



IBIS Media VCT 1 plc

HALF-YEARLY REPORT  
for the six months ended 31 July 2008

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## Financial Summary

Period ended	31 July 2008 £	31 July 2007 £	31 January 2008 £
Net assets	7,518,974	7,454,687	7,649,317
Net asset value per share	93.43p	96.39p	95.17p
Investment income	187,572	148,104	343,103
<b>Return on ordinary activities before tax</b>			
- Revenue	78,508	49,832	138,203
- Capital	(216,132)	231,395	49,018
- Total	(137,624)	281,227	187,221
<b>Return per share</b>			
- Revenue	0.81p	0.59p	1.51p
- Capital	(2.55)p	3.37p	0.99p
- Total	(1.74)p	3.96p	2.50p
<b>Dividend per share declared in respect of the period</b>			
- Revenue	Nil	Nil	1.0p
- Capital	Nil	Nil	0.5p
- Total	Nil	Nil	1.5p
Share price at end of period	100p	100p	100p

## 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 (Ofex) 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

**At a time when the "credit crunch" and general economic slowdown in the UK has significantly reduced the value of many UK companies with certain parts of the media sector being particularly affected, it is reassuring to report that the carrying values of our venture capital investments are largely unaffected. We also have sufficient cash resources to make further investments at the lower prices which are now starting to feed into valuation expectations and which we expect to continue for some time.**

That said, we are well aware that there are testing times ahead and we are cautious in our expectations for the coming year. Our Investment Adviser is working closely with the management teams of our investee companies to steer a safe course through the current conditions and to look to position the businesses to benefit from the economic upturn when it arrives.

### Results

In the six months ended 31 July 2008, the net asset value per ordinary share has decreased by 1.8% from 95.17p to 93.43p.

The loss for the period was £139,893 which comprised a profit of £24,307 before the inclusion of an unrealised capital loss of £164,200. The unrealised capital loss is attributable to the fall in the carrying value of our holding in Freshwater, an AIM-quoted stock. In valuing its investments, the Company follows the International Private Equity and Venture Capital Valuation Guidelines which recommend that a quoted stock be carried at bid price. Freshwater's bid price has fallen from 80p at 31 January 2008 to 60p at 31 July 2008. That said, we believe that the company is performing in line with our expectations at time of making the investment and that the fall in the bid price is temporary rather than indicative of any fundamental shortcoming in the business.

The Company's maiden dividend - a final dividend of 1.5p per share in respect of the year ended 31 January 2008 - is to be paid on 20 August 2008.

During the period, the Company has satisfied the VCT tests to which it is subject.

By no later than 31 January 2009, the Company is required, under these tests, to have at least 70% by value of its investments (made from the funds raised under the Company's original offer for subscription) in VCT qualifying holdings. To satisfy this requirement it was estimated that the Company would need to invest approximately £1.29 million in such holdings in the year ending 31 January 2009. As at 31 July 2008, the Company had invested £379,473 and committed a further £175,000 leaving some £0.75 million to be invested in the six months ending 31 January 2009. Our Investment Adviser is nearing completion of several investment opportunities and we are confident the investment target will be achieved.

### Portfolio Review

In the six month period ended 31 July 2008 the Company made two investments: a follow-on investment of £179,473 in Heritage House Group Limited and an initial investment of £200,000 in Masher Technologies Limited with a commitment to provide a further £175,000 in working capital. Our portfolio is now invested in six different companies and has achieved one successful exit.

The board of directors reviews the valuations of the portfolio investments quarterly. It is our view that each of our five unquoted companies is not yet sufficiently mature to be valued by any of the standard valuation methodologies. We review their progress against the performance expectations established at time of investing and monitor their management closely as a basis for our valuation judgments. On that basis we have decided to continue to carry the unquoted investments at cost. As mentioned above, our one quoted investment is valued at its bid price as at 31 July 2008.

Further details of the Company's investment portfolio are given in the Investment Adviser's Review.

### Outlook

The major structural changes affecting the media industry are showing few signs of abating and continue to provide value creation opportunities for new and mid-size entrants. The industry environment continues therefore to validate IBIS's choice of investment focus in private, small and medium size media enterprises.

