

**INGENIOUS ENTERTAINMENT VCT 1 PLC**

**ANNUAL REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED**

**31 December 2016**

**COMPANY NUMBER: 6395011**

SATURDAY



\*A65EKMR5\*

A25

29/04/2017

#87

COMPANIES HOUSE

{THIS PAGE INTENTIONALLY LEFT BLANK}

**CONTENTS**

|  |    |
|--|----|
| CORPORATE INFORMATION  | 1  |
| STRATEGIC REPORT   | 2  |
| BOARD OF DIRECTORS   | 12 |
| DIRECTORS' REPORT  | 13 |
| DIRECTORS' REMUNERATION REPORT   | 16 |
| CORPORATE GOVERNANCE REPORT  | 19 |
| INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INGENIOUS ENTERTAINMENT VCT 1 PLC | 25 |
| STATEMENT OF COMPREHENSIVE INCOME  | 29 |
| BALANCE SHEET  | 34 |
| CASH FLOW STATEMENT  | 38 |
| STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY                                     | 39 |
| NOTES TO THE FINANCIAL STATEMENTS  | 40 |
| SHAREHOLDER INFORMATION  | 53 |
| NOTICE OF ANNUAL GENERAL MEETING   | 54 |
| ADDITIONAL INFORMATION RELATING TO THE AGM                                       | 58 |
| PROXY FORM   | 61 |
| DEFINITIONS  | 63 |

---

# INGENIOUS ENTERTAINMENT VCT 1 PLC

## CORPORATE INFORMATION

|                          |  |
|--------------------------|--|
| <b>The Company</b>       | Ingenious Entertainment VCT 1 plc  |
| <b>Directors</b>         | David Munns* (Chairman)<br>Keith Turner*<br>Patrick McKenna                        |
| <b>Company Secretary</b> | Sarah Cruickshank  |
| <b>Registered Office</b> | 15 Golden Square<br>London W1F 9JG   |
| <b>Company Number</b>    | 6395011  |
| <b>Manager</b>           | Ingenious Ventures**<br>15 Golden Square<br>London W1F 9JG                         |
| <b>Auditor</b>           | Grant Thornton UK LLP<br>30 Finsbury Square<br>London EC2P 2YU                     |
| <b>Taxation Advisers</b> | PricewaterhouseCoopers LLP ( <b>PwC</b> )<br>1 Embankment Place<br>London WC2N 6RH |
| <b>Registrar</b>         | SLC Registrars<br>42-50 Hersham Road<br>Walton-on-Thames<br>Surrey KT12 1RZ        |
| <b>Sponsor</b>           | Howard Kennedy Corporate Services LLP<br>No. 1 London Bridge<br>London SE1 9BG     |

\* Independent director (a director who is independent of the Manager).

\*\* Ingenious Ventures is a trading division of Ingenious Capital Management Limited.

## STRATEGIC REPORT

The purpose of this report is to provide Shareholders with a summary setting out the business objectives of the Company, the Board's strategy to achieve those objectives, the risks faced, the regulatory environment and the key performance indicators (**KPIs**) used to measure performance. It also provides Shareholders with a commentary on the business performance and the financial position of the Company.

### Chairman's Statement

I am delighted to present the Company's ninth Annual Report and Accounts covering the year to 31 December 2016 (the **Reporting Period**).

### Overview of Activities

The D Share class reached its five year anniversary on 30 July 2015. The D shares were cancelled and extinguished on January 18 2017 with all residual funds repaid to the relevant shareholders.

The E and F Share classes reached their five year anniversary on 30 July 2016. The E and F shares were cancelled and extinguished on January 18 2017; with all residual funds repaid to the relevant shareholders.

*The Company has now completed its investment strategy and is fully invested under the VCT regulations for its G and H Share classes. The Manager will focus upon maximising the returns from the investments.*

The Company continued to actively source and review investment opportunities during this Reporting Period for the H Share class. The Company made one investment during the Reporting Period. Details of all investments can be found in the Manager's Review on pages 4 to 7.

During the Reporting Period two live events were undertaken by two of the Company's Investee Companies. Brighton Boundary festival took place on 17 September as part of Fresher's Week in Stamner Park. Just for London put on Just for Laughs comedy festival for the week commencing the 14 July in central London.

### Fund Raising

The Company raised no further funds during the Reporting Period.

### Results

The D Shares, E Shares, F Shares, G Shares and H Shares are accounted for as separate pools of funds necessitating separate non-statutory reporting.

The Company continues with its core strategy of blending high levels of downside protection with its attempt to drive positive returns from the investment portfolio. The Directors and the Manager have also maintained their prudent approach in the valuation of investments with the view that it takes at least two to three years to build brand awareness in the live entertainment sector. They remain cautiously optimistic about the future performance and the long term outlook of the Company.

The D Shares made a profit of £43,000 (31 December 2015: loss of £153,000). The E Shares made a profit of £1,000 (31 December 2015: loss of £100,000). The F Shares made a profit of £5,000 (31 December 2015: loss of £60,000). The G Shares made a loss of £776,000 (31 December 2015: loss of £264,000). The H Shares made a loss of £202,000 (31 December 2015: loss of £41,000).

The net asset value per D Share at 31 December 2016 was 1 pence although this is after the deduction of the dividend of 1.6 pence per Share in the Reporting Period and the deduction of a total of 80 pence per Share of dividends in previous years (31 December 2015: 2.0 pence). The net asset value as at 31 December 2016 including distributions was therefore 82.6 pence per D Share (31 December 2015: 82.0 pence).

# INGENIOUS ENTERTAINMENT VCT 1 PLC

## STRATEGIC REPORT (CONTINUED)

### Chairman's Statement (continued)

#### Results (continued)

The net asset value per E Share at 31 December 2016 was 1 pence after the deduction of the dividend of 62.7 pence per Share in the Reporting Period and the deduction of a total of 20 pence per Share of dividends in previous years (31 December 2015: 63.7 pence). The net asset value as at 31 December 2016 including distributions was therefore 83.7 pence per E Share (31 December 2015: 83.7 pence).

The net asset value per F Share at 31 December 2016 was 1 pence after the deduction of the dividend of 65.2 pence per Share in the Reporting Period and the deduction of a total of 20 pence per Share of dividends in previous years (31 December 2015: 65.9 pence). The net asset value as at 31 December 2016 including distributions was therefore 86.2 pence per F Share (31 December 2015: 85.9 pence).

The net asset value per G Share at 31 December 2016 was 40.1 pence after the deduction of the dividend of 5 pence per Share in the Reporting Period and the deduction of a total of 15 pence per Share dividends in the previous years (31 December 2015: 67.2 pence). The net asset value as at 31 December 2016 including distributions was therefore 60.1 pence per G Share (31 December 2015: 82.2 pence).

The net asset value per H Share at 31 December 2016 was 68.8 pence after the deduction of the dividend of 5 pence per Share in the Reporting Period and the deduction of a 10 pence per Share dividend in the previous years (31 December 2015: 81.4 pence). The net asset value as at 31 December 2016 including distributions was therefore 83.8 pence per H Share (31 December 2015: 91.4 pence).

#### Legislative and Regulatory Developments

The changes to the VCT rules that were introduced in 2015 have not had a significant impact on the operation of the Company.

#### Outlook

Live entertainment continues to appeal to customers as an experience that is completely unique to the individual. When this appeal is combined with enjoying the live experience with other likeminded participants, then it is easy to understand why those events that can create their own 'niche' will continue to thrive whatever the economy may throw at them. The portfolio includes investments other than festivals; such as investments in venues that are set up to hold live events and therefore take advantage of different areas of the live events industry.

#### Investment Objective

The Company's main objective is to invest in companies established to create and bring to market live events and premium entertainment content which will provide Shareholders with an attractive return. This strategy will aim to maximise the opportunities for making tax-free dividends to Shareholders from both the actual income received and capital profits on the sale of investments in Investee Companies or their assets.

# INGENIOUS ENTERTAINMENT VCT 1 PLC

## STRATEGIC REPORT (CONTINUED)

### Manager's Review

The Company and Ingenious Entertainment VCT 2 plc have made equal investments into each qualifying investment.

The Company and Ingenious Entertainment VCT 2 plc are collectively known as 'the Ingenious Entertainment VCT's'.

A summary of the Company's investments, their individual valuations and the split between the various share classes as of 31 December 2016 is shown below:

|  | Total<br>£'000 | D<br>Shares<br>£'000 | E<br>Shares<br>£'000 | F<br>Shares<br>£'000 | G<br>Shares<br>£'000 | H<br>Shares<br>£'000 |
|--|----------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Festivals</b>   |                |                      |                      |                      |                      |                      |
| <i>Just For London Comedy Festival</i><br>(Cost £375,000: £750,000 across the<br>Ingenious Entertainment VCTs) | 279            | -                    | -                    | -                    | -                    | 279                  |
| <i>The Zoo Project Festival</i><br>(Cost £300,000: £600,000 across the<br>Ingenious Entertainment VCTs)        | 279            | -                    | -                    | -                    | 279                  | -                    |
| <i>SWG Power Limited</i><br>(Cost £250,000: £500,000 across the<br>Ingenious Entertainment VCTs)               | 250            | -                    | -                    | -                    | -                    | 250                  |
| <i>Brighton Boundary Limited</i><br>(Cost £250,000: £500,000 across the<br>Ingenious Entertainment VCTs)       | 250            | -                    | -                    | -                    | -                    | 250                  |
| <b>Seasonal Events</b>   |                |                      |                      |                      |                      |                      |
| <i>Winterville Events Limited</i><br>(Cost £500,000: £1,000,000 across the<br>Ingenious Entertainment VCTs)    | 328            | -                    | -                    | -                    | 328                  | -                    |
| <b>Content Exploitation</b>  |                |                      |                      |                      |                      |                      |
| <i>FM3 2013 Limited</i><br>(Cost £700,000: £1,400,000 across the<br>Ingenious Entertainment VCTs)              | 35             | -                    | -                    | -                    | 35                   | -                    |
| <b>Live Venues</b>   |                |                      |                      |                      |                      |                      |
| <i>Event Spaces Limited</i><br>(Cost £625,000: £1,250,000 across the<br>Ingenious Entertainment VCTs)          | 610            | -                    | -                    | -                    | 610                  | -                    |
| <i>Genius Star Limited</i><br>(Cost £375,000: £750,000 across the<br>Ingenious Entertainment VCTs)             | 375            | -                    | -                    | -                    | -                    | 375                  |
| <i>Counterculture Bars Limited</i><br>(Cost £250,000: £500,000 across the<br>Ingenious Entertainment VCTs)     | 200            | -                    | -                    | -                    | -                    | 200                  |
| <b>Total investments</b>   | <b>2,606</b>   | <b>-</b>             | <b>-</b>             | <b>-</b>             | <b>1,252</b>         | <b>1,354</b>         |

# INGENIOUS ENTERTAINMENT VCT 1 PLC

## STRATEGIC REPORT (CONTINUED)

### Manager's Review (continued)

#### Festivals

##### *Brighton Boundary Limited*

In May 2016 the Ingenious Entertainment VCTs made an investment of £500,000 into Brighton Boundary Limited to promote a music festival in Brighton.

The Ingenious Entertainment VCTs joined forces with LWE, SWG Power Limited (SWG) and Matt Priest to produce, promote and manage a new music festival called Boundary Brighton to be held in Stamner Park in Brighton.

The first event was held in September 2016 and formed part of Freshers' Week for the University of Sussex as well as being aimed at the local audience in and around Brighton and London. Although the festival was well-received by the press and public, it did not sell the required amount of tickets to break-even and it incurred a loss.

##### *Just For London Limited*

In October 2014, the Ingenious Entertainment VCTs invested £1,750,000 into a company to co-promote the Just For Laughs comedy festival.

The first event was held in July 2016 in Russell Square and Logan Hall which is part of University College London and although it was a well-received show by the press and public, it did not sell the required amount of tickets to break-even. The show made a significant loss which has been taken into account in the valuation of the investment.

There is no clear plan in place to stage another event. However options are being discussed.

##### *The Zoo Project Festival Limited*

In March 2014, the Ingenious Entertainment VCTs invested £600,000 into a company to co-promote The Zoo Project Festival.

Over the course of 2012 and 2013 the festival promoters established a strong festival brand with a core following and although it was very well received by the press and public, the attendance levels were disappointing and the event incurred a loss in the region of £40,000.

The Manager is currently reviewing future options for the brand.

##### *SWG Power Limited*

In November 2015 the Ingenious Entertainment VCT's made an investment of £500,000 into SWG which has been established to provide power to festivals, live events, conferences and exhibitions.

SWG has been established to act as a service provider supplying on-site power to the festival, exhibition, conference and live event market. SWG will aim to exploit the growing market for festivals and live events and will look to sign multi-year deals with events to provide a reliable source of income.

SWG will use a portion of the investment to purchase new power generation equipment to enable it to tender for a greater number of power contracts.

During the 'build' of events, the purchased assets will be brought to the respective event sites to provide power for the event (e.g. for stage lighting, sound systems and back office) and to power individual traders and exhibitors working at the event, for which SWG will receive supplementary income to the tendered amount with the event promoter.



**STRATEGIC REPORT (CONTINUED)**

**Manager's Review (continued)**

**Festivals (continued)**

*SWG Power Limited (continued)*

Revenues will be generated from power supply contracts which will encompass fees for the supply of power, service fees for staff operating the equipment and maintaining the equipment on site, and a mark-up on fuel costs charged to traders on the event site.

*Winterville Events Limited*

In September 2014, an investment of £1,000,000 was made by the Ingenious Entertainment VCTs into Winterville Events Limited to promote an annual Christmas based event - Winterville.

The first event took place in Victoria Park in East London and ran for the duration of December 2014. Winterville hosted indoor and outdoor activities including an ice rink, a live pantomime production, a vintage fun fair, themed food stalls, bars selling craft ales, beer and cider, a roller disco and a spiegel tent staging both comedy and live music for all age groups.

For the 2015 event, the Ingenious Entertainment VCTs and partners Marcus Weedon and Darren Guerin joined forces with AEG Live to utilise AEG's experience in this market (AEG have promoted four Winter Wonderlands in Hyde Park and a winter season in Dublin).

Unfortunately, due to the wettest December on record and the impact of an average event in 2014, the event made a loss which has been taken into account in the valuation of the investment. The event was not held in 2016.

**Content Exploitation**

*FM3 2013 Limited*

In March 2014, an investment of £1,400,000 was made by the Ingenious Entertainment VCTs into FM3 2013 Limited to film festival and live event content. The business strategy was to deliver five core revenue streams through the exploitation of music festival content, namely commissioned productions, distribution, advertising, brand activation and online video channel creation.

Unfortunately, due to several setbacks, relating to the ability to exploit the proposed revenue streams, the Manager has concluded that very little value can be extracted from the investment and recommended the write down of virtually all of the FM3 investment at this stage. There remains the potential to exploit the proposed revenue streams in the future but, given the difficulties faced to date, any possible time frames or quantum of such earnings is uncertain.

**Live Venues**

*Event Spaces Limited*

In December 2014, an investment of £1,250,000 was made by the Ingenious Entertainment VCTs into Event Spaces Limited to promote a wide range of events to be hosted from a semi-permanent events structure situated in London.

A large semi-permanent structure was purchased that was situated on the Pontoon Dock site. However this project was abandoned due to unresolvable issues with the landowner over the length of time the site could be leased for. The structure has been sold for a loss and the directors of Event Spaces Limited decided to reinvest the capital into a new project called 'Art of the Brick'.

Art of the Brick is a Lego Exhibition based behind the National Theatre on the Southbank in London with life size imitations of DC Comic Superheroes which will initially run from February to September 2017.

Tickets went on sale in December and are currently ahead of expectations. The break-even point is 183,000 tickets.

# INGENIOUS ENTERTAINMENT VCT 1 PLC

## STRATEGIC REPORT (CONTINUED)

### Manager's Review (continued)

#### Live Venues (continued)

##### *Event Spaces Limited (continued)*

A provision has been made for the aborted costs incurred by the Ingenious Entertainment VCTs in relation to the initial project.

##### *Counterculture Bars Limited*

In September 2015 an investment of £500,000 was made by the Ingenious Entertainment VCT's into Counterculture Bars Limited (Counterculture) to operate the multi-purpose bar/kitchen and live venue, 'Haunt' in Stoke Newington with Alexander Brooks.

'Haunt' opened in November 2015 and is a multi-faceted and vibrant space which serves as a functioning bar and kitchen, and a multi-purpose event space for promoted, co-promoted and externally hired activities.

Counterculture had a tough first few months opening too late for Christmas bookings then suffering the hard months of January and February. Following this period (apart from August), the operation steadied and popularity grew in the local community. A decision was made to cut costs by outsourcing the food function.

Counterculture's most recent accounts show a loss in the region of £125,000. The directors of Counterculture Bars Limited are currently in discussions to assess the future of the venue. In addition, the lease has been offered to the market to compare the value with results of ongoing trading although no serious bids have been made to date.

##### *Genius Star Limited*

In December 2015 an investment by the Ingenious Entertainment VCTs of £750,000 was made into Genius Star Limited to operate a pub which serves as a multi functioning bar and kitchen with a function room for promoted, co-promoted and externally hired activities.

'The Leyton Star' opened in June 2016 and is a multi-faceted and vibrant space which capitalises on the premises' location and experience of the partner, Rob Star.

The pub also benefits from a garden area where 9 heated wooded cabanas were fitted to hold over 100 people as well as a further 75 people outside these areas.

## Review of the business

### 1. Strategy for Achieving Objectives

Ingenious Entertainment VCT 1 plc is a tax efficient company listed on the London Stock Exchange.

The investment objective is to blend risk with elements of downside protection in order to create a well-balanced investment portfolio. The Company will also aim to maximise distributions in order to take advantage of tax-free dividends.

The Board has delegated day-to-day investment management and administration of the Company to the Manager under the terms of a management agreement.

The Manager's review on pages 4 to 7, which forms part of the Strategic Report, provides a review of the investment portfolio, performance of investments and the market outlook.

**STRATEGIC REPORT (CONTINUED)****Review of the business (continued)****2. Investment Policy**

The Company's investment policy is to focus on investing in companies established to create and bring to market live events and premium entertainment content. These investments should be Qualifying Investments for the purposes of the VCT legislation. Each Share class of each of the Ingenious Entertainment VCTs represents a separate pool of capital and each such pool has its own separate performance record and dividend history.

For the D Shares and E Shares, the Manager intends to balance the risk profile by investing no more than 30% of the respective funds raised under the respective Offers in a blend of low risk money market funds (open ended investment companies, or **OEICs**) (which are Non-qualifying for the purposes of VCT legislation) and at least 70% of funds raised in VCT qualifying media content investments.

In respect of the F Shares, the Manager will deploy no more than 30% of the funds in a balanced multi-asset management portfolio (which is Non-qualifying for the purposes of VCT legislation) and at least 70% of funds raised in VCT qualifying media content investments.

