

# Amati VCT 2 plc

## ANNUAL REPORT & FINANCIAL STATEMENTS

For the year ended 31 January 2016



**Amati**  
Global Investors

Finely crafted investments

# Contents

	Page
<b>Overview</b>	<b>1</b>
<b>Strategic Report</b>	<b>3</b>
<b>Chairman's Statement</b>	<b>3</b>
<b>Fund Manager's Review</b>	<b>5</b>
Investment Portfolio	<b>9</b>
Objectives and Key Policies	<b>11</b>
Fund Management and Key Contracts	<b>13</b>
Other Matters	<b>14</b>
<b>Reports from the Directors</b>	<b>17</b>
Board of Directors	<b>17</b>
Directors' Report	<b>18</b>
Statement of Corporate Governance including Report of the Audit Committee	<b>20</b>
Statement of Directors' Responsibilities	<b>24</b>
Directors' Remuneration Report	<b>25</b>
<b>Independent Auditor's Report to the Members of Amati VCT 2 plc</b>	<b>28</b>
<b>Financial Statements</b>	<b>31</b>
Income Statement	<b>31</b>
Statement of Changes in Equity	<b>32</b>
Balance Sheet	<b>33</b>
Statement of Cash Flows	<b>34</b>
Notes to the Financial Statements	<b>35</b>
<b>Information for Shareholders</b>	<b>46</b>
Shareholder Information	<b>46</b>
Notice of Annual General Meeting	<b>47</b>
Corporate Information	<b>50</b>
Proxy Form	<b>51</b>

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.

## Highlights

- > NAV Total Return for the year was 6.1% which compares to 1.8% 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 5.8% of year end NAV.
- > The Offer for Subscription launched on 28 October 2015 together with Amati VCT plc has raised £2.4m for the Company as at 5 April 2016.
- > £2.7m invested in qualifying holdings during the year.

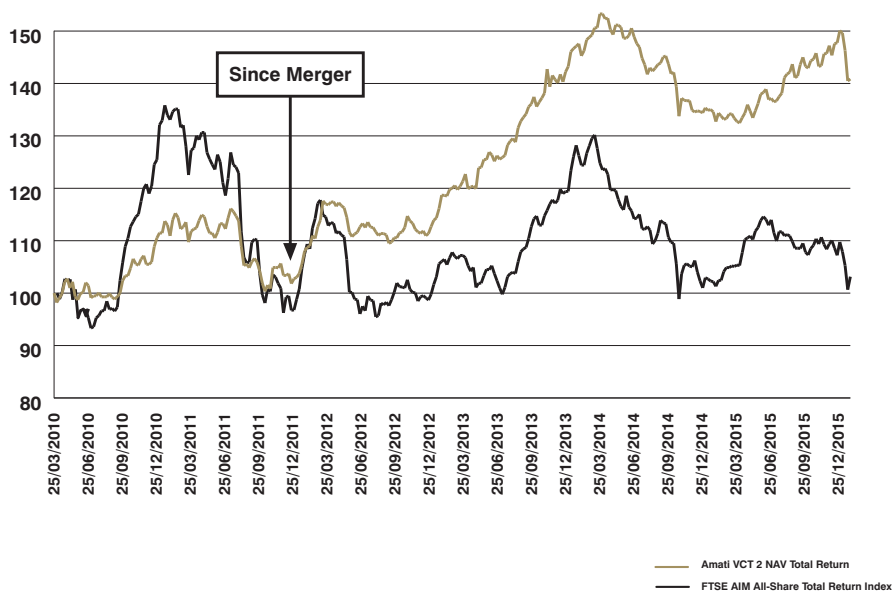
### Table of investor returns to 31 January 2016

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*	34.2%	-0.9%
Appointment of Amati Global Investors ("Amati") as Manager of Amati VCT 2, which was known as ViCTory VCT at the time	25 March 2010	40.8%	3.1%

\*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 2016

See next page for graph of performance since launch.



# Overview

(continued)

## Key data

	31/01/16	31/01/15
Net Asset Value ("NAV")	£32.4m	£30.6m
Shares in issue	30,259,489	28,670,817
NAV per share	107.1p	106.8p
Bid price	102.5p	102.5p
Mid price	102.8p	102.8p
Market capitalisation	£31.1m	£29.5m
Share price discount to NAV	4.0%	3.7%
NAV Total Return for the year (assuming re-invested dividends)	6.1%	-8.6%
FTSE AIM All-Share Total Return Index	1.8%	-18.6%
Ongoing charges*	2.6%	2.6%
Dividends proposed/declared in respect of the year	6.25p	6.25p

