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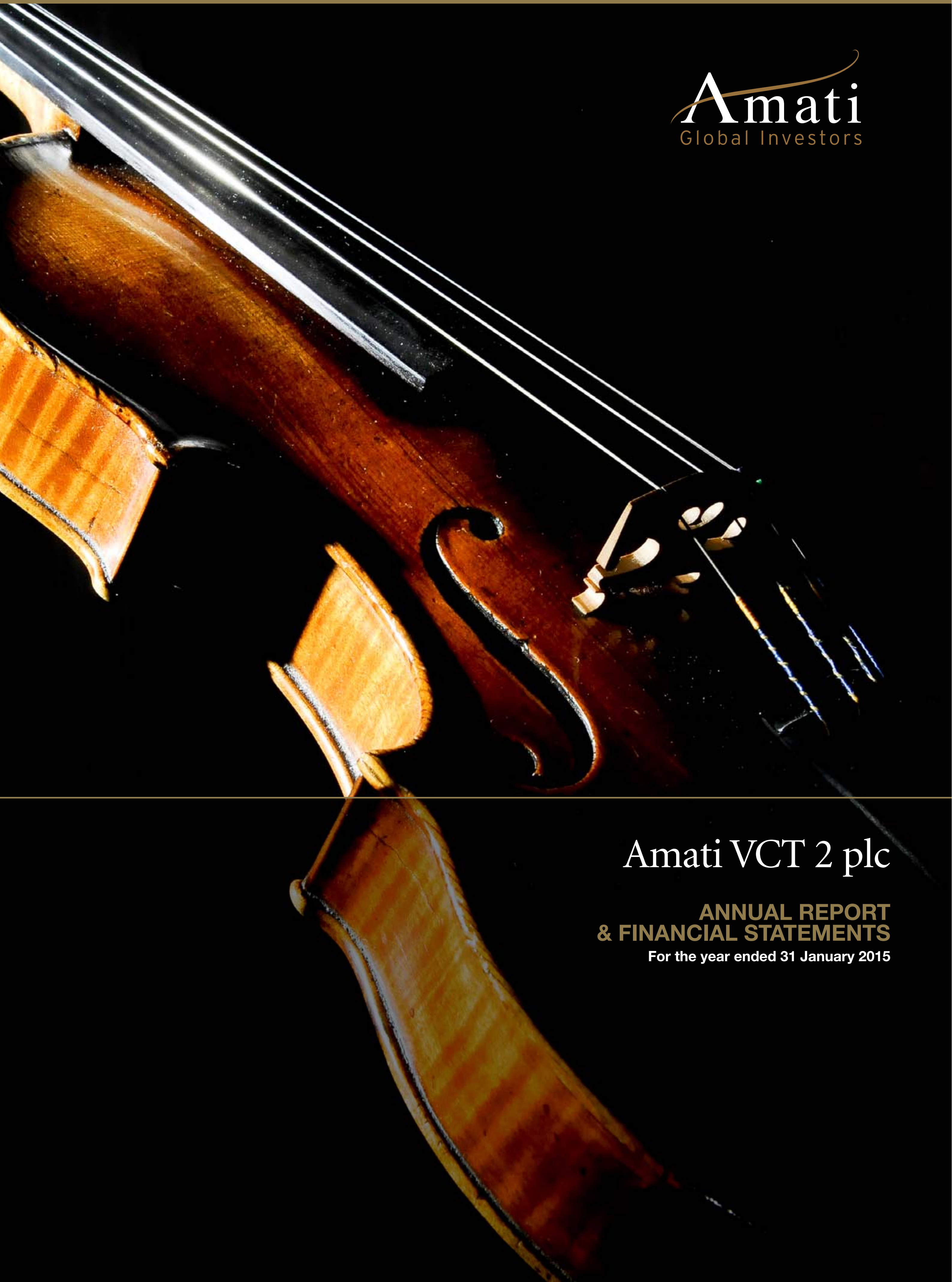
Amati
Global Investors



Amati VCT 2 plc

ANNUAL REPORT & FINANCIAL STATEMENTS

For the year ended 31 January 2015

Contents

If you have sold or otherwise transferred all of your shares in Amati VCT 2 plc, please forward this document and the accompanying form of proxy as soon as possible to the purchaser or transferee, or the stockbroker, bank or other agent through whom the sale or transfer was, or is being, effected, for delivery to the purchaser or transferee.

Overview

Highlights

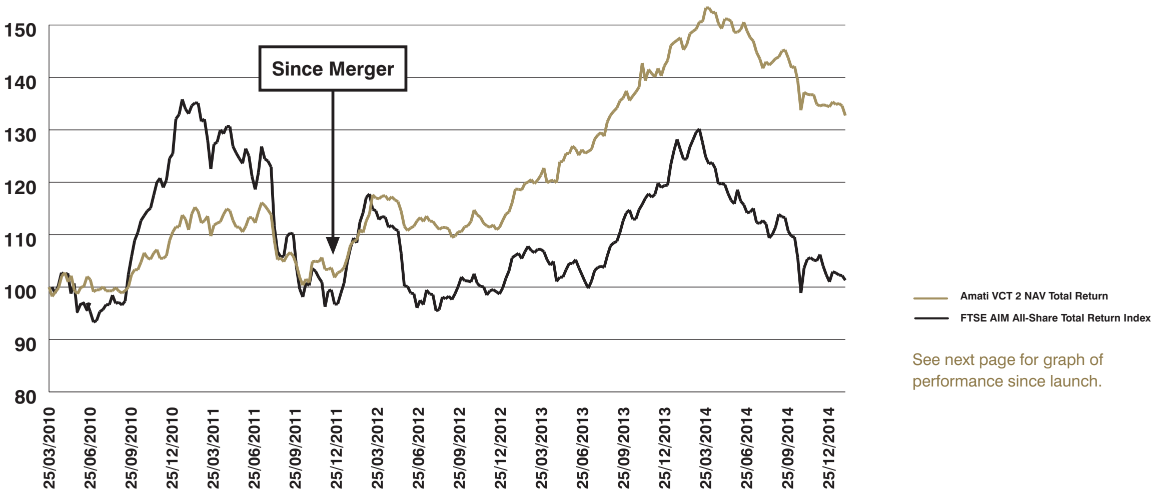
- NAV Total Return for the year was -8.6% which compares to -18.6% for the FTSE AIM All-Share Total Return Index.
- Proposed final dividend of 3.5p per share bringing the total declared in respect of the year to 6.25p per share which is 5.9% of year end NAV.
- The Offer for Subscription launched jointly with Amati VCT plc on 7 February 2014 has been extended to 10 July 2015. £3.8m raised by the Company to date.
- £4.3m invested in qualifying holdings during the year.

Table of investor returns to 31 January 2015

From	Date	NAV Total Return with dividends reinvested	FTSE AIM All-Share Total Return Index
Re-launch as Amati VCT 2 following merger	9 November 2011*	26.5%	-2.6%
Appointment of Amati Global Investors ("Amati") as Manager of Amati VCT 2, which was known as ViCTory VCT at the time	25 March 2010	32.7%	1.3%

*Date of the share capital reconstruction when the NAV was rebased to approximately 100p per share.

Amati VCT 2 NAV Total Return and FTSE AIM All-Share Total Return Index from change of Manager on 25 March 2010 to 31 January 2015



See next page for graph of performance since launch.

Key data

	31/01/15	31/01/14
Net Asset Value ("NAV")	£30.6m	£34.5m
Shares in issue	28,670,817	27,893,328
NAV per share	106.8p	123.7p
Bid price	102.5p	118.0p
Mid price	102.8p	118.3p
Market capitalisation	£29.5m	£33.0m
Share price discount to NAV	3.7%	4.4%

	31/01/15	31/01/14
NAV Total Return for the year (assuming re-invested dividends)	-8.6%	22.6%
FTSE AIM All-Share Total Return Index	-18.6%	18.0%
Ongoing charges*	2.6%	2.7%
Dividends proposed/declared in respect of the year	6.25p	6.75p

* Ongoing charges calculated in accordance with the Association of Investment Companies' ("AIC's") guidance.

Overview
(continued)

Dividends declared and recommended since the re-launch following the merger

Year ended 31 January	Total dividends per share p	Cumulative dividends per share p
2011	4.74	4.74
2012	5.50	10.24
2013	6.00	16.24
2014	6.75	22.99
2015	6.25	29.24

Corporate objective

The objective of Amati VCT 2 plc (the "Company") is to provide shareholders with an attractive and competitive investment return from a portfolio of companies whose shares are primarily traded on the Alternative Investment Market ("AIM"). The Manager's continuing objective is to manage the current portfolio so as to maximise returns for investors for the qualifying period and beyond.

Historic performance

Amati VCT 2 NAV Total Return assuming re-invested dividends and FTSE AIM All-Share Total Return Index:

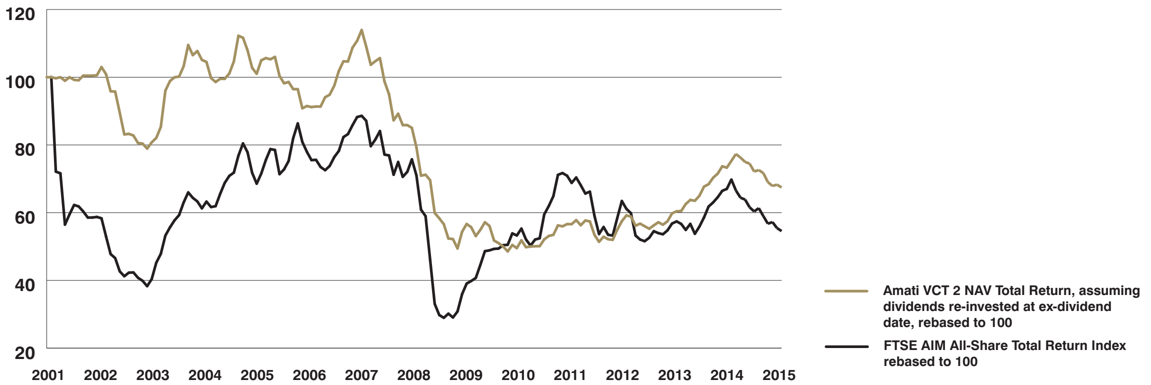


Table of Historic Returns from launch to 31 January 2015 attributable to shares issued by VCTs which have been merged into Amati VCT 2

	Launch date	Merger date	NAV Total Return with dividends re-invested	FTSE AIM All-Share Total Return Index
Singer & Friedlander AIM 3 VCT ('C' shares)	4 April 2005	8 December 2005	-26.6%	-29.7%
Invesco Perpetual AiM VCT	30 July 2004	8 November 2011	-35.0%	-11.5%
Amati VCT 2 (originally Singer & Friedlander AIM 3 VCT*)	29 January 2001	n/a	-33.0%	-45.4%
Singer & Friedlander AIM 2 VCT	29 February 2000	22 February 2006	-48.7%	-71.1%
Singer & Friedlander AIM VCT	28 September 1998	22 February 2006	-65.0%	-6.4%

* Singer & Friedlander AIM 3 VCT changed its name to ViCTory VCT on 22 February 2006 and to Amati VCT 2 on 8 November 2011.

Chairman's Statement

The purpose of this report is to inform shareholders and help them to assess how the directors have performed in their duty to promote the success of the Company. This report has been prepared by the directors in accordance with the requirements of Section 414A of the Companies Act 2006.

Overview

After two years of strong performance, the twelve months under review have been more difficult for the AIM market, and smaller companies have in general underperformed the larger cap stocks. Indeed, since the period end the FTSE 100 has hit all time highs, while AIM has stubbornly remained some way below its post dotcom boom peak reached in April 2006. Larger cap income stocks have become the current stock market favourites, despite a general lack of earnings growth, and those companies, particularly at the smaller end, that fail to meet expectations, have suffered steep share price falls. Against this background, while it is disappointing to report a fall in NAV, we can take some comfort for again having outperformed our benchmark index.

It was, however, an active period for new VCT qualifying equity issuance, especially in the early part of the year. There was a strong pipeline of fundraising opportunities and the Company made qualifying investments in thirteen companies during the year, of which nine were in companies new to the portfolio, and four were follow-on investments. In total £4.3m was committed to these qualifying investments.

Investment Performance and Dividend

The Company experienced an 8.6% decline in NAV Total Return (taking into account the 6.75p of dividends paid during the year), whilst the FTSE AIM All-Share Total Return Index (the "AIM All-Share Index") fell by 18.6% during the period. The Company's performance was due to a number of factors, some specific to individual companies, whilst others were related either to general profit taking in the best performing stocks of the prior year, or, in a few cases, to the sharply declining oil price towards the end of 2014 (which impacted those portfolio companies that supply products and services to the oil industry). On the positive side, many of the newer investments in the portfolio, Quixant and Frontier Developments being good examples, have performed strongly and look well placed to make further progress. Further detail is given in the Fund Manager's Review.

The dividend policy of the Company is to pay interim and final dividends totaling between five and six percent of year-end net asset value, subject to the availability of liquidity and sufficient distributable reserves. At 31 January 2015 the net asset value was 106.8p. In line with this policy the Board is recommending a final dividend of 3.50p per share, to be paid on 24 July 2015 to shareholders on the register on 19 June 2015. The interim dividend paid on 7 November 2014 was 2.75p per share.

Other Corporate Developments

The Company continues to offer new shares to subscribers through a Joint Top Up Offer together with Amati VCT, which has been extended to remain open until 10 July 2015, and to a total raise of £9.5 million from £7 million. So far a total of £7.6 million has been raised under this offer, of which £3.8 million was for Amati VCT 2.

In December, with shareholder consent, the Company amended its non-qualifying investment policy to permit investment in the TB Amati UK Smaller Companies Fund. This will allow the Company to access a broader portfolio of investments in small and mid-sized businesses, and should give a greater diversification to the non-qualifying portfolio. It will also mean that the Company will always have exposure to the Manager's best small company investment ideas, albeit at lower weightings than they would if they were held as stand-alone holdings. The Company will receive a full rebate on the fees payable to the Manager within this fund. At the period end £1.6 million, being 5.1% of the net assets of the Company, were invested in this fund.

VCT Legislation

The VCT legislation continues to evolve. As reported with the interim results, the 2014 Budget introduced measures to prevent investors claiming upfront income tax relief for a VCT subscription where the investor has disposed of shares in the same VCT within six months (before or after the subscription). Shares bought via the Dividend Re-investment Scheme however are exempt.

The Budget in March this year introduced some further amendments to the VCT legislation most of which are specifically aimed at allowing the scheme to be approved under the European State Aid regulations. These include some new restrictions on what constitutes a qualifying investment. In particular a new £15m lifetime limit has been imposed as being the maximum that a company can raise from tax advantaged funds (£20m for "knowledge-intensive" businesses), and a company age limit of 12 years at the time of initial investment (or twelve years since the last tax- advantaged investment was made) has been introduced. The Manager doesn't expect that either of these rules will make a huge impact on the range of investments that are available, although there will be some effect. A new overall test has also been introduced that qualifying investments must be for the purpose of achieving business growth, which the Board and Manager welcome wholeheartedly.

A good deal of new financial legislation has been appearing from Europe too, some of which has had, or will have, an impact on VCTs. As a result of the Alternative Investment Fund Management Directive ("AIFMD") the Company has been obliged to register itself as an Alternative Investment Manager.

Outlook

With a general election due in the UK in less than a month, and the result too close to call, the continuing political uncertainty is likely to lead to a more volatile investment climate, particularly for smaller companies. However, in spite of the relatively disappointing recent performance of the AIM market, the Company has within its portfolio investee companies which the Board believes will deliver good performance over the medium term and we therefore remain positive about the Company's prospects.

Annual General Meeting

Following the positive feedback received after last year's AGM and the events alongside it, the AGM will again be held at the Guildhall School of Music and Drama, starting at 2.30pm on Thursday 25 June 2015 at Rehearsal Room 1, Milton Court, Guildhall School of Music and Drama, Silk Street, Barbican, London, EC2Y 9BH (the entrance is on the corner of Milton Street and Silk Street). This will be followed by further events and presentations, including the second Amati Guildhall Creative Entrepreneurs Award, to which shareholders are invited, details of which are being sent to you with this report. Please RSVP to rachel.lederf@amatiglobal.com if you would like to attend. I do hope that as many shareholders as possible will be able to join us.

Julian Avery
Chairman

17 April 2015

For questions relating to applications for new shares please contact City Partnership on 0131 243 7210 or by email at info@city.uk.com. For any other matters please contact Amati Global Investors ("Amati") on 0131 503 9115 or by email at vct-enquiries@amatiglobal.com. Amati maintains an informative website for the Company – www.amatiglobal.com - on which monthly investment updates, performance information, and past company reports can be found.

Fund Manager's Review

Market review

The year under review saw some painful geopolitical developments, including the spread of the Ebola virus in west Africa; the territorial gains of the so-called Islamic State of Iraq and Syria (ISIS); and President Putin's annexation of Crimea and destabilisation of the Ukraine, which opens up memories of the Cold War. In economics the most prominent feature was the dramatic fall in the oil price in the second half of the year. Weakening demand, the US shale boom and OPEC's reluctance to cut production saw Brent crude plummet in value, in what some saw as a long-overdue redress of a structural imbalance between supply and demand.

Against this backdrop, economic data demonstrated the continued recovery of the UK and US economies, which stood out from the other regions with a blend of low interest rates, subdued inflation, falling unemployment and wage growth. Whilst this translated into a strong performance for US stock markets, the UK indices disappointed. Some of this can be blamed on the weightings of basic resources and oil stocks in the UK stock market. These sectors, which together comprise 18.9% of the FTSE All-Share by market value, suffered against a backdrop of falling oil and other commodity prices. However there is also the sense that, after the strong gains of 2012 and 2013, equity valuations had become demanding and a pause for breath was required to allow earnings to catch up.

The most notable month for stock markets came in October, when a broad sell-off was precipitated by a combination of factors. The spread of the Ebola crisis, US-led airstrikes in Syria, Hong Kong protests and fears of an earlier than expected rise in US interest rates all conspired to send markets lower. However, as central bankers began to make clear that the absence of inflationary pressures would delay any anticipated rises in rates, a sharp rebound was seen before the end of the month.