As with the G Shares, in relation to the H Shares, the Manager intends to balance the risk profile of the fund by investing at least 70% of the funds raised in VCT qualifying media content investments with the remaining funds to be invested into a blend of low risk money market funds and other investments including, but not limited to, cash deposits, money market funds, fixed interest securities, secured loans, corporate bonds and corporate bond funds (which are Non-qualifying for the purposes of VCT legislation).

The investment policy for VCT qualifying media content investments is based upon the same core aims for all Share classes, incorporating a rigorous selection process, together with a funding structure and minimum revenue contractual arrangements specifically designed to offer investors downside protection whilst preserving the considerable upside potential of the live events and entertainment content within the portfolio.

**Asset Allocation**

The Manager will focus on investing in companies producing live events or creating branded entertainment content with a view to achieving a broad allocation of the VCTs' assets across the entertainment sector. Investments could include the production and promotion of a theatrical show or the launch of a music festival, the development and exploitation of new formats or the creation of online or mobile games. The Manager's objective will be to identify projects in which the VCTs can participate in the revenues and in the capital value of the content once the market is established.

**D Shares and E Shares**

The Directors believe that pending deployment into Qualifying Investments, funds should be deployed in a low risk, liquid investment, which also provides moderate returns to VCT Shareholders. The Manager intends to invest such capital raised in the D Share Offer and the E Share Offer and not deployed in Qualifying Investments in a number of low risk money market funds (OEICs) with a rating of at least AAAm (S&P) or Aaa/MR1+ (Moody's) or, where the fund is not rated by these agencies, the average credit quality of the portfolio is not less than AA+ (S&P).

**F Shares**

The Manager will invest capital raised in the F Share Offer as follows: at least 70% will be invested in Qualifying Investments (companies in the media and entertainment sector) throughout the life of the Company and no more than 30% of funds will be retained in a balanced multi-asset management portfolio throughout the life of the Company.

**G Shares and H Shares**

Of the funds raised from the G Share Offer and the H Share Offer, at least 70% will be invested in Qualifying Investments (companies in the media and entertainment sector). The remaining funds raised in these Offers will be retained in a blend of low risk money market funds (OEICs) and other investments including, but not limited to, cash deposits, money market funds, fixed interest securities, secured loans, corporate bonds and corporate bond funds throughout the life of the VCTs, creating a lower risk profile for the G Shares and the H Shares.

**Diversification**

The Manager will seek to diversify the risk of Qualifying Investments through investment in media content and live events chosen from a broad spectrum of opportunities in the media and entertainment sector. However, the principal focus will be on the quality of the proposition, the experience of the production partner and the returns that can be generated. There is, therefore, no limitation on investments in any specific segment of the entertainment sector.

There will, however, be restrictions on the size of investments (both Qualifying Investments and other investments) made by the VCTs as set out in the VCT Status and Maximum Exposures paragraph below.

# INGENIOUS ENTERTAINMENT VCT 1 PLC

## STRATEGIC REPORT (CONTINUED)

### Review of the business (continued)

#### 2. Investment Policy (continued)

##### Risk Mitigation

The following risk mitigation strategies will be utilised by the Investee Companies, and in common with industry practice:

- Each Investee Company will be required to put in place pre-sales or similar minimum revenue arrangements providing for the Investee Company to receive at least 75% of the VCTs' investment (and in the case of the H Share class, at least 50% of the VCTs' investment) (such pre-sales or similar minimum revenue arrangements being referred to as **Base Revenues**).
- Each Investee Company will engage the services of an experienced producer or promoter with a proven track record in bringing media projects to market and delivering the returns targeted by the VCTs.
- Each Investee Company will be required, where appropriate, to obtain relevant insurance policies in order to protect against normal industry risks. After completion of its first project, each Investee Company may seek to undertake further projects (with at least the same level of downside protection) from its existing cash-flows. However, Investee Companies will not be permitted to undertake further projects which could reduce the Base Revenues generated from its first project. Each Investee Company will be expected to realise the capital value of its rights and goodwill after five years. This investment policy should ensure a high degree of downside protection whilst preserving the considerable upside potential of the premium media content within the portfolio.

##### Funding Structure, Gearing and Contractual Arrangements

Each Investee Company in which the VCTs invest will initially be formed for the purpose of engaging in the production and exploitation of premium media content or a live event.

In respect of the funds raised by the Company prior to 6 April 2011 under the D Share Offer, the E Share Offer and the F Share Offer, the VCTs' policy has been to invest in Qualifying Companies by subscribing for a minimum of 30% of their investment in share capital and the remaining amount through loan stock instruments. However, changes introduced by the Finance Act (No. 3) 2010 mean that for funds raised on or after 6 April 2011 (the G Share Offer and the H Share Offer) the VCTs will instead invest a minimum of 70% of their investment in share capital and the remaining amount through loan stock instruments.

The VCTs will have a non-controlling interest in each Investee Company and other shareholders may include, amongst others, promoters, record labels, game developers and charities. It is expected that the initial capital provided by the VCTs will be sufficient to cover the Investee Company's budgeted costs of creating and bringing to market the initial project.

The VCTs can invest, under current VCT legislation, up to £5 million (in aggregate) in any 12 month period in any one Investee Company (provided that such an Investee Company does not receive any funds from other State Aid sources, including from VCTs and the Enterprise Investment Scheme) and will always co-invest on equal terms pro rata to the capital in each VCT. This should have the advantage of enabling the VCTs to co-invest in larger projects than if one VCT was investing by itself. The VCTs will not borrow money in relation to their activities.

##### Liquidity

Each of the D Share Offer, the E Share Offer, the F Share Offer, the G Share Offer and the H Share Offer, created a reserve which will enable it to make Share buy-backs in the market, subject to liquidity and regulatory restraints. The VCTs will operate a discount policy for repurchasing Shares, which will be determined by the Boards of the VCTs at their discretion from time to time.

The VCTs intend to return funds to the Shareholders after five years if Shareholders so desire. In any event, the Articles of each of the VCTs currently contain a provision requiring the Directors to propose an ordinary resolution at the eleventh AGM of the VCTs to continue the life of the VCTs. If any such resolution is not passed, the Directors will draw up proposals for the re-organisation, reconstruction or voluntary winding up of the VCTs for consideration of members at a general meeting on a date not more than nine months after such general meeting. Implementation of such proposals will require the approval of Shareholders by special resolution.

##### VCT Status and Maximum Exposures

In order to obtain venture capital trust status, the VCTs must be approved by HMRC. The conditions which must be satisfied to obtain and retain such status include the following restrictions on the maximum exposure of each VCT:

- no holding in a company will represent more than 15% by value of each VCT's total investments; and

**STRATEGIC REPORT (CONTINUED)****Review of the business (continued)**

- the VCTs are limited to investing up to £5 million (in aggregate) per Investee Company in any 12 month period (provided that such a company does not receive any funds from other State Aid sources, including from VCTs and the Enterprise Investment Scheme).

Each of the VCTs will comply with the restrictions stated above. The limits stated in those restrictions in relation to the percentage amount of the funds invested in Qualifying Investments and Non-qualifying Investments will need to be met within the three year VCT investment period in accordance with the VCT qualifying rules.

Should a material change in the investment policy (including the conditions referred to above) be deemed appropriate this will be done with Shareholders' approval and in accordance with the Listing Rules.

**3. Principal Risks, Risk Management and Regulatory Environment**

The Board has the responsibility for determining the nature and extent of the significant risks the Company faces in the pursuit of its strategic objectives. The Board maintains sound risk management and internal control systems which are designed to manage, but not eliminate, the risk of failure to achieve business objectives. There are inherent limitations in any control system and accordingly even the most effective systems can provide only reasonable, but not absolute, assurance against material misstatement or loss.

The Board has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

The Board believes that the principal risks faced by the Company are:

- Investment and strategic** – the performance of an investment in an event is tied to a certain degree to the fortunes of the industry generally. In particular, there is a risk that the Company will not identify opportunities where the commercial success of the live event or created branded content is sufficient to earn revenues over and above the minimum contractual income negotiated.
- Loss of approved status as a Venture Capital Trust** – the Company must comply with section 274 of the ITA which allows it to be exempted from capital gains tax on investment gains realised by Shareholders. Any breach of these rules may lead to the Company losing its approval as a VCT, qualifying Shareholders who have not held their Shares for the designated holding period would have to repay the income tax relief they obtained and future dividends paid by the Company would become subject to tax. The Company would also lose its exemption from corporation tax on capital gains.
- Legislative and Regulatory** – the Company is required to comply with the Act, the rules of the UK Listing Authority and United Kingdom Accounting Standards. Breach of any of these regulatory rules might lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report.
- Financial controls** – inadequate internal controls might lead to misappropriation of assets. Inappropriate accounting policies might lead to misreporting or breaches of regulations.

**3. Principal Risks, Risk Management and Regulatory Environment (continued)**

- External inherent risks** – the Company's investments will be in unquoted companies which by their nature involve a higher degree of risk than investment in the main market due to the fact there is no liquid market and they may, therefore, be difficult to realise. Furthermore, there may be further constraints imposed on realisations because of the requirement to satisfy certain conditions necessary for the Company to maintain its VCT status (such as the obligation to have at least 70% by value of its investments in qualifying holdings by the beginning of the accounting period commencing three years after provisional VCT approval).

The Board seeks to mitigate the internal risks by setting clear policies, including establishing a funding structure which provides for minimum revenues of between 50% and 75% of the investment (depending on which Share class the investment is made from), regular reviews of performance, monitoring progress and compliance. Details of the Company's internal controls are contained in the Corporate Governance Report set out on pages 19 to 24.

**4. Key Performance Indicators (KPIs)**

The primary key performance indicator on which the Board assesses the performance of the Manager in meeting the Company's objective is the change in net asset value per Share. The net asset values are disclosed in Note 13.

**5. Management Agreement**

The management agreement was entered into on 19 November 2007 and has been subsequently novated, varied and restated. The management agreement allows for the Manager to assume responsibility for the continuous management of the Company's portfolio of investments and to provide administrative services. In return for its services the Manager is paid an annual portfolio management fee of 1.75% of the Company's net asset value, a performance-related incentive fee (details of which can be found in the relevant Prospectus and paragraph 6 below), and an annual administration fee of £51,000 (adjusted annually in line with inflation).

**STRATEGIC REPORT (CONTINUED)**

**Review of the business (continued)**

The HM Revenue & Customs (**HMRC**) Brief 35/08 introduced legislation meaning management fees payable by VCTs are now exempt from VAT. Consequently, the management agreement was amended on 1 April 2009 to enable the Manager to charge irrecoverable input VAT associated with the performance of its services, and the Manager has reclaimed VAT charges from HMRC retrospectively.

The management agreement runs for a minimum period of six years per Share class, starting on the date of the first allotment of Shares in that particular Share class (for example, from 5 April 2013 for the H Share class).

The Board has reviewed the performance of the Manager and is satisfied with the approach and procedures in providing investment management services to the Company and that the continued appointment of the Manager on the terms agreed is in the best interests of the Shareholders and the Company.

**6. Performance Incentive Fees**

The performance-related incentive fee payable by the Company is equal to 20% of cumulative distributions in excess of £1.05 per D Share, 20% of cumulative distributions in excess of £1.05 per E Share, 20% of cumulative distributions in excess of £1.05 per F Share, 20% of cumulative distributions in excess of £1.05 per G Share and 20% of cumulative distributions in excess of £1.05 per H Share. Further details can be found in the relevant Prospectus. No performance fees are currently payable and the Company does not project paying any such fees in the foreseeable future.

**7. Environmental, Employee, Social and Community Matters**

The Board comprises three non-executive Directors who are all male. Due to the size of the Company no gender diversity policy has been formulated. There are no executive Directors and no employees. The Company's day to day activities are carried out by the Manager.

The Manager is part of the Ingenious Group which actively seeks to reduce its impact on the environment. Wherever possible, investor communications are distributed electronically in order to reduce the utilisation of natural resources. This includes distribution of Shareholder information in relation to the Company.

For many years the Ingenious Group has been a strong supporter of The Young Vic Company (a registered charity). The Young Vic Company is a not-for-profit theatre company of which Patrick McKenna is chairman and director.

Further details of the contributions the Ingenious Group has made to the wider community can be found on the Ingenious website, [www.theingeniousgroup.co.uk](http://www.theingeniousgroup.co.uk)

The Company has no greenhouse gas emissions to report from the operations of its business, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013.

The Board recognises the requirement under section 414 of the Act to review the impact of the Company's business on the environment and matters in relation to employees, human rights and community issues.

As the Company has no employees and is an externally managed VCT, these factors are not relevant to the Company.

This strategic report has been approved by the Board.



**David Munns**  
Chairman  
26 April 2017

**BOARD OF DIRECTORS**

**David Munns (Chairman)**

David joined EMI Group Limited in 1972 and held progressively more senior marketing roles, including Senior Creative Director. In 1987, David joined PolyGram and was promoted to the position of Senior Vice President – Pop Marketing at PolyGram International. At PolyGram, David worked with artists such as U2, the Bee Gees, Andrew Lloyd Webber and Van Morrison. In 2001, David joined EMI as its Worldwide Vice-Chairman and left in 2007 to consult for leading media and entertainment companies. David has also managed Bon Jovi and is chairman of the Music Industry Trust and the charity Nordoff Robbins. In 2013, David was awarded an OBE for his services to charity and the music industry.

**Keith Turner**

Keith is the UK representative of Weitzenhoffer Theatres, co-owner of Nimax Theatres, proprietors of six leading West End theatres, and acts as legal and business consultant to London theatre producers as well as venue marketing promotion throughout the UK. He is also a director of the Theatre Royal, Bury St Edmunds. Keith started his career as a solicitor specialising in the commercial sector of theatre, film and music. Between 1969 and 1974 Keith was the first legal director of PolyGram UK as well as director of Legal and Business Affairs for the Robert Stigwood Group between 1971 and 1978. From 1986 until 1998, Keith was the Legal and Business Affairs Director of the Really Useful Group.

**Patrick McKenna**

Patrick is one of the leading figures in the creative industries and is the founder of Ingenious. He started his career in the accountancy profession and was a Partner at Deloitte before becoming Chairman and Chief Executive of The Really Useful Group. Patrick is chairman of a number of companies in the media sector, including the National Film and Television School (NFTS), the award winning television company Hat Trick Productions and The Young Vic Theatre Company. He sits on the Board of Trustees of St John's Smith Square and the Advisory Board of the advertising agency BBH. He was formerly a member of the Government's Creative Industries Council and is a Fellow of the RSA and a member of BAFTA. Patrick is actively engaged in the evaluation and selection of media projects proposed for funding by the investment vehicles operated by the Ingenious Group.

# INGENIOUS ENTERTAINMENT VCT 1 PLC

## DIRECTORS' REPORT

The Directors submit their Annual Report and Accounts for the year from 1 January 2016 to 31 December 2016.

### 1. Principal Activity and VCT Status

The principal activity of the Company is to invest in a portfolio of companies established to create and to bring to market live events and premium entertainment content. A review of the Company's business during the Reporting Period and an indication of likely future developments are contained in the Strategic Report on pages 2 to 11.

The Directors have managed the affairs of the Company with the intention of maintaining its status as an approved VCT for the purposes of section 274 of the ITA. The Company was not at any time up to the date of this report a "close company" within the meaning of section 989 of the ITA.

### 2. Major Interests in Shares

As at the date of this report, the Company has been notified that there are no Shareholders who had an interest of 3% or more of the issued share capital of the Company.

### 3. Directors and their interests

Details of the Directors' interests are provided below.

| Name            | Number of D Shares held | Total dividends received during the year | Number of E Shares held | Total dividends received during the year | Number of F Shares held | Total dividends received during the year | Number of G Shares held | Total dividends received during the year |
|-----------------|-------------------------|--|-------------------------|--|-------------------------|--|-------------------------|--|
| David Munns     | -                       | -  | -                       | -  | -                       | -  | -                       | -  |
| Keith Turner    | 5,150                   | £82                                      | -                       | -  | -                       | -  | -                       | -  |
| Patrick Mckenna | 103,000                 | £1,648                                   | 51,662                  | £32,392                                  | 51,662                  | £33,684                                  | 170,580                 | £8,529                                   |
| <b>Total</b>    | <b>108,150</b>          | <b>£1,730</b>                            | <b>51,662</b>           | <b>£32,392</b>                           | <b>51,662</b>           | <b>£33,684</b>                           | <b>170,580</b>          | <b>£8,529</b>                            |

| Name            | Number of H Shares held | Total dividends received during the year |
|-----------------|-------------------------|--|
| David Munns     | -                       | -  |
| Keith Turner    | -                       | -  |
| Patrick Mckenna | 35,967                  | £1,798                                   |
| <b>Total</b>    | <b>35,967</b>           | <b>£1,798</b>                            |

On 18 January 2017, the D Share, E Share and F Share classes were cancelled. Therefore after this date the only interests held by the Directors are G Shares and H Shares.

### 4. Capital

The structure of the Company's capital as at 31 December 2016 was as follows:

|                                    | 2016<br>£'000 | 2015<br>£'000 |
|------------------------------------|---------------|---------------|
| Allotted, called-up and fully paid |               |               |
| 6,735,624 D Shares 1 pence each    | 68            | 68            |
| 2,846,122 E Shares 1 pence each    | 28            | 28            |
| 1,572,095 F Shares 1 pence each    | 16            | 16            |
| 3,518,044 G Shares 1 pence each    | 35            | 35            |
| 2,660,842 H Shares 1 pence each    | 27            | 27            |
|                                    | <b>174</b>    | <b>174</b>    |

The D Shares, E Shares, F Shares, G Shares and H Shares rank pari passu with each other in terms of voting and other rights. The entire issued D, E, F, G and H Share capital of the Company has been admitted to the official list maintained by the Financial Conduct Authority and to trading on the London Stock Exchange. Please see Note 12 for information on dividends paid out during the year and share capital.



## **DIRECTORS' REPORT (CONTINUED)**

### **5. VCT Status Monitoring**

The Company has appointed PwC to advise it on compliance with the relevant VCT legislation. PwC advises on proposed investments as required and regularly reviews the Company's investment portfolio. PwC works closely with the Manager in monitoring the Company's VCT status but reports directly to the Board.

### **6. Re-appointment of Auditor**

A resolution to re-appoint Grant Thornton UK LLP as auditor to the Company will be put to the Shareholders at the Annual General Meeting (**AGM**) (see resolution 9 of the Notice).

### **7. Directors and Officers Liability Insurance**

All Directors were covered by Directors and Officers liability insurance throughout the year under review and this will continue to remain in force.

### **8. Financial Risk Management**

Details of the Company's financial instruments and risk management policies and objectives are provided in Note 14 to the financial statements.

### **9. The AGM**

The Notice convening the AGM can be found on pages 54 to 55. Additional information relating to the AGM and the resolutions to be considered by Shareholders can be found on pages 58 to 59.

### **10. Corporate Governance Report**

The Directors have included their Corporate Governance Report on pages 19 to 24.