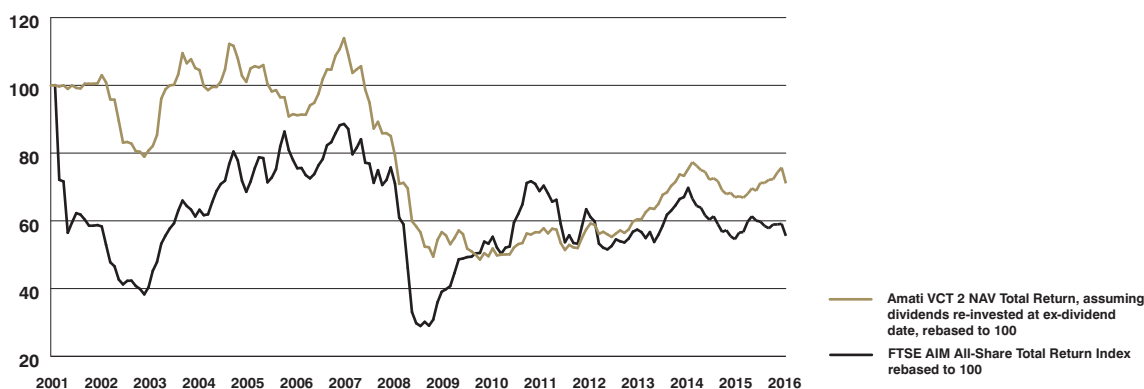
\*Ongoing charges calculated in accordance with the Association of Investment Companies' ("AIC's") guidance.

## 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
2016	6.25	35.49

## 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 2016 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	-22.1%	-28.4%
Invesco Perpetual AiM VCT	30 July 2004	8 November 2011	-31.0%	-9.9%
Amati VCT 2 (originally Singer & Friedlander AIM 3 VCT*)	29 January 2001	n/a	-29.0%	-44.4%
Singer & Friedlander AIM 2 VCT	29 February 2000	22 February 2006	-45.6%	-70.6%
Singer & Friedlander AIM VCT	28 September 1998	22 February 2006	-62.8%	-4.7%

\*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

There have been some significant developments for the Company during the period under review. The change in non-qualifying investment policy, approved by shareholders in December 2014, has been implemented, and a significant holding has been established in the TB Amati UK Smaller Companies Fund (the "Fund"), which I am pleased to say has performed strongly, rising by 19.0% in the period under review. As previously reported there was a major change to the VCT legislation during 2015 which imposed new restrictions on both qualifying and non-qualifying investment. However, regulated funds such as the Fund are specifically exempted from the new investment restrictions, making this shift in the Company's investment policy very timely.

During the year the Manager, encouraged by the Board, moved to making fewer but larger qualifying investments, targeting cash generative, profitable, dividend paying, stable companies which have the ability to grow over the longer term. We believe such companies will also attract the attention of a flow of investors coming to AIM, many of whom are seeking Inheritance Tax Relief on their holdings. The Manager has increased the emphasis on companies which fit this profile. This approach paid off during the year, with the three largest new investments, Bilby, Premier Technical Services Group ("PTSG") and Learning Technologies Group performing strongly.

With the granting of Royal Assent to the Finance Act 2015 in November, VCT legislation has changed considerably. The Manager expects that AIM will adapt and that after an initial hiatus while the new rules are digested, and as the detailed guidance is published, there should continue to be an adequate flow of VCT qualifying opportunities to make investments of the type we are looking for. AIM continues to attract many of the best UK growth companies, and identifying these and investing in them remains the core strategy for the Manager. Under the relevant tests, the Company was 88.19% invested in qualifying holdings at the year end, so there is no time pressure to make further qualifying investments just to continue complying with the regulations.

## Investment Performance and Dividend

The Company made a NAV Total Return of 6.1% (taking into account 6.25p per share of dividends paid) over the year. This compares to a total return of 1.8% for the FTSE AIM All-Share Total Return Index (the "AIM Index"). The year really was a story of two halves. As reported in the half-yearly report, the first half of the year saw positive returns for the Company, but the performance nonetheless lagged the AIM Index by around 3%. The second half, however, started strongly but ended almost flat, outperforming the AIM Index, which declined

sharply. Overall, the Company finished the year 4.3% ahead of the AIM Index. The performance was held back by material write-downs being made to three holdings. Two were investments via convertible loans in AIM quoted Chinese companies made in 2010. The other was an investment in an unquoted business, also via a convertible loan. All are still trading. Whilst every effort will be made to recover the loans, the lack of visibility over repayment in each case led the Board to take the view that the valuation should be written off to nil. The fact that the portfolio still outperformed the AIM Index reflects the underlying strength of the core portfolio positions.

The dividend policy of the Company is to pay interim and final dividends totalling between five and six percent of year-end net asset value, subject to liquidity and the availability of sufficient distributable reserves. At 31 January 2016 the net asset value was 107.1p per share. In line with this policy the Board is recommending a final dividend of 3.5p per share, to be paid on 22 July 2016 to shareholders on the register on 17 June 2016. The interim dividend paid on 13 November 2015 was 2.75p per share.