After two years of outperformance relative to large cap stocks, small caps underperformed in 2014. Premium-rated growth, interest-rate sensitive and commodity stocks suffered the biggest losses. The greatest underperformance amongst the smaller cap indices was in AIM, which suffered from the sell-off of highly-rated growth companies; a savage devaluation of oil and gas and mining companies (which together represent 13.5% of the AIM All-Share Index by value), especially those engaged in exploration and those deemed to be under-funded for their future plans; and stock-specific issues in some of AIM's largest constituents, which had a noteworthy bearing on the performance of the index as a whole.

Performance

After two years of strong performance from the Company, and the broader small cap market, absolute performance in the year was disappointing. The year to 31 January 2015 witnessed a decline of 8.6% in the NAV Total Return of the Company. The decline in NAV Total Return can be partly explained by a broad de-rating of small cap stocks evidenced in the performance of the AIM All Share Index, which declined by 18.6%. However, there were some specific detractors from performance in the portfolio, especially amongst some of the larger positions, which we outline below.

Despite the overall negative performance, there were notable positive contributors to the portfolio over the year. The most significant of these was **Frontier Developments** ("Frontier"), a video games developer that the Company originally backed as a pre-IPO investment (where a company raises a private round of finance prior to an anticipated Initial Public Offering, or 'IPO') in 2013 and which subsequently floated on AIM. Frontier gained a further 14% in a year that culminated in the successful launch of its long awaited game *Elite:Dangerous*, which is a massively multi-player online tactical game set in a reasonably accurate reproduction of the known stars of the Milky Way (of which there are over 400 billion). This title is Frontier's first foray into self-publishing since CEO David Braben launched the original Elite game in 1984. The game has already sold enough copies to more than repay all of its development costs, and has won numerous awards, including a BAFTA Fellowship for David Braben. The intention is that this game will be continuously extended for many years to come. During 2015 it will be released on different platforms, firstly Apple Mac computers, and then the XBox One. More recently Frontier has announced the development of a second franchise to be self-published to be called Coaster Park Tycoon.

Solid State was the strongest share price performer in the portfolio, rising by 161% over the year. It was a smaller holding than Frontier, however. Solid State designs, manufactures and supplies components to the electronics industry and announced a contract win to supply the Ministry of Justice with electronic tags for criminal offenders. This contract alone is expected to translate into orders of £34 million over a three year period, a tremendous win for a company with a market capitalisation of £62 million.

Quixant, the designer of technology for 'pay-to-play' gaming machines, experienced a share price rise of 34%, sustaining its progress from the previous year. It continued to deliver on its growth plan laid out at its 2013 IPO and underpinned the investment base by announcing a new contract with its most significant customer, as well as a deal with another Tier 1 gaming machine supplier.

Tristel shares advanced 67% over the period, driven by regular upgrades to its anticipated profits. Tristel provides an interesting case study on how a business can replace declining legacy products with new innovations. Tristel has undergone a significant

Fund Manager's Review
(continued)

restructuring over the past two years as demand for its traditional products – chlorine dioxide chemistry for the disinfection of gastro-intestinal endoscopes – began to wane. Fortunately, Tristel's core chemistry remains at the forefront of effective disinfection and management found new areas of hospitals where their products were needed.

Science in Sport ("SIS"), an addition to the portfolio during the year, benefited from a share price rise of 56% as its endurance sports nutrition products continued to prove popular with athletes and its shares gained a following amongst investors. An explanation of the investment case is provided in the 'Transactions' section below.

The contribution from the positive performers, such as those mentioned above, was neutralised by the impact of the negative performers. There were few discernible patterns amongst the underperformers, but rather a variety of issues that were specific to each holding, although more than one position was impacted by the sharp decline in the oil price and 'lengthening sales cycles' was a frequently cited excuse for a failure to meet forecasts. In some cases, such as **Accesso Technology Group** ("Accesso"), underlying trading remains good and the company continued its strong operational progress; in other cases, the security price decline was matched by underlying issues in the business, such as with **MyCelx Technologies** ("MyCelx") and **China Food Company**, the two most significant detractors from performance.

MyCelx supplies its water filtration systems to customers in the oil industry, mostly to downstream facility operators. The initial sale is a substantial capital outlay for the customer; thereafter, MyCelx enjoys repeat consumable revenues (the filtration media that sits inside the capital equipment). Once the equipment has been installed, and assuming the plant remains operational, MyCelx will benefit from recurring sales. However, some big projects that are in the company's order books were delayed at the end of 2014, causing pressure on a stretched balance sheet, and forcing the company to raise further capital at a distressed price. The consequent share price impact was a fall of 74%.

Synectics, the designer and supplier of surveillance and security systems, was arguably another victim of the oil price. The shares fell 76% over the course of the year, with the company warning of contract delays, especially in its oil and gas end markets. This followed an earlier caution that investment in product development and operating capacity would negatively impact earnings guidance.

China Food Company, the manufacturer of a range of own-brand soya sauce and other condiments as well as animal feeds, was an addition to the portfolio in 2010, when the Company participated in a convertible loan stock issue. An ill-fated venture into premium soya sauce in 2011 left the company in a desperate situation when it failed to turn significant marketing spend into revenues. The original redemption date for the loan was 2012, however, this was extended in order to give the company some breathing space to sell its operating companies to fund the repayment of the loan. We have recently appointed an Observer to the company to assist us in appraising our options and to help the company find and transact with potential buyers. Progress has been slow and we impaired our valuation of the loan over the course of the year to reflect this. The loan is now held at an 84% discount to the total sum owed (including accrued interest). The carrying value also represents a significant discount to the net asset value of the company, which, despite its trading difficulties, retains an attractive and state of the art soya sauce manufacturing facility. Our hope is that this asset is sufficiently attractive to persuade a buyer to pay a price which will return some value to the loan stock holders, who rank only behind senior bank debt in the capital structure of the group.

Ubisense Group ("Ubisense"), like **Accesso Technology Group** ("Accesso")**,** is a business that is making good operational progress; however, unlike Accesso, Ubisense is not translating this into profit growth. Ubisense Group provides real time location intelligence systems, in the main to automotive manufacturers. Many of the largest automotive OEMs have installed Ubisense Group systems in at least one of their factories, providing a very positive endorsement of the technology. However, Ubisense Group is keen to expand its product set and its geographic coverage and it was investment in product development and a strategic push into US and Asian markets that weighed on near term earnings and saw the shares decline by 57% in the year under review.

Accesso, as alluded to above, did little to disappoint on the trading front, but saw its shares recede 19%. Accesso was the greatest contributor to performance during the prior year to January 2014 and, arguably, its price had run ahead of itself. The shares are now trading at a valuation which represents better value and we expect Accesso to make further progress in the sale of its queue management, ticketing and point of sale solutions to theme parks and ski resorts.

Transactions

Qualifying portfolio

The year under review witnessed large volumes of primary issuance by small companies, which raised money through IPOs and secondary placings (where companies that are already listed raise further funds) as well as pre-IPO rounds. At Amati, we received 91 VCT qualifying investment opportunities and participated in 14 investments in 13 companies. The table below outlines the split of opportunities and ultimate investments by category:

	Secondary Placing	IPO	Pre-IPO
Investment opportunities recorded	39	35	17
Investments concluded	8	3	3

With the exception of two transactions – **Ideagen** and **Rame Energy**, which were both additions to existing investments by the Company – all were completed during the first half of the year.

The secondary fund raisings on AIM in which the VCT participated included **SIS**, the UK's leading provider of dietary supplements to athletes, which undertook a placing to raise working capital for expansion into new product ranges. SIS has built up a big following amongst professional and amateur athletes with its range of energy bars, gels, and drinks. The majority of SIS's products are manufactured in its own facility in Lancashire, an attribute which allows them to guarantee the highest levels of compliance with regulations on banned substances. SIS is capitalising on the surge in interest in cycling, running, triathlon and other endurance events. **Crawshaw Group** ("Crawshaw"), a chain of value-for-money butcher shops in Yorkshire, Lincolnshire, Derbyshire and Humberside, raised new money to continue its ambitious roll-out strategy, which is targeting 200 stores within 8 years (from the current estate of 22). Crawshaw is competing effectively with supermarkets on price and quality and through appealing to consumer preferences for buying meat from traditional butchers. **Mirada** is a developer of user-interface software for TV set-top boxes, which completed a fund raising to continue product development for its overseas markets, which are currently focussed on South America. The TV industry in South America is undergoing a refresh of its technology and Mirada has secured a contract from the largest cable TV operator on the continent for its newest product. The Company also acquired a position in **Futura Medical** ("Futura")**,** the sexual health products business, as part of a capital raise. Futura has made the transition from drug development to commercial sales, both through licensing agreements with big healthcare distributors, and direct through its Blue Diamond brand. An investment was made in **Ilika**, a materials science spin-out from Southampton University, which is making significant advances in the fabrication of the world's first solid state battery that can be manufactured as a continuous stack. The need for new battery technologies is clear, and solid-state batteries represent a major advance on existing products. The company hopes to be in a position to licence its technology for micro-batteries next year, and to move progressively towards larger, more powerful battery types. A follow-on investment was completed in **Ideagen**, the software provider focused on governance, risk and compliance ('GRC') solutions. Ideagen raised £17.5m in order to acquire Gael Limited, a GRC software competitor supplying the healthcare, manufacturing and aviation industries. This acquisition enhances Ideagen's risk proposition, gives it access to new industries and offers cross-selling opportunities. A small additional investment was made in **Fox Marble Holdings**, the Kosovo-based marble entity, which raised funds to acquire and develop additional quarry sites. Finally, a follow-on loan was completed in **Rame Energy** ("Rame"), which the Company had backed earlier in the year with a convertible loan as part of its IPO fundraising (detailed below).

The first IPO in which the VCT invested was **Rosslyn Data Technologies** ("Rosslyn"), which was a pre-existing holding in the Company, having taken part in a pre-IPO round in 2013. Rossyln's technology gives organisations the ability to turn vast amounts of unstructured data into meaningful information. Rosslyn's business model is driven by the requirement for more data driven decision making. The Company made the original pre-IPO investment via a prior-ranking preference share class, which converted to ordinary shares on IPO. The Company also participated in the IPO of Rame, an energy consultancy and power generation business. Rame raised finance in order to fund its first asset in Chile, a 15MW wind project. Rame has signed a framework agreement with Santander Investment Chile for a further four Chilean wind projects and has recently moved into solar energy with the signing of its first power purchase agreement in this area. The Company's first investment in RAME took the form of equity and a convertible loan; the second investment is a loan with warrants to subscribe for shares. The final IPO in which the company participated was **FairFX Group** ("FairFX"), a provider of pre-paid foreign currency debit cards, which listed on AIM to raise capital for its customer acquisition strategy, targeting both corporate and individual customers. FairFX cuts out the middle man by using its peer-to-peer payments platform to match currency buyers and sellers at more competitive rates than traditional foreign exchange bureaus, credit cards and banks.

The first of the pre-IPO additions during the year was a convertible loan and equity investment into **DXI**, a telecoms software business. DXI has developed a cloud-based telephony system that allows businesses to set-up scalable internal call centres quickly and cost-effectively by doing away with the need for complex and expansive hardware solutions. As well as these advantages, a software-based system like DXI Cloud provides customers with valuable business intelligence and other analytics tools. As part of this investment, we exercised our right to board representation. Smaller equity positions were also taken in two earlier-stage companies – **MirriAd** and **Nujira**. MirriAd has developed a technology platform that allows product placements to be seamlessly integrated into existing video content across multiple formats. Nujira is a leader in the field of 'Envelope Tracking', a technology that increases energy efficiency in mobile phone handsets, thereby improving battery life. Whilst both companies are at the early stages of revenue generation and at the higher risk end of our investment spectrum, the potential upside was, in both cases, deemed sufficiently attractive to justify some portfolio exposure.

The activity in new qualifying investments afforded the flexibility to exit several positions, including **Judges Scientific**, the acquisition vehicle focused on small, UK scientific instrumentation businesses; **Cello Group**, the advertising and marketing services company; and **Cohort**, the defence consultancy and technology solutions provider. We also reduced some holdings following strong performance, such as **Anpario**, **AB Dynamics**, **Frontier**, **Tasty** and **TLA Worldwide**, although all remain core positions in the qualifying portfolio.

Non-qualifying portfolio

The most significant change in the composition of the portfolio was the introduction of the **TB Amati UK Smaller Companies Fund** ("SMCO") as a component of the non-qualifying portfolio. SMCO is a small and mid cap fund managed by Amati, with a mandate to invest in UK companies outside the FTSE 100. Traditionally, the non-qualifying portfolio of the Company contained a basket of the companies that were also held in SMCO. With the move to include SMCO as a large position, and thereby expose the Company to around 60 small and mid cap companies, the majority of the direct non-qualifying holdings were sold. However, many of the disposals in the non-qualifying portfolio pre-dated the decision to buy SMCO. For example, **Crest Nicholson Holdings**, the house builder, was sold owing to concerns over the potential impact of UK political uncertainty in the lead up to the next General Election. **AVEVA Group**, the software provider to the power, oil and gas, and marine markets, was exited due to the anticipated downturn in spending on large infrastructure and oil and gas projects. **Rightmove**, the property portal, was sold owing to increasing competition from Zoopla, which floated in 2014, and Agents Mutual, the estate agency consortium which launched its own 'On the Market' property-finding tool. An attractive profit was crystallised on the sale of **Boohoo.com**, the online fashion retailer for 16-24 year olds, which floated earlier in the year. The other exits were **Amerisur Resources**, the South American oil and gas explorer, which was sold in anticipation of oil price vulnerability; **London Capital Group Holdings**, the online trading platform; **Regenersis**, the mobile phone decommissioning and refurbishing specialist; and **Cineworld Group**, the UK cinema chain.

Outlook

The global economic outlook for 2015 is a mixed picture with strong positive momentum in the US juxtaposing with slower growth in China and Japan's continued struggles to revive its key activity indicators. In the Eurozone, the market's enthusiastic response to quantitative easing has given way to worries that any economic recovery will be undermined by political issues.

In the UK, most economists are pointing to an attractive combination of conditions that see it set fair for solid growth in 2015. The pattern of low interest rates, low inflation, rising wages and falling unemployment appears set to continue into the year ahead. However, the strong stock market gains of 2012 and 2013 against a muted economic picture, and the weak stock market performance of 2014 against a stronger background, provide a reminder of the frequent de-coupling of economic performance and stock market performance. Earnings growth in UK companies will be impacted positively by low energy prices but negatively by relative strength in sterling (the same applies to the US and the dollar). There is also the matter of the General Election. Whilst the UK economy tends to perform well following an election, this could be tested if no party gains an outright majority. If, as some predict, this is the case in 2015, we would expect to see heightened volatility in the markets.

We seek companies with innovative business propositions with high barriers to entry whose fortunes are not heavily linked to the broader economic picture. We remain optimistic about the opportunities available to the companies in the portfolio, which are at many different stages of maturity.

Dr Paul Jourdan,
Douglas Lawson and
David Stevenson

Amati Global Investors

17 April 2015

Amati Global Investors

Dr Paul Jourdan
Founder and CEO Amati Global Investors

Douglas Lawson
Founder and Director, Amati Global Investors

David Stevenson
Fund Manager

Dr Paul Jourdan is an award-winning fund manager, with a strong track record in small cap investment. He co-founded Amati Global Investors following the management buyout of Noble Fund Managers from Noble Group in 2010. He had joined Noble Fund Managers in 2007 as Head of Quoted Equities. He moved to Edinburgh in 1998, joining Stewart Ivory to work on UK, emerging market and global equities. In 2000 Stewart Ivory was taken over by Colonial First State (subsequently First State Investments). From September 2000, Paul became manager of what is now TB Amati UK Smaller Companies Fund, winning several awards, more recently the Growth Company Investors "Small Cap Fund of the Year Award 2011", the "Lipper Best UK Small and Mid-Cap Fund 2012" and FE Alpha Manager 2013. In November 2004 he was appointed Head of UK Equities at First State. In early 2005 he launched the First State Investments AIM VCT plc, which is now called Amati VCT plc.

Prior to 1998 Paul worked as a professional violinist, including a four year period with the City of Birmingham Symphony Orchestra. He currently serves as a director of Sistema Scotland, and also as a Governor of the Royal Conservatoire of Scotland. He also serves as a director of Fox Marble Holdings plc, in which Amati VCT 2 holds an investment.

Douglas Lawson co-founded Amati Global Investors following the management buyout of Noble Fund Managers from Noble Group in January 2010. Prior to this he worked in corporate finance, then private equity, before moving into UK Small Caps. Douglas has managed the TB Amati UK Smaller Companies Fund since 2009, winning several awards and achieving the Citywire AAA rating in April 2012. Douglas started his career at Ernst & Young in London, where he qualified as a Chartered Accountant in 2002. He serves as a director of Amati Global Investors and Polyhedra Group plc, in which Amati VCT 2 holds an investment.

David Stevenson joined Amati Global Investors in February 2012. Prior to this he was a partner with investment boutique Cartesian Capital, which managed a range of retail and institutional UK equity funds in long only and long/short strategies. David co-founded Cartesian Capital in 2005, and saw growth in client assets to a peak of £600m. Previously he was assistant director at SVM, where he also managed equity products including the UK Opportunities small/midcap fund which ranked top decile amongst peers for the period from inception to late 2005. David started his career at KPMG where he qualified as a Chartered Accountant. He latterly specialised in corporate finance, before moving into private equity with Dunedin Fund Managers.