### **11. Environmental, Employee, Social and Community Matters**

The environmental, employee, social and community matters are disclosed in note 7 of the Strategic Report.

### **12. Dividends**

During the year a 1.6 pence per D Share dividend was paid on 7 December 2016 (2015: 60 pence).

During the year the Company paid a 20 pence dividend per E Share on 18 March 2016 by way of a capital distribution reducing the Company's other reserves (2015: 5.0 pence). A further 42 pence dividend was paid out on 7 October 2016, with a further 0.7 pence dividend paid out on 7 December 2016.

During the year the Company paid a 20 pence dividend per F Share on 18 March 2016 by way of a capital distribution reducing the Company's other reserves (2015: 5.0 pence). A further 42 pence dividend was paid out on 7 October 2016, with a further 3.2 pence dividend paid out on 7 December 2016.

During the year the Company paid a 5 pence dividend per G Share on 18 March 2016 by way of a capital distribution reducing the Company's other reserves (2015: 5.0 pence)

During the year the Company paid a 5 pence dividend per H Share on 18 March 2016 by way of a capital distribution reducing the Company's other reserves (2015: 5.0 pence).

### **13. Directors' Responsibilities Statement**

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) including FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

**DIRECTORS' REPORT (CONTINUED)**

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the

Companies Act. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the persons who is a Director at the date of approval of this Annual Report and Accounts confirms that:

- so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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

The Directors consider:

- the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces; and
- the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's position and performance, business model and strategy.

Approved by the Board of Directors and signed on its behalf by:



**David Munns**  
Chairman  
26 April 2017

**DIRECTORS' REMUNERATION REPORT**

This report has been prepared by the Directors in accordance with the requirements of Chapter 6 of Part 15 of the Act. A resolution to approve the report will be proposed at the AGM. The Act requires the Company's auditor to audit certain information included in this report. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in the auditor's report on pages 25 to 28.

**Directors' Remuneration Policy**

The Company's policy is that remuneration payable to non-executive Directors reflects the expertise, responsibilities and time spent on Company matters. In determining the level of non-executive remuneration, market equivalents are considered to ensure remuneration is appropriate and fair in comparison to other comparable VCTs and the overall activities and size of the Company. Subject to the Articles, the Directors intend to continue to operate this remuneration policy for the forthcoming financial year and thereafter. The Directors' fees were set in 2007 and are unchanged.

This policy was put forward for approval at the AGM held on 25 May 2016 and will be presented again for approval in 2017. No views which are relevant to the formulation of the Directors' remuneration policy have been expressed to the Company by Shareholders, whether at a general meeting or otherwise.

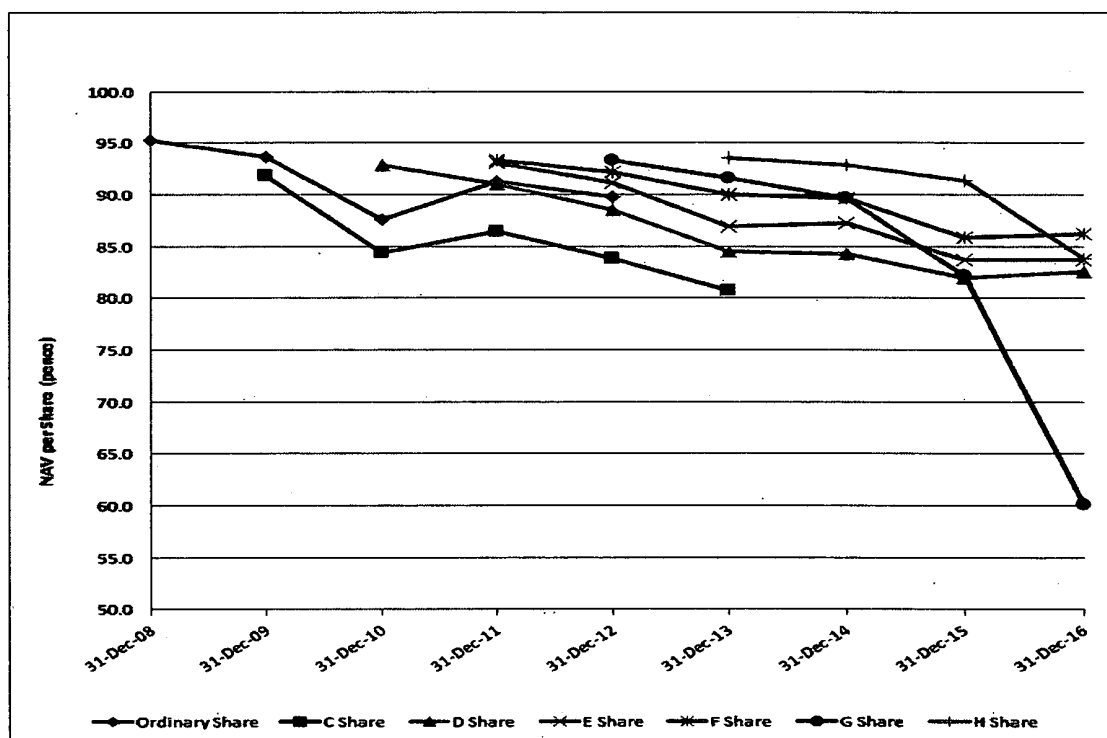
Each Director has executed an appointment letter which provides that he is to receive an annual fee, which is £15,000 per annum for David Munns and Keith Turner and £7,500 for Patrick McKenna, and for each Director to be reimbursed for any reasonable out-of-pocket expenses. The Directors are not eligible to receive a bonus, pension entitlements or other benefits in connection with their services to the Company. These appointment letters state that a Director shall remain in office unless he: resigns as a Director; is removed from his office by the Board or the members of the Company; or becomes prohibited by law from being a Director.

The appointment letters do not provide for compensation upon early termination of appointment. There are no set minimum notice periods in the Directors' appointment letters but all Directors are subject to retirement by rotation. None of the Directors has a service contract.

The Director's Remuneration Report will be put forward for approval at the forthcoming AGM on 7 June 2017 and every year thereafter.

**Annual Statement****a. Performance**

The graph below shows the net asset value total returns per share for the D, E, F, G and H Share classes.

**NAV Per Share Class Performance Since Inception:**

The Ordinary Shares were cancelled in December 2013; the C Shares were cancelled in December 2014.

# INGENIOUS ENTERTAINMENT VCT 1 PLC

## DIRECTORS' REMUNERATION REPORT (CONTINUED)

### b. Directors and Directors' Interests

The interests of the Directors in the issued share capital of the Company as at 31 December 2016 (and 31 December 2015) were as follows:

| Name            | Number of D Shares | % of issued D Share capital | Number of E Shares | % of issued E Share capital | Number of F Shares | % of issued F Share capital |
|-----------------|--------------------|-----------------------------|--------------------|-----------------------------|--------------------|-----------------------------|
| David Munns     | -                  | -                           | -                  | -                           | -                  | -                           |
| Keith Turner    | 5,150              | 0.1                         | -                  | -                           | -                  | -                           |
| Patrick McKenna | 103,000            | 1.5                         | 51,662             | 1.8                         | 51,662             | 3.3                         |
| <b>Total</b>    | <b>108,150</b>     | <b>1.6</b>                  | <b>51,662</b>      | <b>1.8</b>                  | <b>51,662</b>      | <b>3.3</b>                  |

| Name            | Number of G Shares | % of issued G Share capital | Number of H Shares | % of issued H Share capital |
|-----------------|--------------------|-----------------------------|--------------------|-----------------------------|
| David Munns     | -                  | -                           | -                  | -                           |
| Keith Turner    | -                  | -                           | -                  | -                           |
| Patrick McKenna | 170,580            | 4.8                         | 35,967             | 1.4                         |
| <b>Total</b>    | <b>170,580</b>     | <b>4.8</b>                  | <b>35,967</b>      | <b>1.4</b>                  |

The Directors and, where relevant, their spouses subscribed for the above interests during the period of the relevant Offer and on the terms set out in the relevant Prospectus.

On 18th January 2017 the D Share, E Share and F Share classes were cancelled. Therefore after this date the only interests held by the Directors are G Shares and H Shares.

All interests are beneficial.

The Company has no policy requiring Directors to hold shares in the Company.

This sub-paragraph b has been audited by Grant Thornton UK LLP.

### c. Directors' Remuneration

The following table shows a breakdown of the remuneration of individual Directors (exclusive of employer's National Insurance Contributions):

| Director        | Year ended<br>31 December 2016<br>Fees<br>£'000 | Year ended<br>31 December 2015<br>Fees<br>£'000 |
|-----------------|---|---|
| David Munns     | 15  | 15  |
| Keith Turner    | 15  | 15  |
| Patrick McKenna | 8   | 8   |
|                 | <b>38</b>                                       | <b>38</b>                                       |

The total Employer NI paid on behalf of David Munns during the year was £950, the total Employer NI paid on behalf of Keith Turner during the year was £950.

No expenses were paid to any Director in the year. The Company does not grant share options, long-term incentive schemes or retirement benefits to any Director. No contributions are made on behalf of the Directors to any pension scheme.

No Director has received any bonuses, taxable expenses, compensation for loss of office or non-cash benefits for the year ended 31 December 2016 (31 December 2015: £nil). In respect of this Reporting Period, the Company has purchased (and continues to maintain) liability insurance covering the Directors and Officers of the Company.

This sub-paragraph c has been audited by Grant Thornton UK LLP.

**DIRECTORS' REMUNERATION REPORT (CONTINUED)**

**Annual Statement (continued)**

**d. Relative importance of spend on pay**

As the Company has no employees, the Directors do not consider it appropriate to present a table comparing remuneration paid to employees with distributions to Shareholders. Distributions to Shareholders are disclosed in the Strategic Report on pages 2 to 11.

**e. Statement of voting at the Annual General Meeting**

At the AGM on 25 May 2016, the resolution to approve the Directors' Remuneration Report for the year ended 31 December 2015, was approved unanimously.

**Shareholder Approval**

The Directors' Remuneration Report and Annual Statement will be put to the Shareholders for their approval at the AGM on 7 June 2017.

On behalf of the Board:



**David Munns**

Chairman

26 April 2017

Registered office  
15 Golden Square  
London  
W1F 9JG

Company Registration Number: 6395011 (England and Wales)

# INGENIOUS ENTERTAINMENT VCT 1 PLC

## CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining the highest standards of corporate governance. The Directors seek to comply with the UK Corporate Governance Code 2014 (the relevant version of the code for the Reporting Period) (the **Code**) to the extent that it is proportionate and relevant to: (i) the size and nature of the Company and its operations; and (ii) the Company's particular Board and management structure as a VCT. On this basis, the Directors believe that, during the year under review, the Company has complied with the provisions of the Code except as explained below.

A copy of the Code can be obtained from the website of the Financial Reporting Council at: <https://www.frc.org.uk/Our-Work/Codes-Standards/Corporate-governance/UK-Corporate-Governance-Code.aspx>

This Corporate Governance Report forms part of the Directors' Report which can be found on pages 13 to 15.

### 1. Board Composition

The Board consists of three Directors: David Munns (Chairman); Keith Turner; and Patrick McKenna. David Munns and Keith Turner are considered to be independent in accordance with the Listing Rules and the Code and despite the fact that they have been appointed for more than nine years, it is believed that the character and judgement of the Directors concerned remains independent of the Company and the Manager.

Patrick McKenna is not considered to be independent as he is a director of the Manager and is also a director of Ingenious Entertainment VCT 2 plc to which the Manager also acts as investment manager. Patrick McKenna has also been a director since October 2007. As a non-independent Director, Patrick McKenna will stand for re-election at the 2017 AGM of the Company as required by Listing Rule 15.2.13A.

The Board believes Patrick McKenna's directorship helps to enhance the communication between the Board and the Manager as well as allowing the Board to closely supervise the Manager's performance. The Board therefore believes that this directorship is advantageous to the Company, and does not affect the well balanced nature of the Board.

Biographical details of each of the Directors can be found on page 12.

### 2. Board Appointments and Tenure

Each of the Directors is subject to regular re-election by Shareholders in accordance with the Articles of the Company. Each Director's appointment may be terminated on one month's written notice being given by the Company.

In accordance with the relevant requirements of the Company's Articles, the Listing Rules and best practice in the Code, David Munns, Keith Turner and Patrick McKenna will retire and seek re-election at the 2017 AGM. The Directors' terms of appointment may be inspected by Shareholders at the Company's registered office during normal business hours and at the AGM of the Company. The Board does not believe that length of service necessarily affects a Director's independence of character or judgement, but will continue to review its policy on tenure throughout the life of the Company.

To date, no formal performance evaluation of the Directors or the Board has been undertaken. Specific performance issues will be dealt with as and when they arise. No performance issues arose during the year under review and the Board considers that the individual performance of each of the Directors continues to be effective and demonstrates their commitment to the role. The Board therefore recommends that the Directors be re-appointed and, accordingly, that Shareholders vote in favour of resolutions 4 to 6 (inclusive) as set out in the Notice.

No senior independent director has been appointed by the Board as it does not consider this to be necessary as the Board is comprised solely of non-executive Directors. The Company does not have a Chief Executive or Deputy Chairman as these positions are not considered appropriate given the Company's size and status as a VCT.

### 3. Board Proceedings

The Board meets at least four times a year and convenes ad hoc meetings as and when required. The following table sets out the number of Board meetings held during the year and the number of meetings attended by each Director:

|                        | Board<br>Meetings<br>Attended | Board<br>Meetings<br>Held |
|------------------------|-------------------------------|---------------------------|
| David Munns (Chairman) | 5                             | 5                         |
| Keith Turner           | 5                             | 5                         |
| Patrick McKenna        | 2                             | 5                         |

**CORPORATE GOVERNANCE REPORT (CONTINUED)****3. Board Proceedings (continued)**

The Manager provides the Board with appropriate information in a timely manner prior to all Board proceedings and at such other times as may be required by the Directors.

All of the Directors have access to the advice and services of Sarah Cruickshank, the Company Secretary, and the Manager's investment team. The Directors may also take independent professional advice at the Company's expense where necessary in the furtherance of their duties and responsibilities.

**4. Board Responsibilities**

The Board has delegated day-to-day investment management and administration of the Company to the Manager under the terms of a management agreement. The Board retains overall responsibility for the Company's affairs, including the determination of its investment policy.

The Board believes that the terms of this delegation are clearly defined and provide a healthy balance between: (i) maintaining supervision over the Manager's activities; and (ii) allowing the Manager to effectively source and implement appropriate Qualifying Investments in fulfilment of the Company's investment policy.

The Board, therefore, does not believe that it is necessary to adopt a specific schedule of reserved matters over and above the terms of the investment management and administration agreements which are currently in force.

**5. Board Committees**

The Company has an audit committee comprising of Keith Turner (Chairman), David Munns and Patrick McKenna. Both Keith Turner and David Munns are considered to be independent. Although Patrick McKenna is not considered to be independent for the reasons set out in paragraph 1 above, his appointment to the audit committee is considered appropriate as he brings recent and relevant financial experience.

The audit committee meets at least twice a year. No one other than the audit committee's chairman and members is entitled to be present at a meeting of the audit committee. The audit committee decides if non-members should attend for a particular meeting or for a particular agenda item. Others may be invited to attend.

The audit committee meets at least annually with the external auditors, without management, to discuss matters relating to its remit and any issues arising from the audit.

The audit committee is responsible for reviewing the half-yearly financial report and Annual Report and Accounts before they are presented to the Board, the terms of appointment and independence of the auditor, together with the auditor's remuneration, as well as a full review of the effectiveness of the Company's internal control and risk management systems.

The audit committee is satisfied with the performance of the auditor and recommends to Shareholders that Grant Thornton UK LLP be re-appointed as auditor for the forthcoming year.

The following table sets out the number of audit committee meetings held during the year and the number of meetings attended by each committee member:

|                         | Audit<br>Committee<br>Meetings<br>Attended | Audit<br>Committee<br>Meetings<br>Held |
|-------------------------|--|--|
| Keith Turner (Chairman) | 3  | 3                                      |
| David Munns             | 3  | 3                                      |
| Patrick McKenna         | 2  | 3                                      |

**CORPORATE GOVERNANCE REPORT (CONTINUED)**

**5. Board Committees (continued)**

The audit committee has defined terms of reference, which identify those duties that the committee has undertaken during the course of the year. These include:

- monitoring the integrity of the financial statements of the Company, including its Half-Yearly Financial Report and Annual Report and Accounts and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain;
- reviewing and challenging, where necessary, the consistency of, and any changes to, accounting policies, the methods used to account for significant or unusual transactions where different approaches are possible, whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor, the clarity of disclosure in the Company's financial reports and the context in which statements are made, and all material information presented with the financial statements, such as the Strategic Report/operating and financial review and the Corporate Governance Statement (insofar as it relates to the audit and risk management);
- keeping under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems, including those in relation to the financial reporting process;
- reviewing and approving the statements to be included in the Annual Report concerning internal controls and risk management;
- review and amendment of the terms of reference of the committee for submission to the board;
- considering and making recommendations to the Board, to be put to Shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor. The committee shall oversee the selection process for a new auditor and if an auditor resigns the committee shall investigate the issues leading to this and decide whether any action is required;
- overseeing the relationship with the external auditor;
- development and implementation of the policy on non-audit services;
- reviewing and approving any annual audit plan prepared by the auditor and ensuring that it is consistent with the scope of the audit engagement; and
- reviewing the findings of the audit with the external auditor.

The audit committee provides advice to the Board on whether the Annual Report and Accounts, taken as a whole is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's position and performance, business model and strategy. In performing its review, the audit committee assessed whether the narrative reporting in the Annual Report and Accounts was consistent with the accounting information in those accounts.

The audit committee has discharged its responsibilities by:

- reviewing and approving the external auditor's terms of engagement, remuneration, and independence;
- reviewing the external auditor's plan for the audit of the Company's financial statements, including identification of key risks;
- reviewing the Company's system of internal controls operated in relation to the Company's business and assessing the effectiveness of those controls in minimising the impact of key risks;
- reviewing periodic reports on the effectiveness of the Company's compliance procedures;
- reviewing the appropriateness of the Company's accounting policies;
- reviewing the Company's draft annual financial statements, half-yearly results statement and interim management statements prior to Board approval, including challenging the proposed fair value of investments as determined by the Manager, as well as the valuation methodology;
- engaging with the external auditor prior to and after the annual audit and reviewing the external auditor's detailed reports to the committee on the annual financial statements; and
- recommending to the Board and Shareholders the re-appointment of Grant Thornton UK LLP as auditor for the forthcoming year.



**CORPORATE GOVERNANCE REPORT (CONTINUED)****5. Board Committees (continued)**

The audit committee concluded that judgements made in respect of the above matters were reasonable and that appropriate disclosures have been included in the Annual Report and Accounts.

The audit committee reviewed the Annual Report and Accounts and half-yearly financial report during the year. As part of this review, the committee considered significant accounting policies, financial reporting issues and judgements, including those disclosed in Note 1 to the financial statements (Accounting Policies), together with the reports received from the external auditor on their findings, including any control observations relevant to their audit work. The impact on the Company's financial statements of significant accounting standards applicable during the year, were considered and reviewed by the audit committee.