## Other Corporate Developments

A joint top up offer (the "Offer") with Amati VCT was launched in October 2015. Total subscriptions received for Amati VCT 2 were £2.4m at 6 April 2016. The Offer in respect of tax year 2016/17 is expected to close on Friday 15 July 2016. The capacity of the offer will be subject to the rules governing non-prospectus offers, which are set out in the Offer document.

The Offer document is available on Amati Global Investors' website at: [http://amatiglobal.com/avct\\_share\\_offer.php](http://amatiglobal.com/avct_share_offer.php)

## VCT Legislation

The changes to the VCT legislation outlined in the July 2015 Budget (and reported in the Company's interim results) became effective following Royal Assent in November 2015. The changes focus State Aid funding towards businesses where the Government believes there is a funding gap, and ensures that the UK's tax efficient investment schemes fall within EU legislation on State Aid funding. The changes relate to the purpose of the investment (specifically, capital can no longer be used to fund the acquisition of a company, and investment must be made for the purpose of development and growth); the maximum age of a potential investee company; and the introduction of a lifetime limit on the amount of capital a company may raise from State Aid sources. Whilst the rule changes are complex they do not affect the terms of a shareholder's investment in a VCT. Rather, it is the responsibility of the Manager to ensure that the new rules are adhered to,

# Chairman's Statement

(continued)

and that the investment strategy can be pursued within the constraints of the rules.

As suggested in the Company's half-yearly report we believe that AIM VCTs will be well placed to operate under the new regime. The Manager is already working with AIM brokers and nominated advisers to ensure that good quality investment opportunities that satisfy the new rules continue to become available.

Just as this report was being finalised a further change to the VCT legislation was announced with the 2016 Budget, placing further limits on what VCTs can make non-qualifying investments in. The draft Finance Bill stipulates that non-qualifying investments will be restricted to investments in regulated collective investment schemes (UCITS or AIF) and securities bought on a Recognised Stock Exchange (which would exclude AIM). If enacted as expected this will mean that some of the options in the Company's non-qualifying investment policy will become redundant. In practice, however, this will make no material difference to the way in which the Company currently operates in respect of non-qualifying investments.

## Outlook

Over the year under review the Company's exposure to earlier stage opportunities has been reduced in favour of more mature businesses. As a consequence, the qualifying portfolio is now dominated by profitable, cash generative, dividend paying companies. These types of businesses tend to perform better on AIM than more speculative, cash consuming businesses. We believe that the Company has ended the year with an attractive portfolio of UK growth stocks holding excellent potential and we look forward to the Company's future with optimism.

## Annual General Meeting ("AGM")

The AGM will again be held at the Guildhall School of Music and Drama, starting at 2.30pm on Thursday 23 June 2016 at Rehearsal Room 3, 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 third Amati Guildhall Creative Entrepreneurs Award, to which shareholders are invited, details of which are being sent to you with this report. I do hope that as many shareholders as possible will be able to join us. Please RSVP to [rachel.lederf@amatiglobal.com](mailto:rachel.lederf@amatiglobal.com) if you would like to attend.

## Julian Avery

Chairman

6 April 2016

For any matters relating to your shareholding in the Company, dividend payments, or the Dividend Re-investment Scheme, please contact Share Registrars on 01252 821390, or by email at [enquiries@shareregistrars.uk.com](mailto:enquiries@shareregistrars.uk.com). For any other matters please contact Amati Global Investors ("Amati") on 0131 503 9115 or by email at [vct-enquiries@amatiglobal.com](mailto:vct-enquiries@amatiglobal.com). Amati maintains an informative website for the Company – [www.amatiglobal.com](http://www.amatiglobal.com) - on which monthly investment updates, performance information, and past company reports can be found.

# Fund Manager's Review

## Market Review

News in 2015 was dominated by the unsettling events in Syria, from the increasing influence and territorial gains of ISIS to the ensuing humanitarian crisis that has witnessed an estimated 9 million Syrians fleeing their homes. In economics, it was the Chinese slowdown that preoccupied commentators and led to questions over the sustainability of global growth without a strong contribution from emerging markets. In the US, the first interest rate rise for 9 years should have been a signal of confidence by the Federal Reserve. Instead they have been variously criticised for acting too slowly, failing to give markets sufficiently clear guidance, or even at risk of having to reverse their decision in the light of slowing US data. These geopolitical and economic events had a varied effect on asset values, the most marked of which was the savage decline in commodity prices. The oil price fall was the most significant and led to drastic earnings downgrades for companies in the sector. For the UK consumer, the falling oil price was a boon. The resultant lower petrol prices and utility bills, alongside the return of wage inflation and a continued policy of low interest rates, served to increase household cash flows. Companies in the retail and leisure sectors were the predictable beneficiaries. As a consequence, stock market indices which are heavily resource weighted, such as the FTSE 100, endured a disappointing year, whereas those less focused on these sectors, such as the UK Mid and Small cap indices, fared better.