While we are sensitive to the impact of the weakening operating environment on our existing portfolio companies we would note that they have limited exposure to advertising and discretionary consumer expenditure. We are also hopeful that this more challenging environment will create scope for new investments to be made at attractive entry prices.

In summary we believe that we remain on track to create a portfolio of investments that will produce attractive returns for IBIS' investors in due course.

**Sir Robin Miller**

Chairman

14 August 2008

## Investment Adviser's Review

### Investment overview

The half year ended 31 July 2008 has seen a decrease of 1.8% in IBIS's net asset value, from 95.17 pence to 93.43 pence per share.

The main cause of the decline was a fall in the share price of Freshwater, the Company's only AIM quoted qualifying investment. Freshwater's reported trading has been in line with market expectations since we made our investment, but its shares have not been immune to the broad-based weakness of the AIM market and the quoted media sector. IBIS' other investments continue to all be held at cost reflecting our satisfaction with their performance to date and the application of the International Private Equity and Venture Capital Valuation Guidelines.

During the six month period, IBIS invested £379,473 in two VCT qualifying investments, of which one was a new investment and the other a follow-on investment in an existing investee company.

The relatively low level of investment in the period is partially a timing issue as, based on our current pipeline and the stages of certain negotiations, we expect a meaningful increase in the level of investment activity in the second half of the year. It also reflects the deterioration in the economic outlook and stock market valuations. This led to a period when private market valuation expectations were higher than those of public markets, making us cautious about committing to new private investments. We now sense that expectations are starting to adjust to the new environment and as a general observation we are pleased that we still have some powder dry for new investments.

### New Investments completed in the period

#### Heritage House Group (May 2008) – follow-on investment

Heritage House Group, in which IBIS made an initial investment in September 2007, is a publishing and media company focused on heritage houses, castles, sites and gardens, museums, galleries, educational and cultural institutions.

The group is the result of the acquisitions of the highly-regarded Hudson's Historic Houses and Gardens, the UK's only annually updated guide to historic houses, of the assets of Heritage House Group's publishing and souvenir businesses and of Jarrold Publishing. The latter publishes guides to 250 British visitor attractions, including Blenheim Palace, London's St Paul's Cathedral and Bristol Zoo.

In May, IBIS Media VCT made a follow-on investment of £179,473 in Heritage House as part of a £650,000 funding round, increasing its investment in the business to £1,004,473. The financing round was to enable Heritage House to expand its operations, with a factor being the award of a seven year contract by Visit Britain to publish its consumer-facing titles.

### Masher Technologies (July 2008)

Masher Technologies is 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 an established UK-based media company. Through a content licensing agreement with the latter, it offers its users access to a catalogue of video content and a library of audio content.

IBIS Media VCT's investment comprises an initial investment of £200,000 with a commitment to provide a further £175,000 in working capital. IBIS's investment has been made as part of a £1.1m total fundraising, provided by the Company's management team and other syndicate investors.

## Investment Portfolio Summary

as at 31 July 2008

Company	Cost £	Valuation £	% of net assets by value
Get Me Media	350,000	350,000	4.65
Skive	350,000	350,000	4.65
Riva Digital Media	345,015	345,015	4.59
Freshwater	697,850	492,600	6.55
Heritage House Group	1,004,473	1,004,473	13.36
Masher	200,000	200,000	2.66
<b>Total venture capital investments</b>	<b>2,947,338</b>	<b>2,742,088</b>	<b>36.46</b>
Total fixed asset investments	2,947,338	2,742,088	36.46
Net current assets		4,776,886	63.54
<b>Net assets</b>		<b>7,518,974</b>	<b>100.0</b>

# Responsibility Statement of the Directors in respect of the Half-Yearly Financial Report

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with the Statement "Half-yearly financial reports" issued by the UK Accounting Standards Board
- The Chairman's Statement (constituting the interim management report) includes a fair review of the information required by DTR 4.2.7R of the "Disclosure and Transparency Rules", being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements
- The "Statement of Principal Risks and Uncertainties" on page ? is a fair review of the information required by DTR 4.2.7R, being a description of the principal risks and uncertainties for the remaining six months of the year
- The financial statements include a fair review of the information required by DTR 4.2.8R of the "Disclosure and Transparency Rules", being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By Order of the Board

**The City Partnership (UK) Limited**  
Company Secretary

14 August 2008

## Principal Risks and Uncertainties

The Company's assets consist of equities and fixed interest investments, cash and liquid resources. Its principal risks are therefore market risk, interest rate risk, credit risk and liquidity risk. Other risks faced by the Company include economic, investment, financial and regulatory risks. These risks, and the way in which they are managed, are described in more detail in the Directors' report, the Statement of Corporate Governance and Note 19 to the Financial Statements in the Company's Annual Report & Financial Statements for the year ended 31 January 2008. The Company's principal risks and uncertainties have not changed materially since the date of that report.

