524	7,423,978

Unquoted investments account for 96.5% of the investment portfolio (2009: 92.3%) by value. The investment portfolio has a 100% concentration of risk towards small UK based, sterling denominated companies and represents 75.4% (2009: 51.5%) of net assets at the year-end.

Current investments are money market funds which represent 19.1% (2009: 45.2%) of net assets at the year-end.

The main risks arising from the Company's financial instruments are credit risk, market price risk, interest rate risk and liquidity risk. All assets and liabilities are denominated in sterling, hence there is no currency risk.

### Credit risk

Credit risk is managed by settling all transactions on the basis of delivery against payment.

### Market price risk

The Board manages the market risk inherent in the Company's portfolio by maintaining an appropriate spread of market risk and by ensuring full and timely access to relevant information from the Investment Committee. The Investment Committee reviews the investment performance and financial results, as well as compliance with the Company's investment objectives. The Board seeks to ensure that an appropriate proportion of the Company's portfolio is invested in cash and readily realisable securities which are sufficient to meet any funding commitments which may arise. The Company does not use derivative instruments to hedge against market risk.

The equity and fixed interest stocks of the Company's unquoted investee companies are very seldom traded and, as such, their prices are more uncertain than those of more frequently traded stocks. It is estimated that a 10% fall in the carrying value of the Company's unquoted investments would reduce profit before tax for the year and the Company's net asset value per share by £551,626 and 6.85p respectively.

### Interest rate risk

Some of the Company's financial assets are interest bearing, some of which are at fixed rates and some at variable. As a result, the Company is exposed to interest rate risk due to fluctuations in prevailing levels of market interest rates. The Board seeks to mitigate this risk through regular monitoring of the Company's interest bearing investments. The Company does not use derivative instruments to hedge against interest rate risk.

As at 31 January 2010, the Company's financial assets by value, excluding short-term trade debtors and creditors as permitted by Financial Reporting Standard 25 "Financial Instruments: Disclosure and Presentation", comprised:

Financial assets	£	%	Interest rate	Weighted average interest rate, %	Weighted average period rate fixed, years
<b>Venture capital investments</b>					
Ordinary shares	2,890,026	39.5	n/a	n/a	n/a
Loan stock (fixed rate)	175,789	2.4	Fixed	Nil for first three years & then 20.0	Indefinitely from end of third year
Loan stock (fixed rate)	931,525	12.7	Fixed	12.0	Indefinitely
Loan stock (fixed rate)	175,000	2.4	Variable	2.0 above base	Three years
Loan stock (fixed rate)	1,240,000	16.9	Fixed	10.0	Indefinitely
Loan stock (fixed rate)	205,749	2.8	Fixed	8.0	Indefinitely
Loan stock (fixed rate)	100,000	1.4	Fixed	Nil	Indefinitely
Liquidity funds	1,446,524	19.7	Floating	0.7	n/a
Bank deposits	159,365	2.2	Floating	0.1	n/a
	7,323,978	100.0			

It is estimated that a one percentage point fall in interest rates would have increased the pre-tax loss for the year by 11.9%.

The risk from future fluctuations in interest rate movements should be mitigated by the Company's intention to complete its investment strategy and to hold a majority of its investments in instruments which are not exposed to market interest rate changes.

### Liquidity risk

The investments in equity and fixed interest stocks of unquoted companies that the Company holds are not traded and thus are not readily realisable. At times the Company may be unable to realise its investments at their carrying values because of an absence of willing buyers. The Company's ability to sell investments may also be constrained by the requirements set down for VCTs. To counter such liquidity risk, sufficient cash and money market funds are held to meet running costs and other commitments. The Company invests its surplus funds in high quality liquidity funds which are all accessible on an immediate basis.

### Management of capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, satisfy the relevant HMRC requirements and provide at least adequate returns for shareholders.

As a VCT, the Company must have, and must continue to have, within three years of raising its capital at least 70% by value of its investments in VCT qualifying holdings which are a relatively high risk asset class of small UK companies. In satisfying this requirement, the Company's capital management scope is restricted. Subject to this restriction, the Company may adjust dividends, return capital to shareholders, issue new shares or sell assets to maintain the level of liquidity to remain a going concern.