## Performance

Having enjoyed a strong calendar year to December 2015, gains were pared back by a difficult start to 2016 for equities. Despite this, the Company returned a NAV total return of 6.1% for the year to 31 January 2016, against a total return of 1.8% for the FTSE AIM All-Share Index.

The greatest contributor to performance was **Bilby**, an investment made at Initial Public Offering ("IPO") early in the year under review, which benefited from a share price rise of 141%. Bilby is a provider of gas heating and general building maintenance services to social housing clients in the South East of England. Having started with a sensibly priced IPO, Bilby have paid a significant dividend; made an earnings enhancing acquisition of an electrical contractor based in Essex more than doubling the number of properties now serviced by Bilby to 230,000; and won the largest new social housing gas maintenance contract tender in the South East of England. This has given the company a very strong start on AIM, and we believe there remains a significant opportunity for Bilby to consolidate the market in its chosen geography. **Accesso Technology Group** ("Accesso"), the provider of queuing and ticketing applications to theme parks and other tourist attractions, gained 52% over the period. The catalyst was the announcement of a deal with Merlin Entertainments to

become their exclusive global ticketing solution provider. **Accesso** more recently announced the extension of its ticketing and queuing partnership with Six Flags, a long-standing theme park customer, until 2025, demonstrating the long-term nature of its customer relationships. **GB Group**, the identity intelligence data and software provider, continued its progress with a share price rise of 62%. GB Group is a UK technology success story. Headquartered in Chester, it now has 18 offices globally and a market capitalisation of over £300 million. Its products and services now have the ability to conduct KYC (Know your Customer) checks for individuals in 40 countries. **Tristel**, the manufacturer of infection, contamination and hygiene control products, ended the year up 66%. Tristel reported growth from all areas of the business, with particular success in China and Hong Kong. Other notable performers included **Learning Technologies Group**, the e-learning provider, which was added to the portfolio during the year and is detailed further in the 'Transactions' section below; **Brooks Macdonald Group**, the integrated wealth manager, which continued its impressive growth in funds under management; **IDOX**, the document management software provider to local authorities; and **AB Dynamics**, the designer and manufacturer of test equipment for vehicle suspension, steering, noise and vibration.

On the negative side, the most significant detractors to performance were two holdings in unquoted companies, and two loans made to AIM quoted Chinese companies which were written down to zero in the first half. The latter were **Sorbic International** ("Sorbic"), the Chinese manufacturer of food preservative, and **China Food Company**. Our advisers are working with Sorbic to structure a mechanism for the repayment of this loan but our experiences in dealing with this company have taught us to take nothing at face value. China Food Company is also still trading at break even, and the underlying operations have improved a little, but we don't have visibility on how and when our loan might be repaid. Of the two unquoted companies, one, **Polyhedra Group** ("PHG"), also involves a loan which has been written down to zero. PHG is a services business that collects, documents and destroys expired and recalled pharmaceutical products in Italy under an exclusive contract with the national association of drug manufacturers. PHG attempted to expand its range of services by acquiring companies in related fields. This strategy proved ill-fated and the consequence has been an erosion of group profits, recently exacerbated by a decline in a key revenue stream within the original business. The majority of the Company's investment was made in a convertible loan. The downturn in trading has been sufficient to impact PHG's ability to service this loan and a write-down to nil value was deemed appropriate. We continue to work with PHG in an attempt to recover the full value of the loan. The second company was **MirriAd**, the technology provider of in-video advertising services, due to a rescue funding

# Fund Manager's Review

(continued)

round that severely diluted existing investors. However, MirriAd's technology has great promise and we participated in a small way in the funding of a new company, **MirriAd Advertising**, into which MirriAd's trade and assets were transferred. This investment was made alongside IP Group, a leading early stage technology company investor. It is always disappointing to have investments that don't work out, and the experience with these companies has underpinned the shift in strategy towards companies that are UK-based, and which are able to generate cash and pay dividends within a short timeframe from our investment.

Over the course of the year the **TB Amati UK Smaller Companies Fund** (the "Fund") gave a return of 19.0%, which compares to a return of 3.0% for its benchmark, the Numis Smaller Companies Total Return Index (including AIM, excluding Investment Trusts), and 9.2% for the Investment Association sector average for UK smaller company funds.

## Transactions

### Qualifying portfolio

During the year the company invested £2.7 million in the qualifying portfolio. The majority of this sum was invested in five opportunities, comprising two IPOs; two secondary share placings by companies already quoted on AIM (but not already held in the portfolio); and one follow-on investment in an existing AIM-listed portfolio holding.