*Valuation of unquoted investments*

One significant issue addressed by the audit committee in relation to the financial statements was the valuation of the Company's unquoted investments because there is significant judgement associated with the valuation of these investments. The valuation methodologies employed by the Manager were reviewed and reference was made to FRS102 (which the Company adopted for the first time in 2015), the external auditor and the international Private Equity and Venture Capital Guidelines; and the valuations determined by the Manager were examined against financial and performance information concerning the companies in which investments were held. The inputs used in the valuation of the unquoted investments were reviewed by the audit committee and are considered to be appropriate and reasonable.

The audit committee reviews its terms of reference and its effectiveness annually and recommends to the Board any changes required as a result of the review. The terms of reference are available on request from the company secretary and on the VCT website, [www.ingeniousvcts.co.uk](http://www.ingeniousvcts.co.uk)

The audit committee manages the relationship with the external auditor and assesses the effectiveness of the audit process. When assessing the effectiveness of the process for the year under review the audit committee considers the auditor's technical knowledge and ensures that they have a clear understanding of the business of the Company; that the audit team is appropriately resourced; that the auditor provides a clear explanation of the scope and strategy of the audit and that the auditor maintains its independence and objectivity. As part of the review of auditor effectiveness and independence, Grant Thornton UK LLP has confirmed that it is independent of the Company and has complied with applicable international standards on auditing.

The Directors have not appointed a nominations committee as they consider that this would be disproportionate to the size of the Board. Appointments of any new Directors will be determined by the full Board.

No remuneration committee has been appointed by the Board on the basis that the Company has no executive directors, employees or share incentive plans. No individual Director is involved in setting his own level of remuneration.

Grant Thornton UK LLP have been the auditor since inception of the Company with the first external audit engagement completed for the period ending 31 December 2008.

**6. Relations with Shareholders and the AGM**

The Board places great importance on maintaining effective communication with Shareholders. The AGM, which will be held on 7 June 2017, will be an opportunity for Shareholders to meet with both the Board and the Manager in order to discuss the Company's progress. Participation at the meeting is therefore encouraged.

**7. Internal Controls**

The Board is responsible for supervising the Company's system of risk management and internal controls operated by the Manager and for reviewing its effectiveness. The Board, in conjunction with the Manager, has therefore established an ongoing process for identifying, evaluating and managing the principal risks faced by the Company.

This process has been in place for the year under review and up to the date of approval of the Annual Report and Accounts and accords with the Financial Reporting Council's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' issued in September 2014.

The principal risks facing the Company, along with the internal controls operated by the Manager, have been reviewed by the Board. The particular focus of the review was on ensuring that the internal controls operated by the Manager continued to mitigate these principal risks in a manner which was satisfactory to the Board.

The Board will continue to conduct half-yearly reviews based on "by-exception" reports provided by the Manager.

**CORPORATE GOVERNANCE REPORT (CONTINUED)**

**7. Internal Controls (continued)**

In summary, the Company's system of internal controls involves the following key elements:

- the Manager prepares management accounts which provide the Board with a regular overview of the progress and performance of the Company and its investment portfolio;
- all investment decisions are approved by the Manager's investment team and communicated to the Board at Board meetings held at least four times a year;
- any investment where there may be a conflict in relation to the other activities of the Manager, are approved by the Board;
- preparation of the half-yearly and annual significant risk reports which are provided to the audit committee;
- the Manager monitors the qualifying status of each qualifying holding in conjunction with PwC who report to the Board annually on the Company's VCT status (with an interim monitoring report being provided to the Board by the Manager) and advise on each investment proposal as appropriate; and
- the Manager continuously monitors the Company's progress and promptly informs the Board of any material developments as and when they occur.

The Board believes that the above procedures represent a sound system of internal control for the safeguarding of the Shareholders' investment and the Company's assets.

It should be noted, however, that this system of internal control is designed to manage rather than eliminate the risk of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

**8. Internal Audit Function**

The Company does not have an internal audit function. The Board believes that such a function is not necessary, given the systems and procedures of the Manager together with the VCT monitoring services provided by PwC. The requirement for an internal audit function is reviewed on an annual basis.

**9. Authority to Make Market Purchases of Shares**

By special resolutions of the Company passed at an AGM of the Company held on 25 May 2016, the Company was generally and unconditionally authorised pursuant to section 701 of the Act to make one or more market purchases (as defined in section 693 of the Act) of up to 14.99% of the issued D Share capital, up to 14.99% of the issued E Share capital, up to 14.99% of the issued F Share capital, up to 14.99% of the issued G Share capital and up to 14.99% of the issued H Share capital.

The price paid must not be less than 1 pence per Share nor more than the net asset value per Share nor more than 5% above the average of the middle market quotation for a Share in the Company taken from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which such Shares are purchased.

The authorities expire on the earlier of 15 months from the passing of the resolutions which were passed on 25 May 2016, and the conclusion of the 2017 AGM. Renewal of the authority will be sought at the AGM.

**10. Share Capital**

Details of the Company's share capital and substantial shareholdings can be found in the Directors' Report on pages 13 to 15 and in Note 12 to the financial statements.

**11. Going Concern**

Under the Code the Directors are required to satisfy themselves that it is reasonable to presume the Company is a going concern.

After making enquiries, and on the strength of its Balance Sheet, the Directors are of the opinion that the Company has adequate resources to continue its operational activities for 12 months after the approval of the financial statements. The Board is therefore of the opinion that the going concern basis should be adopted in the preparation of the financial statements, in accordance with the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued in September 2014.

**12. Auditor Independence**

The audit committee and Board regularly review and monitor the independence and effectiveness of the Company's auditor, Grant Thornton UK LLP. Grant Thornton UK LLP provided no non-audit services to the Company during the Reporting Period (2015: no non-audit services).

**CORPORATE GOVERNANCE REPORT (CONTINUED)**

**13. Viability Statement**

The Directors have assessed the viability of the Company for the period to September 2018 taking account of the Company's current position and the potential impact of the principal risks documented in the Strategic Report. The time frame to September 2018 was selected because the shareholders of the H Shares of the Company, being the most recently shares issued by the Company, are expected to be repaid around September 2018 and because currently there are no plans to raise new share capital beyond that date, although the Directors have not made a final decision regarding this.

The eighteen month review considers the Company's investments, cash flows, key areas of regulatory compliance, and other key financial ratios over the assessment period.

The eighteen month plan makes certain assumptions about the investment portfolio of the Company and expected realisation of investments in its portfolio.

On the basis of this and other matters considered and reviewed by the Board during the year, the Board has reasonable expectations that the Company will be able to continue in operation and meet its liabilities as they fall due over the period used for the assessment. In doing so, it is recognised that such future assessments are subject to a level of uncertainty that increases with time and, therefore, future outcomes cannot be guaranteed or predicted with certainty. Based on the results of this analysis, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the eighteen month period of their assessment.

The Board conducts a review annually of the effectiveness of the Company's risk management and internal control systems. All material controls are covered, including financial, operational and compliance controls.

**Our opinion on the financial statements is unmodified**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

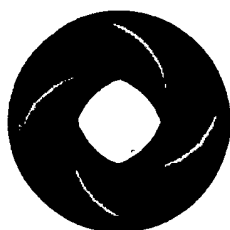
**Who we are reporting to**

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 an auditor's 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.

**What we have audited**

Ingenious Entertainment VCT 1 Plc's financial statements for the year ended 31 December 2016 comprise the Statement of Comprehensive Income, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Shareholders' Equity and the related notes.

The financial reporting framework that has been applied in their preparation is United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.



**Overview of our audit approach**

- Overall materiality: £40,000, which represents approximately 1% of the company's net assets; and
- Key audit risk was identified as the valuation of qualifying investments

**Our assessment of risk**

In arriving at our opinions set out in this report, we highlight the following risks that, in our judgement, had the greatest effect on our audit:

**Audit risk**

**How we responded to the risk**

**Valuation of Qualifying Investments**

The Company is a venture capital trust, investing in companies established to create and bring to market live events and premium entertainment content. The valuation of the investments is the key driver of the Company's investment return. Qualifying investments which amount, by value, to 76% of the company's total assets, are held in investments that are unquoted,

Our audit work included, but was not restricted to:

- Assessment of the appropriateness of the company's accounting policies with regards to qualifying investments and review of their consistent and correct application;
- Consideration of the appropriateness, in

**Audit risk**

and therefore no quoted market price is available. Incorrect valuation could have a significant impact on the return generated for the shareholders. Qualifying investments are held at fair value through profit and loss, in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the International Private Equity and Venture Capital (IPEVC) valuation guidelines, by using measurements of value such as revenue and earnings multiples which are subjective and include significant assumptions. In cases where investments are carried at cost, a degree of judgement is involved when assessing whether cost is still the best approximation of the fair value. We therefore identified the valuation of qualifying investments as a significant risk requiring special audit consideration.

**How we responded to the risk**

accordance with relevant accounting standards, of the disclosures relating to qualifying investments;

- Reviewing and challenging the reasonableness of both the valuation model used and the assumptions made by the investment adviser, including corroboration of financial inputs to the relevant investee company management accounts; and
- Assessment of whether the valuation methodology was consistent with published guidance in particular the IPEVC valuation guidelines; where a recent transaction had been used to value a holding, we obtained an understanding of the circumstances relating to the transaction and whether it was appropriate to be considered as an arms-length transaction that could be used as a valuation input; considering events which occurred subsequent to the year-end audit and the date of this report; attending the year-end audit committee meeting where we assessed the effectiveness and rigour of the audit committee's challenge and appraisal of the valuation of the qualifying investments.

The company's accounting policy on the valuation of investments, including qualifying investments, is shown in note 1 (c) to the financial statements and related disclosures are included in notes 7 and 14. The Audit Committee identified the valuation of the Company's unquoted investments as a significant issue in its report on page 22 where the Committee also described the action that it has taken to address this issue.

**Our application of materiality and an overview of the scope of our audit****Materiality**

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our work and in evaluating the results of that work.

We determined materiality for the audit of the financial statements as a whole to be £40,000, which is approximately 1% of net assets. This benchmark is considered the most appropriate because net assets, which are primarily composed of the Company's investment portfolio, is considered the key driver of the Company's total return performance. No revision to the materiality determined at the planning stage of our audit was necessary as we judged that it remained appropriate in the context of the Company's actual financial results for the year ended 31 December 2016.

Materiality for the current year is lower than the level that we determined for the year ended 31 December 2015 to reflect the disposal of various investments in the year, resulting in a fall in net asset value in the year.

## INGENIOUS ENTERTAINMENT VCT 1 PLC

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality. We also determine a lower level of specific materiality for certain areas such as the statement of total comprehensive income, related party transactions and directors' remuneration.

We determined the threshold at which we will communicate misstatements to the audit committee to be £2,000. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

### Overview of the scope of our audit

A description of the generic scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

We conducted our audit in accordance with International Standards on Auditing (ISAs) (UK and Ireland). Our responsibilities under those standards are further described in the 'Responsibilities for the financial statements and the audit' section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the company in accordance with the Auditing Practices Board's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with those Ethical Standards.

Our audit approach was based on a thorough understanding of the Company's business and is risk-based. The day-to-day management of the Company's investment portfolio, the custody of its investments and the maintenance of the Company's accounting records is outsourced to third-party service providers. Accordingly, our audit work included:

- obtaining an understanding of, and evaluating, internal controls at the Company and relevant third-party service providers; and
- undertaking substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks.

### Other reporting required by regulations

#### **Our opinions on other matters prescribed by the Companies Act 2006 are unmodified**

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

#### **Matter on which we are required to report under the Companies Act 2006**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

#### **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' statements in relation to going concern and longer-term viability, set out on pages 23 and 24 respectively; and
- the part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to report to you if:

- we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable; or
- the annual report does not appropriately disclose those matters that were communicated to the audit committee which we consider should have been disclosed.

We have nothing to report in respect of the above.

We also confirm that we do not have anything material to add or to draw attention to in relation to:

- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the or company including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in the financial statements about whether they have considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the directors' explanation in the annual report as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

### **Responsibilities for the financial statements and the audit**

What the directors are responsible for:

As explained more fully in the Directors' Responsibilities Statement set out on page 14 and 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

What we are responsible for: Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Marcus Swales

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

Date: 26 April 2007



# INGENIOUS ENTERTAINMENT VCT 1 PLC

## STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2016

|   | Note | Year ended 31 December 2016 |                  |                | Year ended 31 December 2015 |                  |                |
|---|------|-----------------------------|------------------|----------------|-----------------------------|------------------|----------------|
|   |      | Revenue<br>£'000            | Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000            | Capital<br>£'000 | Total<br>£'000 |
| Gain on disposal of investments                                       | 10   | -                           | 208              | 208            | -                           | 103              | 103            |
| Increase/(decrease) in fair value of investments held                 |      | -                           | (1,096)          | (1,096)        | -                           | (484)            | (484)          |
| Investment income   | 2    | 35                          | 177              | 212            | 128                         | -                | 128            |
| Investment management fees  | 3    | (34)                        | (34)             | (68)           | (92)                        | (92)             | (184)          |
| Other expenses  | 4    | (184)                       | -                | (184)          | (181)                       | -                | (181)          |
| <b>Loss before taxation</b>   |      | <b>(183)</b>                | <b>(745)</b>     | <b>(928)</b>   | <b>(145)</b>                | <b>(473)</b>     | <b>(618)</b>   |
| Tax on profit/(loss)  | 5    | -                           | -                | -              | -                           | -                | -              |
| <b>Total comprehensive income attributable to equity Shareholders</b> |      | <b>(183)</b>                | <b>(745)</b>     | <b>(928)</b>   | <b>(145)</b>                | <b>(473)</b>     | <b>(618)</b>   |
| <b>Basic and diluted return per share (pence)</b>                     |      |                             |                  |                |                             |                  |                |
| D Share   | 6    | (0.1)                       | 0.8              | 0.7            | (0.0)                       | (2.2)            | (2.3)          |
| E Share   | 6    | (1.6)                       | 1.6              | 0.0            | (0.8)                       | (2.7)            | (3.5)          |
| F Share   | 6    | (1.7)                       | 2.0              | 0.3            | (1.0)                       | (2.9)            | (3.8)          |
| G Share   | 6    | (1.5)                       | (20.5)           | (22.1)         | (1.3)                       | (6.2)            | (7.5)          |
| H Share   | 6    | (2.0)                       | (5.7)            | (7.7)          | (2.2)                       | 0.6              | (1.5)          |

The total column represents the profit or loss account of the Company for the year.

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

The accompanying notes form an integral part of these financial statements.



**NON-STATUTORY ANALYSIS BETWEEN THE D, E, F, G AND H SHARE FUNDS (UNAUDITED)**  
**STATEMENT OF COMPREHENSIVE INCOME**

for the year ended 31 December 2016

|   | D Shares         |                  |                | E Shares         |                  |                |
|---|------------------|------------------|----------------|------------------|------------------|----------------|
|   | Revenue<br>£'000 | Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000 | Capital<br>£'000 | Total<br>£'000 |
| Gain/(loss) on disposal of investments                                | -                | 51               | 51             | -                | 59               | 59             |
| (Decrease)/increase in fair value of investments held                 | -                | -                | -              | -                | (4)              | (4)            |
| Investment income   | -                | -                | -              | 4                | -                | 4              |
| Investment management fees  | -                | -                | -              | (10)             | (9)              | (19)           |
| Other expenses  | (8)              | -                | (8)            | (39)             | -                | (39)           |
| <b>Profit/(loss) before taxation</b>                                  | <b>(8)</b>       | <b>51</b>        | <b>43</b>      | <b>(45)</b>      | <b>46</b>        | <b>1</b>       |
| Tax on profit/(loss)  | -                | -                | -              | -                | -                | -              |
| <b>Total comprehensive income attributable to equity Shareholders</b> | <b>(8)</b>       | <b>51</b>        | <b>43</b>      | <b>(45)</b>      | <b>46</b>        | <b>1</b>       |
| <b>Basic and diluted return per share (pence)</b>                     | <b>(0.1)</b>     | <b>0.8</b>       | <b>0.7</b>     | <b>(1.6)</b>     | <b>1.6</b>       | <b>-</b>       |

|   | F Shares         |                  |                | G Shares         |                  |                |
|---|------------------|------------------|----------------|------------------|------------------|----------------|
|   | Revenue<br>£'000 | Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000 | Capital<br>£'000 | Total<br>£'000 |
| Gain on disposal of investments                                       | -                | 41               | 41             | -                | 1                | 1              |
| Decrease in fair value of investments held                            | -                | (3)              | (3)            | -                | (802)            | (802)          |
| Investment income   | 3                | -                | 3              | 14               | 88               | 102            |
| Investment management fees  | (5)              | (6)              | (11)           | (9)              | (9)              | (18)           |
| Other expenses  | (25)             | -                | (25)           | (59)             | -                | (59)           |
| <b>Profit/(loss) before taxation</b>                                  | <b>(27)</b>      | <b>32</b>        | <b>5</b>       | <b>(54)</b>      | <b>(722)</b>     | <b>(776)</b>   |
| Tax on profit/(loss)  | -                | -                | -              | -                | -                | -              |
| <b>Total comprehensive income attributable to equity Shareholders</b> | <b>(27)</b>      | <b>32</b>        | <b>5</b>       | <b>(54)</b>      | <b>(722)</b>     | <b>(776)</b>   |
| <b>Basic and diluted return per share (pence)</b>                     | <b>(1.7)</b>     | <b>2.0</b>       | <b>0.3</b>     | <b>(1.5)</b>     | <b>(20.5)</b>    | <b>(22.1)</b>  |

# INGENIOUS ENTERTAINMENT VCT 1 PLC

## NON-STATUTORY ANALYSIS BETWEEN THE D, E, F, G AND H SHARE FUNDS (UNAUDITED) STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2016

|   | H Shares     |              |              |
|---|--------------|--------------|--------------|
|   | Revenue      | Capital      | Total        |
|   | £'000        | £'000        | £'000        |
| Gain on disposal of investments                                       | -            | 56           | 56           |
| Decrease in fair value of investments held                            | -            | (287)        | (287)        |
| Investment income   | 14           | 90           | 104          |
| Investment management fees  | (10)         | (10)         | (20)         |
| Other expenses  | (55)         | -            | (55)         |
| <b>Profit/(loss) before taxation</b>                                  | <b>(51)</b>  | <b>(151)</b> | <b>(202)</b> |
| Tax on profit/(loss)  | -            | -            | -            |
| <b>Total comprehensive income attributable to equity Shareholders</b> | <b>(51)</b>  | <b>(151)</b> | <b>(202)</b> |
| <b>Basic and diluted return per share (pence)</b>                     | <b>(2.0)</b> | <b>(5.7)</b> | <b>(7.7)</b> |

The Total column represents the profit or loss account per Share class for the year.