Investment Portfolio
as at 31 January 2015

FTSE Sector	Number of shares	Book cost+ £'000	Valuation £'000	Fund %	% of shares in issue
Ilika plc*@	239,400	144	204	0.7	0.4
MyCelx Technologies Corporation*@	194,470	425	243	0.8	3.2
Oil & Gas		**569**	**447**	**1.5**	
Fox Marble Holdings plc 8% Convertible Loan Note*#@	508,300	508	537	1.8	48.0**
Fox Marble Holdings plc*@	3,313,224	634	580	1.8	2.3
Basic materials		**1,142**	**1,117**	**3.6**	
AB Dynamics plc*@	300,372	259	505	1.7	2.1
Bglobal plc*@	1,134,117	166	-	-	1.1
DX (Group) plc@	242,652	242	220	0.7	0.1
Keywords Studios plc*@	354,467	436	514	1.7	0.8
Microsaic Systems plc*@	1,093,000	402	475	1.6	2.1
Polyhedra Group plc*#@	1,032,711	310	75	0.2	1.2**
Polyhedra Group plc 8% Convertible Unsecured Loan Stock*#@	953,272	953	917	3.0	23.8**
Rame Energy plc*@	782,541	141	67	0.2	0.8
Rame Energy plc Warrants*@	771,689	-	-	-	46.3**
Rame Energy plc 8% Convertible Unsecured Loan Stock 2019*#@	375,620	375	351	1.1	47.0**
Rame Energy plc 8% Unsecured Loan Stock 2015*#@	138,904	139	144	0.5	46.3**
Sabien Technology Group plc†@	1,551,426	375	264	0.9	4.9
Solid State plc*@	100,117	243	746	2.4	1.2
Sportsweb.com*#	58,688	352	317	1.0	11.4
Synectics plc†	136,688	342	184	0.6	0.8
Universe Group plc†@	12,500,970	288	875	2.9	5.7
Water Intelligence plc*@	395,084	170	99	0.3	3.7
Industrials		**5,193**	**5,753**	**18.8**	
China Food Company plc 12.5% Convertible Loan Note#@	624	624	161	0.5	12.9**
Frontier Developments plc*@	515,329	549	1,211	4.0	1.5
Science in Sport plc*@	838,567	378	587	1.9	3.4
Sorbic International plc 10% Convertible Loan Stock#@	276	276	303	1.0	6.4**
Consumer goods		**1,827**	**2,262**	**7.4**	
Allergy Therapeutics plc*	265,455	29	62	0.2	0.1
Anpario plc*@	308,028	271	893	2.9	1.8
Deltex Medical Group plc*@	2,931,000	735	103	0.4	1.4
Futura Medical plc*@	652,792	372	189	0.6	0.7
Tristel plc*@	877,402	439	702	2.3	2.2
Health care		**1,846**	**1,949**	**6.4**	

Strategic Report

FTSE Sector	Number of shares	Book cost+ £'000	Valuation £'000	Fund %	% of shares in issue
Conexion Media Group plc*#	1,080,883	184	3	-	1.4
Crawshaw Group plc*@	877,462	368	334	1.1	1.1
Dods (Group) plc*	2,000,000	596	140	0.5	0.6
Ebiquity plc*	345,500	729	449	1.5	0.5
Eclectic Bar Group plc*@	182,696	292	177	0.6	1.8
Mirada plc*@	2,790,000	349	335	1.1	2.4
Music Festivals plc*#@	59,527	39	-	-	0.4
Music Festivals plc 8% Convertible Loan Note 2016*#@	340,000	333	-	-	11.3**
Prezzo plc*	326,500	37	412	1.3	0.5
Rated People Limited*#@	832	93	70	0.2	0.5
Tasty plc*	461,000	320	599	1.9	1.0
TLA Worldwide plc*@	2,321,709	464	894	2.9	2.3
Consumer services		**3,804**	**3,413**	**11.1**	
Antenova Limited*#	2,181,435	-	50	0.2	3.1
Antenova Limited A Preference Shares*#	1,275,166	100	15	-	3.1
Telecommunications		**100**	**65**	**0.2**	
Assura Group Limited@	1,060,849	462	578	1.9	0.1
Belvoir Lettings plc*@	328,249	293	394	1.3	1.6
Brooks Macdonald Group plc†@	90,100	1,153	1,189	3.9	0.7
Brookwell Limited Redeemable Preference Shares#	205,371	23	-	-	3.8
FairFX Group plc*@	902,289	416	460	1.5	1.3
MartinCo plc*@	140,456	140	138	0.4	1.3
Paragon Entertainment Limited†@	8,431,300	322	190	0.6	4.5
TB Amati UK Smaller Companies Fund@	279,196	1,544	1,552	5.1	10.0
Financials		**4,353**	**4,501**	**14.7**	
Accesso Technology Group plc*@	273,000	273	1,515	4.9	1.3
Celoxica Holdings plc*#	771,250	-	-	-	0.1
DXI Limited*#@	2,048,000	337	246	0.8	1.8
DXI Limited 15% Convertible Loan Notes 2019*#@	337,067	337	429	1.4	48.1**
EU Supply plc†@	1,679,139	380	269	0.9	2.7
GB Group plc†@	538,823	222	840	2.7	0.5
Ideagen plc*@	2,230,362	496	859	2.8	1.4
IDOX plc*@	3,180,142	239	1,177	3.8	1.0
Kalibrate Technologies plc*@	443,094	350	456	1.5	1.3
Mirriad plc*#@	15,447,534	352	77	0.3	1.1
Netcall plc*	611,562	110	425	1.4	0.4
Nujira Limited*#@	162,842	240	240	0.8	0.4

Investment Portfolio
(continued)

FTSE Sector	Number of shares	Book cost+ £'000	Valuation £'000	Fund %	% of shares in issue
Quixant plc†@	835,117	385	1,211	3.9	1.3
Rosslyn Data Technologies plc*@	1,095,940	365	175	0.6	1.5
Software Radio Technology plc*@	1,900,000	579	551	1.8	1.5
TCOM Limited#@	162,842	-	-	-	0.4
TCOM Limited Preference Shares#@	162,842	-	-	-	0.4
Ubisense Group plc*@	309,607	536	325	1.1	1.2
Technology		**5,201**	**8,795**	**28.7**	
Total investments		**24,035**	**28,302**	**92.4**	
Net current assets			**2,324**	**7.6**	
Net assets		**24,035**	**30,626**	**100.0**	

* Qualifying holdings.

† Part qualifying holdings.

\# Unquoted holdings.

@ These investments are also held by other funds managed by Amati.

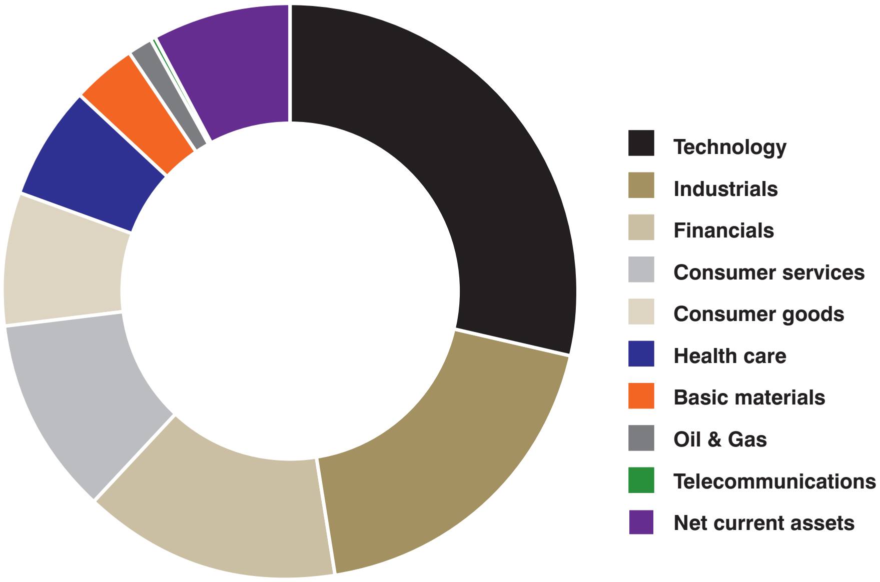
** These figures represent percentage of loan stock or warrants held.

\+ This column shows the book cost to the Company, either as a result of market trades and events, or asset acquisition.

All holdings are in ordinary shares unless otherwise stated.

As at the year end, the percentage of the Company's portfolio held in qualifying holdings for the purposes of Section 274 of the Income and Corporation Taxes Act 2007 is 89.26%.

Fund Exposure by Sector
as at 31 January 2015



FTSE Sector	Fund %
Technology	28.7
Industrials	18.8
Financials	14.7
Consumer services	11.1
Consumer goods	7.4
Health care	6.4
Basic materials	3.6
Oil & Gas	1.5
Telecommunications	0.2
Net current assets	7.6
	100.0

Top Ten Investments
as at 31 January 2015

TB Amati UK Smaller Companies Fund

Sector	Financials	As at 31 January 2015	£ million
Market capitalisation	£15.5m	Profit before tax	n/a
Cost	£1,544,000	Profit after tax	n/a
Valuation	£1,552,000	Net assets	15.5
Valuation basis	Fund NAV		
Income recognised in year	£nil		

The TB Amati UK Smaller Companies Fund (“SMCO”) is an open ended investment company that invests in a diverse range of high quality growth companies. SMCO is managed to comply with the IMA UK Smaller Companies sector classification, which requires that 80% of the portfolio is invested in the bottom 10% by value of listed companies domiciled in the UK, giving a target universe ranging from the Alternative Investment Market ("AIM") to fully listed constituents of the Small Cap and Mid 250 indices. SMCO's benchmark is the Numis Smaller Companies Index (including AIM, excluding investment companies). SMCO has won numerous industry awards, and brings diversification to the non-qualifying element of the portfolio as well as access to the best investment ideas of the UK Equities team at Amati.

Accesso Technology Group plc

Sector	Technology	Year to 31 December 2014	$ million
Market capitalisation	£121.7m	Profit before tax	5.1
Cost	£273,000	Profit after tax	3.8
Valuation	£1,515,000	Net assets	56.9
Valuation basis	Bid price		
Income recognised in year	£nil		

Accesso designs and integrates ticketing and virtual queue systems in amusement parks, water parks and other attractions. The first installation was in 2001 in the Six Flags Over Georgia park near Atlanta and since that the time the company’s products have been used by more than 9 million guests. The virtual queuing system, which is now available in more than 400 visitor attractions worldwide, can be operated through a mobile phone, a handheld device or wristband which is rented at the park. The acquisitions of Siriusware, a leading North American provider of ticketing and point-of-sale (POS) technology, and more recently VisionOne, which provides customisable cloud-based ticketing and distribution software, have enhanced Accesso’s product offering and created opportunities for cross-selling as well as penetration into other leisure and cultural markets.

Frontier Developments plc

Sector	Consumer goods	Year to 31 May 2014	£ million
Market capitalisation	£78.9m	Loss before tax	(1.6)
Cost	£549,000	Loss after tax	(1.8)
Valuation	£1,211,000	Net assets	18.9
Valuation basis	Bid price		
Income recognised in year	£nil		

Frontier Developments is a leading independent video game developer with studios in Cambridge, UK and Halifax, Canada. The company has begun a strategic shift from developing games for major external publishers such as Microsoft and Amazon, towards the development of its own titles. The first of these is *Elite: Dangerous*, the re-launch of a game first developed by CEO David Braben in the 1980s. Development has begun on the group’s second major self-published title - Coaster Park Tycoon. Frontier also uses its proprietary ‘Cobra’ game development technology to create innovative games across video game consoles, computers, smartphones and tablets.

Quixant plc

Sector	Technology	Year to 31 December 2014	$ million
Market capitalisation	£93.7m	Profit before tax	7.1
Cost	£385,000	Profit after tax	6.1
Valuation	£1,211,000	Net assets	20.5
Valuation basis	Bid price		
Income recognised in year	£8,000		

Quixant designs and manufactures advanced PC based computer systems for the pay-for-play gaming and slot machine industry. Based in the UK, Quixant has subsidiary companies in Italy, USA and Taiwan, where its manufacturing and engineering operation is based. Quixant's proprietary hardware and software has been designed to be sufficiently flexible to allow the company to quickly respond to legislation changes in different jurisdictions in this highly regulated industry. Quixant has cemented a new, multi-year contract with its first 'Tier 1' customer, Ainsworth, and has added a second major gaming machine business as a client.

Brooks Macdonald Group plc

Sector	Financials	Year to 30 June 2014	£ million
Market capitalisation	£179.4m	Profit before tax	10.6
Cost	£1,153,000	Profit after tax	9.1
Valuation	£1,189,000	Net assets	67.5
Valuation basis	SETS closing		
Income recognised in year	£30,000		

Brooks Macdonald Group plc is an AIM quoted, integrated, wealth management group. The group consists of six principal companies: Brooks Macdonald Asset Management Limited, a discretionary asset management business; Brooks Macdonald Funds Limited, a fund management business; Brooks Macdonald Financial Consulting Limited, a financial advisory and employee benefits consultancy; Brooks Macdonald Asset Management (International) Ltd, a Jersey and Guernsey based provider of discretionary investment management and stockbroking; Brooks Macdonald Retirement Services (International) Ltd, a retirement planning services provider; and Braemar Estates (Residential) Limited, a specialist property management company. With assets under management of £6.95 billion, Brooks Macdonald has been a beneficiary of the changing regulatory landscape following the Retail Distribution Review ("RDR"), which is driving consolidation in the industry.

IDOX plc

Sector	Technology	Year to 31 October 2014	£ million
Market capitalisation	£131.9m	Profit before tax	7.6
Cost	£239,000	Profit after tax	5.8
Valuation	£1,177,000	Net assets	48.6
Valuation basis	Bid price		
Income recognised in year	£26,000		

IDOX is a leading provider of software and services to the UK public sector. It is a leading applications provider to local government for core functions relating to land, people and property, for example planning systems and election management software. Over 90% of UK local authorities are customers of IDOX. The group's products enable local authorities to manage information, knowledge, documents and content. The acquisition of McLaren Software, which provides engineering document management applications to the oil and gas, mining, utilities, pharmaceuticals and transport sectors, was one of a series of acquisitions, which together created the company's Engineering Information Management (EIM) division.

Fox Marble Holdings plc

Sector	Basic materials	Year to 31 December 2013	€ million
Market capitalisation	£26.2m	Loss before tax	(2.6)
Cost	£1,142,000	Loss after tax	(2.6)
Valuation	£1,117,000	Net assets	6.8
Valuation basis	Bid price (ord shares) Discounted cash flow/ Black Scholes (convertible loan)		
Income recognised in year	£17,000		

Fox Marble is a decorative stone extraction company operating in Kosovo and Southeast Europe, with headquarters in the United Kingdom. The company has four quarries in operation in areas with world-class marble reserves which are largely unexploited. During the period Fox Marble signed several distribution agreements and undertook a successful placing to fund the acquisition of a quarry in Macedonia to extract the highly prized white Sivec marble. A new processing facility in Kosovo is near completion and will enable the quarried marble to be manufactured into commercial product.

Polyhedra Group plc

Sector	Industrials	Year to 31 December 2013	€ million
Market capitalisation	£6.2m	Loss before tax	(1.3)
Cost	£1,263,000	Loss after tax	(2.0)
Valuation	£992,000	Net assets	(1.6)
Valuation basis	Earnings/EBITDA multiple (ord shares) Discounted cash flow/ Black Scholes (convertible loan)	Polyhedra Group is an unquoted company. The shares have full voting, dividend distribution and capital distribution (including on winding up) rights attached to them; they do not confer any rights of redemption. Amati VCT 2 holds 1.2% of the voting rights of Polyhedra Group.	
Income recognised in year	£76,000		

Polyhedra is an unquoted company which provides the pharmaceutical supply chain with the collection, audit and safe disposal of expired and recalled prescription drugs. Polyhedra operates in an increasingly regulated industry with high barriers to entry, and is a leader in the compliance with stringent EU directives on the secure disposal of pharmaceutical products.

TLA Worldwide plc

Sector	Consumer services	Year to 31 December 2013	$ million
Market capitalisation	£47.2m	Profit before tax	0.1
Cost	£464,000	Profit after tax	1.0
Valuation	£894,000	Net assets	35.1
Valuation basis	Bid price		
Income recognised in year	£20,000		

TLA Worldwide is an athlete representation and sports marketing business, with a primary focus on the sport of baseball. Its baseball division is the largest player agency by client number, negotiating more than $2bn in player contracts since 2004. TLA has begun to diversify into other sports such as golf and soccer, as well as related areas such as talent marketing, media rights, broadcasting and coaching.

Anpario plc

Sector	Health care	Year to 31 December 2014	£ million
Market capitalisation	£57.8m	Profit before tax	3.3
Cost	£271,000	Profit after tax	3.2
Valuation	£893,000	Net assets	22.7
Valuation basis	Bid price		
Income recognised in year	£13,000		

Anpario plc is a leader in the manufacturing and marketing of high performance natural feed additives for global agricultural and aquaculture markets with products which improve the health and output of animals, thereby increasing profits for the farmer. The company is positioned to benefit from the trends in growth of the world's population, the increasing demand for meat and fish protein in developing countries and the tightening of global regulation which favours more natural feed additive solutions. Anpario's strong global brands, which include Kiotechagil, Meriden and Optivite, trade in over 70 countries using a combination of distributors, joint ventures and wholly owned subsidiaries backed up by a centralised manufacturing and research and development centre based in the United Kingdom.

Objectives and Key Policies

Investment Policy

Investment Objective

The Investment objectives of the Company are to generate tax free capital gains and income on investors' funds through investment primarily in AIM-traded companies whilst mitigating risk appropriately within the framework of the structural requirements imposed on all VCTs.

Risk Diversification

Portfolio risk will be mitigated through appropriate diversification of holdings within the relevant portfolio. As at 31 January 2015 the Company held investments in 61 companies.

The Manager may use exchanged-traded or over-the-counter derivatives with a view to reducing overall market risk in the portfolio as a whole. The Manager shall only seek to hedge a limited amount of market risk and shall always be covered by the assets of the portfolio. The use of derivatives is on a strictly controlled basis only and is part of a total risk mitigation exercise, not a separate investment policy. The Company's overriding investment principle in relation to the use of derivatives is to seek to reduce any potential capital loss in the equity portions of the Qualifying and Non-Qualifying Investment portfolios in a falling market. The Manager has not used exchange-traded or over-the-counter derivatives at this stage.