The two IPOs were completed in the first half of the Company's financial year and reported in the interim results. **Bilby** was the first, already discussed above. **Premier Technical Services Group** ("PTSG") was the second IPO, also in February. PTSG comprises four offerings to its customers – Access and Safety; Electrical Services; High Level Cleaning; and Specialist Training. Demand for the group's services is driven by regulatory requirements around the installation, maintenance and testing of access and safety systems, lightning conductors and electrical equipment, as well as insurance compliance requirements. PTSG has a blue chip customer base, which includes Marks & Spencer, Royal Bank of Scotland, Barclays and Manchester United.

The first of the secondary share placings was in **Learning Technologies Group** ("LTG"). LTG operates in the fast growing e-learning market and has been extending its capabilities and sector reach into areas such as Governance, Risk and Compliance ("GRC") through organic growth and a series of acquisitions. The second was in **Venn Life Sciences** ("Venn"), a Clinical Research Organisation ("CRO") providing clinical trial management and resourcing to pharmaceutical and biotechnology clients. Venn has operations throughout Europe and has been benefiting from an increased trend

amongst its customer base to outsource non-core activities such as clinical trials.

The final transaction worthy of note was a follow-on investment in **Science in Sport** ("SiS"). The original position was taken in SiS in an earlier funding round in 2014. Since completing this initial investment, SiS has delivered strong top-line growth as it has further cemented its position as a leading provider of sports nutrition products. SiS decided to raise further funds in order to capitalise on the growing global demand for its products, which is being driven by the increase in popularity of sports such as running, cycling and triathlon, coupled with an increased interest amongst professional and amateur athletes in how diet can influence performance. In addition, small follow on investments were made in **FairFx Group**, **Mirada**, **MirriAd Advertising** and **Sabien Technology Group**.

A total of £2.0 million was realised from the qualifying portfolio through the sale of six holdings and a reduction in the Company's exposure to a further four positions. The most significant sale was **DXI**, an unlisted software solution provider to call centres, which we exited at a small profit via a trade sale to 8x8, a US provider of Voice over Internet Protocol (VoIP) technologies. Two AIM-listed companies – **Ebiquity**, the marketing performance analysis company, and **Ubisense Group**, the location intelligence software and services business – were also exited via market sales.

### Non-qualifying portfolio

In line with the amended non-qualifying investment policy, we increased the Company's exposure to the TB Amati UK Smaller Companies Fund (the "Fund"). The Fund performed well against its peer group (IA UK Smaller Companies) and its benchmark (Numis Smaller Companies Index, plus AIM, excluding Investment Companies) over the year and gives the Company exposure to Amati Global Investors' entire portfolio of UK small and mid cap stocks.

A position was also taken in **Hiscox**, a mid cap insurance group covering commercial and personal markets as well as speciality lines in technology, aerospace, marine, fire and political risk, amongst other areas. Hiscox offers a large, liquid, income producing diversifier for the Company.

Two non-qualifying positions were exited during the year, **DX (Group)**, the parcel logistics group, and **Assura Group**, the UK's leading healthcare Real Estate Investment Trust ("REIT").

## Outlook

Having endured a torrid start to 2016, stock markets began to rally in February. As ever, it is difficult to predict the direction of travel from here. Many of the issues



which created the nervousness and sharp falls in January remain unresolved. Central bank policy has been a key driver in the pricing of financial assets since the global crisis of 2008 and there is a fear that capital markets will adjust unpredictably when accommodative policies begin to be withdrawn. There is also a headwind created by the short-term uncertainty surrounding Britain's membership of the EU. Despite this, the UK remains an attractive destination for equity investment, and one of the best environments in which to nurture a small business. Furthermore, our belief is that selective small companies, operating in niche growing markets, are more in control of their own destiny, and less at the mercy of wider stock market trends.

The portfolio has evolved considerably over recent years and is now dominated by more established, mature, profitable small companies. Our experience and analysis suggests to us that these are the stocks which, over time, become attractive to a wider investment universe, beyond the realm of VCTs. As this happens, the increased interest in such companies can create a 're-rating' effect where the multiple of earnings at which a stock is valued starts to rise. Alongside earnings growth, this provides a second catalyst for share price appreciation. Therefore we continue to believe that the smaller end of AIM, which is relatively little-known and under-researched, is a highly promising market in which to build a portfolio of long-term growth company investments for the Amati VCTs.