## 19. Post balance sheet events

Since 31 January 2010 the Company has:

- Launched a top-up offer which was fully subscribed raising net funds of £756,902
- Raised an additional net sum of £57,000 from allotments made at the directors' discretion
- Made four investments for a total of £245,380

## 20. Geographical analysis

The operations of the Company are wholly in the United Kingdom.

## 21. Contingencies, guarantees and financial commitments

There were no contingencies, guarantees or financial commitments of the Company as at 31 January 2010.

## 22. Transactions with the Investment Adviser

During the year ended 31 January 2010 (year ended 31 January 2009), the Company incurred costs of £70,964 (£109,541) (exclusive of VAT) payable to IBIS Capital, the Investment Adviser:

- £164,251 (£168,327) as an investment advisory fee
- £(64,595) (£(58,399)) as a sum recoverable from the Investment Adviser in respect of the cap on the Company's annual running expenses
- £(28,692) (£(387)) as a sum recoverable from the Investment Adviser in respect of VAT on the investment advisory fee

As at 31 January 2010 (31 January 2009), the Investment Adviser owed the Company £64,595 (£58,399) (exclusive of VAT) in respect of the cap on the Company's annual running expenses. Under the Company's agreement with the Investment Adviser, this sum is paid by deduction from the Investment Adviser's fee for the year ending 31 January 2011 (31 January 2010).

Details of the Investment Adviser's fee arrangements are given in Note 3.

## 23. Management of capital

The board of directors considers the Company's net assets to be its capital and the Company does not have any externally imposed capital requirements.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders.

The requirements of the Venture Capital Trust Regulations and the fact that the Company has a policy of not having any borrowings, mean that there is limited scope to manage the Company's capital structure. However, to the extent to which it is possible, the Company can maintain or adjust its capital structure by adjusting the amount of dividends paid to shareholders, purchasing its own shares or issuing new shares.

There has been no change from the previous year in the objectives, policies or processes for managing capital.

## Notice of Annual General Meeting

Notice is hereby given that the fourth annual general meeting of IBIS Media VCT 1 plc will be held at 6.00pm on 7 July 2010 at 22 Soho Square, London W1D 4NS for the purpose of considering and, if thought fit, passing the following Resolutions (of which, Resolutions 1 to 9 will be proposed as Ordinary Resolutions and Resolutions 10 and 11 will be proposed as Special Resolutions):

### Ordinary Business

1. To receive the Directors' and the Independent Auditor's Reports and the Company's financial statements for the year ended 31 January 2010.
2. To declare a final dividend of 1.5p per share in respect of the year ended 31 January 2010 with a payment date of 27 July 2010 and a record date of 16 July 2010.
3. To approve the Directors' Remuneration Report for the year ended 31 January 2010.
4. To re-elect Sir Robin Miller as a director of the Company.
5. To re-elect Peter English as a director of the Company.
6. To re-elect David Forster as a director of the Company.
7. To re-appoint Scott-Moncrieff as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
8. To authorise the Directors to fix the remuneration of the auditors.

### Special Business

As Special Business, to consider and, if thought fit, to pass the following Resolutions:

9. (i) That the Directors be and are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £13,369 during the period commencing on the passing of this resolution and expiring on the earlier of the date of the annual general meeting of the Company to be held in 2011 and the date which is 15 months after the date on which this resolution is passed (unless the authority is previously revoked, varied or extended by the Company in general meeting) but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require relevant securities to be allotted after such expiry; and  
(ii) That all previous authorities given to the Directors in accordance with section 551 of the Act be and they are hereby revoked, provided that such revocation shall not have retrospective effect.