Asset Allocation

The Manager intends that by the date from which all funds raised are required to meet the VCT qualifying rules, the Company's investment profile (as defined by the valuation methodology set out in sections 278-9 of the Income Tax Act 2007 in which assets are valued on the basis of last purchase price rather than by market price) will be approximately:

(i) Between 70% and 85% in Qualifying Investments, whether equity or non-equity securities in (a) companies traded on AIM or on ISDX, or (b) companies likely to seek a quotation on AIM or on ISDX within a 24 month period, or (c) likely to be the subject of a trade sale within a 24 month period.

(ii) Between 0% and 30% in Non-Qualifying investments in small and mid-sized companies where such companies are either (a) quoted in London (b) likely to seek a quotation in London within a 24 month period, or (c) likely to be the subject of a trade sale within a 24 month period. Investments may also include derivative instruments.

(iii) Between 0% and 30% in cash or cash equivalents (including money market funds) or government or investment grade bonds.

Consistent with the conditions for eligibility as an investment company under the Companies Act 2006, any holdings by the Company in shares or other securities in a company will not represent more than 15% by value of the Company's investments.

While Qualifying investments are being sourced, the assets of the portfolio which are not in Qualifying companies will be actively invested by the Manager in a combination of the above (always ensuring that no more than 15% of the Company's funds are invested in any one entity).

As described above, the Manager will also have the facility to seek to reduce market risk from the equity portfolio held by the Company through the use of derivatives. The derivatives used will either be traded on an over-the-counter market or will be exchange-traded. They will be in highly liquid markets bearing a reasonable level of correlation to the FTSE AIM All-Share Total Return Index, ensuring that the value is normally transparent, and enabling positions to be closed rapidly when needed.

Strategy for Achieving Objectives

Qualifying Investments Strategy

The construction of the portfolio of Qualifying Investments is driven by the availability of suitable opportunities. The Manager may co-invest in companies in which other funds managed by Amati Global Investors invest, in accordance with the Qualifying Investments strategy.

The ability of VCTs to mitigate market risk is restricted by the requirement to maintain a minimum of 70% of their assets (as defined by the methodology set out in sections 278-9 of the Income Tax Act 2007) in Qualifying Investments after an initial three year period. A VCT s ability to invest and mitigate risk is therefore restricted in three important respects:

(i) Qualifying Companies are likely to be small, liable to be highly illiquid and their prospects can improve or deteriorate very rapidly. The liquidity risk itself cannot be adequately diversified, because larger, more liquid stocks cannot be purchased in the qualifying portion of a VCT s portfolio.

(ii) Qualifying Investments have to be purchased as opportunities arise. This is a long-term process, the pace of which cannot be determined solely by the Manager.

(iii) VCTs are less able to respond readily to the changing risk environment in the market as a whole because the ability to sell Qualifying Investments may be dependent on the opportunity to replace that holding with another Qualifying Investment, and an appropriate opportunity may not be available at the right time.

The Company seeks to address these issues through the Non-Qualifying Investment strategy set out in the section below. In addition the Company benefits from an existing Qualifying Investment portfolio of some maturity, in which, due to strong performance, the most successful companies have tended to become the largest holdings. This mature portfolio serves to mitigate the risks for subscribers for New Ordinary Shares, as new Qualifying Investments purchased with the proceeds of subscriptions will sit alongside well established ones.

Non-Qualifying Investments Strategy

While Qualifying Investments are being sourced, the assets of the portfolio which are not in Qualifying Companies will be actively invested by the Manager in a combination of the following (though ensuring that no more than 15% of the Company's funds are invested in any one entity):

(i) direct equity and non-equity investments in small and mid-sized companies quoted in London, or likely to seek a quotation in London or to be sold within a 24 month period;

(ii) investment in the TB Amati UK Smaller Companies Fund;

(iii) government or investment grade corporate bonds; and

(iv) money market funds.

The Manager seeks to adjust the non-qualifying portfolio to reflect the nature of Qualifying Investments as they are purchased, such that the portfolio remains well balanced and diversified. If the Manager holds a negative outlook on the equity markets then funds may be invested in cash or bonds as outlined above, and, in addition, the Manager may seek to reduce market risk in the equity portfolio with the use of suitable derivative instruments. Asset allocation between these categories will remain flexible.

In relation to the use of derivatives, the directors and the Manager believe that their use under the controlled and prudent parameters which have been put in place in relation to the Company helps to reduce the total risk facing investors in relation to their investments. The Company has not made use of derivative investments to date.

The use of derivatives will not prevent the Company from losing money overall in a falling market. However, insofar as derivatives are used, the Manager's objective will be partially to reduce losses and also to provide cash for investment at moments when the market is weak. The Company will only enter into such transactions for the purposes of efficient portfolio management in line with conventional practice.

Strict internal guidelines on the use of derivatives have been put in place by the Manager. Additionally, such derivatives as are used are required to offer both good liquidity and, in the Manager's opinion, reasonable correlation to the AIM market. Your attention is drawn to the risk factors relating to the use of derivatives set out on page 18 of this document.

The Manager is under no obligation to use any one of these approaches and provides no guarantee that market risk management will be in place during a falling market. The use of any or all of these instruments will reflect the Manager's view of the market risks which may be taken at any time.

Borrowing Policy

The Company may, within the limits set out in its Articles of Association, utilise borrowings to provide flexibility in its investment and dividend policies. The Articles allow the Company to borrow up to an amount equal to its adjusted capital and reserves (as defined in the Articles). The Board will restrict the borrowings of the Company to an amount which will not, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to 25% of the adjusted capital and reserves. The Company currently does not have any borrowings.

Key Performance Indicators

The Board expects the Manager to deliver a performance which meets the objective of the Company. A review of the Company's performance during the financial year, the position of the Company at the year end and the outlook for the coming year is contained in the Chairman's Statement and Fund Manager's Review. The Board monitors on a regular basis a number of key performance indicators which are typical for VCTs, the main ones being:

> Net asset value and total return to shareholders (the aggregate of net asset value and cumulative dividends paid to shareholders, assuming dividends re-invested at ex-dividend date). See graphs on pages 1 and 2.

> Dividend distributions. See table of investor returns on page 2.

> Share price. See key data on page 1.

> Ongoing charges ratio. See key data on page 1.

> Compliance with HMRC VCT regulations to maintain the Company's VCT Status. See page 21.

Fund Management and Key Contracts

Management Agreement

Amati Global Investors was appointed as Manager to the Company on 22 March 2010. Under an Investment Management and Administration Agreement ("IMA") dated 22 March 2010 the Manager has agreed to manage the investments and other assets of the Company on a discretionary basis subject to the overall policy of the directors. The Company will pay to the Manager under the terms of the IMA a fee of 1.75% of the net asset value of the Company in arrears. In November 2014, with shareholder consent, the Company amended its non-qualifying investment policy to permit investment in the TB Amati UK Smaller Companies Fund a small and mid cap fund managed by the Manager. The Company will receive a full rebate on the fees payable to the Manager within this fund either through a reduction of fees payable by the Company or a direct payment by the Manager.

Annual running costs are capped at 3.5% of the Company's net assets, any excess being met by the Manager by way of a reduction in future management fees. The annual running costs include the directors' and Manager's fees, professional fees and the costs incurred by the Company in the ordinary course of its business (but excluding any commissions paid by the Company in relation to any offers for subscription, any performance fee payable to the Manager, irrecoverable VAT and exceptional costs, including winding-up costs). Please refer to Note 3 on page 42 for details of the performance fee arrangement.

Administration Arrangements

Under the IMA, the Manager has also agreed to provide secretarial and administration services for the Company. The Manager has engaged The City Partnership (UK) Limited to act as company secretary and Capita Asset Services to act as fund administrator. The fee payable to the Manager for the year ended 31 January 2015 is £74,598; this fee is paid annually in arrears and is subject to an annual increase in line with the retail prices index.

The appointment of the Manager as investment manager and/or administrator and company secretary may be terminated on one year's notice.

Fund Manager's Engagement

The Board regularly appraises the performance and effectiveness of the managerial and secretarial arrangements of the Company. As part of this process, the Board will consider the arrangements for the provision of investment management and other services to the Company on an ongoing basis and a formal review is conducted annually. In the opinion of the Board, the continuing appointment of the Manager, on the terms agreed, is in the interests of the shareholders. The directors are satisfied that the Manager will continue to manage the Company in a way which will enable the Company to achieve its objectives.

VCT Status Adviser

In January 2015 the Company appointed Robertson Hare LLP ("Robertson Hare") to advise it on compliance with VCT requirements. Robertson Hare reviews new investment opportunities, as appropriate, and reviews regularly the investment portfolio of the Company. Robertson Hare works closely with the Manager but reports directly to the Board.

Other Matters

VCT REGULATION

The Company's investment policy is designed to ensure that it meets the requirements of HM Revenue & Customs to qualify and to maintain approval as a VCT. HM Revenue & Customs VCT regulations state that the Company must, within three years of raising funds, maintain at least 70% by VCT value of its investments in shares or securities comprised in qualifying holdings, of which at least 70% by VCT value must be ordinary shares which carry no preferential rights (for funds raised prior to April 2011 at least 30% by VCT value must be in ordinary shares which carry no preferential rights). In addition, it may not invest more than 15% of its investments in a single company and it must have at least 10% by VCT value of its total investments in any qualifying company in qualifying shares approved by HM Revenue & Customs. To be classed as a VCT qualifying holding, companies in which investments are made must have no more than £15 million of gross assets at the time of investment (or £8 million if the funds being invested were raised after 5 April 2006) and £16m after investment (or £8m after 5 April 2006), they must also be carrying on a qualifying trade and satisfy a number of other tests. In addition there is a requirement that a VCT may not invest new capital in a company which has raised in excess of £5 million from all sources of state-aided capital within the prior 12 month period, regardless of whether this investment is qualifying or non-qualifying.

Prior to making any qualifying investment the Manager requests HMRC VCT clearance letters from investee companies and takes advice from Robertson Hare to ensure the documentation regarding the investment does not contravene the qualifying status of the investment. The Manager monitors compliance with VCT qualifying rules on a day to day basis through a combination of automated and manual compliance checks in place within the business. Robertson Hare also review the portfolio bi-annually to ensure the Manager has complied with regulations and have reported to the Board that the VCT has met the necessary requirements during the year.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board considers that the Company faces the following major risks and uncertainties:

Investment Risk

A substantial portion of the Company's investments are in small AIM traded companies as well as some unquoted companies. By their nature these investments involve a higher degree of risk than investment in larger fully listed companies. These companies tend to have limited product lines and niche markets. They can be reliant on a few key individuals. They can be dependent on securing further financing. In addition, the liquidity of these shares can be low and the share prices volatile.

To reduce the risk, the Board places reliance upon the skills and expertise of the Manager and its strong track record for investing in this segment of the market. Investments are actively and regularly monitored by the Manager and the Board receives detailed reports on the portfolio in addition to the Manager's report at regular Board meetings. The Manager also seeks to limit these risks through building a highly diversified portfolio with companies in different sectors and markets at different stages of development.

Venture Capital Trust Approval Risk

The current approval as a venture capital trust allows investors to take advantage of income tax reliefs on initial investment and ongoing tax-free capital gains and dividend income. Failure to meet the qualifying requirements could result in investors losing the income tax relief on initial investment and loss of tax relief on any tax-free income or capital gains received. In addition, failure to meet the qualifying requirements could result in a loss of listing of the shares.

To reduce this risk, the Board has appointed the Manager which has significant experience in venture capital trust management, and is used to operating within the requirements of the venture capital trust legislation. In addition, to provide further formal reassurance, the Board has appointed Robertson Hare as taxation adviser to the Company. Robertson Hare reports every six months to the Board to confirm independently compliance with the venture capital legislation, to highlight areas of risk and to inform on changes in legislation.

Compliance Risk

The Company is listed on the London Stock Exchange and is required to comply with the rules of the UK Listing Authority, as well as with the Companies Acts, Financial Reporting Standards and other legislation. Failure to comply with these regulations could result in a delisting of the Company's shares, or other penalties under the Companies Acts or from financial reporting oversight bodies.

In July 2013 the Alternative Investment Fund Directive ("AIFMD") was implemented, a European directive affecting the regulation of VCTs. Amati VCT 2 has been entered in the register of small registered UK AIFMs on the Financial Services register at the Financial Conduct Authority ("FCA"). As a registered firm there are a number of regulatory obligations and reporting requirements which must be met in order to maintain its status as an AIFM.

Board members and the Manager have considerable experience of operating at senior levels within quoted businesses. In addition, the Board and the Manager receive regular updates on new regulation from the auditor, lawyers and other professional bodies.

Internal Control Risk

Failures in key controls within the Board or within the Manager's business could put assets of the Company at risk or result in reduced or inaccurate information being passed to the Board or to shareholders.

The Board seeks to mitigate the internal control risk by setting policy, regular reviews of performance, enforcement of contractual obligations and monitoring progress and compliance. Details of the Company's internal controls are on pages 28 and 29.

Financial Risk

By its nature, as a venture capital trust, the Company is exposed to market price risk, credit risk, liquidity risk and interest rate risk. The Company's policies for managing these risks are outlined in full in notes 22 to 25 to the financial statements on pages 50 to 52.

The Company is financed through equity.

Liquidity Risk

The Company's investments may be difficult to realise. As a closed-ended vehicle the Company does have the long-term funding appropriate to making investments in illiquid companies. However, if the underlying investee companies run into difficulties then their shares can become illiquid for protracted periods of time. In these circumstances the Manager would work with the investee company and its advisors to seek appropriate solutions.

Market Risk

Investment in AIM-traded, ISDX-traded and unquoted companies, by its nature, involves a higher degree of risk than investment in companies on the main market. In particular, smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals. At times of adverse market sentiment the shares of small companies can become very difficult to sell, and values can fall rapidly. The Company's closed-end structure is important in this regard, in that it is less likely to become a forced seller at such points. The Company's investment policy also allows the Manager to invest in much larger more liquid companies through non-qualifying holdings. These can provide liquidity in times of market adversity.

Economic Risk

Events such as economic recession, not only in the UK, but also in the core markets relevant to our investee companies, together with a movement in interest rates can affect investor sentiment towards liquidity risk, and hence have a negative impact on the valuation of smaller companies. The Manager seeks to mitigate this risk by seeking to adopt a suitable investment style for the current point in the business cycle, and to diversify the exposure to geographic end markets.

Reputational Risk

Inadequate or failed controls might result in breaches of regulations or loss of shareholder trust. The Manager operates a robust risk management system which is reviewed regularly to ensure the controls in place are effective in reducing or eliminating risks to the Company. Details of the Company's internal controls are on pages 28 and 29.

Operational Risk

Failure of the Manager's, or other contracted third parties', accounting systems or disruption to their businesses might lead to an inability to provide accurate reporting and monitoring or loss to shareholders. The Manager regularly reviews the performance of third party suppliers at monthly management meetings and quarterly Board meetings of the Manager.

OTHER DISCLOSURES

The Company had no employees during the year and has 4 non-executive directors, all of which are male. The Company, being an externally managed investment company with no employees, has no policies in relation to environmental matters, social, community and human rights issues. In respect of the Bribery Act the Manager believes there are no reasons or circumstances which could be foreseen in which any of the third party service providers might fall foul of the Bribery Act, the Manager has detailed procedures in place covering the giving, receiving, authorising and recording of gifts and hospitality by staff of the Manager.

On behalf of the Board

Julian Avery
Chairman

17 April 2015

Board of Directors

Julian Avery is Chairman of the Company. He is a solicitor and was chief executive of Wellington Underwriting plc until September 2004. He was a non-executive director of Aspen Insurance Holdings Limited until May 2007 and chairman of Equity Insurance Group until its acquisition by the Australian insurance group, IAG in January 2007. He was a non-executive director of Warner Estate Holdings plc and Charles Taylor plc. He was also previously a senior adviser to Fenchurch Advisory Partners. He is a Trustee of the Butler Trust and president of St. Michael's Hospice, Hastings.

Mike Killingley is a former non-executive chairman of a number of AIM and listed companies, including Beale plc, Southern Vectis plc, Conder Environmental plc and Advanced Technology (UK) plc, and a former non-executive director of AIM-quoted Falkland Islands Holdings plc. He was a senior partner with KPMG, chartered accountants, from 1988 until retiring from the firm in 1998; he is Chairman of the audit committee of the Company.

Christopher Macdonald is chief executive officer of Brooks Macdonald Group plc, a private client fund management group. He is also a director of Brooks Macdonald Asset Management Limited, Brooks Macdonald Financial Consulting Limited, Brooks Macdonald Asset Management (Tunbridge Wells) Limited, Brooks Macdonald Funds Limited, Brooks Macdonald Nominees Limited, Brooks Macdonald Asset Management (International) Limited and Braemar Group Limited. The Company holds shares in Brooks Macdonald Group plc.

Christopher Moorsom is a director of the Royal Welsh College of Music and Drama. He was chairman of the Bath Building Society, managing director of Albert E Sharp, and was chairman of Gerrard Investment Funds. He was a director of Weston Area NHS Trust, Northern Races Limited and Chepstow and Bath Racecourses. He is a member of the Securities Institute. He is the Senior Independent Director of the Company.

Directors' Report

Directors

The directors of the Company during the year under review were Julian Avery, Mike Killingley, Christopher Macdonald and Christopher Moorsom.

Share Capital

There were 28,670,817 ordinary shares in issue at the year end. Since the year end, 1,504,537 shares have been issued under the Top Up Offer, please refer to Note 20 on page 48 for further details.

During the year 969,834 shares in the Company were bought back for an aggregate consideration of £1.1m at an average price of 116.0p per share. All of the shares were cancelled after purchase. The purpose of the share buybacks was to satisfy demand from those shareholders who sought to sell their shares during the period, given that there is a very limited secondary market for shares in Venture Capital Trusts generally. It remains the Board's policy to buy back shares in the market, subject to the overall constraint that such purchases are in the Company's interest including the maintenance of sufficient resources for investment in new and existing investee companies and the continued payment of dividends to shareholders.

During the year 1,747,323 shares in the Company were allotted at an average price of 128.0p per share raising £2.2m net of issue costs.