**Dr Paul Jourdan,  
Douglas Lawson and  
David Stevenson**

Amati Global Investors

6 April 2016

# 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 January 2010, having joined Noble in 2007 as Head of Equities. His fund management career began in 1998 with Stewart Ivory, where he gained experience in UK, emerging market, and global equities. In 2000 Stewart Ivory was taken over by First State and Paul became manager of what is now TB Amati UK Smaller Companies Fund. In 2004 he was appointed Head of UK Equities at First State. In early 2005 he launched what is now Amati VCT plc and he also manages Amati VCT 2 after the investment management contract moved to Amati Global Investors in 2010.

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 Fox Marble plc, a portfolio company of the Amati VCTs and is also a Governor of the Royal Conservatoire of Scotland.

**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 co-managed the TB Amati UK Smaller Companies Fund since 2009, winning several awards and achieving the Citywire AAA rating in April 2012. He has also been co-manager of Amati VCT since 2009 and Amati VCT 2 since 2010. 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.

**David Stevenson** joined Amati 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 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 was ranked top decile amongst peers for the 5 year 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 2016

	Cost £'000	Valuation £'000	Market Cap £m	Sector	Status	Dividend Yield %	Fund %
TB Amati UK Smaller Companies Fund <sup>®</sup>	2,135	2,516	-	Financials	OEIC	-	7.8
Accesso Technology Group plc <sup>†®</sup>	274	2,309	185.8	Technology	AIM	-	7.1
Brooks Macdonald Group plc <sup>†®</sup>	1,154	1,642	249.0	Financials	AIM	1.9	5.1
IDOX plc <sup>*®</sup>	239	1,622	181.4	Technology	AIM	1.4	5.0
Bilby plc <sup>†®</sup>	574	1,386	47.9	Industrials	AIM	2.3	4.3
GB Group plc <sup>†®</sup>	224	1,364	311.9	Technology	AIM	0.8	4.2
Quixant plc <sup>†®</sup>	386	1,295	100.2	Technology	AIM	0.8	4.0
Learning Technologies Group plc <sup>†®</sup>	746	1,208	141.5	Industrials	AIM	-	3.7
Frontier Developments plc <sup>†®</sup>	549	1,170	77.4	Consumer goods	AIM	-	3.6
Tristel plc <sup>†®</sup>	439	1,168	56.1	Health care	AIM	2.4	3.6
<b>Top Ten</b>	<b>6,720</b>	<b>15,680</b>					<b>48.4</b>
Ideagen plc <sup>†®</sup>	496	1,037	83.2	Technology	AIM	-	3.2
TLA Worldwide plc <sup>†®</sup>	465	1,010	62.2	Consumer services	AIM	3.3	3.1
Fox Marble Holdings plc Ordinary shares & 8% Convertible Loan Note <sup>*®</sup>	1,142	931	20.4	Basic Materials	AIM/ Unquoted	-	2.9
Universe Group plc <sup>†®</sup>	267	926	18.5	Industrials	AIM	-	2.9
AB Dynamics plc <sup>†®</sup>	259	881	50.8	Industrials	AIM	0.8	2.7
Anpario plc <sup>†®</sup>	272	863	61.2	Health care	AIM	1.8	2.7
Tasty plc <sup>†</sup>	320	770	88.9	Consumer services	AIM	-	2.4
Keywords Studios plc <sup>†®</sup>	437	710	107.7	Industrials	AIM	0.6	2.2
Science in Sport plc <sup>†®</sup>	710	687	19.8	Consumer goods	AIM	-	2.1
Crawshaw Group plc <sup>†®</sup>	369	685	61.6	Consumer services	AIM	-	2.1
<b>Top Twenty</b>	<b>11,457</b>	<b>24,180</b>					<b>74.7</b>
Premier Technical Services Group plc <sup>†®</sup>	403	657	74.9	Industrials	AIM	0.8	2.0
Rame Energy plc Ordinary shares, 8% Convertible Unsecured Loan Stock 2019 & Warrants <sup>*®</sup>	653	589	9.6	Industrials	AIM/ Unquoted	-	1.8
Hiscox Limited <sup>®</sup>	490	571	2,824.0	Financials	AIM	2.6	1.7
Solid State plc <sup>†®</sup>	243	546	45.7	Industrials	AIM	3.8	1.7
Kalibrate Technologies plc <sup>*®</sup>	350	443	33.8	Technology	AIM	-	1.4
Software Radio Technology plc <sup>*®</sup>	579	351	23.6	Technology	AIM	-	1.1
Belvoir Lettings plc <sup>*®</sup>	339	348	29.0	Financials	AIM	7.4	1.1
Sportsworld.com <sup>*</sup>	352	317	2.8	Industrials	Unquoted	-	1.0
Netcall plc <sup>†</sup>	110	294	66.6	Technology	AIM	6.0	0.9
Venn Life Sciences Holdings plc <sup>*®</sup>	274	287	13.9	Health care	AIM	-	0.9
Water Intelligence plc <sup>†®</sup>	170	237	3.4	Industrials	AIM	-	0.7
Microsaic Systems plc <sup>*®</sup>	370	232	16.9	Industrials	AIM	-	0.7
FairFX Group plc <sup>*®</sup>	463	221	16.1	Financials	AIM	-	0.7
Dods (Group) plc <sup>*</sup>	596	195	33.1	Consumer services	AIM	-	0.6