### Special Resolutions

10. The Directors be and are hereby empowered pursuant to Section 570 and 573 of the Act to allot or make offers or agreements to allot equity securities as defined in Section 560 of the Act for cash pursuant to the authority given pursuant to Resolution 9 set out in this notice of Annual General Meeting as if section 561(1) of the Act did not apply to such allotment provided that this power shall expire on the date falling 15 months after the date of the passing of this resolution and provided further that this power shall be limited to the allotment and issue of equity securities in connection with:
  - (i) the allotment of equity securities with an aggregate nominal value of up to but not exceeding 10% of the issued ordinary share capital where the proceeds of the allotment are to be used in whole or in part to purchase the Company's Ordinary Shares, and
  - (ii) the allotment of equity securities from time to time with an aggregate nominal value of up to but not exceeding 5% of the issued ordinary share capital of the Company.
11. That the Company be and is hereby generally and unconditionally authorised within the meaning of Section 693(4) of the Act to make market purchases (as defined in Section 701 of the Act) of ordinary shares of 1p each in the capital of the Company ("Ordinary Shares") provided that:
  - (i) The maximum aggregate number of Ordinary Shares hereby authorised to be purchased is an amount equal to 14.99% of the issued ordinary share capital of the Company from time to time;
  - (ii) The minimum price which may be paid for an Ordinary Share is 1p per share, the nominal amount thereof;
  - (iii) The maximum price which may be paid for an Ordinary Share is an amount equal to 105% of the average of the middle market prices shown in the quotations for an ordinary share in The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that ordinary share is purchased;
  - (iv) The authority hereby conferred shall (unless previously renewed or revoked) expire on the earlier of the annual general meeting of the Company to be held in 2011 and the date which is 15 months after the date on which this resolution is passed; and

- (v) The Company may make a contract or contracts to purchase its own Ordinary Shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of its own Ordinary Shares in pursuance of any such contract or contracts as if the authority conferred hereby had not expired.

By order of the Board

**The City Partnership (UK) Limited**

Secretary

27 May 2010

**Notes**

1. As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this notice of meeting. You can appoint a proxy only by using the procedures set out in these notes and the notes to the proxy form.
2. A proxy does not need to be a member of the Company but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.
3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share.
4. If you do not give your proxy an indication of how to vote on any resolution, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
5. The notes to the proxy form explain how to direct your proxy to vote on each resolution or withhold their vote. To appoint a proxy using the proxy form, the form must be:
  - completed and signed;
  - sent or delivered to Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL or by fax to 01252 719232; and
  - received by Share Registrars Limited no later than 6.00pm on 5 July 2010.
6. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
7. To change your proxy instructions simply submit a new proxy appointment using the method set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; and amended proxy appointment received after the relevant cut-off time will be discarded. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Share Registrars Limited. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
8. In order to revoke a proxy instruction you will need to inform the Company using the following method:  
Send a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.  
The revocation notice must be received by Share Registrars Limited no later than 6.00pm on 5 July 2010. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the following text, your proxy appointment will remain valid. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
9. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 6.00pm on 5 July 2010 or, in the event that the meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be entitled to attend or vote (whether on a show of hands or on a poll) at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after 6.00pm on 5 July 2010 or, in the event that the meeting is adjourned, in the register of members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.
10. Biographical details of the Directors are given on page 4 of the Annual Report and Financial Statements.
11. The issued share capital of the Company at the date of this notice is 8,913,146 ordinary shares. The total number of voting rights in the Company is 8,913,146.
12. The following documents are available for inspection at the registered office of the Company:
  - The Directors' letters of appointment
  - Register of the Directors' interests in the share capital of the Company.

# Form of Proxy

## IBIS Media VCT 1 plc

Annual General Meeting – 7 July 2010

I/We \_\_\_\_\_

(block capitals, please)

of \_\_\_\_\_

being a member of IBIS Media VCT 1 plc, hereby appoint (see note 3)

or failing him/her, the chairman of the meeting to be my/our proxy and vote for me/us on my/our behalf at the third annual general meeting of the Company to be held at 6.00pm on 7 July 2010, notice of which was sent to shareholders with the annual report and financial statements for the year ended 31 January 2010, and at any adjournment thereof. The proxy will vote as indicated below in respect of the resolutions set out in the notice of meeting:

No.	Resolution	For	Against	Vote withheld
1	To receive the financial statements for the year ended 31 January 2010.			
2	To declare a dividend of 1.5p per share in respect of the year ended 31 January 2010.			
3	To approve the Directors' Remuneration Report in respect of the year ended 31 January 2010.			
4	To re-elect Sir Robin Miller as a director of the Company.			
5	To re-elect Peter English as a director of the Company.			
6	To re-elect David Forster as a director of the Company.			
7	To reappoint Scott-Moncrieff as independent auditors.			
8	To authorise the Directors to fix the remuneration of the independent auditors.			
9	To authorise the Directors to allot shares pursuant to Section 551 of the Companies Act 2006.			
10	To disapply Section 561(1) of the Companies Act 2006 in relation to the allotment of equity securities.			
11	To authorise the Company to make market purchases of ordinary shares in accordance with Section 693(4) of the Companies Act 2006.			

Signed: \_\_\_\_\_ Date: \_\_\_\_\_ 2010

### Notes

- As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. You can only appoint a proxy using the procedures set out in these notes.
- Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
- A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the chairman of the meeting, insert their full name in the space provided. If you sign and return this proxy form with no name inserted in the box, the chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the chairman and give them the relevant instructions directly.
- You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share.
- To direct your proxy how to vote on the resolutions mark the appropriate box with an 'X'. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
- To appoint a proxy using this form, the form must be:
  - completed and signed;
  - sent or delivered to Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL or by fax to 01252 719232; and
  - received by the Company no later than 6.00pm on 5 July 2010.
- In the case of a member which is a company, this proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
- Any power of attorney or any other authority under which this proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
- In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
- If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
- For details of how to change your proxy instructions or revoke your proxy appointment see the notes to the notice of meeting.
- The "vote withheld" option is provided to enable a member to abstain from voting on the resolution; however, it should be noted that a "vote withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes "for" and "against" the resolution.

### Attendance indication

Shareholders who intend to attend the annual general meeting are requested to place a tick in the box below in order to assist with administrative arrangements.

I intend to attend the annual general meeting at 6.00pm on 7 July 2010 at 22 Soho Square, London W1D 4NS

Signed: \_\_\_\_\_ Date: \_\_\_\_\_ 2010



Second Fold

Business Reply Service:  
GI 2155



Share Registrars Limited  
Suite E, First Floor,  
9 Lion and Lamb Yard,  
Farnham, Surrey  
GU9 7LL

First Fold

Third fold and tuck in.

# Corporate Information

## Directors (all non-executive)

### Independent

Sir Robin W Miller (Chairman)  
Peter D English  
Lucy H Macdonald  
John P Williams  
Simon D A Jamieson

### Not independent

David C K Forster  
Charles A McIntyre

All of the registered office and principal place of business of IBIS Media VCT 1 plc

22 Soho Square  
London  
W1D 4NS

VCT web site: [www.ibismediavct.com](http://www.ibismediavct.com)

## Investment Adviser

IBIS Capital Limited  
22 Soho Square  
London  
W1D 4NS

## Secretary

The City Partnership (UK) Limited  
Thistle House  
21 Thistle Street  
Edinburgh  
EH2 1DF  
Telephone: 0131 243 7210

## Registrars

Share Registrars Limited  
Suite E, First Floor  
9 Lion and Lamb Yard  
Farnham  
Surrey  
GU9 7LL

## Bankers

Barclays Bank plc  
1st Floor  
99 Hatton Garden  
London  
EC1N 8DN

## IBIS Media VCT 1 plc

(incorporated in England and Wales registration number: 5660269)

## Reporting Calendar

for year ending 31 January 2011

Results announced:	Interim – August 2010 Annual – May 2011
Annual general meeting	June 2011

## Sponsor & Broker

Brewin Dolphin Investment Banking  
34 Lisbon Street  
Leeds  
LS1 4LX

## Auditors

Scott-Moncrieff  
Chartered Accountants  
Exchange Place 3  
Semple Street  
Edinburgh  
EH3 8BL

## VCT Status Adviser

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH



**IBIS Media VCT 1 plc**  
22 Soho Square  
London  
W1D 4NS