The rights and obligations attached to the Company's ordinary shares are set out in the Company's Articles of Association, copies of which can be obtained from Companies House. The Company has one class of share, ordinary shares, which carry no right to fixed income. The holders of ordinary shares are entitled to receive dividends when declared, to receive the Company's report and accounts, to attend and speak at general meetings, to appoint proxies and to exercise voting rights. There are no restrictions on the voting rights attaching to the Company's shares or the transfer of securities in the Company.

At a general meeting of the Company held on 7 March 2013 the following resolution was passed:

Authority to Allot Shares

The directors were authorised pursuant to Section 551 of the Companies Act 2006 to allot relevant securities up to a maximum aggregate nominal value of £1,250,000. This authority expires on 7 March 2018.

Substantial Shareholdings

At the year end and at the date of this report there was no individual shareholding exceeding 3% of the issued ordinary share capital.

Auditor

A resolution to re-appoint BDO LLP as auditor will be proposed at the forthcoming Annual General Meeting.

Global Greenhouse Gas Emissions

The Company has no direct greenhouse gas emissions to report from its operations, being an externally managed investment company.

Going Concern

In accordance with FRC Guidance for directors on going concern and liquidity risk the directors have assessed the prospects of the Company for the foreseeable future and are of the opinion that, at the time of approving the financial statements, the Company has adequate resources to continue in business. In reaching this conclusion the directors took into account the nature of the Company's business and Investment Policy, its risk management policies, the diversification of its portfolio, the cash holdings and the liquidity of non-qualifying investments. The Company's business activities, together with the factors likely to affect its future development, performance and position including the financial risks the Company is exposed to are set out in the Strategic Report on pages 21 to 22. As a consequence, the directors have a reasonable expectation that the Company has sufficient cash and liquid investments to continue to operate and that together with funds raised after the end of the financial year under the new offer the Company is well placed to manage its business risks successfully and meet its liabilities as they fall due. Thus the directors believe it is appropriate to continue to apply the going concern basis in preparing the financial statements.

Accountability and Audit

The independent auditor's report is set out on pages 34 to 36 of this report. The directors who were in office on the date of approval of these Annual Report and Financial Statements have confirmed that, as far as they were aware, there is no relevant audit information of which the auditor is unaware. Each of the directors has taken all the steps they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Financial Instruments

The Company's financial instruments comprise equity and fixed interest investments, cash balances and liquid resources including debtors and creditors. Further details, including details about risk management, are set out in the Strategic Report and in Note 21 on pages 48 to 50.

Future Developments

Significant events which have occurred after the year end are detailed in Note 20 on page 48. Future developments which could affect the Company are discussed in the outlook sections of the Chairman's Statement and Fund Manager's Review.

Annual General Meeting

The Annual General Meeting will be held at Rehearsal Room 1, Milton Court, Guildhall School of Music & Drama, Silk Street, Barbican, London, EC2Y 9BH on Thursday 25 June 2015 at 2.30pm. The notice of meeting is set out on pages 55 and 56 of this Annual Report and a proxy form is included. The following denotes the business to take place:

Ordinary Resolutions

Resolution 1: Approval of the Annual Report

Shareholders will be asked to receive the directors' report and financial statements for the financial year ended 31 January 2015, together with the independent auditor's report thereon.

Resolution 2: Approval of the Directors' Remuneration Report

Under The Large and Medium Sized Companies and Groups (Accounts and Reports) (Amendments) Regulations 2013, the Company is required to produce a Directors' Annual Report on Remuneration and to seek shareholder approval for that report at the Annual General Meeting. The Directors' Annual Report on Remuneration is on pages 31 to 33 of the Annual Report and Financial Statements.

Resolution 3: Approval of a final dividend of 3.50p per share

Shareholders will be asked to approve a final dividend of 3.50p per share payable on 24 July 2015 to shareholders on the register at 19 June 2015.

Resolutions 4 and 5: Re-appointment of auditor

These resolutions provide for the re-appointment of BDO LLP as auditor to the Company to hold office from the conclusion of the Annual General Meeting until the conclusion of the next annual general meeting at which accounts are laid before the Company and to authorise the directors to fix the auditor's remuneration.

Resolution 6: Re-election of Julian Avery

Julian Avery will retire and being eligible offers himself for re-election

Resolution 7: Re-election of Mike Killingley

Mike Killingley will retire and being eligible offers himself for re-election.

Resolution 8: Re-election of Christopher Macdonald

Christopher Macdonald will retire and being eligible offers himself for re-election.

Resolution 9: Re-election of Christopher Moorsom

Christopher Moorsom will retire and being eligible offers himself for re-election.

Special Resolutions

Resolution 10: Renewal of authority for directors to disapply pre-emption rights in respect of their authority to allot shares

Shareholders will be asked to renew the directors' authority to disapply pre-emption rights in respect of their authority to allot unissued ordinary shares of the Company up to an aggregate nominal amount of £1,250,000.

If the directors wish to allot any of the unissued ordinary shares for cash they must, in the first instance, offer them to existing shareholders in proportion to their shareholding. There may be occasions when the directors will need the flexibility to finance business opportunities by issue of ordinary shares without a pre-emptive offer to existing shareholders. This authority will expire on the earlier of the date of the next annual general meeting of the Company in 2016 and the date which is 15 months after the date on which this resolution is passed.

Resolution 11: Renewal of authority for the Company to purchase its own shares

The directors are aware that there is an illiquid market in the Company's shares. The directors therefore consider that the Company should have the ability to make market purchases of its ordinary shares in the market for cancellation. A special resolution will be proposed at the Annual General Meeting seeking authority for the Company to purchase up to 14.99% of the issued share capital as at the date of the Annual General Meeting. This authority will expire on the earlier of the date of the Company's annual general meeting to be held in 2016 and the date which is 15 months after the date on which this resolution is passed. It is the directors' intention to seek to renew this general authority annually, and more frequently if required.

On behalf of the Board

Julian Avery
Chairman

17 April 2015

Statement of Corporate Governance

Background

The Board of Amati VCT 2 plc has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out the UK Corporate Governance Code (the "Code"), as well as setting out additional principles and recommendations on issues which are of specific relevance to the Company. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Code), will provide better information to shareholders.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the Code except as set out below.

The Code includes provisions relating to:

> the role of the chief executive
> executive directors' remuneration
> the need for an internal audit function

For the reasons set out in the AIC Guide, and in the preamble to the Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

Board of Directors

The Company has a Board of four directors, all of whom are considered independent non-executive directors under the AIC Code. Christopher Moorsom is the Senior Independent Director.

Directors' retirement and re-election are subject to the Articles of Association and the AIC Code. All directors are subject to re-election by shareholders at the first opportunity after their appointment and to further re-election thereafter at three year intervals but in accordance with corporate governance best practice, the Board has resolved that all directors will stand for re-election on an annual basis. As all directors have acted in the interests of the Company throughout the period of their appointment and demonstrated commitment to their roles the Board recommends they be re-elected at the Annual General Meeting.

The Company may by ordinary resolution appoint any person who is willing to act as a director, either to fill a vacancy or as an additional director. No director has a contract of service with the Company. All of the directors have been provided with letters of appointment which are available for inspection by shareholders immediately before and after the Company's Annual General Meeting.

Directors are provided with key information on the Company's activities including regulatory and statutory requirements and internal controls by the Manager. The Manager, in the absence of explicit instructions from the Board, is empowered to exercise discretion in the use of the Company's voting rights. All shareholdings are voted, where practical, in accordance with the Manager's own corporate governance policy, which is to seek to maximise shareholder value by constructive use of votes at company meetings and by endeavouring to use its influence as an investor with a principled approach to corporate governance. The Board has direct access to secretarial advice and compliance services through the company secretary, who is responsible for ensuring that Board procedures are followed and applicable procedures complied with.

All directors are able to take independent professional advice in furtherance of their duties if necessary. In accordance with the AIC Code, the Company has in place directors' and officers' liability insurance. On appointment any new director will be given a comprehensive introduction to the Company's business including meeting the Company's key advisers.

When directors have concerns that cannot be resolved about the running of the Company or a proposed action, they are asked to ensure that their concerns are recorded in a Board minute. On resignation, a director who has any such concerns is encouraged to provide a written statement to the Chairman, for circulation to the Board.

The Board is responsible to shareholders for the proper management of the Company and meets at least quarterly. The AIC Code states that the Board should have a formal schedule of matters specifically reserved to it for decision, to ensure that it has firm direction and control of the Company. This is achieved by a management agreement between the Company and the Manager, which sets out the matters over which the Manager has authority and the limits above which Board approval must be sought. All other matters including strategy, investment and dividend policies, gearing and corporate governance proceedings are reserved for the approval of the Board of directors. All the directors are equally responsible for the proper conduct of the Company's affairs. In addition, the directors are responsible for ensuring that the policies and operations are in the best interests of all the Company's shareholders and that the best interests of creditors and suppliers to the Company are properly considered. The chairman and the company secretary establish the agenda for each Board meeting. The necessary papers for each meeting are distributed well in advance of each meeting ensuring all directors receive accurate, timely and clear information.

Independence of Directors

The Board regularly reviews the independence of each director and of the Board as a whole in accordance with the guidelines in the AIC Code. The Company has an investment in Brooks Macdonald Group, of which Christopher Macdonald is chief executive officer. The Board has concluded that the independence of Christopher Macdonald is not compromised by this relationship. Directors' interests are noted at the start of each Board meeting and any director would not participate in the discussion concerning any investment in which he had an interest. The Board does not consider that length of service will necessarily compromise the independence or effectiveness of directors and no limit has been placed on the overall length of service. The Board consider that such continuity and experience can be of significant benefit to the Company and its shareholders. The Board believes that each director has demonstrated that he is independent in character and judgment and there are no relationships or circumstances which could affect their objectivity.

Board Performance

The Board carried out a performance evaluation of the Board, committees and individual directors led by the senior independent director in the year. Due to the size of the Company, the fact that all directors are independent non-executive and the costs involved, external facilitators are not used in evaluation of the Board. The directors concluded that the balance of skills is appropriate and all directors contribute fully to discussion in an open, constructive and objective way. The size and composition of the Board and its committees is considered adequate for the effective governance of the Company. The biographies of the directors demonstrate the wide range of investment, commercial and professional experience that they contribute.

Board Committees

Copies of the terms of reference of the Company's audit committee are available from the company secretary and can be found on Amati's website: www.amatiglobal.com.

Report of the Audit Committee

The audit committee comprises Mike Killingley (chairman), Christopher Macdonald and Christopher Moorsom. Julian Avery is not a member of the audit committee; however he is invited to attend the audit committee meetings by the chairman of the audit committee. The terms of reference of the audit committee are available from the company secretary and are also available from the Company's website www.amatiglobal.com/avct2.php.

The audit committee met twice this year and the audit committee chairman also held private discussions with the external auditor without the Manager. After each meeting, the chairman reports to the Board on the matters discussed, on recommendations and on actions to be taken.

During the year ended 31 January 2015 the audit committee discharged its responsibilities by:

- reviewing all financial statements released by the Company (including the annual and half-yearly report and interim management statements);
- reviewing the Company's accounting policies;
- monitoring the effectiveness of the system of internal controls and risk management;
- approving the external auditor's plan and fees;
- receiving a report from the external auditors following their detailed audit work, and discussing key issues arising from that work; and
- reviewing its' own terms of reference.

The audit committee carried out a robust assessment of the principal risks facing the Company and concluded that the key areas of risk which threaten the business model, future performance, solvency or liquidity of the Company are:

- compliance with HM Revenue & Customs to maintain the Company's VCT status; and
- valuation of unquoted investments.

These matters are monitored regularly by the Manager, and reviewed by the Board at every Board meeting. They were also discussed with the Manager and the auditor at the audit committee meeting held to discuss the annual financial statements.

The committee concluded:

VCT status – the Manager confirmed to the audit committee that the conditions for maintaining the Company's status had been complied with throughout the year. The Company's VCT status is also reviewed by the Company's tax adviser, Robertson Hare, and Robertson Hare's reports are always presented to and reviewed at the Board meeting immediately following their receipt.

Valuation of unquoted investments – the Manager confirmed to the audit committee that the basis of valuation for unquoted companies was consistent with the prior year and in accordance with published industry guidelines, taking account of the latest available information about investee companies and current market data. A comprehensive report on the valuation of unquoted investments is presented and discussed at every Board meeting; directors are also consulted about material changes to those valuations between Board meetings.

The Manager and auditor confirmed to the audit committee that they were not aware of any material unadjusted misstatements. Having reviewed the reports received from the Manager, the audit committee is satisfied that the key areas of risk and judgement have been properly addressed in the financial statements and that the significant assumptions used in determining the value of assets and liabilities have been properly appraised and are sufficiently robust.

The audit committee has managed the relationship with the external auditor and assessed the effectiveness of the audit process. When assessing the effectiveness of the process for the year under review the Committee considered the auditor's technical knowledge and that they have a clear understanding of the business of the Company; that the audit team is appropriately resourced; that the auditor provided a clear explanation of the scope and strategy of the audit and that the auditor maintained independence and objectivity. As part of the review of auditor effectiveness and independence, BDO LLP has confirmed that it is independent of the Company and has complied with applicable auditing standards. BDO LLP do not provide any non-audit services to the Company and the audit committee must approve the appointment of the external auditor for any non-audit services. BDO LLP and prior to their merger PKF (UK) LLP has held office as auditor for a total of 4 years; in accordance with professional guidelines the engagement partner is rotated after at most five years, and the current partner started working with the Company in 2014.

Following the review as noted above the audit committee is satisfied with the performance of BDO LLP and recommends the services of BDO LLP to the shareholders in view both of that performance and the firm's extensive experience in auditing Venture Capital Trusts.

Nomination and Remuneration Committees

As the Board is small and consists wholly of non-executive directors and in view of the nature of a Venture Capital Trust it has been decided that a nomination committee does not need to be formed. The remuneration of the directors is reviewed by the whole Board although no director is involved in setting his own remuneration.

The appointment of new directors is decided by the whole Board. Any search for new Board candidates is conducted, and appointments made, on merit, against objective selection criteria having due regard, amongst other things, to the benefits of diversity on the Board, including gender. When recommending new appointments to the Board the directors draw on their extensive business experience and range of contacts to identify suitable candidates; the use of formal advertisements and external consultants is not considered cost-effective given the Company's size.

The Board has considered the recommendations of the Code concerning gender diversity and welcomes initiatives aimed at increasing diversity generally. The Board believe, however, that all appointments should be made on merit rather than positive discrimination. The policy of the Board is that maintaining an appropriate balance around the Board table through a diverse mix of skills, experience, knowledge and background is of paramount importance and gender diversity is a significant element of this.

Board and Committee Meetings

The following table sets out the directors' attendance at full Board and audit committee meetings held during the year ended 31 January 2015.

	Board meetings		Audit committee meetings	
Director	held	attended	held	attended
Julian Avery	6	6	2	2*
Mike Killingley	6	6	2	2
Christopher Macdonald	6	5	2	2
Christopher Moorsom	6	5	2	2

* Julian Avery is not a member of the audit committee but is invited to attend audit committee meetings.

The Board is in regular contact with the Manager between Board meetings.

Internal Control

The Board acknowledges that it is responsible for the Company's internal control systems and for reviewing their effectiveness. In accordance with the AIC Code and the updated Turnbull guidance published by the Financial Reporting Council in 2005, the audit committee has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. Internal controls are designed to manage the particular needs of the Company and the risks to which it is exposed. The internal control systems aim to ensure the maintenance of proper accounting records, the reliability of the financial information upon which business decisions are made and which is used for publication, and that the assets of the Company are safeguarded. They can by their nature only provide reasonable and not absolute assurance against material misstatement or loss. The financial controls operated by the Board include the authorisation of the investment strategy and regular reviews of the results and investment performance.

The Board has delegated contractually to third parties, as set out on page 20, the management of the investment portfolio, the custodial services, including the safeguarding of the assets, the day-to-day accounting, company secretarial and administration requirements and registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered. The Board receives and considers regular reports from the Manager. Ad hoc reports and information are supplied to the Board as required. It remains the role of the Board to keep under review the terms of the management agreement with the Manager.

A bi-annual review of the control systems is carried out which covers consideration of the key risks in three major areas: corporate strategy and compliance with laws and regulations; financial management and company reporting and relationships with service providers. Each risk is considered with regard to the controls exercised at Board level, reporting by service providers and controls relied upon by the Board. The company secretary reviews the annual statutory accounts to ensure compliance with Companies Acts and the AIC Code and the audit committee reviews financial information prior to its publication. The principal features of the internal control systems which the Company has in place in respect of financial reporting include segregation of duties between the review and approval of unquoted investment valuations and the recording of these valuations in the accounting records. Bank reconciliations, cash forecasts and investment valuations are produced on a weekly basis for review by the Manager. Quarterly management accounts are produced for review and approval by the Manager and the Board.

Relations with Shareholders

The Company welcomes the views of shareholders and places great importance on communication with its shareholders. Shareholders have the opportunity to meet the Board at the Annual General Meeting. All shareholders are welcome to attend the meeting and to ask questions of the directors. The Board is also happy to respond to any written queries made by shareholders during the course of the year. All communication from shareholders is recorded and reviewed by the Board to ensure that shareholder enquiries are promptly and adequately resolved. The Company's senior independent director, Christopher Moorsom, is available to shareholders who have concerns that other channels have failed to allay and can be contacted through the company secretary, The City Partnership (UK) Limited.

The notice of the Annual General Meeting accompanies this annual report, which is sent to shareholders. A separate resolution is proposed for each substantive issue. The Board and representatives of the Manager are available to answer any questions shareholders may have.

The Company also communicates with shareholders through annual and half-yearly reports, which appear on the Company's website (http://www.amatiglobal.com/avct2_literature.php). The Board as a whole approves the terms of the Chairman's Statement and Fund Manager's Review which form part of these reports in order to ensure that they present a balanced and understandable assessment of the Company's position.