# Investment Portfolio

(continued)

	Cost £'000	Valuation £'000	Market Cap £m	Sector	Status	Dividend Yield %	Fund %
MartinCo plc <sup>†@</sup>	141	190	29.7	Financials	AIM	4.0	0.6
Synectics plc <sup>†</sup>	342	175	22.8	Industrials	AIM	2.1	0.5
Ilika plc <sup>@</sup>	144	151	41.4	Oil & Gas	AIM	-	0.5
Mirada plc <sup>@</sup>	416	147	5.2	Consumer services	AIM	-	0.4
MirriAd Advertising Limited <sup>@</sup>	486	137	4.2	Technology	Unquoted	-	0.4
Rosslyn Data Technologies plc <sup>@</sup>	365	121	8.3	Technology	AIM	-	0.4
Sabien Technology Group plc <sup>†@</sup>	452	106	1.8	Industrials	AIM	-	0.3
Eclectic Bar Group plc <sup>@</sup>	292	97	8.6	Consumer services	AIM	-	0.3
Antenova Limited Ordinary shares & A Preference Shares <sup>*</sup>	100	79	2.6	Telecommunications	Unquoted	-	0.2
Allergy Therapeutics plc <sup>*</sup>	29	70	155.5	Health care	AIM	-	0.2
EU Supply plc <sup>@</sup>	330	58	2.7	Technology	AIM	-	0.2
MyCelx Technologies <sup>@</sup>	425	19	0.8	Oil & Gas	AIM	-	0.1
Nujira Limited <sup>@</sup>	125	5	1.1	Technology	Unquoted	-	-
Conexion Media Group plc <sup>*</sup>	184	3	0.2	Consumer services	Unquoted	-	-
<b>Investments held at nil value<sup>@</sup></b>	<b>2,628</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total investments</b>	<b>23,308</b>	<b>30,826</b>					<b>95.1</b>
<b>Net current assets</b>		<b>1,574</b>					<b>4.9</b>
<b>Net assets</b>	<b>23,308</b>	<b>32,400</b>					<b>100.0</b>

\* Qualifying holdings.

† Part qualifying holdings.

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

All holdings are in ordinary shares unless otherwise stated.

Investments held at nil value: Polyhedra Group plc, China Food Company plc; Sorbic International plc, Music Festivals plc, Rated People Limited, Celoxica Holdings plc, TCOM Limited

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 88.19%.

# 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 2016 the Company held investments in 55 companies.

The Manager may use exchange-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 to date.

### 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 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) constituents of the TB Amati UK Smaller Companies Fund, (c) likely to seek a quotation in London within a 24 month period, or (d) 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; and
- (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

# Objectives and Key Policies

(continued)

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 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 could help 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 11 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.

## 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:

- Compliance with HMRC VCT regulations to maintain the Company's VCT Status. See page 14.
- 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 2.
- Ongoing charges ratio. See key data on page 2.

# 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 by the Company 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, irrecoverable VAT and exceptional costs, including winding-up costs). Please refer to Note 3 on page 37 for details of the performance fee arrangement. No performance fee is payable as the Manager has waived all performance fees from 31 July 2014 onwards.

## 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 in respect of these services payable to the Manager for the year ended 31 January 2016 is £75,000; 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

Philip Hare & Associates LLP (“Philip Hare & Associates”) are engaged to advise the Company on compliance with VCT requirements. Philip Hare & Associates reviews new investment opportunities, as appropriate, and reviews regularly the investment portfolio of the Company. Philip Hare & Associates 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.

- (i) The Company must, within three years of raising funds, maintain at least 70% of its investments by VCT value (cost, or the last price paid per share, if there is an addition to the holding) 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).
- (ii) 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.
- (iii) 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 and £16 million after investment; they must be carrying on a qualifying trade and satisfy a number of other tests including those outlined below; the investment must also be made for the purpose of promoting growth or development.
- (iv) VCTs 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 12 months prior to and including the date of investment.
- (v) No investment may be made by a VCT in a company that causes that company to receive more than £12 million (£20 million if the company is deemed to be a Knowledge Intensive Company) of state aid investment (including from VCTs) over the company's lifetime. A subsequent acquisition by the investee company of another company that has previously received State Aid Risk Finance can cause the lifetime limit to be exceeded.
- (vi) No investment can be made by a VCT in a company whose first commercial sale was more than 7 years prior to date of investment, except where previous State Aid Risk Finance was received by the company within 7 years (10 years in each case for Knowledge Intensive Company) or where both a turnover test is satisfied and the money is being used to enter a new product or geographical market.
- (vii) No funds received from an investment into a company can be used to acquire another existing business or trade.
- (viii) Since 6 April 2016 a VCT is only able to make non-qualifying investments in UCITS (Undertakings for Collective Investments in Transferable Securities)

funds, AIF (Alternative Investment Funds) and in securities purchased on a Recognised Stock Exchange. In each of these cases the restrictions in (iv) – (vii) above are not applied.

