



IBIS Media VCT 1 plc

INTERIM REPORT
for the period ended 31 July 2006

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Corporate Policy and Financial Highlights

Investment Objective

IBIS Media VCT 1 plc ("the Company" or "IBIS 1") is a Venture Capital Trust (VCT) advised by IBIS Capital Limited.

The Company's investment objective is capital growth through an investment policy focused on unquoted companies operating at the smaller end of the UK media sector that have the potential to grow and to achieve capital appreciation on a subsequent exit. Suitable opportunities in smaller AIM and OFEX traded stocks will also be considered.

Investment Policy

The Company's investment policy is 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. It is unlikely that investments will be made 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.

The following characteristics will be looked for when identifying suitable investments:

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

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.

Capital Structure

Through an offer for subscription which opened in February 2006 £4,644,500 was raised in respect of the 2005/06 tax year and £1,092,500 was raised in respect of the 2006/07 tax year, making £5,737,000 in total.

The capital structure of the Company is 5,839,029 ordinary shares of 1p each.

Financial Highlights

Capital Values	As at 31 Jul 06
Net asset value per ordinary share	92.28p
Share price	100.00p
Premium/(discount)	8.4%
Net assets	£5.4m
Qualifying Holdings	5.6%
	Period to 31 Jul 06
Revenue return per share	(0.46)p
Capital return per share	(0.14)p
Total return per share	(0.60)p

Chairman's Statement

I am delighted to present our inaugural results which cover the period ended 31 July 2006.

Period under Review

Offer for Subscription

Our Offer for Subscription closed on 30 June 2006, at which point we had raised £5.74 million gross. It proved to be a difficult year for newcomers to the VCT market with a specialist offering and we were pleased to comfortably pass our minimum subscription, with a number of investors backing us across both the 2005/06 and the 2006/07 tax years. Our opening Net Asset Value per Share (NAV) was 92.85p after account was taken of the start-up costs (which were capped at 5.5% of total funds subscribed) and the Early Bird discount of 2% on the first £5 million of subscriptions.

Investments

In June we announced the successful completion of our first investment; namely a £401,000 investment in Quintus, an established and profitable company that is focused on building brands and events and the exploitation of intellectual property rights in the field of sport and entertainment. Although it is early days we are encouraged by Quintus' progress since our investment.

Throughout the period our Investment Adviser has seen a high level of deal flow in what is a vibrant market from the perspective of small media companies. Consequently I am confident that further investments will be made in the current financial year.

Interim Results

The NAV was 92.28p as at 31 July 2006. As a fund focused on private equity investments, which by their nature are typically long term investments, the main influence on the NAV in the initial life of the fund is the effect of the charges that were laid out in our Offer for Subscription. The current NAV compares with an effective cost of investment of 60p to those qualifying investors able to benefit from the front-end tax relief available under the 2005/06 tax regime, or 58p for those who also received the Early Bird discount available on the first £5 million of subscriptions.

There was a loss of £32,894 for the period. The Company's annual running costs are capped at 3.5% of net asset value. A successful raising of additional funds, to which I refer below, should enable us to improve our future results when we reach the point at which our operating costs fall below the cost cap.

No interim dividend is proposed.

Cancellation of Share Premium Account

In accordance with the Company's prospectus, the Company had authority, obtained at an Extraordinary General Meeting held on 23 January 2006, to apply to the Court to cancel 100% of the amount standing to the credit of the share premium account immediately following the issue of Ordinary Shares pursuant to the Offer. I am pleased to confirm that Court approval was granted on 23 August 2006 and is in the process of being registered at Companies House to take effect.

The cancellation of the share premium account will create a special reserve that can be used, amongst other things, to fund buy-backs of the Company's Shares when the Directors consider that it is in the best interests of the Company to do so.

Chairman's Statement

Continued

Changes to VCT Qualification Rules

As you are probably aware there have been changes to the VCT qualifying rules with regards to funds raised in the current 2006/07 tax year. The principal changes are a reduction in the level of available upfront tax relief from 40% to 30%, an extension of the minimum shareholding period to receive tax benefits from 3 years to 5 years, and a reduction in the Gross Assets test for investee companies from £15 million to £7 million.