Whistle Blowing

The Board has considered arrangements by which staff of the Manager or the company secretary may, in confidence, raise concerns within their respective organisations about possible improprieties in matters of financial reporting or other matters. It has concluded that adequate arrangements are in place for proportionate and independent investigation of such matters and, where necessary, for appropriate follow-up action to be taken within their respective organisations.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the Financial Statements 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 are required to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 of the company and of the profit or loss for 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 they have been prepared in accordance with applicable UK accounting standards, subject to any material departures disclosed and explained in the financial statements;

> prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business; and

> prepare a Strategic Report, a Directors' Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

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 comply with the Companies Act 2006. 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.

The Board considers, on the advice of the audit committee, that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Website Publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' Responsibilities pursuant to DTR4

The directors confirm to the best of their knowledge:

> The financial statements which have been prepared in accordance with UK Generally Accepted Accounting Practice give a true and fair view of the assets, liabilities, financial position and profit of the company.

> The annual report includes a fair review of the development and performance of the business and the financial position of the company, together with a description or the principal risks and uncertainties that they face.

On behalf of the Board

Julian Avery
Chairman

17 April 2015

Directors' Remuneration Report

Introduction

The Board has prepared this report in accordance with the requirements of the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the "Regulations"). Ordinary resolutions for the approval of the Directors' Remuneration Policy and the Directors' Annual Report on Remuneration will be put to members at the forthcoming Annual General Meeting.

The Company's auditor's, BDO LLP, are required to give their opinion on certain information included in this report. The disclosures which have been audited are indicated as such. The auditor's opinion on these and other matters is included in the Independent Auditor's Report on pages 34 to 36.

Annual Statement from the Chairman of the Company

Directors' fees are reviewed annually and are set by the Board to attract individuals with the appropriate range of skills and experience. In determining the level of fees their duties and responsibilities are considered, together with the level of time commitment required in preparing for and attending meetings. The Company has not appointed a remuneration committee and any decisions on remuneration are taken by the Board as a whole. The remit of the Board regarding remuneration is included in the Statement of Corporate Governance and is set out on page 28. There have been no changes to directors' remuneration in the year to 31 January 2015. During the year the Board carried out a review of directors' fees against a suitable peer group and it was noted that directors' fees have been unchanged since November 2011. The Board agreed to increase annual fees with effect from 1 February 2015 by £1,500 per director.

Directors' Remuneration Policy

The Board's policy is that the remuneration of directors should reflect the experience of the Board as a whole, be fair and comparable with that of other companies that are similar in size and nature to the Company and have similar objectives and structures. Furthermore, the level of remuneration should be sufficient to attract and retain the directors required to oversee effectively the Company and to reflect the specific circumstances of the Company, the duties and responsibilities of the directors and the value and amount of time committed to the Company's affairs. It is the intention of the Board that, unless any revision to this policy is deemed necessary, this policy will continue to apply in the forthcoming and subsequent financial years. The Board has not received any views from the Company's shareholders in respect of the levels of directors' remuneration.

The fees for the directors are set within maximum limits determined from time to time by the Company in general meeting. At present, the maximum aggregate remuneration is as contained in the Company's Articles, which limit the fees payable to the directors to £90,000 per annum in aggregate. The directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits. No arrangements have been entered into between the Company and the directors to entitle any of the directors to compensation for loss of office.

This policy was approved by the members at the AGM in 2014, and this policy will continue for the year ending 31 January 2016 and subsequent years. In accordance with the Regulations, a binding ordinary resolution to approve the Directors' Remuneration Policy will be put to shareholders at least once every three years.

Directors' Annual Report on Remuneration

Terms of appointment

No director has a contract of service with the Company. All of the directors have been provided with letters of appointment which include details of fees payable. The letters of appointment provide that directors are appointed for a period of up to three years and are subject to re-election by shareholders at the first annual general meeting after their appointment. Thereafter they must retire at intervals of no more than three years. In accordance with corporate governance best practice, the Board have resolved that all directors will stand for annual re-election. Their re-election is subject to shareholder approval. The letters of appointment are available for inspection on request from the company secretary. Any director who has served on the Board for more than nine years will submit themselves for re-election annually. There is no period of notice to be given to terminate the letters of appointment and no provision for compensation upon early termination of appointment.

The following table shows, for each director, the original appointment date and the annual general meeting (AGM) at which they may stand for re-election.

Director	Date of original appointment	Due date for re-election
Julian Avery	8 November 2011	2015 AGM
Mike Killingley	22 February 2006	2015 AGM
Christopher Macdonald	8 November 2011	2015 AGM
Christopher Moorsom	12 June 2003	2015 AGM

Directors' fees for the year (Audited)

The fees payable to individual directors in respect of the year ended 31 January 2015 are shown in the table below.

Director	Total fee for year ended 31 January 2015 £	Total fee for year ended 31 January 2014 £
Julian Avery	22,000	22,000
Mike Killingley	17,500	17,500
Christopher Macdonald	15,000	15,000
Christopher Moorsom	15,000	15,000
	69,500	69,500

No taxable benefits were paid to the directors, no pension related benefits were paid to the directors and no money or other assets were received or receivable by the directors for the relevant financial year. No payments were made to past directors or any payments made for loss of office.

Relative importance of spend on pay

The table below shows the remuneration paid to directors and shareholder distributions in the year to 31 January 2015 and the prior year:

	2015 £	2014 £	Percentage increase/ (decrease)
Total dividend paid to shareholders	1,929,432	1,725,989	11.8%
Total repurchase of own shares	1,130,389	1,690,312	(33.1%)
Total directors' fees	69,500	69,500	0.0%

Directors' shareholdings (Audited)

The directors who held office during the year and their interests in the shares of the Company (including beneficial and family interests) were:

	31 January 2015		31 January 2014	
	Shares held	% of issued share capital	Shares held	% of issued share capital
Julian Avery	87,590	0.31	76,853	0.28
Mike Killingley	45,271	0.16	45,271	0.16
Christopher Macdonald	48,076	0.17	36,529	0.13
Christopher Moorsom	37,680	0.13	37,680	0.14

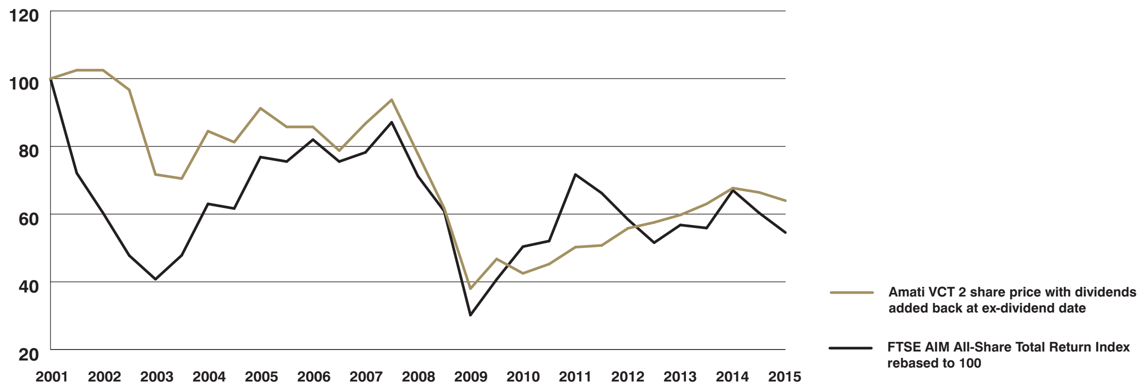
On 24 February 2015 Christopher Macdonald bought 18,740 shares under the Top Up Offer at a price of 108.28p per share.

The Company confirms that it has not set out any formal requirements or guidelines for a director to own shares in the Company.

Company Performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Manager through the management agreement. The graph below compares the Company's share price with dividends added back at the ex-dividend date to the FTSE AIM All-Share Total Return Index for the period from the launch of the Company. This index was chosen for comparison purposes, as it is the benchmark used for investment performance measurement purposes.

At the last AGM held on 26 June 2014, 98.4% of shareholders voted for, 1.6% voted against and 32,146 shares were withheld in respect of the resolution approving the Directors' remuneration report and 98.25% of shareholders voted for the Remuneration Policy with 1.75% voting against and 23,051 shares withheld. An ordinary resolution for the approval of the Directors' Annual Report on Remuneration will be put to shareholders at the forthcoming AGM.



On behalf of the Board

Julian Avery
Chairman

17 April 2015

Independent Auditor's Report to the members of Amati VCT 2 plc

Our opinion on the financial statements

In our opinion the Amati VCT 2 plc financial statements for the year ended 31 January 2015, which have been prepared by the directors in accordance with applicable law and United Kingdom Accounting Standards:

> give a true and fair view of the state of the company's affairs as at 31 January 2015 and of its loss for the year then ended;

> have been properly prepared in accordance with United Kingdom Accounting Standards; and

> have been prepared in accordance with the requirements of the Companies Act 2006.

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 our opinion covers

Our audit opinion covers the:

> Income Statement
> Reconciliation of Movements in Shareholders' Funds
> Balance Sheet
> Cash Flow Statement
> related notes

Respective responsibilities of directors and auditor

As explained more fully in the report of the directors, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the FRC's Ethical Standards for Auditors.

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

Our approach

Our audit approach was developed by obtaining an understanding of the Company's activities, the key functions undertaken on behalf of the Board by the Investment Manager and Administrator and the overall control environment. Based on this understanding we assessed those aspects of the company's transactions and balances which were most likely to give rise to a material misstatement. Below are those risks which we considered to have the greatest impact on our audit strategy and our audit response:

Risk area	Audit response
Valuation of investments: This is a key accounting estimate where there is an inherent risk of management override arising from the unquoted investment valuations being prepared by the Investment Manager, who is remunerated based on the net asset value of the fund, derived using those valuations.	We note that 88% of the portfolio is represented by listed investments where there is less risk involved in determining fair value. We considered the design and implementation of controls over the pricing of quoted investments and agreed the pricing of quoted investments to independent sources. We challenged the appropriateness of the use of the quoted bid price by reviewing the liquidity of the market for a sample of investments held. For the remaining portfolio, represented by unquoted investments, we considered the design and implementation of controls in place over the valuation of investments and also reviewed the assumptions and underlying evidence supporting the year end valuations. In doing so, we reviewed the valuation reports prepared by the Investment Manager and considered whether, in our professional judgement, the methodology is the most appropriate in the circumstances under the IPEV guidelines. We performed a range of additional procedures to test the appropriateness of the key assumptions and the accuracy of the valuations.

Risk area	Audit response
Revenue recognition: Income consists of interest received on loan investments and dividends receivable from investee companies. Fraudulent revenue recognition is a presumed risk under International Standards on Auditing (UK & Ireland).	> We considered the design and implementation of controls relating to income recognition and undertook testing of interest income by comparing actual income to expectations generated; > We considered whether the accounting policy had been applied correctly by management in determining provisions against income where recovery is considered doubtful, considering management information relevant to the ability of the investee company to service the loan and the reasons for any arrears of loan interest; > We considered whether the classification of income as revenue or capital was appropriate; and > We tested dividends receivable to cash received, as well as to supporting documentation and management accounts of the investee companies and, where appropriate, independent confirmation from the investee companies.

The Audit Committee's consideration of their key issues is set out on pages 27 and 28.

Materiality in context

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below this level will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements. The application of these key considerations gives rise to two levels of materiality, the quantum and purpose of which are tabulated below.

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
Financial statement materiality	Assessing whether the financial statements as a whole present a true and fair view	> The value of net assets > The level of judgement inherent in the valuation > The range of reasonable alternative valuation	300,000
Specific materiality – classes of transactions and balances which impact on net realised returns	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	> Level of gross expenditure	90,000

Auditor's Report

Independent Auditor’s Report to the members of Amati VCT 2 plc
(continued)

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £5,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

> the part of the directors’ remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;

> the information given in the 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 information given in the Corporate Governance Statement set out on pages 26 to 29 of the annual report with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

Under the 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

> is otherwise misleading.

In particular, we are required to consider whether 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 and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

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

> adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

> the parent 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; or

> a Corporate Governance Statement has not been prepared by the company.

Under the Listing Rules we are required to review:

> the directors’ statement, set out on page 24, in relation to going concern; 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.

We have nothing to report in respect of these matters.

Rhodri Whitlock
(senior statutory auditor)
For and on behalf of
BDO LLP
statutory auditor
London
United Kingdom

17 April 2015

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income Statement

for the year ended 31 January 2015

	Note	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000
(Loss)/return on investments	9	-	(2,682)	(2,682)	-	7,978	7,978
Income	2	374	31	405	431	219	650
Investment management fees	3	(148)	(254)	(402)	(144)	(1,855)	(1,999)
Other expenses	5	(303)	-	(303)	(282)	-	(282)
(Loss)/profit on ordinary activities before taxation		(77)	(2,905)	(2,982)	5	6,342	6,347
Taxation on ordinary activities	6	-	-	-	-	-	-
(Loss)/profit on ordinary activities after taxation		(77)	(2,905)	(2,982)	5	6,342	6,347
Basic and diluted (loss)/return per Ordinary share	8	(0.27p)	(10.22p)	(10.49p)	0.02p	23.00p	23.02p

The total column is the profit and loss account of the Company, with the revenue and capital columns representing supplementary information under the Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ("SORP") revised in January 2009.

All the items above derive from continuing operations of the Company. There were no other recognised gains or losses in the year.

The only difference between the reported return on ordinary activities before tax and the historical profit is due to the fair value movement on investments. As a result a note on historical cost profit and loss has not been prepared.

The notes on pages 40 to 52 form part of these financial statements.

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 January 2015

	Note	2015 £'000	2014 £'000
Opening shareholders' funds		34,515	29,106
(Loss)/profit for the year		(2,982)	6,347
Issue of shares	14	2,237	2,610
Share issue costs	14	(84)	(132)
Share buybacks	14	(1,131)	(1,690)
Dividends paid	7	(1,929)	(1,726)
Closing shareholders' funds		30,626	34,515

Balance Sheet
as at 31 January 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Investments held at fair value	9	28,302	32,103
Current assets			
Debtors	10	144	1,146
Cash at bank		2,659	2,929
Total current assets		2,803	4,075
Current liabilities			
Creditors: amounts falling due within one year	11	(479)	(392)
Provisions for liabilities and charges			
Performance fee provision	12	-	(1,271)
Net current assets		2,324	2,412
Total assets less current liabilities		30,626	34,515
Capital and reserves			
Called up share capital*	13	1,434	1,395
Share premium account*	14	7,205	5,139
Merger reserve*	14	1,088	1,322
Special reserve	14	19,969	23,029
Capital redemption reserve*	14	287	239
Capital reserve#	14	836	3,507
Revenue reserve	14	(193)	(116)
Equity shareholders' funds		30,626	34,515
Net asset value per share	15	106.82p	123.74p

* These reserves are not distributable.
# These reserves are not wholly distributable (see note 14).

The financial statements on pages 37 to 52 were approved and authorised for issue by the Board of directors on 17 April 2015 and were signed on its behalf by

Julian Avery
Chairman

Company Number 04138683

The accompanying notes on pages 40 to 52 are an integral part of the balance sheet.

Cash Flow Statement

for the year ended 31 January 2015

	Note	2015 £'000	2014 £'000
Operating activities			
Investment income received		396	655
Deposit interest received		-	2
Investment management fees		(1,849)	(546)
Other operating costs		(303)	(280)
Net cash outflow from operating activities	17	(1,756)	(169)
Financial investment			
Purchases of investments		(6,869)	(8,435)
Disposals of investments		8,774	12,860
Net cash inflow from financial investment		1,905	4,425
Dividends			
Payment of dividends		(1,929)	(1,726)
Net cash (outflow)/inflow before financing		(1,780)	2,530
Financing			
Refund of merger costs relating to asset acquisition		-	19
Issue of shares		2,646	2,077
Expenses of the issue of shares		(5)	(106)
Share buybacks		(1,131)	(1,690)
Net cash inflow from financing		1,510	300
(Decrease)/increase in cash		(270)	2,830
Reconciliation of net cash flow to movement in net cash			
Net cash at 1 February		2,929	99
Net cash at 31 January		2,659	2,929
(Decrease)/increase in cash during the year		(270)	2,830

The accompanying notes on pages 40 to 52 are an integral part of the statement.

Notes to the Financial Statements

1 Accounting Policies

Basis of Accounting

The financial statements have been prepared under the historical cost convention, modified to include a revaluation of fixed asset investments, and in accordance with applicable Accounting Standards and law in the United Kingdom and with the Statement of Recommended Practice, "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ("SORP") revised in January 2009.

Income

Dividends on quoted shares are recognised as income on the date that the related investments are marked ex dividend and, where no dividend date is quoted, when the Company's right to receive payment is established.

Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis so as to reflect the effective yield, provided there is no reasonable doubt that payment will be received in due course. Interest receivable is included in the accounts on an accruals basis.

Expenses

All expenses are accounted for on an accruals basis. In respect of the analysis between revenue and capital items presented within the income statement, all expenses have been prescribed as revenue items except as follows:

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 accordingly the investment management fee is currently allocated 25% to revenue and 75% to capital, which reflects the directors' expected long-term view of the nature of the investment returns of the Company.

Performance fees are paid 100% from capital.

Issue Costs

Issue costs in respect of ordinary shares issued by the Company are deducted from the share premium account.

Taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Deferred tax assets are only recognised when they arise from timing differences where recovery in the foreseeable future is regarded as more likely than not. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods. Deferred tax is not discounted.

Current tax is expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years. The tax effect of different items of expenditure is allocated between revenue and capital on the same basis as a particular item to which it relates, using the Company's effective rate of tax, as applied to those items allocated to revenue, for the accounting period.

Investments

Investments are designated on initial recognition as Fair Value through Profit and Loss and are measured at subsequent reporting dates at fair value.

Gains and losses arising from changes in fair value are considered to be realised to the extent that they are readily convertible to cash in full at the balance sheet date.

Those venture capital investments that may be termed associated undertakings are carried at fair value as determined by the directors in accordance with the Company's normal policy as these investments are held as part of the Company's portfolio with a view to the ultimate realisation of capital gains. Carrying investments at fair value is specifically permitted under Financial Reporting Standard 9 "Associates and Joint Ventures", where venture capital entities hold investments as part of a portfolio.