**NON-STATUTORY ANALYSIS BETWEEN THE D, E, F, G AND H SHARE FUNDS (UNAUDITED)**  
**STATEMENT OF COMPREHENSIVE INCOME**

for the year ended 31 December 2015

|   | D Shares         |                  |                | E Shares         |                  |                |
|---|------------------|------------------|----------------|------------------|------------------|----------------|
|   | Revenue<br>£'000 | Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000 | Capital<br>£'000 | Total<br>£'000 |
| Gain/(loss) on disposal of investments                                | -                | 35               | 35             | -                | 13               | 13             |
| (Decrease)/increase in fair value of investments held                 | -                | (163)            | (163)          | -                | (74)             | (74)           |
| Investment income   | 55               | -                | 55             | 29               | -                | 29             |
| Investment management fees  | (22)             | (22)             | (44)           | (16)             | (17)             | (33)           |
| Other expenses  | (36)             | -                | (36)           | (35)             | -                | (35)           |
| <b>Loss before taxation</b>   | <b>(3)</b>       | <b>(150)</b>     | <b>(153)</b>   | <b>(22)</b>      | <b>(78)</b>      | <b>(100)</b>   |
| Tax on profit/(loss)  | -                | -                | -              | -                | -                | -              |
| <b>Total comprehensive income attributable to equity Shareholders</b> | <b>(3)</b>       | <b>(150)</b>     | <b>(153)</b>   | <b>(22)</b>      | <b>(78)</b>      | <b>(100)</b>   |
| <b>Basic and diluted return per share (pence)</b>                     | <b>(0.0)</b>     | <b>(2.2)</b>     | <b>(2.2)</b>   | <b>(0.8)</b>     | <b>(2.7)</b>     | <b>(3.5)</b>   |

|   | F Shares         |                  |                | G Shares         |                  |                |
|---|------------------|------------------|----------------|------------------|------------------|----------------|
|   | Revenue<br>£'000 | Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000 | Capital<br>£'000 | Total<br>£'000 |
| Gain on disposal of investments                                       | -                | 13               | 13             | -                | 2                | 2              |
| Decrease in fair value of investments held                            | -                | (48)             | (48)           | -                | (198)            | (198)          |
| Investment income   | 16               | -                | 16             | 25               | -                | 25             |
| Investment management fees  | (10)             | (10)             | (20)           | (23)             | (23)             | (46)           |
| Other expenses  | (21)             | -                | (21)           | (47)             | -                | (47)           |
| <b>Loss before taxation</b>   | <b>(15)</b>      | <b>(45)</b>      | <b>(60)</b>    | <b>(45)</b>      | <b>(219)</b>     | <b>(264)</b>   |
| Tax on profit/(loss)  | -                | -                | -              | -                | -                | -              |
| <b>Total comprehensive income attributable to equity Shareholders</b> | <b>(15)</b>      | <b>(45)</b>      | <b>(60)</b>    | <b>(45)</b>      | <b>(219)</b>     | <b>(264)</b>   |
| <b>Basic and diluted return per share (pence)</b>                     | <b>(0.9)</b>     | <b>(2.9)</b>     | <b>(3.8)</b>   | <b>(1.3)</b>     | <b>(6.2)</b>     | <b>(7.5)</b>   |

# INGENIOUS ENTERTAINMENT VCT 1 PLC

## NON-STATUTORY ANALYSIS BETWEEN THE D, E, F, G AND H SHARE FUNDS (UNAUDITED)

### STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2015

|   | H Shares     |            |              |
|---|--------------|------------|--------------|
|   | Revenue      | Capital    | Total        |
|   | £'000        | £'000      | £'000        |
| Gain on disposal of investments                                       | -            | 39         | 39           |
| Decrease in fair value of investments held                            | -            | (2)        | (2)          |
| Investment income   | 2            | -          | 2            |
| Investment management fees  | (19)         | (20)       | (39)         |
| Other expenses  | (41)         | -          | (41)         |
| <b>Loss before taxation</b>   | <b>(58)</b>  | <b>17</b>  | <b>(41)</b>  |
| Tax on profit/(loss)  | -            | -          | -            |
| <b>Total comprehensive income attributable to equity Shareholders</b> | <b>(58)</b>  | <b>17</b>  | <b>(41)</b>  |
| <b>Basic and diluted return per share (pence)</b>                     | <b>(2.2)</b> | <b>0.6</b> | <b>(1.5)</b> |

The Total column represents the profit or loss account per Share class for the year.

# INGENIOUS ENTERTAINMENT VCT 1 PLC

## BALANCE SHEET

as at 31 December 2016

|   | Note | 31 December 2016<br>£'000 | 31 December 2015<br>£'000 |
|---|------|---------------------------|---------------------------|
| <b>Fixed assets</b>                                   |      |                           |                           |
| Qualifying Investments held at fair value             | 7    | 2,606                     | 5,332                     |
| <b>Current assets</b>                                 |      |                           |                           |
| Debtors   | 9    | 59                        | 28                        |
| Non-qualifying Investments held at fair value         | 10   | 214                       | 1,038                     |
| Cash at bank and in hand                              |      | 538                       | 1,219                     |
|   |      | 811                       | 2,285                     |
| <b>Creditors: amounts falling due within one year</b> | 11   | (63)                      | (109)                     |
| <b>Net current assets</b>                             |      | 748                       | 2,176                     |
| <b>Net assets</b>                                     |      | 3,354                     | 7,508                     |
| <b>Capital and reserves</b>                           |      |                           |                           |
| Called-up share capital                               | 12   | 174                       | 174                       |
| Share premium account                                 | 12   | -                         | -                         |
| Other reserve account                                 |      | 6,069                     | 9,295                     |
| Capital reserve                                       |      | (1,756)                   | (1,011)                   |
| Revenue reserve                                       |      | (1,133)                   | (950)                     |
| <b>Shareholders' funds</b>                            |      | 3,354                     | 7,508                     |
| Net asset value per D Share                           | 13   | 1.0                       | 2.0                       |
| Net asset value per E Share                           | 13   | 1.0                       | 63.7                      |
| Net asset value per F Share                           | 13   | 1.0                       | 65.9                      |
| Net asset value per G Share                           | 13   | 40.1                      | 67.2                      |
| Net asset value per H Share                           | 13   | 68.8                      | 81.4                      |

The accompanying notes form an integral part of these financial statements.

The financial statements on pages 29, 34, 38 and 39 to 52 were approved by the Board of Directors on 26 April 2017.

Signed on behalf of the Board of Directors:



**David Munns**

Chairman

Company Registration Number: 6395011 (England & Wales)

[THIS PAGE INTENTIONALLY LEFT BLANK]

**NON-STATUTORY ANALYSIS BETWEEN THE D, E, F, G AND H SHARE FUNDS (UNAUDITED)**  
**BALANCE SHEET**

as at 31 December 2016

|  | D<br>Shares<br>£'000 | E<br>Shares<br>£'000 | F<br>Shares<br>£'000 | G<br>Shares<br>£'000 | H<br>Shares<br>£'000 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Fixed assets</b>  |                      |                      |                      |                      |                      |
| Qualifying Investments   | -                    | -                    | -                    | 1,252                | 1,354                |
| <b>Current assets</b>  |                      |                      |                      |                      |                      |
| Debtors  | -                    | -                    | -                    | 20                   | 39                   |
| Non-qualifying Investments   | -                    | -                    | -                    | 3                    | 211                  |
| Cash at bank and in hand   | 73                   | 33                   | 20                   | 151                  | 261                  |
|  | 73                   | 33                   | 20                   | 174                  | 511                  |
| <b>Creditors: amounts falling due within one year</b>                    | (4)                  | (4)                  | (4)                  | (15)                 | (36)                 |
| <b>Net current assets</b>  | 69                   | 29                   | 16                   | 159                  | 475                  |
| <b>Net assets</b>  | 69                   | 29                   | 16                   | 1,411                | 1,829                |
| <b>Capital and reserves</b>  |                      |                      |                      |                      |                      |
| Called-up share capital  | 68                   | 28                   | 16                   | 35                   | 27                   |
| Share premium account  | -                    | -                    | -                    | -                    | -                    |
| Other reserve account  | 853                  | 341                  | 146                  | 2,624                | 2,105                |
| Capital reserve  | (589)                | (135)                | (6)                  | (943)                | (83)                 |
| Revenue reserve  | (263)                | (205)                | (140)                | (305)                | (220)                |
| <b>Shareholders' funds</b>   | 69                   | 29                   | 16                   | 1,411                | 1,829                |
| <b>Net asset value excluding distributions to date (pence per share)</b> | 1.0                  | 1.0                  | 1.0                  | 40.1                 | 68.7                 |
| <b>Net asset value including distributions to date (pence per share)</b> | 82.6                 | 83.7                 | 86.2                 | 60.1                 | 83.7                 |

# INGENIOUS ENTERTAINMENT VCT 1 PLC

## NON-STATUTORY ANALYSIS BETWEEN THE D, E, F, G AND H SHARE FUNDS (UNAUDITED) BALANCE SHEET

as at 31 December 2015

|  | D<br>Shares<br>£'000 | E<br>Shares<br>£'000 | F<br>Shares<br>£'000 | G<br>Shares<br>£'000 | H<br>Shares<br>£'000 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Fixed assets</b>  |                      |                      |                      |                      |                      |
| Qualifying Investments   | 110                  | 1,099                | 670                  | 1,953                | 1,500                |
| <b>Current assets</b>  |                      |                      |                      |                      |                      |
| Debtors  | -                    | 28                   | -                    | -                    | -                    |
| Non-qualifying Investments   | -                    | 243                  | 183                  | 420                  | 192                  |
| Cash at bank and in hand   | 59                   | 486                  | 192                  | 1                    | 481                  |
|  | 59                   | 757                  | 375                  | 421                  | 673                  |
| <b>Creditors: amounts falling due within one year</b>                    | (36)                 | (47)                 | (9)                  | (9)                  | (8)                  |
| <b>Net current assets</b>  | 23                   | 710                  | 366                  | 412                  | 665                  |
| <b>Net assets</b>  | 133                  | 1,809                | 1,036                | 2,365                | 2,165                |
| <b>Capital and reserves</b>  |                      |                      |                      |                      |                      |
| Called-up share capital  | 68                   | 28                   | 16                   | 35                   | 27                   |
| Share premium account  | -                    | -                    | -                    | -                    | -                    |
| Other reserve account  | 961                  | 2,125                | 1,171                | 2,800                | 2,238                |
| Capital reserve  | (640)                | (181)                | (39)                 | (220)                | 69                   |
| Revenue reserve  | (256)                | (163)                | (112)                | (250)                | (169)                |
| <b>Shareholders' funds</b>   | 133                  | 1,809                | 1,036                | 2,365                | 2,165                |
| <b>Net asset value excluding distributions to date (pence per share)</b> | 2.0                  | 63.7                 | 65.9                 | 67.2                 | 81.4                 |
| <b>Net asset value including distributions to date (pence per share)</b> | 82.0                 | 83.7                 | 85.9                 | 82.2                 | 91.4                 |



**CASH FLOW STATEMENT**

for the year ended 31 December 2016

|   | Note | 31 December<br>2016<br>£'000 | 31 December<br>2015<br>£'000 |
|---|------|------------------------------|------------------------------|
| <b>Cash Flows from Operating Activities</b>                 |      |                              |                              |
| Loss for the year   |      | (928)                        | (618)                        |
| Adjustments for:  |      |                              |                              |
| Accrued investment income                                   |      | (212)                        | (128)                        |
| Gain on disposal of investments                             | 10   | (208)                        | (103)                        |
| Decrease in fair value of investments held                  | 7    | 1,096                        | 484                          |
| Decrease/ (increase) in debtors and prepayments             |      | (29)                         | (6)                          |
| (Decrease)/ increase in other creditors and accruals        |      | (46)                         | 55                           |
| <b>Net cash used in operating activities</b>                |      | <b>(327)</b>                 | <b>(316)</b>                 |
| <b>Cash flows from Investing Activities</b>                 |      |                              |                              |
| Purchase of Investments held at fair value                  | 7    | (250)                        | (1,500)                      |
| Proceeds on disposal of Qualifying Investments              | 10   | 2,088                        | 4,144                        |
| Proceeds from sale of bonds and similar investments         |      | 1,035                        | 3,409                        |
| <b>Net cash from investing activities</b>                   |      | <b>2,872</b>                 | <b>6,053</b>                 |
| <b>Cash flows from financing activities</b>                 |      |                              |                              |
| Dividends paid  |      | (3,226)                      | (4,572)                      |
| <b>Net cash used in financing activities</b>                |      | <b>(3,226)</b>               | <b>(4,572)</b>               |
| <b>Net (decrease)/increase in cash and cash equivalents</b> |      | <b>(681)</b>                 | <b>1,165</b>                 |
| <b>Opening cash and cash equivalents</b>                    |      | <b>1,219</b>                 | <b>54</b>                    |
| <b>Closing cash and cash equivalents</b>                    |      | <b>538</b>                   | <b>1,219</b>                 |

Cash and cash equivalents comprise cash in hand and cash at bank.

The accompanying notes form an integral part of these financial statements.

# INGENIOUS ENTERTAINMENT VCT 1 PLC

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 31 December 2016

|   | Share<br>Capital<br>£'000 | Other<br>reserve<br>£'000 | Capital<br>reserve<br>£'000 | Revenue<br>reserve<br>£'000 | Total<br>reserves<br>£'000 |
|---|---------------------------|---------------------------|-----------------------------|-----------------------------|----------------------------|
| <b>At 1 January 2015</b>                          | <b>174</b>                | <b>14,923</b>             | <b>(1,304)</b>              | <b>(1,095)</b>              | <b>12,698</b>              |
| Elimination of reserves for Ordinary and C Shares |                           | (1,056)                   | 766                         | 290                         | -                          |
| Dividends paid                                    | -                         | (4,572)                   | -                           | -                           | (4,572)                    |
| Gain on disposal of investments                   | -                         | -                         | 103                         | -                           | 103                        |
| Decrease in fair value of investments held        | -                         | -                         | (484)                       | -                           | (484)                      |
| Investment income                                 | -                         | -                         | -                           | 128                         | 128                        |
| Investment management fees                        | -                         | -                         | (92)                        | (92)                        | (184)                      |
| Other expenses                                    | -                         | -                         | -                           | (181)                       | (181)                      |
| <b>At 31 December 2015</b>                        | <b>174</b>                | <b>9,295</b>              | <b>(1,011)</b>              | <b>(950)</b>                | <b>7,508</b>               |
| Dividends paid                                    | -                         | (3,226)                   | -                           | -                           | (3,226)                    |
| Gain on disposal of investments                   | -                         | -                         | 208                         | -                           | 208                        |
| Decrease in fair value of investments held        | -                         | -                         | (1,096)                     | -                           | (1,096)                    |
| Investment income                                 | -                         | -                         | 177                         | 35                          | 212                        |
| Investment management fees                        | -                         | -                         | (34)                        | (34)                        | (67)                       |
| Other expenses                                    | -                         | -                         | -                           | (184)                       | (184)                      |
| <b>At 31 December 2016</b>                        | <b>174</b>                | <b>6,069</b>              | <b>(1,756)</b>              | <b>(1,133)</b>              | <b>3,354</b>               |

The capital reserve includes realised investment holding losses of £76,000 (31 December 2015: losses of £284,000) and unrealised investment holding losses of £663,000 (31 December 2015: gains of £433,000).

The other reserve was created from the cancellation of the share premium on all Shares issued by the Company, which was done in order to create a distributable reserve.

The revenue reserve includes all current and prior period retained profits and losses which do not relate to realised and unrealised investment losses. The other reserve, capital reserve and revenue reserve accounts are the distributable reserves of the Company.

During the year ended 31 December 2016 the following dividend payments were made:

Please see page 14 for dates on which the dividends were paid.

|                             | 31 December<br>2016<br>£'000 | 31 December<br>2015<br>£'000 |
|-----------------------------|------------------------------|------------------------------|
| D Share                     | 108                          | 4,042                        |
| E Share                     | 1,785                        | 142                          |
| F Share                     | 1,025                        | 79                           |
| G Share                     | 176                          | 176                          |
| H Share                     | 133                          | 133                          |
| <b>Total Dividends Paid</b> | <b>3,226</b>                 | <b>4,572</b>                 |

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

### 1. Accounting Policies

#### a) Company Information

Ingenious Entertainment VCT 1 plc (public company limited by shares) is a venture capitalist trust company domiciled in the United Kingdom and incorporated in England on 10 October 2007. The address of the registered office is 15 Golden Square, London, W1F 9JG. Company number: 6395011.

#### b) Statement of Compliance

##### Basis of Accounting

The financial statements for the Reporting Period have been prepared in compliance with UK Generally Accepted Accounting Practice, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), with the Companies Act 2006 and with the Statement of Recommended Practice entitled "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ('SORP 2014') (with the exception of paragraph 82 of SORP 2014 regarding detailed disclosure of financial and operational performance of the Company's unquoted investments due to their confidential nature).

Under FRS102, currently fair value hierarchy is categorised as 'a', 'b' and 'c' rather than '1', '2', '3'. However, the Financial Reporting Council published amendments on 8 March 2016 which have been adopted, and early application has been permitted to align disclosures with IFRS 13.

The comparative figures are for the year 1 January 2015 to 31 December 2015.

The financial statements have been prepared on a going concern basis under the historical cost convention, except for the measurement at fair value for Qualifying and Non-qualifying Investments. The principal accounting policies have remained materially unchanged from those set out in the Company's 2015 Annual Report and Accounts.

FRS 102 sections 11 and 12 have been adopted with regards to the Company's financial instruments.

The financial statements are presented in Sterling (£).

##### *Key sources of economic uncertainty:*

Many of the Company's financial instruments are measured at fair value in the balance sheet and it is usually possible to determine their fair values within a reasonable range of estimates.

For the majority of the Company's financial instruments, such as unlisted securities, fair value is derived from using valuation techniques, as recommended by International Private Equity and Venture Capital Valuation Guidelines (IPEVC). Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgements (e.g. interest rates, volatility, estimated cash flows) and therefore cannot be determined with precision.

#### c) Valuation of Investments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. In accordance with FRS 102 investments by the Company are held at fair value through profit or loss.

##### *International Private Equity and Venture Capital Valuation Guidelines*

Unquoted investments, including equity and loan investments, are stated at fair value through profit or loss and are valued in accordance with the IPEVC Guidelines and FRS 102. Investments are initially recognised at cost. The value of investments is subsequently re-measured to current fair value, as estimated by the Directors. Gains or losses arising from the revaluation of investments are taken directly to the Statement of Comprehensive Income. Fair value is determined as follows:

- Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.
- In estimating the fair value of an investment, the Manager will apply a methodology that is appropriate for the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio and will use reasonable assumptions and estimations.

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

for the year ended 31 December 2016

**1. Accounting Policies (continued)**

**c) Valuation of Investments (continued)**

- An appropriate methodology incorporates available information about all factors that are likely to materially affect the fair value of the investment. The valuation methodologies are applied consistently from period to period, except where a change would result in a better estimate of fair value. Any changes in valuation methodologies will be clearly disclosed in the financial statements.