## Related Parties

IBIS Capital Limited ("Investment Adviser") has been appointed as the Company's investment adviser. The Investment Adviser receives an annual advisory fee of 2.25% of the net asset value of the Company. The Investment Adviser also bears any excess of the total modified annual running costs over a cap of 3.5% of the Company's average net asset value. These arrangements are described in more detail in Note 3 to the Financial Statements in the Company's Annual Report & Financial Statements for the year ended 31 January 2008. During the period the Company has incurred investment advisory fees of £85,400 (exclusive of VAT) and it is estimated that the Investment Adviser owes the Company £26,470 (exclusive of VAT) in respect of the cap on the Company's annual running costs.

## Income Statement (unaudited)

for the six months ended 31 July 2008

	Six months ended 31 July 2008			Six months ended 31 July 2007			Year ended 31 January 2008		
	Revenue £	Capital £	Total £	Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
Realised gains on investments	-	-	-	-	163,544	163,544	-	172,339	172,339
Unrealised gains on investments	-	(164,200)	(164,200)	-	112,887	112,887	-	(41,050)	(41,050)
Income	187,572	-	187,572	148,104	-	148,104	343,103	-	343,103
Investment adviser's fees	(17,311)	(51,932)	(69,243)	(15,012)	(45,036)	(60,048)	(27,423)	(82,271)	(109,694)
Other expenses	(91,753)	-	(91,753)	(83,260)	-	(83,260)	(177,477)	-	(177,477)
<b>Return on ordinary activities before tax</b>	<b>78,508</b>	<b>(216,132)</b>	<b>(137,624)</b>	<b>49,832</b>	<b>231,395</b>	<b>281,227</b>	<b>138,203</b>	<b>49,018</b>	<b>187,221</b>
Taxation on ordinary activities	(13,682)	11,413	(2,269)	(8,144)	7,800	(344)	(25,306)	25,306	-
<b>Return attributable to equity shareholders</b>	<b>64,826</b>	<b>(204,719)</b>	<b>(139,893)</b>	<b>41,688</b>	<b>239,195</b>	<b>280,883</b>	<b>112,897</b>	<b>74,324</b>	<b>187,221</b>
<b>Transfer to reserves</b>	<b>64,826</b>	<b>(204,719)</b>	<b>(139,893)</b>	<b>41,688</b>	<b>239,195</b>	<b>280,883</b>	<b>112,897</b>	<b>74,324</b>	<b>187,221</b>
<b>Return per share</b>	<b>0.81p</b>	<b>(2.55)p</b>	<b>(1.74)p</b>	<b>0.59p</b>	<b>3.37p</b>	<b>3.96p</b>	<b>1.51p</b>	<b>0.99p</b>	<b>2.50p</b>

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.

## Balance Sheet (unaudited)

as at 31 July 2008

	31 July 2008 £	31 July 2007 £	31 January 2008 £
<b>Fixed assets</b>			
Investments	2,742,088	1,810,737	2,526,815
<b>Current assets</b>			
Debtors	275,805	177,402	144,058
Cash at bank	4,565,038	5,510,678	5,030,256
<b>Creditors: amounts falling due within one year</b>	(63,957)	(44,130)	(51,812)
<b>Net current assets</b>	4,776,886	5,643,950	5,122,502
<b>Net assets</b>	7,518,974	7,454,687	7,649,317
<b>Capital and reserves</b>			
Called-up share capital	80,478	77,341	80,378
Share premium	2,087,255	1,792,549	2,077,804
Special reserve	5,352,475	5,352,475	5,352,475
Capital reserve – realised	26,554	86,308	67,072
Capital reserve – unrealised	(205,250)	112,887	(41,050)
Revenue reserve	177,462	33,127	112,638
<b>Equity shareholders' funds</b>	7,518,974	7,454,687	7,649,317
<b>Net asset value per share</b>	93.43p	96.39p	95.17p