In respect of investments that are traded on AIM or ISDX, these are generally valued at bid prices at close of business on the Balance sheet date, in accordance with FRS 26. Investments traded on SETS (London Stock Exchange's electronic trading service) are valued at closing price as this is considered to be a more accurate indication of fair value.

Unquoted investments are shown at fair value as assessed by the directors in accordance with International Private Equity Venture Capital Valuation ("IPEV") guidelines. Valuations of unquoted investments are reviewed quarterly:

> the shares may be valued by using the most appropriate methodology recommended by the IPEV guidelines, including earnings multiples, net assets, discounted cashflows and industry valuation benchmarks.

> alternatively where a value is indicated by a material arms-length transaction by a third party in the shares of the company the valuation will normally be based on this.

Convertible loan stock instruments are valued using a discounted cash flow calculation of the underlying host loan instrument and by valuing the option at fair value using an appropriate option valuation model.

The valuation of the Company's investment in TB Amati UK Smaller Companies Fund is based on the published fund mid price NAV. The NAV is provided by the Authorised Corporate Director of the fund, T Bailey Fund Managers Limited.

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

Financial Instruments

The Company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial instruments are recognised on trade date when the Company becomes a party to the contractual provisions of the instrument. Financial instruments are recognised initially at fair value plus, in the case of a financial instrument not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments are derecognised on the trade date when the Company is no longer a party to the contractual provisions of the instrument.

Foreign Currency

Foreign currency assets and liabilities are translated into sterling at the exchange rates ruling at the balance sheet date. Transactions during the year are converted into sterling at the rates ruling at the time the transactions are executed. All exchange differences are reflected in the income statement.

Trade Creditors

Trade creditors are stated at their original invoiced value, as the difference that would be recognised from discounting future cash payments over the short payment period is not considered to be material.

Share Based Payments

In accordance with FRS 20: Share Based Payments, an expense is recognised in the financial statements relating to the fair value of the share options awarded to Singer & Friedlander Investment Management Limited under the arrangements agreed on the merger of the Company with Singer & Friedlander AIM VCT and Singer & Friedlander AIM 2 VCT as at 22 February 2006.

The fair value of the option is determined at the date of grant using a Black-Scholes pricing model and is expensed on a straight-line basis over the vesting period based on the Company's estimate of shares that will eventually vest. Further details are set out in note 4. Any deemed provision is transferred to a share options reserve.

2 Income

	Year to 31 January 2015 £'000	Year to 31 January 2014 £'000
Income:		
Dividends from UK companies*	264	486
Dividends from overseas companies	10	28
UK loan stock interest	116	106
Other income	-	28
Interest from deposits	15	2
	405	650

* Includes dividends received from Antenova Limited deemed to be capital in nature.

3 Investment Management Fees

The Manager provides investment management and secretarial services to the Company under an investment management agreement. Details of this agreement are given on page 20.

Under this agreement the Manager receives a fee of 1.75% of the net asset value of the Company in arrears.

Investment management fees for the year were as follows:

	Year to 31 January 2015		Year to 31 January 2014	
	£'000	£'000	£'000	£'000
Due to the Manager by the Company at 1 February		1,580		127
Management fee charged to revenue and capital for the year	590		576	
Performance fee charged to capital for the year	(188)		1,423	
Investment management fees charged to revenue and capital for the year		402		1,999
Fees paid to the Manager during the year		(1,849)		(546)
Due to the Manager by the Company at 31 January		133		1,580

The Manager also receives a secretarial and administration fee of £74,598 (subject to an annual increase in line with the retail prices index) annually in arrears.

No performance fee is payable in respect of the year ended 31 January 2015 (31 January 2014: £152,000) as the Manager has waived all performance fees from 31 July 2014 onwards. Previously the Manager was entitled to a performance fee of 20% of returns in a relevant period in excess of a minimum threshold of NAV plus dividends paid of 121.76p per share. In addition, returns were subject to a hurdle rate test of 8% simple interest for each pool of money raised and a performance fee was only payable where returns were sustained for a period of at least six months. A performance fee of £152,000 became payable in respect of the year ended 31 January 2014 and a provision of £1,271,000 was made which would have become payable if performance was sustained, this provision was reduced by £188,000 due to a reduction in the NAV in the year ended 31 January 2015.

Annual running costs are capped at 3.5% of the Company's net assets, any excess being met by the Manager by way of a reduction in future management fees. The annual running costs include the directors' and Manager's fees, professional fees and the costs incurred by the Company in the ordinary course of its business (but excluding any commissions paid by the Company in relation to any offers for subscription, any performance fee payable to the Manager, irrecoverable VAT and exceptional costs, including winding-up costs).

4 Singer & Friedlander's Option

In accordance with the arrangements agreed on the merger of the Company with Singer & Friedlander AIM VCT and Singer & Friedlander AIM2 VCT, Singer & Friedlander Investment Management Limited were granted an option which provides that if by the date of payment of the final dividend in respect of the ordinary shares for the Company's accounting year ending 31 January 2013 cumulative dividends declared and paid on each ordinary share (by reference to a record date after the merger) exceed a return of 8% (compounded annually) of the net asset value per ordinary share they will be entitled to subscribe at par for such number of additional ordinary shares as shall in aggregate be equal to 15% of ordinary shares in the Company as enlarged by such subscriptions. If this target dividend rate is achieved by the payment of dividends in 2014 and 2015, Singer & Friedlander Investment Management Limited will be entitled to subscribe for such number of additional ordinary shares as shall in aggregate be equal to 12.5% (2014) and 10% (2015) of ordinary shares in the Company as enlarged by such subscription.

The value of dividends paid since the merger to the Company's accounting year ending 31 January 2015, adjusted to reflect the share consolidation in November 2011, was 44.6p, including the proposed final dividend of 3.50p, which was insufficient to trigger Singer & Friedlander Investment Management Limited's entitlement to subscribe for additional shares. This option has now lapsed and is valued at nil (31 January 2014: nil).

5 Other Expenses

	Year to 31 January 2015 £'000	Year to 31 January 2014 £'000
Directors' remuneration	70	70
Auditor's remuneration – audit of statutory financial statements	21	21
Administration and secretarial services	74	72
Other expenses	138	119
	303	282

The Company has no employees other than directors.

Details of directors' remuneration are provided in the audited section of the directors' remuneration report on pages 31 and 33.

6 Tax on Ordinary Activities

6a Analysis of credit for the year

	Year to 31 January 2015 £'000	Year to 31 January 2014 £'000
Charge for the year	-	-

The income statement shows the tax credit allocated between revenue and capital.

6b Factors affecting the tax charge for the year

	Year to 31 January 2015 £'000	Year to 31 January 2014 £'000
(Loss)/profit on ordinary activities before taxation	(2,982)	6,347
Corporation tax at standard rate of 21.33% (2014: 23.17%)	(636)	1,470
Effect of:		
Non-taxable dividends	(58)	(119)
Non-taxable gains on investments	572	(1,848)
Movement in excess management expenses	122	497
Tax charge for the year (note 6a)	-	-

6 Tax on Ordinary Activities (continued)

Due to the Company's tax status as an approved Venture Capital Trust, deferred tax has not been provided on any net capital gains arising on the disposal of investments as such gains are not taxable.

No deferred tax asset has been recognised on surplus management expenses carried forward as it is not envisaged that any such tax will be recovered in the foreseeable future. The amount of unrecognised deferred tax asset is £1,571,000 (31 January 2014: £1,456,000).

7 Dividends Paid

	2015 £'000	2014 £'000
Final dividend for the year ended 31 January 2013 of 3.5p per ordinary share paid on 15 July 2013	-	969
Interim dividend for the year ended 31 January 2014 of 2.75p per ordinary share paid on 25 October 2013	-	757
Final dividend for the year ended 31 January 2014 of 4.0p per ordinary share paid on 25 July 2014	1,144	-
Interim dividend for the year ended 31 January 2015 of 2.75p per ordinary share paid on 7 November 2014	785	-
	1,929	1,726

8 Return per Share

The revenue return per share is based on the net loss on ordinary activities after taxation of £77,000 (31 January 2014: £5,000 profit) and on 28,437,624 (31 January 2014: 27,572,227) shares, being the weighted average number of shares in issue during the year. The capital return per share is based on the loss on ordinary activities after taxation of £2,905,000 (31 January 2014: £6,342,000 profit) and on 28,437,624 (31 January 2013: 27,572,227) shares, being the weighted average number of shares in issue during the year. The total return per share is based on the total net loss on ordinary activities after taxation of £2,982,000 (31 January 2014: £6,347,000) and on 28,437,624 (31 January 2014: 27,572,227) shares, being the weighted average number of shares in issue during the year. There is no dilutive effect on the return per share for outstanding convertible securities (as explained in note 4) therefore there is considered to be no difference between the basic and diluted return per share.

9 Investments

	Level 1* Traded on AIM £'000	Level 3* Unquoted investments £'000	Total £'000
Cost as at 1 February 2014	19,529	4,237	23,766
Opening unrealised appreciation/(depreciation)	10,158	(68)	10,090
Opening unrealised loss recognised in realised reserve	(1,155)	(598)	(1,753)
Opening valuation as at 1 February 2014	**28,532**	**3,571**	**32,103**
Movements in the year:			
Reclassification in year	292	(292)	-
Purchases	5,345	1,781	7,126
Sales - proceeds	(8,123)	(122)	(8,245)
Realised loss on sales	(506)	-	(506)
Unrealised loss in the year	(1,173)	(1,003)	(2,176)
Valuation as at 31 January 2015	**24,367**	**3,935**	**28,302**
Cost at 31 January 2015	18,460	5,575	24,035
Unrealised appreciation/(depreciation) as at 31 January 2015	6,693	(1,088)	5,605
Closing unrealised loss recognised in realised reserve	(786)	(552)	(1,338)
Valuation as at 31 January 2015	**24,367**	**3,935**	**28,302**
Equity shares	24,367	1,078	25,445
Preference shares	-	15	15
Loan stock	-	2,842	2,842
Valuation as at 31 January 2015	**24,367**	**3,935**	**28,302**

*Refer to note 21 for definitions

	2015 £'000	2014 £'000
Realised (losses)/gains on disposal	(506)	1,746
Unrealised (losses)/gains on investments during the year	(2,176)	6,232
Net (loss)/return on investments	(2,682)	7,978

Transaction Costs

During the year the Company incurred transaction costs of £3,000 (31 January 2014: £26,000) and £21,000 (31 January 2014: £31,000) on purchases and sales of investments respectively. These amounts are included in the return on investments as disclosed in the income statement.

10 Debtors

	2015 £'000	2014 £'000
Receivable for investments sold	84	613
Share issue proceeds	-	452
Other debtors	-	29
Prepayments and accrued income	60	52
	144	1,146

11 Creditors: Amounts Falling due within One Year

	2015 £'000	2014 £'000
Payable for investments bought	258	-
Performance fee payable to the Manager	-	152
Other creditors	221	240
	479	392

12 Performance Fee provision

	2015 £'000	2014 £'000
Opening provision at 1 February	1,271	-
Performance fee paid to the Manager during the year	(1,083)	-
Performance fee (reduced)/ provided for during the year	(188)	1,271
Closing provision at 31 January	-	1,271

A provision of £1,271,000 was made as at 31 January 2014 in respect of the performance fee which would become payable to the Manager if performance was sustained in the six months to 31 July 2014. As at 31 July 2014 the performance fee was recalculated based on performance for the six months and the actual amount payable was £1,083,000. This amount was paid to the Manager in September 2014.

13 Called Up Share Capital

Ordinary shares (5p shares)	2015 Number	2015 £'000	2014 Number	2014 £'000
Allotted, issued and fully paid at 1 February	27,893,328	1,395	27,289,574	1,364
Issued during the year	1,747,323	87	2,198,145	110
Repurchase of own shares for cancellation	(969,834)	(48)	(1,594,391)	(79)
At 31 January	28,670,817	1,434	27,893,328	1,395

During the year a total of 969,834 ordinary shares of 5p each were purchased by the Company at an average price of 116.0p per share.

14 Reserves

	Share capital £'000	Share premium £'000	Non-distributable reserves Merger reserve £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserve# £'000	Distributable reserves Revenue reserve £'000	Total reserves £'000
At 1 February 2014	1,395	5,139	1,322	239	23,029	3,507	(116)	34,515
Shares issued	87	2,150	-	-	-	-	-	2,237
Share issue expenses	-	(84)	-	-	-	-	-	(84)
Repurchase of shares	(48)	-	-	48	(1,131)	-	-	(1,131)
Dividends paid	-	-	-	-	(1,929)	-	-	(1,929)
Transfer of merger investment disposals	-	-	(234)	-	-	234	-	-
Loss for the year	-	-	-	-	-	(2,905)	(77)	(2,982)
At 31 January 2015	1,434	7,205	1,088	287	19,969	836	(193)	30,626

These reserves are not wholly distributable.

At 31 January 2015, the capital reserve constitutes realised losses of £4,769,000 (31 January 2014: £6,583,000) and unrealised investment holding gains of £5,605,000 (31 January 2014: £10,090,000).

Distributable reserves comprise the special reserve, the revenue reserve and the capital reserve excluding investment holding gains. At 31 January 2015, the amount of reserves deemed distributable is £15,007,000 (31 January 2014: £16,330,000).

15 Net Asset Value per Ordinary Share

The calculation of net asset value per share at 31 January 2015 is based on net assets of £30,626,000 (31 January 2014: £34,515,000) divided by the 28,670,817 (31 January 2014: 27,893,328) shares in issue at the year end. There is no dilutive effect on the net asset value per share for outstanding convertible securities (as explained in note 4) therefore there is considered to be no difference between the basic and diluted net asset value per share.

16 Analysis of Changes in Cash

	2015 £'000	2014 £'000
At 1 February	2,929	99
(Decrease)/increase in cash	(270)	2,830
At 31 January	2,659	2,929

17 Reconciliation of (Loss)/Profit on Ordinary Activities Before Taxation to Net Cash Outflow from Operating Activities

	2015 £'000	2014 £'000
(Loss)/profit on ordinary activities before taxation	(2,982)	6,347
Net loss/(return) on investments	2,682	(7,978)
(Decrease)/increase in creditors, excluding corporation tax payable	(1,448)	1,462
(Increase)/decrease in debtors	(8)	28
Income reinvested	-	(28)
Net cash outflow from operating activities	(1,756)	(169)

Notes to the Financial Statements
(continued)

18 Significant Interests

The Company has the following significant interests (amounting to an investment of 3% or more of the equity capital of an undertaking):

	Nominal	% held
Sportsweb.com	58,688	11.4%
Universe Group plc	12,500,970	5.7%
Sabien Technology Group plc	1,551,426	4.9%
Paragon Entertainment Limited	8,431,300	4.5%
Water Intelligence plc	395,084	3.7%
Science in Sport plc	838,567	3.4%
MyCelx Technologies Corporation	194,470	3.2%

19 Material Disposals of Unquoted Investments

There were no material disposals of unquoted investments during the year.

20 Post Balance Sheet Events

The following transactions have taken place between 31 January 2015 and the date of this report:

1,504,537 shares were allotted raising net proceeds of £1.6m.

21 Financial Instruments

The Company's financial instruments comprise equity and fixed interest investments, cash balances and liquid resources including debtors and creditors. The Company holds financial assets in accordance with its investment policy to invest in qualifying investments predominantly in AIM traded companies or companies to be traded on AIM.

Classification of financial instruments

The Company held the following categories of financial instruments at 31 January:

	2015 (Book value) £'000	2015 (Fair value) £'000	2014 (Book value) £'000	2014 (Fair value) £'000
Assets at fair value through profit and loss				
Investment portfolio	28,302	28,302	32,103	32,103
Assets measured at amortised cost				
Receivable for investments sold	84	84	613	613
Receivable for share issue proceeds	-	-	452	452
Accrued income and other debtors	48	48	81	81
Cash at bank	2,659	2,659	2,929	2,929
Liabilities measured at amortised cost				
Accrued expenses	(479)	(479)	(392)	(392)
Total for financial instruments	30,614	30,614	35,786	35,786

Fixed asset investments (see note 9) are measured at fair value. For quoted securities this is generally the bid price or, in the case of SETS securities, the closing price. In respect of unquoted investments, these are valued by the directors using rules consistent with IPEV guidelines. Investments in TB Amati UK Smaller Companies Fund are based on the published fund mid price NAV. The fair value of all other financial assets and liabilities is represented by their carrying value in the balance sheet.

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 most important types of financial risk to which the Company is exposed are market risk, credit risk and liquidity risk. 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.

In order to provide further information on the valuation techniques used to measure assets carried at fair value, the measurement basis has been categorised into a "fair value hierarchy" as follows:

– Quoted market prices in active markets – "Level 1"

Inputs to Level 1 fair values are quoted prices in active markets. An active market is one in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The Company's investments classified within this category are AIM traded companies, fully listed companies and ISDX traded companies.

– Valued using models with significant observable market parameters – "Level 2"

Inputs to Level 2 fair values are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

– Valued using models with significant unobservable market parameters – "Level 3"

Inputs to Level 3 fair values are unobservable inputs for the asset. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date (or market information for the inputs to any valuation models). As such, unobservable inputs reflect the assumptions the Company considers that market participants would use in pricing the asset. The Company's investments in unquoted equities, preference shares and loan stock are classified within this category. As explained in note 1, unquoted investments are valued in accordance with the International Private Equity and Venture Capital Association ("IPEV") guidelines. Changing one or more inputs for Level 3 assets would not have a significant impact on the valuation. For example, earnings multiple calculations are used to value some unquoted equity holdings. These multiples are derived from a basket of comparable quoted companies, with appropriate discounts applied. These discounts are subjective and based on the Manager's experience.