Looking Forward

Further Fundraising

The Board has decided to proceed with a further Offer of new Ordinary Shares in order to increase the amount of funds available for investments. This should benefit our existing shareholders as it will make IBIS 1 more attractive to potential investee companies and enhance our ability to make follow-on investments. As a consequence we should be able to build a more diversified portfolio with reduced investment risk and with a lower proportion of our cash being spent on running costs.

We plan to open the Offer in November, whereas last year's Offer opened 8 February 2006. Further details of the Offer will be made available in due course once the necessary approvals have been received from the UK Listing Authority.

The level of deal flow being seen by our Investment Adviser in our first five months has strengthened our conviction that the smaller end of the UK media industry is rich in attractive investment opportunities and it is this message that we will stress in our Offer. Furthermore we believe that the changes to the VCT tax qualification rules will favour the specialist private equity approach, such as that of IBIS 1, relative to the more generalist and AIM VCT funds. The revised gross assets' test is not a significant issue for IBIS 1 – media companies are not asset heavy – and the reduced income tax relief (30% rather than 40%) is, we believe, still attractive.

Information for Shareholders

The Board intends to keep shareholders updated with regards to future developments on a regular basis. We are currently planning a shareholder event and will write to you with details and an invitation in due course.

You are also invited to visit our web site (www.ibismediavct.com).

If you have any questions about your Company, or comments on our web site, please feel free to contact either the Company Secretary or the Investment Adviser, whose details are laid out at the end of this report.

Conclusion

I believe that we have made an encouraging start and that the Company is well positioned to produce growth in shareholder value. Our first investment is completed, our pipeline is strong and we have committed to further growing our funds under management. We are looking forward to the second half of our financial year with confidence.

Sir Robin Miller

Chairman

18 September 2006

Investment Adviser's Review

IBIS 1's fundraising closed on 30 June 2006. We were pleased that in the same month IBIS 1 completed its first investment. This is testimony to the established relationships we have in the media industry and the efforts we were allocating to sourcing investment opportunities during the fundraising period. Our current deal pipeline is strong and we are hopeful that we will be able to announce the completion of further investments before the year end.

Completed Investments in the Period

Quintus Management Holdings Ltd (Quintus) – Cost £401,000, June 2006

Quintus is focused on building brands and events and the exploitation of intellectual property rights in the field of sport and entertainment. The company has grown organically and through acquisition and has shown encouraging growth in turnover and profits in recent years. The group has 72 full time staff, and offices in London and Warwickshire. Further details may be found on its web site (www.quintusgroup.com).

IBIS 1's investment in Quintus is in keeping with the key criteria that we look for when assessing an opportunity, namely: an established business, strong management, intellectual property ownership, good organic growth prospects and diversified revenue streams. Furthermore, Quintus operates in a fragmented sub-sector of media so we hope that there will be scope for further acquisitions in due course.

The investment in Quintus was part of a larger funding round in which another VCT invested a similar amount and two new private shareholders also participated. All investments were made on the same terms.

Further Fundraising

The Chairman has outlined the Board's intention to proceed with a further fundraising by way of an issue of new Ordinary Shares. As the Investment Adviser to IBIS 1 we are delighted with this initiative as we believe that increasing the size of the fund will be to the benefit of all shareholders: it will further increase deal flow, raise the maximum amount that can be allocated to an individual investment and enhance the ability to make follow-on investments. Although a VCT is limited to investing £1 million in an individual company in a given tax year we are currently constrained to below this amount by the rule that no single investment can account for more than 15% of the fund size.

Strengthened Team

IBIS Capital is committed to expanding the Asset Management side of its business and is delighted to announce the appointment in July of a further senior member of the team.

Peter Wilton joined IBIS Capital from Threadneedle Investment Management. At Threadneedle Peter was responsible for coverage of the pan-european media sector. He was also the manager of a number of retail and institutional funds, including the Threadneedle UK Select Growth Fund for a period of 6 years, during which time the fund attained an AA rating from Standard & Poor's.

Investment Adviser's Review

Continued

Outlook

We are continuing to see very high levels of deal flow and have evaluated approximately 70 investment opportunities since the start of the year. However, our rigorous approach means that most opportunities have failed to meet the quality and return requirements that we seek before seeking Investment Committee approval. Notwithstanding we have been building a strong pipeline and are currently in various stages of negotiations with regards to a number of potential exciting investments. Shareholders will be informed as and when further investments are completed.