The most widely used methodologies are listed below. In assessing which methodology is appropriate, the Directors are predisposed towards those methodologies that draw upon market-based measures of risk and return.

- Price of recent investment
- Discounted cash flows/earnings multiple
- Net assets
- Available market prices

Of these the methodology most applicable to the Company's investments is:

*Price of recent investment*

Where the investment being valued was made recently, its cost will generally provide a good indication of value. It is generally considered that this would only apply for a limited period; in practice a period up to the start of the first live event or entertainment content which forms the investment is often applied as the long stop date for such a valuation.

*Non-qualifying Investments - OEICs*

The Company's Non-qualifying Investments in interest bearing money market OEICs are valued at fair value which is bid price.

Gains and losses arising from changes in the fair value of Qualifying and Non-qualifying Investments are recognised as part of the capital return within the Statement of Comprehensive Income and allocated to the realised or unrealised capital reserve as appropriate. Transaction costs attributable to the acquisition or disposal of investments are charged to capital within the Statement of Comprehensive Income.

**d) Investment Income**

Interest income is recognised in the Statement of Comprehensive Income under the effective interest method.

Under the effective interest method:

The interest income in a period equals the carrying amount of the loan at the beginning of a period multiplied by the effective interest rate for that period.

The effective interest rate is the rate required to discount the expected future income streams over the life of the loan to its initial carrying amount. The effective interest rate is determined on the basis of the carrying amount of the loan at initial recognition.

In accordance with FRS 102, when calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the loans (e.g. prepayments) and known credit losses that have been incurred, but it does not consider possible future credit losses not yet incurred. The main impact for the Company in that regard is the estimation of any loan note premiums.

When calculating the effective interest rate, the Company amortises any related fees, finance charges received, transaction costs and other premiums or discounts over the expected life of the loan. However, the Company uses a shorter period if that is the period to which the fees, finance charges paid or received, transaction costs, premiums or discounts relate.

The revenue return on loan notes has been based on the coupon payable by the instrument adjusted to spread any discount or premium on purchase or redemption over its remaining life. In accordance with SORP 2014, in 2016 where a redemption premium is payable, the return has been adjusted so that the amount recognised in revenue is in line with reasonable commercial expectations. Any adjustment is recognised in capital within net gains and losses on investments.

In prior years, the revenue return on the redemption premium was not adjusted and redemption premiums were recognised as revenue income. The Company considers the revised allocation, which has not been applied retrospectively in accordance with SORP 2014, to be more appropriate to the Company.

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

for the year ended 31 December 2016

**1. Accounting Policies (continued)****d) Investment income (continued)**

The amount of redemption premium recognised in revenue is in line with reasonable commercial expectations of interest chargeable on similar commercial loans. Gains and losses arising from changes in the fair value of the investments are included as a capital item in the statement of comprehensive income for the relevant period.

**e) Dividend Income**

Dividend income is recognised in the Statement of Comprehensive Income once it is declared by the Investee Companies.

**f) Expenses**

All expenses are accounted for on an accruals basis. Expenses are charged to the revenue account within the Statement of Comprehensive Income except that:

- expenses which are incidental to the acquisition or disposal of an investment are charged to capital in the Statement of Comprehensive Income as incurred;
- expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated; and
- the management fee has been allocated 50% to revenue and 50% to capital, which represents the split of the Company's long term returns.

General expenses were paid for by the E Share class until 12 October 2016 and from 13 October 2016 by the H Share class and have been recharged on a quarterly basis to the other Share classes based on the proportional net asset value per Share class as at the last day of the previous quarter.

**g) Taxation**

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

**h) D Shares, E Shares, F Shares, G Shares and H Shares**

The Company had five Share classes up to 31 December 2016: D Shares, E Shares, F Shares, G Shares and H Shares. Each Share class has a separate pool of income and expenses as well as assets and liabilities attributable to it. All Share classes rank pari passu with each other in terms of voting and other rights.

**2. Investment Income**

|  | <b>2016</b>  | <b>2015</b>  |
|--|--------------|--------------|
|  | <b>£'000</b> | <b>£'000</b> |
| Dividend income from Qualifying Investments            | -            | -            |
| Loan note interest from Qualifying Investments         | -            | -            |
| Loan note premium from Qualifying Investments (note 7) | <b>212</b>   | 128          |
|  | <b>212</b>   | 128          |

# INGENIOUS ENTERTAINMENT VCT 1 PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2016

### 3. Investment Management Fees

|                            | 2016<br>Revenue<br>£'000 | 2016<br>Capital<br>£'000 | 2016<br>Total<br>£'000 | 2015<br>Revenue<br>£'000 | 2015<br>Capital<br>£'000 | 2015<br>Total<br>£'000 |
|----------------------------|--------------------------|--------------------------|------------------------|--------------------------|--------------------------|------------------------|
| Investment management fees | 34                       | 34                       | 68                     | 92                       | 92                       | 184                    |

For the purposes of the revenue and capital columns in the Statement of Comprehensive Income, the management fee has been allocated 50% to revenue and 50% to capital, which represents the split of the Company's long term returns.

### 4. Other Expenses

|                                       | 2016<br>Revenue<br>£'000 | 2016<br>Capital<br>£'000 | 2016<br>Total<br>£'000 | 2015<br>Revenue<br>£'000 | 2015<br>Capital<br>£'000 | 2015<br>Total<br>£'000 |
|---------------------------------------|--------------------------|--------------------------|------------------------|--------------------------|--------------------------|------------------------|
| Directors' remuneration               | 38                       | -                        | 38                     | 38                       | -                        | 38                     |
| Employers NI on Director remuneration | 1                        | -                        | 1                      | -                        | -                        | -                      |
| Auditor's remuneration                | -                        | -                        | -                      | -                        | -                        | -                      |
| - Audit fees                          | 22                       | -                        | 22                     | 21                       | -                        | 21                     |
| Legal and professional fees           | 41                       | -                        | 41                     | 10                       | -                        | 10                     |
| Other administration expense          | 84                       | -                        | 84                     | 112                      | -                        | 112                    |
|                                       | 186                      | -                        | 186                    | 181                      | -                        | 181                    |

The Company is not registered for VAT. Fees payable to the Company's auditor for the audit of the Company's financial statements are £17,000 plus expenses of 3% of the audit fee (31 December 2015: £16,000) excluding VAT. Further details on the Directors' fee disclosures are given in the Directors' Remuneration Report on pages 16 to 18.

### 5. Tax Charge

|  | 2016<br>Revenue<br>£'000 | 2016<br>Capital<br>£'000 | 2016<br>Total<br>£'000 | 2015<br>Revenue<br>£'000 | 2015<br>Capital<br>£'000 | 2015<br>Total<br>£'000 |
|--|--------------------------|--------------------------|------------------------|--------------------------|--------------------------|------------------------|
| Loss before tax  | (183)                    | (746)                    | (928)                  | (145)                    | (473)                    | (618)                  |
| Loss on by tax rate 20.00% (31 December 2015: 20.247%) | (37)                     | (149)                    | (186)                  | (29)                     | (96)                     | (125)                  |
| Adjustments:   |                          |                          |                        |                          |                          |                        |
| Non-taxable (gains)/losses on investments              | -                        | 178                      | 178                    | -                        | 77                       | 77                     |
| Disallowed expenses                                    | 5                        | 7                        | 12                     | -                        | 19                       | 19                     |
| Unutilised/(utilised) losses for the current year      | 32                       | (36)                     | (4)                    | 29                       | -                        | 29                     |
| Non-deductible fair value adjustment re: loan notes    | -                        | -                        | -                      | -                        | -                        | -                      |
| Management expenses utilised                           | -                        | -                        | -                      | -                        | -                        | -                      |
|  | -                        | -                        | -                      | -                        | -                        | -                      |

As the Company is a VCT its capital gains are not taxable.

At 31 December 2016 the Company had surplus management expenses of £1,211,000 (31 December 2015: £1,229,000). A deferred tax asset has not been recognised in respect of these surplus management expenses as the future taxable income of the Company cannot be predicted with reasonable certainty. Due to the Company's status as a VCT, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company does not recognise deferred tax on any capital gains or losses which arise on the revaluation of investments.

INGENIOUS ENTERTAINMENT VCT 1 PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2016

6. Basic and Diluted Return per Share

| <b>D Shares</b>                              | <b>2016<br/>Revenue<br/>£'000</b> | <b>2016<br/>Capital<br/>£'000</b> | <b>2016<br/>Total<br/>£'000</b> | <b>2015<br/>Revenue<br/>£'000</b> | <b>2015<br/>Capital<br/>£'000</b> | <b>2015<br/>Total<br/>£'000</b> |
|--|-----------------------------------|-----------------------------------|---------------------------------|-----------------------------------|-----------------------------------|---------------------------------|
| <b>Gain/(loss) before taxation</b>           | (8)                               | 51                                | 43                              | (3)                               | (150)                             | (153)                           |
| Weighted average Shares in issue (number)    | 6,735,624                         | 6,735,624                         | 6,735,624                       | 6,735,624                         | 6,735,624                         | 6,735,624                       |
| Profit/(loss) attributable per Share (pence) | (0.1)                             | 0.8                               | 0.7                             | (0.0)                             | (2.2)                             | (2.3)                           |
| <b>E Shares</b>                              | <b>2016<br/>Revenue<br/>£'000</b> | <b>2016<br/>Capital<br/>£'000</b> | <b>2016<br/>Total<br/>£'000</b> | <b>2015<br/>Revenue<br/>£'000</b> | <b>2015<br/>Capital<br/>£'000</b> | <b>2015<br/>Total<br/>£'000</b> |
| <b>Gain/(loss) before taxation</b>           | (45)                              | 46                                | 1                               | (22)                              | (78)                              | (100)                           |
| Weighted average Shares in issue (number)    | 2,846,122                         | 2,846,122                         | 2,846,122                       | 2,846,122                         | 2,846,122                         | 2,846,122                       |
| Profit/(loss) attributable per Share (pence) | (1.6)                             | 1.6                               | 0.0                             | (0.8)                             | (2.7)                             | (3.5)                           |
| <b>F Shares</b>                              | <b>2016<br/>Revenue<br/>£'000</b> | <b>2016<br/>Capital<br/>£'000</b> | <b>2016<br/>Total<br/>£'000</b> | <b>2015<br/>Revenue<br/>£'000</b> | <b>2015<br/>Capital<br/>£'000</b> | <b>2015<br/>Total<br/>£'000</b> |
| <b>Gain/ (loss) before taxation</b>          | (27)                              | 32                                | 5                               | (15)                              | (45)                              | (60)                            |
| Weighted average Shares in issue (number)    | 1,572,095                         | 1,572,095                         | 1,572,095                       | 1,572,095                         | 1,572,095                         | 1,572,095                       |
| Profit/(loss) attributable per Share (pence) | (1.7)                             | 2.0                               | 0.3                             | (1.0)                             | (2.9)                             | (3.9)                           |
| <b>G Shares</b>                              | <b>2016<br/>Revenue<br/>£'000</b> | <b>2016<br/>Capital<br/>£'000</b> | <b>2016<br/>Total<br/>£'000</b> | <b>2015<br/>Revenue<br/>£'000</b> | <b>2015<br/>Capital<br/>£'000</b> | <b>2015<br/>Total<br/>£'000</b> |
| <b>(Loss)/gain before taxation</b>           | (54)                              | (722)                             | (777)                           | (45)                              | (219)                             | (264)                           |
| Weighted average Shares in issue (number)    | 3,518,044                         | 3,518,044                         | 3,518,044                       | 3,518,044                         | 3,518,044                         | 3,518,044                       |
| (Loss)/profit attributable per Share (pence) | (1.5)                             | (20.5)                            | (22.1)                          | (1.3)                             | (6.2)                             | (7.5)                           |

# INGENIOUS ENTERTAINMENT VCT 1 PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2016

### 6. Basic and Diluted Return per Share (continued)

| H Shares                                     | 2016<br>Revenue<br>£'000 | 2016<br>Capital<br>£'000 | 2016<br>Total<br>£'000 | 2015<br>Revenue<br>£'000 | 2015<br>Capital<br>£'000 | 2015<br>Total<br>£'000 |
|--|--------------------------|--------------------------|------------------------|--------------------------|--------------------------|------------------------|
| (Loss)/ gain before taxation                 | (51)                     | (151)                    | (203)                  | (58)                     | 17                       | (41)                   |
| Weighted average Shares in issue (number)    | 2,660,842                | 2,660,842                | 2,660,842              | 2,660,842                | 2,660,842                | 2,660,842              |
| (Loss)/profit attributable per Share (pence) | (2.0)                    | (5.7)                    | (7.7)                  | (2.2)                    | 0.6                      | (1.6)                  |

There are no dilutive potential D, E, F, G and H Shares, including convertible instruments, options or contingent share agreements in issue for the Company. The basic return per Share is therefore the same as the diluted return per Share.

### 7. Fixed Asset Investments

|                      | 2016<br>£'000 | 2015<br>£'000 |
|----------------------|---------------|---------------|
| Unquoted investments | 2,606         | 5,332         |
| Equity shares        | 1,390         | 2,307         |
| Unsecured loan notes | 1,216         | 3,025         |
|                      | 2,606         | 5,332         |

### Qualifying Investments

|                            | 2016<br>£'000 | 2015<br>£'000 |
|----------------------------|---------------|---------------|
| Opening valuation          | 5,332         | 8,280         |
| Purchases at cost          | 250           | 1,500         |
| Return of investment       | (1,880)       | (4,092)       |
| Transfer to Non Qualifying | (211)         | -             |
| Fair value adjustment      | (885)         | (356)         |
| <b>Closing valuation</b>   | <b>2,606</b>  | <b>5,332</b>  |

Included in the valuation above is an equal and opposite fair value gain and fair value loss amounting to £211,000 (31 December 2015: £128,000). This represents the accounting treatment of the guaranteed loan note premium. The £211,000 (31 December 2015: £238,000) is included in the Statement of Comprehensive Income under Investment Income (refer to note 2).



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

for the year ended 31 December 2016

**8. Significant Interests**

The Company has interests of 3%, or greater, of the nominal value of the allotted shares in the following Investee Companies incorporated in the United Kingdom as at 31 December 2016:

| <b>Trading Companies</b>         | <b>% class and share type</b> | <b>% voting rights</b> |
|----------------------------------|-------------------------------|------------------------|
| CLS Concerts Limited             | 50.00% A Ordinary             | 16.67%                 |
| Dance Floor Limited              | 50.00% A Ordinary             | 12.48%                 |
| Event Spaces Limited             | 50.00% A Ordinary             | 22.50%                 |
| FM3 2013 Limited                 | 50.00% A Ordinary             | 20.00%                 |
| London Flower Show Limited       | 50.00% A Ordinary             | 22.50%                 |
| Just For London Limited          | 50.00% A Ordinary             | 16.67%                 |
| Genius Star Limited              | 50.00% A Ordinary             | 25.00%                 |
| Counterculture Bars Limited      | 50.00% A Ordinary             | 14.48%                 |
| SWG Power Limited                | 50.00% A Ordinary             | 22.50%                 |
| Winterville Events Limited       | 50.00% A Ordinary             | 15.00%                 |
| The Zoo Project Festival Limited | 50.00% A Ordinary             | 18.75%                 |
| Brighton Boundary Limited        | 50.00% A Ordinary             | 15.00%                 |

As permitted by FRS 102, the above investments in associated undertakings are held at fair value with changes in fair value recognised in profit or loss.

**9. Debtors**

|                                | <b>2016</b>  | <b>2015</b>  |
|--------------------------------|--------------|--------------|
|                                | <b>£'000</b> | <b>£'000</b> |
| Prepayments and accrued income | <b>59</b>    | <b>28</b>    |

**10. Current Asset Investments**

|   | <b>2016</b>  | <b>2015</b>  |
|---|--------------|--------------|
|   | <b>£'000</b> | <b>£'000</b> |
| Funds held in listed money market OEICs | -            | 1,035        |
| Investment in Investee Companies        | <b>214</b>   | <b>3</b>     |
|   | <b>214</b>   | <b>1,038</b> |

**Non-Qualifying Investments**

|  | <b>2016</b>    | <b>2015</b>  |
|--|----------------|--------------|
|  | <b>£'000</b>   | <b>£'000</b> |
| Opening valuation                                      | <b>1,038</b>   | 4,396        |
| Purchases at cost - listed money market OEICs          | -              | -            |
| Disposal proceeds - listed money market OEICs          | <b>(1,035)</b> | (3,267)      |
| Unrealised change in value - listed money market OEICs | -              | (91)         |
| Reclassification to Non-Qualifying Investments         | <b>211</b>     | -            |
| <b>Closing valuation</b>                               | <b>214</b>     | <b>1,038</b> |

In order to safeguard the capital available for investment in Qualifying Investments and balance this with the need to provide good returns to investors, available funds from the net proceeds are invested in appropriate securities (money market OEICs) until required for Qualifying Investment purposes.

# INGENIOUS ENTERTAINMENT VCT 1 PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2016

### Analysis of Realised Gain or Loss on Disposal of Unquoted Investments

|   | Gain/<br>(Loss)<br>£000 | Proceeds<br>£000 | 2016<br>Carrying<br>Value<br>£000 | 2015<br>Carrying<br>Value<br>£000 |
|---|-------------------------|------------------|-----------------------------------|-----------------------------------|
| <i>Unquoted Investments</i>                         |                         |                  |                                   |                                   |
| Love Supreme Festival Limited                       | 210                     | 960              | 750                               | 750                               |
| Saturn Star Limited                                 | (1)                     | 518              | 519                               | 519                               |
| Just for London Limited                             | -                       | 500              | 500                               | 500                               |
| Liverpool Sound City Limited                        | -                       | 110              | 110                               | 110                               |
| Realised gains on unquoted investments              | 209                     | 2,088            | 1,879                             | 1,879                             |
| Unrealised loss on disposal of unquoted investments | (30)                    |                  |                                   |                                   |
| Realised gains on quoted investments                | 30                      |                  |                                   |                                   |
| <b>Total realised gains on investments</b>          | <b>209</b>              |                  |                                   |                                   |

### 11. Creditors: Amounts Falling Due Within One Year

|                 | 2016<br>£'000 | 2015<br>£'000 |
|-----------------|---------------|---------------|
| Trade creditors | 27            | 21            |
| Accruals        | 36            | 88            |
|                 | <b>63</b>     | <b>109</b>    |

### 12. Called-up Share Capital

|                                    | 2016<br>£'000 | 2015<br>£'000 |
|------------------------------------|---------------|---------------|
| Allotted, called-up and fully paid |               |               |
| 6,735,624 D Shares 1 pence each    | 68            | 68            |
| 2,846,122 E Shares 1 pence each    | 28            | 28            |
| 1,572,095 F Shares 1 pence each    | 16            | 16            |
| 3,518,044 G Shares 1 pence each    | 35            | 35            |
| 2,660,842 H Shares 1 pence each    | 27            | 27            |
|                                    | <b>174</b>    | <b>174</b>    |

D Shares, E Shares, F Shares, G Shares and H Shares ranked pari passu with each other in terms of voting and other rights. The entire issued D, E, F, G and H Share capital of the Company has been admitted to the official list maintained by the Financial Conduct Authority and to trading on the London Stock Exchange.