Financial assets at fair value
At 31 January 2015

	Year ended 31 January 2015			Year ended 31 January 2014		
	Level 1 £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 3 £'000	Total £'000
Equity shares	24,367	1,078	25,445	28,532	688	29,220
Preference shares	-	15	15	-	344	344
Loan stock	-	2,842	2,842	-	2,539	2,539
	24,367	3,935	28,302	28,532	3,571	32,103

21 Financial Instruments (continued)

Level 3 financial assets at fair value

At 31 January 2015

	Year ended 31 January 2015				Year ended 31 January 2014			
	Equity shares £'000	Preference shares £'000	Loan stock £'000	Total £'000	Equity shares £'000	Preference shares £'000	Loan stock £'000	Total £'000
Opening balance at 1 February	688	344	2,539	3,571	1,534	233	2,503	4,270
Transfers (from)/to Level 3 (see details below)	(27)	(265)	-	(292)	-	137	-	137
Purchases	930	-	851	1,781	122	265	-	387
Disposal proceeds	(7)	(115)	-	(122)	(1,170)	-	-	(1,170)
Total net (losses)/gains recognised in the income statement	(506)	51	(548)	(1,003)	202	(291)	36	(53)
Closing balance at 31 January	1,078	15	2,842	3,935	688	344	2,539	3,571

Rosslyn Analytics moved from level 3 to level 1 when the shares were listed on AIM. Conexion Media Group moved from level 1 to level 3 when the shares were suspended from trading on AIM. Prezzo is included in level 1 investments at last traded market price although shares were suspended on 30 January 2015; this investment was sold for £413,022 shortly after the year-end.

22 Market Risk

Market risk arises from uncertainty about the future prices of financial instruments held in accordance with the Company's investment objectives. It represents the potential loss that the Company might suffer through holding positions in the face of market investments.

The Company's strategy on the management of investment risk is driven by the Company's investment objective as outlined on page 18. The management of market risk is part of the investment management process. The Board seeks to mitigate the internal risks by setting policy, regular reviews of performance, enforcement of contractual obligations and monitoring progress and compliance with an awareness of the effects of adverse price movements through detailed and continuing analysis, with an objective of maximising overall returns to shareholders. Investments in unquoted stocks and AIM traded companies, by their nature, involve a higher degree of risk than investments in the main market. Some of that risk can be mitigated by diversifying the portfolio across business sectors and asset classes. The Company's overall market positions are monitored by the Board on a quarterly basis.

Details of the Company's investments at the balance sheet date are disclosed in the Investment Portfolio on pages 10 to 12.

As at 31 January 2015 86.1% (31 January 2014: 88.9%) of the Company's investments are traded on AIM or fully listed. A 10% increase in stock prices as at 31 January 2015 would have increased the net assets attributable to the Company's shareholders and the total profit for the year by £2,437,000 (31 January 2014: £2,853,000); an equal change in the opposite direction would have decreased the net assets attributable to the Company's shareholders and the total profit for the year by an equal amount.

As at 31 January 2015 13.9% (31 January 2014: 11.1%) of the Company's investments are in unquoted companies held at fair value. A 10% increase in the valuations of unquoted investments at 31 January 2015 would have increased the net assets attributable to the Company's shareholders and the total profit for the year by £394,000 (31 January 2014: £357,000); an equal change in the opposite direction would have decreased the net assets attributable to the Company's shareholders and the total profit for the year by an equal amount.

23 Interest Rate Risk

Fixed rate

Six of the Company's financial assets are interest bearing at a fixed rate, no assets have a floating interest rate, all other assets are non-interest bearing. As a result, the Company is subject to exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates, however the impact of a reasonable movement in interest rates would not be significant to the net assets and profit for the year.

The total current market value of these stocks is £2,842,000 (31 January 2014: £2,539,000), the weighted average interest rate is 11.0% (31 January 2014: 7.0%) and the average period to maturity is 2.1 years.

Details of the Company's investments at the balance sheet date are provided on pages 10 to 12.

24 Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The carrying amount of financial assets best represents the maximum credit risk exposure at the balance sheet date. At 31 January 2015, the financial assets exposed to credit risk, representing convertible loan stock instruments, amounts due from brokers, accrued income and cash amounted to £5,630,000 (31 January 2014: £6,573,000). The convertible loans in China Food Company plc and Sorbic International plc are secured over the buildings and land use rights of the companies.

Credit risk on the unquoted loan stock held within unlisted investments is also considered to be part of market risk as the value of the loan stock is influenced in part by the price of the underlying equity.

The loan stock investments in the table below are considered past due, but not individually impaired, because it is believed that the loan is fully recoverable.

	0-6 Months £'000	Total 2015 £'000	0-6 Months £'000	Total 2014 £'000
Loan stock past due	1,381	1,381	906	906

Interest of £38,000 was due to the Company at 31 January 2015 from Polyhedra Group plc, however this was received on 3 February 2015. Interest of £414,000 was due from China Food Company plc and £79,000 was due from Sorbic International plc; both amounts remain outstanding at the date of this report.

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered to be small due to the short settlement period involved, the high credit quality of the brokers used and the fact that almost all transactions are on a 'delivery versus payment' basis. The Manager monitors the quality of service provided by the brokers used to further mitigate this risk.

All the assets of the Company which are traded on AIM are held by Bank of New York Nominees, the Company's custodian. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed or limited.

At 31 January 2015, cash held by the Company was held by The Bank of New York and UBS. Bankruptcy or insolvency of the institutions may cause the Company's rights with respect to the cash held by it to be delayed or limited. Should the credit quality or the financial position of the institutions deteriorate significantly the Company has the ability to move the cash at short notice.

There were no significant concentrations of credit risk to counterparties at 31 January 2015 or 31 January 2014.

25 Liquidity Risk

The Company's financial instruments include investments in unlisted equity investments 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 investments in these instruments at an amount close to their fair value in order to meet its liquidity requirements, or to respond to specific events such as deterioration in the creditworthiness of any particular issuer. The proportion of the portfolio invested in unlisted equity investments is not considered significant given the amount of investments in readily realisable securities.

The Company's liquidity risk is managed on an ongoing basis by the Manager in accordance with policies and procedures in place as described in the Strategic Report on page 22. The Company's overall liquidity risks are monitored on a quarterly basis by the Board.

The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses. At 31 January 2015, these investments were valued at £3,071,000 (31 January 2014: £7,732,000). The directors consider that frequently traded AIM investments with a market capitalisation of greater than £200m represent readily realisable securities.

26 Capital Management Policies and Procedures

The Company's capital management objectives are:

- to ensure that it will be able to continue as a going concern;
- to satisfy the relevant HMRC requirements; and
- to maximise the income and capital return to its shareholders.

As a VCT, the Company must have, within 3 years of raising its capital, at least 70% by value of its investments in VCT qualifying holdings, which are relatively high risk UK smaller companies. In satisfying this requirement, the Company's capital management scope is restricted. The Company does have the option of maintaining or adjusting its capital structure by varying dividends, returning capital to shareholders, issuing new shares or selling assets to maintain a certain level of liquidity. There has been no change in the objectives, policies or processes for managing capital from the previous year.

The Board, with the assistance of the Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the need to buy back equity shares for cancellation, which takes account of the difference between the net asset value per share and the share price (i.e. the premium or discount);
- the need for new issues of shares; and
- the extent to which revenue in excess of that which is to be distributed should be retained.

Shareholder Information

Share Price

The Company's shares are listed on the London Stock Exchange. The mid-price of the Company's shares is given daily in the Financial Times in the Investment Companies section of the London Share Service.

Net Asset Value per Share

The Company's net asset value per share as at 31 January 2015 was 106.8p. The Company normally announces its net asset value on a weekly basis. Net asset value per share information can be found on the Amati Global Investors' website: http://www.amatiglobal.com/avct2.php

Dividends

Shareholders who wish to have future dividends reinvested in the Company's shares or wish to have dividends paid directly into their bank account rather than sent by cheque to their registered address should contact Share Registrars Limited on 01252 821390 or email enquiries@shareregistrars.uk.com.

Financial Calendar

April 2015	Annual report for the year ended 31 January 2015 to be circulated to shareholders
June 2015	Annual General Meeting
September 2015	Half-yearly Report for the six months ending 31 July 2015 to be circulated to shareholders
31 January 2016	Year-end

Annual General Meeting

The Annual General Meeting of the Company will be held on Thursday 25 June 2015 at 2.30pm at Rehearsal Room 1, Milton Court, Guildhall School of Music & Drama, Silk Street, Barbican, London EC2Y 9BH. The notice of the meeting, together with the enclosed proxy form, is included on pages 55 and 56 of this report.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Amati VCT 2 plc (the "**Company**") will be held on Thursday 25 June 2015 at Rehearsal Room 1, Milton Court, Guildhall School of Music & Drama, Silk Street, Barbican, London EC2Y 9BH at 2.30pm (the "**Meeting**") for the transaction of the following business:

Ordinary Business
To consider, and if thought fit, to pass the following Resolutions 1 to 9 as Ordinary Resolutions of the Company:

Ordinary Resolutions

1. To receive and adopt the Directors' Report and financial statements of the Company for the financial year ended 31 January 2015 together with the Independent Auditor's Report thereon.
2. To approve the Directors' Annual Report on Remuneration for the financial year ended 31 January 2015.
3. To approve a final dividend of 3.50p per share payable on 24 July 2015 to shareholders on the register at 19 June 2015.
4. To re-appoint BDO LLP of 55 Baker Street, London, W1U 7EU as auditor of the Company from the conclusion of the Meeting until the conclusion of the next annual general meeting of the Company to be held in 2016 at which financial statements are laid before the Company.
5. To authorise the directors to fix the remuneration of the auditor.
6. To re-elect Julian Avery as a director of the Company.
7. To re-elect Mike Killingley as a director of the Company.
8. To re-elect Christopher Macdonald as a director of the Company.
9. To re-elect Christopher Moorsom, as a director of the Company.

Special Business
To consider, and if thought fit, to pass the following Resolutions as Special Resolutions of the Company:

Special Resolutions

10. THAT in substitution for any existing authorities, the directors be and hereby are empowered pursuant to sections 570 and 573 of the 2006 Act to allot or make offers or agreements to allot equity securities (which expression shall have the meaning ascribed to it in section 560 of the 2006 Act) for cash pursuant to the authority given in accordance with section 551 of the 2006 Act by the resolution passed at the annual general meeting on 26 June 2014 as if section 561(1) of the 2006 Act did not apply to any such allotment, up to an aggregate nominal amount of £1,250,000. The authority hereby conferred shall (unless previously renewed or revoked) by this resolution shall expire on the earlier of the date of the annual general meeting of the Company to be held in 2016 and the date which is 15 months after the date on which this resolution is passed.
11. THAT, in substitution for existing authorities, the Company be and is hereby empowered to make one or more market purchases within the meaning of Section 701 of CA 2006, of the Ordinary Shares (either for cancellation or for the retention of treasury shares for future re-issue or transfer) provided that:
    (i) the maximum aggregate number of Ordinary Shares authorised to be purchased is such number thereof being 14.99% of the issued ordinary share capital of the Company as at the date of this resolution;
    (ii) the minimum price which may be paid per Ordinary Share is 5p per share, the nominal amount thereof;
    (iii) the maximum price (exclusive of expenses) which may be paid per Ordinary Share is an amount equal to 105% of the average of the middle market quotation of such Ordinary Share taken from the London Stock Exchange daily official list for the five business days immediately preceding the day on which such Ordinary Share is to be purchased;
    (iv) the authority hereby conferred shall expire on the earlier of the annual general meeting of the Company to be held in 2016 and the date which is 15 months after the date on which this Resolution is passed; and
    (v) the Company may make a contract to purchase its own Ordinary Shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority, and may make a purchase of such Ordinary Shares pursuant to any such contract.

By order of the Board
The City Partnership (UK) Limited
Secretary

17 April 2015

Registered office:
27/28 Eastcastle Street
London W1W 8DH

Notice of Annual General Meeting
(continued)

Notes

1. A member entitled to attend and vote at the Meeting convened by the above Notice is entitled to appoint one or more proxies to attend and, on a poll, to vote in his place. A proxy need not be a member of the Company.
2. To appoint a proxy you may use the Form of Proxy enclosed with this Notice of Annual General Meeting. To be valid, the Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be deposited by 2.30pm on 23 June 2015 to Share Registrars, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL. Completion of the Form of Proxy will not prevent you from attending and voting in person.
3. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders registered in the register of members of the Company on 23 June 2015 (48 hours before the time appointed for the Meeting) shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at such time. If the Meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned Meeting is 48 hours before the time appointed for the adjourned Meeting. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you should photocopy the proxy form. Please indicate in the box next to the proxy holder's name the number of securities in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned together in the same envelope.

   A reply paid form of proxy is enclosed with members' copies of this document. To be valid, it should be lodged with the Company's registrars, Share Registrars, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL so as to be received not later than 48 hours before the time appointed for the Meeting or any adjourned meeting or, in the case of a poll taken subsequent to the date of the Meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll.
5. Online voting: alternatively, you may register your votes electronically by visiting the website of the Company's registrar. You will need to register in order to be able to use this service. To register, please visit www.shareregistrars.uk.com and click on "Register" under the title Account Log In. If you have already registered, log in and click on "My Meeting Votes".
6. As at 16 April 2015 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 29,870,054 shares of 5p each, carrying one vote each at an annual general meeting of the Company. Therefore, the total voting rights in the Company as at 16 April 2015 are 29,870,054.
7. Appointment of a proxy will not preclude a member from subsequently attending, voting and speaking at the Meeting should he or she subsequently decide to do so. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
8. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a **"Nominated Person"**) may, under an agreement between the Nominated Person and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
9. The statement of the rights of members in relation to the appointment of proxies in paragraphs 3 to 5 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.
10. The Register of Directors' Interests will be available for inspection at the Meeting.
11. Except as provided above, members who have general queries about the Meeting should use the following means of communication (no other methods of communication will be accepted);

    > Calling Doreen Nic on 0131 243 7210 or

    > Emailing vct-enquiries@amatiglobal.com

    You may not use any electronic address provided either in this notice of Meeting or any related documents (including the chairman's letter and proxy form) to communicate with the Company for any purpose other than those expressly stated.

Amati VCT 2 plc

Form of Proxy for the Annual General Meeting on 25 June 2015

I/We

(block capitals please)

of

being a member of Amati VCT 2 plc, hereby appoint (see notes 1 and 2)

or failing him/her the chairman of the meeting to be my/our proxy and exercise all or any of my/our rights to attend, speak and vote for me/us in respect of my/our voting entitlement on my/our behalf at the Annual General Meeting of the Company to be held at Rehearsal Room 1, Milton Court, Guildhall School of Music & Drama, Silk Street, Barbican, London EC2Y 9BH on Thursday 25 June 2015 at 2.30pm, notice of which was dated 17 April 2015, and at any adjournment thereof. The proxy will vote as indicated below in respect of the resolution set out in the notice of meeting:

☐ Please indicate by placing an **X** in this box if this proxy appointment is one of multiple appointments being made (see note 2 below).

	Resolution	For	Against	Vote Withheld
1	To receive the Directors Report and Financial Statements together with the Independent Auditor's Report	☐	☐	☐
2	To approve the Director's Annual Report on Remuneration	☐	☐	☐
3	To approve a final dividend	☐	☐	☐
4	To re-appoint BDO LLP as auditor	☐	☐	☐
5	To authorise the directors to fix the remuneration of the auditor	☐	☐	☐
6	To re-elect Julian Avery as a director of the Company	☐	☐	☐
7	To re-elect Mike Killingley as a director of the Company	☐	☐	☐
8	To re-elect Christopher Macdonald as a director of the Company	☐	☐	☐
9	To re-elect Christopher Moorsom as a director of the Company	☐	☐	☐
10	To renew the directors' authority to disapply pre-emption rights	☐	☐	☐
11	To authorise the directors to buy back shares	☐	☐	☐

Please refer to the notes overleaf

Attendance indication

Shareholders who intend to attend the Annual General Meeting are requested to place a tick in the box below in order to assist with administrative arrangements.

☐ I/we intend to attend the Annual General Meeting and Investor Event at Rehearsal Room 1, Milton Court, Guildhall School of Music & Drama, Silk Street, Barbican, London EC2Y 9BH on Thursday 25 June 2015 at 2.30pm.

Signed	Date
	2015

1. Every member has the right to appoint some other person(s) of his/her choice, who need not be a member, as his/her proxy to exercise all or any of his/her rights to attend, speak or vote on his/her behalf at the meeting. A member wishing to appoint a person other than the chairman of the meeting as proxy should insert the name of such person in the space provided. If the proxy is being appointed in relation to less than your full voting entitlement, please enter alongside the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account). Any alteration or deletion must be signed or initialled.
2. A member may appoint more than one proxy in relation to a meeting, provided that the proxy is appointed to exercise the rights attached to a different share or shares held by him/her. To appoint more than one proxy, please contact Share Registrars Limited on 01252 821390 for (an) additional form(s), or you may photocopy this form. Please indicate alongside the proxy holder's name the number of shares in relation to which the proxy holder is authorised to act as your proxy. Please also indicate by placing an X in the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned together in the same envelope.
3. Use of the form of proxy does not preclude a member from attending and voting in person.
4. Where the form of proxy is executed by an individual it must be signed by that individual or his or her attorney.
5. Where the form of proxy is executed by joint shareholders it may be signed by any of the members, but the vote of the member whose name stands first in the register of members of the Company will be accepted to the exclusion of the votes of the other joint holders.
6. Where the form of proxy is executed by a corporation it must be either under its seal or under the hand of an officer or attorney duly authorised.
7. If the form of proxy is signed and returned without any indication as to how the proxy shall vote, the proxy will exercise his/her discretion as to whether and how he/she votes, as he/she will on any other matters to arise at the meeting.
8. Online voting: alternatively, you may register your votes electronically by visiting the website of the Company's registrar. You will need to register in order to be able to use this service. To register, please visit www.shareregistrars.uk.com and click on "Register" under the title Account Log In. If you have already registered, log in and click on "My Meeting Votes".
9. To be valid, the form of proxy, together with, if applicable, the power of attorney or other authority under which it is signed, or a certified copy thereof, must be sent or delivered to Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL or by fax to 01252 719232 or by scan and email to proxies@shareregistrars.uk.com to be received no later than 2.30pm on 23 June 2015.
10. The "vote withheld" option is provided to enable a member to abstain from voting on the resolution; however, it should be noted that a "vote withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes "for" and "against" the resolution.

Corporate Information

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Mike Sedley Killingley
Christopher Antony James Macdonald
Christopher John Leon Moorsom

all of:
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