## Reconciliation of Movement in Shareholders' Funds (unaudited)

for the six months ended 31 July 2008

	Six months ended 31 July 2008 £	Six months ended 31 July 2007 £	Year ended 31 January 2008 £
<b>Opening shareholders' funds</b>	7,649,317	5,362,304	5,362,404
Capital per share issues	10,000	1,895,110	2,198,735
Expenses of share issues	(450)	(83,610)	(98,943)
Return on ordinary activities after tax	(139,893)	280,883	187,221
<b>Closing shareholders' funds</b>	7,518,974	7,454,687	7,649,317

## Cash Flow Statement (unaudited)

for the six months ended 31 July 2008

Period ended	31 July 2008		31 July 2007		31 January 2008	
	£	£	£	£	£	£
<b>Operating activities</b>						
Investment income received	143,249		101,020		252,524	
Interest received	4,536		16,502		32,554	
Investment adviser's fees paid	(149,584)		(73,879)		(148,570)	
Company secretarial fees paid	(12,925)		(12,338)		(24,675)	
Cash paid to and on behalf of directors	(43,736)		(21,469)		(65,470)	
Other cash payments	(31,520)		(33,464)		(51,530)	
<b>Net cash outflow from operating activities</b>		(89,980)		(23,628)		(5,167)
<b>Financial investment</b>						
Purchase of investments	(379,473)		(1,347,850)		(2,392,865)	
Sale of investments	-		564,053		747,848	
<b>Net cash outflow from financial investment</b>		(379,473)		(783,797)		(1,645,017)
<b>Net cash outflow before financing</b>		(469,453)		(807,425)		(1,650,184)
<b>Financing</b>						
Share issues	10,000		1,783,000		2,159,000	
Share issue expenses	(5,765)		(44,200)		(57,863)	
Cancellation of share premium account	-		-		-	
<b>Net cash inflow from financing</b>		4,235		1,738,800		2,101,137
<b>Increase in cash</b>		(465,218)		931,375		450,953

## Notes to the Interim Financial Statements (unaudited)

### 1. Accounting Policies

The unaudited interim financial statements which cover the six months ended 31 July 2008 have been prepared in accordance with applicable accounting standards and adopting the accounting policies set out in the statutory financial statements of the Company for the year ended 31 January 2008.

### 2. Return per Share

The return per share has been calculated based on a weighted average number of shares in issue for the six months ended 31 July 2008 of 8,044,248 (31 July 2007: 7,090,666).

### 3. Net Asset Value per Share

The net asset value per share has been calculated based on 8,047,764 shares being the number of shares in issue as at 31 July 2008 (31 July 2007: 7,734,139).

4. During the six months ended 31 July 2008 the Company issued 10,000 new ordinary shares raising net proceeds, after issue costs, of £9,550. During the period the Company did not buy back any shares.

5. The financial information for the period ended 31 July 2008 has not been audited and does not comprise full financial statements within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 January 2008 were unqualified. No statutory accounts in respect of any period after 31 January 2008 have been reported on by the Company's auditors or delivered to the Registrar of Companies.

6. Copies of this Half-Yearly Report have been mailed to shareholders and are available to the public at the Company's registered office.

# 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 220 8226

Email: [help@thecitypartnershipuk.com](mailto:help@thecitypartnershipuk.com)

## 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

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## Sponsor & Broker

Brewin Dolphin Investment Banking

34 Lisbon Street

Leeds LS1 4LX

## Auditors

Scott-Moncrieff

Chartered Accountants

17 Melville Street

Edinburgh EH3 7PH

## Solicitors

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No 1 Colmore Square

Birmingham B4 6AA

## VCT Status Adviser

PricewaterhouseCoopers LLP

1 Embankment Place

London WC2N 6RH

## Reporting Calendar

for year ending 31 January 2009

Year end:	31 January 2009
Results announced:	Interim – August 2008 Annual – April 2009
Annual general meeting	June 2009

IBIS Media VCT 1 plc (incorporated in England and Wales registration number: 5660269) is an investment company as defined under Sections 265 and 266 of the Companies Act 1985.