In the year ended 31 December 2010, 6,785,624 D Shares were issued and allotted in accordance with the terms of the relevant Prospectus. 6,735,624 D Shares were fully paid at that year end. Share issue costs amounting to £295,000 were set off against the share premium account. As at 31 December 2016, the D Shares were subject to a capital reduction, which required the approval of the court, and the D Shares were cancelled on 18 January 2017.

In the year ended 31 December 2011, 2,846,122 E Shares and 1,572,095 F Shares were issued and allotted in accordance with the terms of the relevant Prospectus. Share issue costs amounted to £157,000 and £86,000 respectively of which £125,000 and £69,000 were set off against the share premium account. As at 31 December 2016, the E Shares and F Shares were subject to a capital reduction, which required the approval of the court, and the E Shares and F Shares were cancelled on 18 January 2017.

In the year ended 31 December 2012, 3,518,044 G Shares were issued and allotted in accordance with the terms of the relevant Prospectus. Share issue costs amounted to £194,000 of which £155,000 were set off against the share premium account.

In the year ended 31 December 2013, 2,660,842 H Shares were issued and allotted in accordance with the terms of the relevant Prospectus. Share issue costs amounted to £81,000 of which £65,000 were set off against the share premium account.

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

for the year ended 31 December 2016

**13. Net Asset Value per Share Excluding Distributions to Date**

|   | <b>2016</b>      | <b>2015</b> |
|---|------------------|-------------|
| Net assets attributable to D Shareholders (£'000) | <b>69</b>        | 133         |
| D Shares in issue (number)                        | <b>6,735,624</b> | 6,735,624   |
| Net asset value per D Share (pence)               | <b>1.0</b>       | 2.0         |
|   | <b>2016</b>      | <b>2015</b> |
| Net assets attributable to E Shareholders (£'000) | <b>29</b>        | 1,813       |
| E Shares in issue (number)                        | <b>2,846,122</b> | 2,846,122   |
| Net asset value per E Share (pence)               | <b>1.0</b>       | 63.7        |
|   | <b>2016</b>      | <b>2015</b> |
| Net assets attributable to F Shareholders (£'000) | <b>16</b>        | 1,036       |
| F Shares in issue (number)                        | <b>1,572,095</b> | 1,572,095   |
| Net asset value per F Share (pence)               | <b>1.0</b>       | 65.9        |
|   | <b>2016</b>      | <b>2015</b> |
| Net assets attributable to G Shareholders (£'000) | <b>1,411</b>     | 2,365       |
| G Shares in issue (number)                        | <b>3,518,044</b> | 3,518,044   |
| Net asset value per G Share (pence)               | <b>40.1</b>      | 67.2        |
|   | <b>2016</b>      | <b>2015</b> |
| Net assets attributable to H Shareholders (£'000) | <b>1,829</b>     | 2,165       |
| H Shares in issue (number)                        | <b>2,660,842</b> | 2,660,842   |
| Net asset value per H Share (pence)               | <b>68.7</b>      | 81.4        |

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

for the year ended 31 December 2016

**14. Financial Instruments and Risk Management**

The Company's financial instruments comprise equity and floating rate debt investments in unquoted companies, cash balances and listed money market OEICs. The Company holds financial assets in accordance with its investment policy.

Fixed asset investments (see note 7) are valued at fair value. For quoted securities included in current asset Non-qualifying Investments, this is bid price. In respect of unquoted investments, these are fair valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines. The fair value of all other financial assets and liabilities is represented by their carrying value on the Balance Sheet.

**Fair Value Hierarchy**

|  |         | <b>2016</b>  | <b>2015</b>  |
|--|---------|--------------|--------------|
|  |         | <b>£'000</b> | <b>£'000</b> |
| Listed money market OEICs (note 10)        | Level 1 | -            | 1,035        |
| Investment in investee companies (note 10) | Level 3 | <b>214</b>   | 3            |
| Unquoted investments (note 8)              | Level 3 | <b>2,606</b> | 5,332        |
|  |         | <b>2,820</b> | 6,370        |

Level 3 investments include a £95,500 revaluation loss on Just for London Limited, a £50,000 revaluation loss on Counterculture Bars Limited, a £15,000 revaluation loss on Event Spaces Limited during the year, and a £20,750 revaluation loss on Zoo Project Limited and a £665,000 revaluation loss on FM3 2013 Limited during the year.

The above table provides an analysis of these investments based on the fair value hierarchy described below which reflects the reliability and significance of the information used to measure their fair value:

- Level 1 - investments with quoted prices in active markets;
- Level 2 - investments whose fair value is based directly on observable market prices or is indirectly drawn from observable market prices; and
- Level 3 - investments whose fair value is determined using a valuation technique based on assumptions that are not supported by observable current market prices or are not based on observable market data. Level 3 unquoted investments have been valued at fair value. Fair value is estimated by assessing the financial performance of the Company's investee and adjusting upwards or writing down the cost of the Company's investment using IVCA valuation techniques as described in note 1(c) - Accounting Policies.

**Risk Management**

The Company's investing activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The Company measures risk by assessing the impact that each risk parameter will have on the profitability of the Company, or in the case of liquidity risk, by assessing the impact that any given factor will reduce the likelihood of the Company being able to meet its financial liabilities as they fall due. The most important types of financial risk to which the Company is exposed are:

- Market risk;
- Interest rate risk;
- Credit risk; and
- Liquidity risk.

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

for the year ended 31 December 2016

**14. Financial Instruments and Risk Management (continued)****Risk management (continued)**

The nature and extent of the financial instruments outstanding at the Balance Sheet date and the risk management policies employed by the Company are discussed below:

**a) Market Risk**

Market risk embodies the potential for both losses and gains and includes credit risk, interest rate risk and price risk.

The Company's strategy on the management of investment risk is driven by the Company's investment objective. Investments in unquoted companies, by their nature, involve a higher degree of risk than investments in larger "blue chip" companies.

The risk of loss in value is managed through careful selection in accordance with a formalised investment decision process, with each investment proposal evaluated by the Investment Committee as part of the due diligence stage.

The Company's investment policy can be found in the Strategic Report on pages 2 to 11. The risk is also managed through continuous monitoring of the performance of investments and changes in their risk profile.

**b) Interest Rate Risk**

Some of the Company's financial assets are interest bearing, all of which are at floating rates. As a result, the Company is subject to exposure to interest rate risk due to fluctuations in the prevailing levels of market interest rate.

When the Company retains cash balances, the majority of cash is held within interest bearing money market OEICs. At the end of the year all cash had been removed from the money market OEICs (31 December 2015: £1,038,000). Sitting within Non qualifying Investments are two unquoted investments. The benchmark rate which determines the interest payments received on interest bearing cash balances and debt investments in unquoted companies is the bank base rate which was 0.25% as at 31 December 2016 (31 December 2015: 0.5%).

The following table illustrates the sensitivity of the impact on profit for the year before taxation and total equity to a change in interest rates of 50 basis points, with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Company's Non-qualifying Investments held at each Balance Sheet date. All other variables are held constant.

|  | 31 December 2016<br>£'000<br>+/- 50 basis points | 31 December 2015<br>£'000<br>+/- 50 basis points |
|--|--|--|
| Impact on loss for the year before taxation and total equity | 0  | 5  |

**c) Credit Risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company.

Whilst the Company is exposed to credit risk due to its £987,500 (31 December 2015: £2,488,000) unsecured loan note instruments, this risk is mitigated by the Company requiring that minimum royalty arrangements are in place prior to the investment as set out in the Company's investment policy. In addition, and in accordance with the Company's monitoring procedure, the Manager closely monitors progress (including financial expenditure) against the Investee Companies' agreed business plans.

The £987,500 (31 December 2015: £2,488,000) unsecured loan notes are mostly the contractually agreed 70% of initial investments.

**d) Liquidity Risk**

The Company's financial instruments include equity and debt investments in unquoted companies, which are not traded in an organised public market and which generally may be illiquid. As a result, the Company may not be able to liquidate quickly some of its investment in these instruments at an amount close to fair value.

The Company maintains sufficient reserves of cash and readily realisable marketable securities to meet its liquidity requirements at all times. No numerical disclosures have been provided in respect of liquidity risk as this is not considered to be material.

# INGENIOUS ENTERTAINMENT VCT 1 PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2016

### 15. Related Party Transactions

- a) The Company has an investment management agreement with Ingenious Capital Management Limited of which Patrick McKenna is a director.

The Manager, as per the investment management agreement, receives a management fee of 0.4375% of the net asset value per Share class, payable quarterly in advance. The Manager bears any expenses of the Company over and above 3.5% of the net asset value at 31 December in the relevant financial year. At 31 December 2016, this reimbursement was £36,000 (31 December 2015 - £nil) and it is included in debtors. In aggregate, the management fee amounted to £68,000 as at 31 December 2016 (31 December 2015: £184,000). The Manager also charges an administration fee of £51,000 (31 December 2015: £71,000) per annum (adjusted for inflation and additional Share classes, if any) and irrecoverable VAT.

- b) For the first 8 months of the year, there were funds invested in OEICs. These funds were managed by Ingenious Asset Management Limited of which Patrick McKenna was a director. Ingenious Asset Management Limited was a subsidiary of the Ingenious Group, which was controlled by Patrick McKenna. On 29 April 2016 Ingenious Asset Management Limited was sold to Tilney Bestinvest Group Limited; Tilney Bestinvest Group Limited now trades as Tilney Asset Management Limited. There were no fees associated with this transaction.

- c) Patrick McKenna is a director and shareholder of Ingenious Entertainment VCT 2 plc. The Company and Ingenious Entertainment VCT 2 plc have invested in a new company, Brighton Boundary Limited, to set up a new festival in Brighton, Brighton Boundary. In May 2016 the Company invested £250,000 for a total of 15% of the equity in Brighton Boundary Limited. The investment was made from the H Share class.

During the year the Company has entered into transactions with the above-mentioned related parties in the normal course of business and on an arm's length basis as listed in the table below.

| Entity                               | Note | 2016<br>Expenditure<br>paid<br>£'000 | 2016<br>Amounts<br>due<br>£'000 | 2015<br>Expenditure<br>paid<br>£'000 | 2015<br>Amounts<br>due<br>£'000 |
|--------------------------------------|------|--------------------------------------|---------------------------------|--------------------------------------|---------------------------------|
| Ingenious Capital Management Limited |      |                                      |                                 |                                      |                                 |
| - Investment management fee          | a    | 68                                   | -                               | 184                                  | -                               |
| - Administration fee                 | a    | 51                                   | -                               | 71                                   | -                               |

### Transactions with Related Parties

Ingenious Media Consulting Limited, a company which is a wholly-owned subsidiary in the Ingenious Group, which is controlled by Patrick McKenna, has entered into consultancy agreements with each of the Company's Investee Companies to provide management services. For the provision of such services, consulting fees totalling £30,000 excluding VAT (31 December 2015: £137,000), have been invoiced to the Investee Companies in the period of which £nil remained outstanding as at 31 December 2016 (31 December 2015: £45,000).

### 16. Events After the Balance Sheet Date

- a) On 18 January 2017, the High Court sanctioned the cancelling and extinguishing of all of its D Shares. The final repayment of 1 pence per D Share was made to Shareholders on 10 February 2017.
- b) On 18 January 2017, the High Court sanctioned the cancelling and extinguishing of all of its E Shares. The final repayment of 1 pence per E Share was made to Shareholders on 10 February 2017.
- c) On 18 January 2017, the High Court sanctioned the cancelling and extinguishing of all of its F Shares. The final repayment 1 pence per F Share was made to Shareholders on 10 February 2017.

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

for the year ended 31 December 2016

**17. Capital Management**

The capital management objectives of the Company are:

- To safeguard its ability to continue as a going concern so that it can continue to provide returns to Shareholders.
- To ensure sufficient liquid resources are available to meet the funding requirements of its investments and to fund new investments where identified.

The Company has no external debt; consequently all capital is represented by the value of share capital, distributable and other reserves. Total Shareholder equity at 31 December 2016 was £2,606,000 (31 December 2015: £7,508,000).

In order to maintain or adjust its capital structure the Company may adjust the amount of dividends paid to the Shareholders, return capital to Shareholders, issue new shares or sell assets.

There have been no changes to the capital management objectives of the business from the previous period.

The Company is subject to the following externally imposed capital requirements:

- As a public company Ingenious Entertainment VCT 1 plc must have a minimum of £50,000 of share capital.

The level of dividends may be influenced by the need to comply with the VCT legislation which states that no more than 15% of income from shares and securities may be retained.

## **SHAREHOLDER INFORMATION**

### **1. Share Price**

All of the active Share classes have been admitted to trading on the London Stock Exchange.

### **2. Share Trading**

Shares can be bought and sold in the same way as any other quoted company on the London Stock Exchange via a stockbroker. Selling your Shares may have tax consequences. You should contact your financial adviser if you are in any doubt as to such potential consequences.

### **3. Share Buy-Backs**

The Company's share buy-back policy for the next financial year is set out on page 9 (in the liquidity section of the investment policy) but is subject to resolutions 7 to 8 as set out in the Notice of the AGM being adopted.

The Company is unable to buy-back Shares directly from a Shareholder. Share buy-backs must therefore be conducted through a Shareholder's stockbroker. The Manager is able to provide details of periods when the Company is prohibited from buying-back Shares from Shareholders under the Listing Rules.

### **4. Change of Shareholder Address**

Communications with Shareholders are sent to the registered address held on the register of members. In the event of a change of address or any other relevant amendments, please notify the Company's registrar, SLC Registrars, under the signature of the registered holder of the Shares in question.

### **5. Investor Relations**

The Company and the Manager are committed to maintaining excellent investor relations. Therefore, if you have any questions about the Company's progress please contact the Manager or your usual Ingenious contact.

#### **Nick Beveridge**

Tel.: +44 (0) 207 319 4000

Fax: +44 (0) 207 319 4314

Email: [enquiries@ingeniousmedia.co.uk](mailto:enquiries@ingeniousmedia.co.uk)

Please note that neither the Manager nor your usual Ingenious contact can provide you with any investment, tax, legal or other advice in relation to your Shares.



# INGENIOUS ENTERTAINMENT VCT 1 PLC

## NOTICE OF ANNUAL GENERAL MEETING

### INGENIOUS ENTERTAINMENT VCT 1 PLC

(Incorporated in England and Wales under the Companies Act 1985 with registered number 06395011)

(the **Company**)

**NOTICE IS HEREBY GIVEN THAT** the ninth Annual General Meeting (the **AGM**) of Ingenious Entertainment VCT 1 plc will be held at 3.00pm on Wednesday 7 June 2017 at 15 Golden Square, London W1F 9JG for the following purposes:

To consider and, if thought fit, pass resolutions 1 to 6 and 9 to 10 as ordinary resolutions and resolutions 7 and 8 as special resolutions.

#### **Annual Report and Accounts**

1. To receive and consider the Company's Annual Report and Accounts for the year ended 31 December 2016.

#### **Directors' Remuneration Report**

2. THAT the Directors' Remuneration Report for the year ended 31 December 2016 be and is hereby approved.
3. THAT the Directors' Remuneration Policy and Annual Statement, as set out in the Directors' Remuneration Report for the year ended 31 December 2016, be and is hereby approved.

#### **Re-election of Directors**

4. THAT David Munns, who retires, be and is hereby re-elected as a non-executive director.
5. THAT Keith Turner, who retires, be and is hereby re-elected as a non-executive director.
6. THAT Patrick McKenna, who retires, be and is hereby re-elected as a non-executive director in accordance with Listing Rule 15.2.13A.

#### **Share Buy-Backs**

7. THAT the Company be and is hereby generally and unconditionally authorised pursuant to section 701 of the Act to make one or more market purchases (as defined in section 693 of the Act) of G Ordinary Shares of 1 pence each in the capital of the Company (the **G Ordinary Shares**) on such terms and in such manner as the Directors may determine *provided that*:
  - (a) such market purchases shall comply with UK Listing Authority and HMRC requirements;
  - (b) the aggregate maximum number of G Ordinary Shares authorised to be purchased pursuant to this resolution shall not exceed 14.99% of the issued G Ordinary Share capital of the Company as immediately prior to the passing of this resolution;
  - (c) the price paid shall not be:
    - (i) less than 1 pence per G Ordinary Share;
    - (ii) more than 5% above the average of the middle market quotation for a G Ordinary Share taken from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which such Shares are purchased;
    - (iii) more than the net asset value per G Ordinary Share;the maximum and minimum prices being exclusive of expenses (including stamp duty); and
  - (d) this authority, unless renewed or revoked prior to such time shall expire on the earlier of 15 months from the passing of this resolution and the conclusion of the Company's next AGM. The Company may, before the expiry of such authority, conclude contracts to purchase G Ordinary Shares which will or may be completed wholly or partly after the expiry of such authority and may make purchases of G Ordinary Shares in pursuance of any such contracts as if the authority hereby conferred had not expired.
8. THAT the Company be and is hereby generally and unconditionally authorised pursuant to section 701 of the Act to make one or more market purchases (as defined in section 693 of the Act) of H Ordinary Shares of 1 pence each in the capital of the Company (the **H Ordinary Shares**) on such terms and in such manner as the Directors may determine *provided that*:
  - (a) such market purchases shall comply with UK Listing Authority and HMRC requirements;
  - (b) the aggregate maximum number of H Ordinary Shares authorised to be purchased pursuant to this resolution shall not exceed 14.99% of the issued H Ordinary Share capital of the Company as immediately prior to the passing of this resolution.
  - (c) the price paid shall not be:
    - (i) less than 1 pence per H Ordinary Share;

## INGENIOUS ENTERTAINMENT VCT 1 PLC

- (ii) more than 5% above the average of the middle market quotation for a H Ordinary Share taken from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which such Shares are purchased;
  - (iii) more than the net asset value per H Ordinary Share;
- the maximum and minimum prices being exclusive of expenses (including stamp duty); and
- (d) this authority, unless renewed or revoked prior to such time shall expire on the earlier of 15 months from the passing of this resolution and the conclusion of the Company's next AGM. The Company may, before the expiry of such authority, conclude contracts to purchase H Ordinary Shares which will or may be completed wholly or partly after the expiry of such authority and may make purchases of H Ordinary Shares in pursuance of any such contracts as if the authority hereby conferred had not expired.

### Auditor

9. THAT Grant Thornton UK LLP be and are hereby re-appointed as auditor to the Company, to hold office until the conclusion of the next general meeting at which accounts are laid.
10. THAT the Directors be and are hereby authorised to agree the remuneration of Grant Thornton UK LLP as auditor to the Company.