Income Statement

for the period ended 31 July 2006

	Note	Revenue £'000	Period ended 31 July 2006 (unaudited) Capital £'000	Total £'000
Realised/unrealised movements on investments		-	-	-
Income		68	-	68
Investment adviser's fees		(2)	(8)	(10)
Other expenses		(91)	-	(91)
Return on ordinary activities before tax		(25)	(8)	(33)
Taxation on ordinary activities		-	-	-
Return attributable to equity shareholders		(25)	(8)	(33)
Dividends paid and proposed		-	-	-
Transfer to reserves		(25)	(8)	(33)
Return per share				
Basic per Ordinary Share	2	(0.46)p	(0.14)p	(0.60)p

The total column of this statement is the profit and loss account of the Company.

All revenue and capital items in the above statement derive from continuing operations.

Balance Sheet

as at 31 July 2006

	31 July 2006 (unaudited) £'000
	Note
Fixed assets	
Investments	401
Current Assets	
Debtors	82
Cash at bank	4,925
	5,007
Creditors: amounts falling due within one year	(20)
Net current (liabilities)/assets	4,987
Net assets	5,388
Capital and reserves	
Called up share capital	58
Share premium account	5,363
Capital reserves	(8)
Revenue reserves	(25)
	5,388
Net asset value per share	3 92.28p

Cash Flow Statement

for the period ended 31 July 2006

	£'000	Period ended 31 July 2006 (unaudited) £'000
Operating activities		
Investment income received – qualifying	42	
Deposit and similar interest received – non qualifying	22	
Investment adviser's fees paid	(67)	
Company secretarial fees paid	(11)	
Cash paid to and on behalf of directors	(43)	
Other cash payments	(38)	
Net cash outflow from operating activities		(95)
Financial investment		
Purchase of unquoted investments	(401)	
Net cash outflow from financial investment		(401)
Net cash outflow before financing		(496)
Financing		
New share issue	5,737	
Share issue expenses	(316)	
Net cash inflow from financing		5,421
Increase in cash		4,925

Reconciliation of Movements in Shareholders' Funds

for the period ended 31 July 2006

	Total £'000
Capital subscribed	5,737
Expenses of issue	(316)
Total recognised gains and losses for the period	(33)
Total net assets attributable at 31 July 2006	5,388

Notes to the Interim Financial Statements

1. Accounting Policies

The financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice ("UK GAAP") and with the Statement of Recommended Practice for "Financial Statements of Investment Trust Companies" (December 2005).

In accordance with the requirements of FRS 26 "Financial Instruments: Measurement" the Company's investments have been designated as "financial assets at fair value through profit or loss". Unlisted investments are valued by Directors at fair value.

2. Return per ordinary share

The return per share has been calculated based on a weighted average number of ordinary shares in issue for the period to 31 July 2006 of 5,432,994.

3. Net asset value per share

The net asset value per ordinary share has been calculated based on 5,839,029 ordinary shares (being the number of ordinary shares in issue as at 31 July 2006).

4. The financial information for the period ended 31 July 2006 has not been audited and does not comprise full financial statements within the meaning of Section 240 of the Companies Act 1985.

5. Copies of this interim report have been mailed to shareholders and are available to the public at the Company's Registered Office.

Corporate Information

Directors

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

Investment Adviser

IBIS Capital Limited

22 Soho Square

London

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Solicitors & VCT Tax Adviser

Martineau Johnson

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Birmingham

B4 6AA

Secretary & Registrars

The City Partnership (UK) Limited

24 Castle Street

Edinburgh

EH2 3HT

Telephone: 0131 467 4412

Email: help@thecitypartnershipuk.com

Reporting Calendar

Year end:

31 January

Results announced:

Interim - September

Annual - April

Annual general meeting:

June

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.

Bankers

Barclays Bank plc

1st Floor

99 Hatton Garden

London

EC1N 8DN

Auditors

Scott-Moncrieff

Chartered Accountants

17 Melville Street

Edinburgh

EH3 7PH

Registered Office

22 Soho Square

London

W1D 4NS

VCT web site: www.ibismediavct.com