Dated: 26 April 2017  
Registered Office:  
15 Golden Square, London, W1F 9JG

By order of the Board  
**Sarah Cruickshank**  
Company Secretary  
Ingenious Entertainment VCT 1 plc

Information regarding the AGM including the information required by section 311A of the Act is available from  
[www.ingeniousvcts.co.uk](http://www.ingeniousvcts.co.uk)

## NOTES

- (a) Explanations relating to the above resolutions can be found overleaf.

### Entitlement to Attend and Vote

- (b) In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, the Company gives notice that only those Shareholders entered on the relevant register of Shareholders (the **Register**) for certificated or uncertificated Shares of the Company (as the case may be) at 6.00pm on 5 June 2017 (the **Specified Time**) will be entitled to attend or vote at the AGM in respect of the number of Shares registered in their name at the time. Changes to entries on the Register after the Specified Time will be disregarded in determining the rights of any person to attend or vote at the AGM. Should the AGM be adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of Shareholders to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned AGM. Should the AGM be adjourned for a longer period, then to be so entitled, Shareholders must be entered on the Register at the time which is 48 hours before the time fixed for the adjourned AGM or, if the Company gives notice of the adjourned AGM, at the time specified in the Notice.

### Appointment of Proxies

- (c) Shareholders entitled to attend and vote at the above AGM are entitled to appoint one or more proxies to attend, speak and vote in their place. You may not appoint more than one proxy to exercise rights attached to any one Share. A proxy may demand, or join in demanding a poll. A proxy need not be a Shareholder of the Company but must attend the AGM to represent you. Details of how to appoint the Chairman of the AGM or another person as your proxy are set out on the Proxy Form. A Shareholder who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person.

If you are not a Shareholder of the Company but you have been nominated by a Shareholder of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in these notes. Please read note (j) below.

To be valid, the Proxy Form must be completed and signed in accordance with these notes and the instructions printed on it and must be deposited (together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority) with the Company's registrars, SLC Registrars, 42-50 Hersham Road, Walton-on-Thames, Surrey, KT12 1RZ or electronically at [ingenious@davidvenus.com](mailto:ingenious@davidvenus.com) in each case by no later than 48 hours (excluding weekends and public holidays) before the time appointed for holding the meeting. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at the meeting at which the demand is made.

A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the AGM.

### Appointment of Proxy by Joint Holders

- (d) 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 holder appear in the Register in respect of the joint holding (the first named being the most senior).

### Changing Proxy Instructions

- (e) To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Additional Proxy Forms may be obtained by photocopying this form or contacting the Company Secretary of the Company on 0207 319 4000. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

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.

### Termination of Proxy Appointments

- (f) In order to revoke a proxy instruction a Shareholder will need to inform the Company using one of the following methods:
- by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to SLC Registrars, 42-50 Hersham Road, Walton-on-Thames, Surrey, KT12 1RZ. In the case of a Shareholder 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 of authority) must be included with the revocation notice; or
  - by sending an email to [ingenious@davidvenus.com](mailto:ingenious@davidvenus.com).

In either case, the revocation notice must be received by SLC Registrars before the AGM or the holding of a poll subsequently thereto. If a Shareholder attempts to revoke his proxy appointment but the revocation is received after the time specified then, subject to note (g) below, the proxy appointment will remain valid.

Completion of a Proxy Form will not prevent you from attending and voting at the AGM in person. If a Shareholder appoints a proxy and that Shareholder attends the AGM in person, the proxy appointment will be automatically terminated.

### Corporate Representatives

- (g) A corporation which is a Shareholder can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a Shareholder provided that not more than one corporate representative exercises powers over the same Share.

In the case of a Shareholder which is a company, the proxy form must be executed under its common seal or signed on behalf by an officer of the company or an attorney of the company.

### Issued Share Capital and Total Voting Rights

- (h) As at close of business on 26 April 2017, the Company's issued nominal share capital comprised 3,518,044 G Ordinary Shares and 2,660,842 H Ordinary Shares. The total number of voting rights in the Company as at the close of business on 26 April 2017 was 6,178,886. The website referred to above will include information on the number of Shares and voting rights.

# INGENIOUS ENTERTAINMENT VCT 1 PLC

## Questions at Meeting

- (i) Under section 319A of the Act, the Company must answer any question a Shareholder asks relating to the business being dealt with at the AGM unless:
- answering the question would unduly interfere with the preparation for the AGM or involve the disclosure of confidential information;
  - the answer has already been given on a website in the form of an answer to a question; or
  - it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.

## Nominated Persons

- (j) If you are a person who has been nominated under section 146 of the Act to enjoy information rights (a **Nominated Person**):
- you may have a right under an agreement between you and the Shareholder of the Company who has nominated you to have information rights (the **Relevant Shareholder**) to be appointed or to have someone else appointed as a proxy for the AGM;
  - if you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Shareholder to give instructions to the Relevant Shareholder as to the exercise of voting rights; and
  - your main point of contact in terms of your investment in the Company remains the Relevant Shareholder (or, perhaps your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

## Documents Available for Inspection

- (k) The terms and conditions of appointment of the Directors of the Company and the Company's Annual Report and Accounts for the year ended 31 December 2016 (including the Directors' Remuneration Report and the Director's Remuneration Policy) are available for inspection by any person at the Registered Office of the Company on each business day during normal business hours from the date of this Notice until the time of the AGM and will be available on the day of the AGM, at the place of the AGM, from at least 15 minutes prior to the AGM until its conclusion. Information about the Directors who are proposed by the Board for appointment and re-election at the AGM is shown in the Annual Report and Accounts for the year ended 31 December 2016.

## Communication

- (l) Shareholders may not use any electronic address provided either in this Notice or any related documents (including the Proxy Form) to communicate with the Company for any purposes other than those expressly stated.

Except as set out above, Shareholders who have general queries about the AGM should write to the Company Secretary at the registered office set out above.

## Website Publication of Audit Concerns

- (m) Members satisfying the thresholds in section 527 of the Act can require the Company to publish a statement on its website setting out any matter relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM that the members propose to raise at the meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement required to be placed on the website must also be sent to the Company's auditor no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website.

## ADDITIONAL INFORMATION RELATING TO THE AGM

In compliance with the Code, a separate resolution on each substantially separate issue will be considered by the Shareholders at the AGM. All proxy votes will be counted and, except where a poll is called, the Chairman of the AGM will indicate the level of proxies lodged on each resolution, the balance for and against the resolution in question and the number of votes withheld after the resolution has been dealt with on a show of hands.

The following resolutions will be considered by the Shareholders:

### *Resolution 1 – Annual Report and Accounts*

The Shareholders will be asked to resolve to receive the Company's Annual Report and Accounts for the year ended 31 December 2016.

### *Resolution 2 – Directors' Remuneration Report*

In accordance with the Director's Remuneration Report Regulations 2002, the Shareholders will be asked in this resolution to approve the Directors' Remuneration Report for the year ended 31 December 2016 which can be found on pages 16 to 18.

### *Resolution 3 – Directors' Remuneration Policy and Annual Statement*

Shareholders will be asked to approve the Directors' Remuneration Policy and the Annual Statement at the 2017 AGM.

### *Resolutions 4 to 6 – Re-election of Non-Executive Directors*

David Munns, Keith Turner and Patrick McKenna will retire from office and are seeking to be re-elected at the AGM. Patrick McKenna is standing for re-election pursuant to Listing Rule 15.2.13A which requires the director of the Manager to stand for annual re-election by Shareholders. The remaining members of the Board, David Munns and Keith Turner, are also standing for re-election. Whilst the UK Corporate Governance Code 2014 provides that only directors of FTSE 350 companies should all be subject to annual re-election, the Company is complying with this on a best practice basis. Biographical details of all the Directors can be found on page 12 of the Company's Annual Report and Accounts.

### *Resolutions 7 and 8 – Share Buy-Backs*

These resolutions seek authority for the Company to make market purchases of its own Shares pursuant to section 701 of the Act and are proposed as special resolutions. Pursuant to the Company's Articles, the Company would be authorised to make market purchases of an amount up to 14.99% of the issued share capital of G Ordinary Shares and H Ordinary Shares separately subject to (amongst other things) the price paid being neither:

- less than 1 pence per Share; nor
- 5% above the average of the market value of the Shares for the five business days immediately preceding the date of purchase; nor
- more than the net asset value per Share.

These authorities will expire on the earlier of 15 months from the passing of the resolutions and the conclusion of the Company's next AGM. Although the Company has not made any market purchases during the period under review, the Shareholders will be asked to consider these special resolutions in order to extend the authority. Subject to these resolutions being passed, the Directors will continue to consider making market purchases of Shares during the next financial year.

Nevertheless, the Directors will only implement such purchases if they are satisfied, after careful consideration, that these are in the best interests of the Shareholders as a whole and would result in an increase in expected earnings per Share. Account will also be taken of the overall financial implications for the Company. Any market purchases will, therefore, be conducted entirely at the Directors' discretion. Market purchases will also be subject to the requirements of the Act, the rules of the UK Listing Authority and the rules of HMRC.

Although the Directors' intention is that Shareholders who wish to sell their Shares should be able to do so, Shareholders should be aware that this may not always be possible.

The Directors intend to cancel any Shares purchased by the Company in the next financial period, so reducing the total number of Shares in issue.

**ADDITIONAL INFORMATION RELATING TO THE AGM (CONTINUED)**

*Resolutions 9 and 10 – Re-appointment of Grant Thornton UK LLP and Audit Fees*

In these resolutions, the Shareholders will be asked to approve the re-appointment of Grant Thornton UK LLP as auditor to the Company and to authorise the Directors to agree their remuneration for audit services. Further background to these resolutions can be found in paragraph 5 of the Directors' Report included within the Company's Annual Report and Accounts.

# INGENIOUS ENTERTAINMENT VCT 1 PLC

## PROXY FORM

### ANNUAL GENERAL MEETING 7 JUNE 2017

Please print clearly in **BLACK INK** and in **BLOCK CAPITALS**. Please read the **NOTES** below before completing this Proxy Form.

|                 |  |       |
|-----------------|--|-------|
| Name: (full)    | <input style="width: 95%;" type="text"/> | Notes |
| Address: (full) | <input style="width: 95%;" type="text"/> |       |
|                 | <input style="width: 95%;" type="text"/> |       |
| Postcode:       | <input style="width: 95%;" type="text"/> |       |

I/we the abovementioned Shareholder(s) of Ingenious Entertainment VCT 1 plc (the **Company**), hereby appoint the Chairman of the Annual General Meeting or the Company Secretary (such appointment being determined by the Company Secretary)

*If you wish to appoint someone other than the Chairman of the Annual General Meeting or the Company Secretary as your proxy, then please cross-out the words "the Chairman of the Annual General Meeting or the Company Secretary (such appointment being determined by the Company Secretary)" and insert the full name(s) of the person(s) that you wish to appoint as your proxy below (note that a proxy need not be a Shareholder of the Company, but must attend the meeting in person):*

|                 |  |   |
|-----------------|--|---|
| Name: (full)    | <input style="width: 95%;" type="text"/> | 1 |
| Address: (full) | <input style="width: 95%;" type="text"/> |   |
|                 | <input style="width: 95%;" type="text"/> |   |
| Postcode:       | <input style="width: 95%;" type="text"/> |   |

as my/our proxy to vote in my/our name(s) and on my/our behalf at the Annual General Meeting of Ingenious Entertainment VCT 1 plc to be held at 3.00pm on 7 June 2017 at 15 Golden Square London W1F 9JG and at any adjournment thereof.

|  | For                                       | Against                                   | Withheld                                  | 2 |
|--|---|---|---|---|
| 1. To receive and consider the Company's Annual Report and Accounts for the year ended 31 December 2016 ( <i>ordinary resolution</i> )   | <input style="width: 100%;" type="text"/> | <input style="width: 100%;" type="text"/> | <input style="width: 100%;" type="text"/> |   |
| 2. To approve the Directors' Remuneration Report as set out in the 2016 Annual Report and Accounts ( <i>ordinary resolution</i> )  | <input style="width: 100%;" type="text"/> | <input style="width: 100%;" type="text"/> | <input style="width: 100%;" type="text"/> |   |
| 3. To approve the Directors' Remuneration Policy and Annual Statement as set out in the Directors' Remuneration Report in the 2016 Annual Report and Accounts ( <i>ordinary resolution</i> ) | <input style="width: 100%;" type="text"/> | <input style="width: 100%;" type="text"/> | <input style="width: 100%;" type="text"/> |   |
| 4. To approve the re-election of David Munns as a non-executive director ( <i>ordinary resolution</i> )  | <input style="width: 100%;" type="text"/> | <input style="width: 100%;" type="text"/> | <input style="width: 100%;" type="text"/> |   |
| 5. To approve the re-election of Keith Turner as a non-executive director ( <i>ordinary resolution</i> )   | <input style="width: 100%;" type="text"/> | <input style="width: 100%;" type="text"/> | <input style="width: 100%;" type="text"/> |   |
| 6. To approve the re-election of Patrick McKenna as a non-executive director ( <i>ordinary resolution</i> )  | <input style="width: 100%;" type="text"/> | <input style="width: 100%;" type="text"/> | <input style="width: 100%;" type="text"/> |   |
| 7. To approve the Company's authority to make market purchases of G Ordinary Shares ( <i>special resolution</i> )  | <input style="width: 100%;" type="text"/> | <input style="width: 100%;" type="text"/> | <input style="width: 100%;" type="text"/> |   |
| 8. To approve the Company's authority to make market purchases of H Ordinary Shares ( <i>special resolution</i> )  | <input style="width: 100%;" type="text"/> | <input style="width: 100%;" type="text"/> | <input style="width: 100%;" type="text"/> |   |
| 9. To approve the re-appointment of Grant Thornton UK LLP as auditor to the Company ( <i>ordinary resolution</i> )   | <input style="width: 100%;" type="text"/> | <input style="width: 100%;" type="text"/> | <input style="width: 100%;" type="text"/> |   |
| 10. To approve the Directors' authority to agree the remuneration of Grant Thornton UK LLP ( <i>ordinary resolution</i> )  | <input style="width: 100%;" type="text"/> | <input style="width: 100%;" type="text"/> | <input style="width: 100%;" type="text"/> |   |

|                        |  |       |  |   |
|------------------------|--|-------|--|---|
| Shareholder signature: | <input style="width: 95%;" type="text"/> | Date: | <input style="width: 95%;" type="text"/> | 3 |
|------------------------|--|-------|--|---|

#### NOTES

- 1 You may appoint one or more proxies to attend, speak and vote at the meeting 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 appoint more than one proxy, (an) additional proxy form(s) may be obtained by photocopying this form or contacting the Company Secretary of the Company on 0207 319 4000. Please indicate next to the proxy holder's name the number of securities in relation to which they are authorised to act as your proxy. All multiple forms must be signed and returned in the same envelope.
- 2 Please indicate above how you wish your votes to be cast in respect of each resolution by placing an "X" (or entering the number of Shares which you are entitled to vote) in the appropriate box. If no indication is given, your proxy may vote or withhold their votes at his or her discretion and you authorise your proxy to vote or withhold their vote as he or she sees fit in relation to any other matter which is properly put before the meeting. A vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes for and against each resolution.  
**This Proxy Form will only be used in the event of a poll being directed or demanded.**
- 3 In the case of joint holders, the signature of one holder will be accepted but the names of all joint holders should be given. 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 Shareholders in respect of the joint holding (the first-named being the most senior). In the case of a corporation, this proxy should be either given under the corporation's common seal or signed for and on its behalf by a duly authorised officer or attorney of the corporation.
- 4 Further information, including details of how to change or revoke your proxy appointment can be found in the notes to the Notice of meeting.

Upon completing this Proxy Form, please sign and return it to the Company's registrars, SLC Registrars, 42-50 Hersham Road, Walton-on-Thames, Surrey, KT12 1RZ or electronically at [ingenious@davidvenus.com](mailto:ingenious@davidvenus.com). This Proxy Form must be received by SLC Registrars by no later than 48 hours (excluding weekends and public holidays) before the time appointed for holding the meeting together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority. The completion and return of this Proxy Form will not, however, preclude (a) holder(s) of Shares from attending and voting at the meeting if he/she (they) so wish/wishes and is (are) so entitled.

# INGENIOUS ENTERTAINMENT VCT 1 PLC

## DEFINITIONS

The following definitions apply throughout these Annual Report and Accounts unless the context otherwise requires:

### **Act or Companies Act**

Companies Act 2006.

### **AGM**

The annual general meeting of the Company which is to be held on 7 June 2017 as convened by the Notice.

### **Annual Report and Accounts**

These Annual Report and Accounts of the Company for the year ending 31 December 2016.

### **Articles**

The Company's articles of association.

### **Board**

The Company's board of directors from time to time.

### **Code**

The UK Corporate Governance Code 2014 (being the version applicable to the Annual Report and Accounts for the year ending 31 December 2016).

### **Company**

Ingenious Entertainment VCT 1 plc.

### **Director(s)**

Directors of the Company from time to time.

### **FRS**

Financial Reporting Standard.

### **ITA**

Income Tax Act 2007.

### **Ingenious or Ingenious Group**

Ingenious Media Holdings Plc, Ingenious Capital Management Holdings Limited and Ingenious Asset Management Group Limited and their subsidiary companies from time to time.

### **Ingenious Entertainment VCTs or the VCTs**

Ingenious Entertainment VCT 1 plc and Ingenious Entertainment VCT 2 plc.

### **Ingenious Ventures**

Ingenious Ventures is a trading division of Ingenious Capital Management Limited (with effect from 6 April 2012).

### **Investee Company or Investee Companies**

A company in which the VCT has invested.

### **Listing Rules**

Listing Rules of the UK Listing Authority.

### **LSE**

The London Stock Exchange.

### **Manager**

Ingenious Ventures.

### **Notice**

The notice convening the AGM and which can be found on pages 54 to 59.

### **Offer**

The Company's offers to the public under the relevant Prospectus to subscribe for relevant class of Shares at an issue price as specified in the Prospectus launched on various dates.

### **Prospectus**

The relevant prospectus published by the Company in connection with the relevant Offer.

### **PwC**

PricewaterhouseCoopers LLP.

### **Qualifying Company or Qualifying Companies**

A company satisfying the requirements of Chapter 4 of Part 6 of the ITA.

### **Qualifying Investment**

An investment by a VCT in a Qualifying Company.

### **Share(s)**

D Shares of 1 pence each in the share capital of the Company.  
E Shares of 1 pence each in the share capital of the Company.  
F Shares of 1 pence each in the share capital of the Company.  
G Shares of 1 pence each in the share capital of the Company.  
H Shares of 1 pence each in the share capital of the Company.

### **Shareholder or Shareholders**

Holder or holders of Shares.

### **VCT**

A company approved by HMRC as a venture capital trust under section 274 of the ITA.

In these Annual Report and Accounts (and unless the context otherwise requires), a reference to a time of day is to the time of day in London and a reference to a page is to a page of these Annual Report and Accounts.