Prior to making any qualifying investment the Manager requests HMRC VCT clearance letters from investee companies and takes advice from Philip Hare & Associates 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. Philip Hare & Associates also review the portfolio bi-annually to ensure the Manager has complied with regulations and has 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 Philip Hare & Associates as taxation adviser to the Company. Philip Hare & Associates 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 22 and 23.

### 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 19 to 22 to the financial statements on pages 43 to 45.

The Company is financed through equity.

### Liquidity Risk

The Company's investments may be difficult to realise. As a closed-end vehicle the Company does not 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 22 and 23.

# Other Matters

(continued)

## 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.

## STATEMENT ON LONG-TERM VIABILITY

In accordance with the revisions to the UK Corporate Governance Code in 2014 (the "2014 Code"), the directors have carried out a robust assessment of the prospects of the Company for the period to January 2019, taking into account the Company's current position and principal risks, and are of the opinion that, at the time of approving the financial statements there is a reasonable expectation that the Company will be able to continue in operation and meet liabilities as they fall due over that period.

The directors consider that for the purpose of this exercise it is not practical or meaningful to look forward over a period of more than three years. This time frame allows for reasonable forecasts to be made to allow the Board to provide shareholders with reasonable assurance over the viability of the Company. In making their assessment the directors have taken 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.

## OTHER DISCLOSURES

The Company had no employees during the year and has four non-executive directors, all of which are male. The Company, being an investment company with no employees, has no policies in relation to environmental matters, social, community and human rights issues.

On behalf of the Board

**Julian Avery**

Chairman

6 April 2016

## 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 a non-executive director of Curtis Banks Group plc. 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 and Braemar Group Limited. The Company holds shares in Brooks Macdonald Group plc.

**Christopher Moorsom** 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 the Royal Welsh College of Music and Drama, the 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. The Company indemnifies its directors and officers and has purchased insurance to cover its directors.

## Dividend

The Board is recommending a final dividend of 3.5p per share for the year ended 31 January 2016 payable on 22 July 2016.

## Share Capital

There were 30,259,489 ordinary shares in issue at the year end. During the year 2,483,093 shares in the Company were allotted at an average price of 109.19p per share raising £2.7m net of issue costs. Since the year end, 1,658,323 shares have been issued under the Top Up Offer, please refer to Note 15 on page 41 for further details.

During the year 894,421 shares in the Company with a nominal value of 5p per share were bought back for an aggregate consideration of £0.9m at an average price of 104.59p per share (representing 3.1% of the shares in issue at 31 January 2015). All of the shares were cancelled after purchase.

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 AGM.

## Global Greenhouse Gas Emissions

All of the Company's activities are outsourced to third parties. The Company therefore has no direct greenhouse gas emissions to report from its operations.

## 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 14 to 16. 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 28 to 30 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 Notes 18 to 22 on pages 42 to 45.

**Future Developments**

Significant events which have occurred after the year end are detailed in Note 15 on page 41. Future developments which could affect the Company are discussed in the outlook sections of the Chairman's Statement and Fund Manager's Review.

On behalf of the Board

**Julian Avery**

Chairman

6 April 2016

# 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”) available on the AIC website [www.theaic.co.uk](http://www.theaic.co.uk). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in 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 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. 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 AGM. Christopher Moorsom is retiring as a director of the Company at the forthcoming AGM and is not seeking re-election.

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 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, set out on page 17 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/avct2\\_the\\_board.php](http://www.amatiglobal.com/avct2_the_board.php).

### 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.

During the year ended 31 January 2016 the audit committee met twice and:

- reviewed all financial statements released by the Company (including the annual and half-yearly report);
- reviewed the Company's accounting policies;
- monitored the effectiveness of the system of internal controls and risk management;
- approved the external auditor's plan and fees;
- received a report from the external auditors following their detailed audit work, and discussed key issues arising from that work; and
- reviewed 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, Philip Hare & Associates, as described on page 13.

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 the current year.

# Statement of Corporate Governance

(continued)

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 2016.

Director	Board meetings		Audit committee meetings	
	held	attended	held	attended
Julian Avery	5	5	2	2*
Mike Killingley	5	5	2	2
Christopher Macdonald	5	5	2	2
Christopher Moorsom	5	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 13, 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 notice of the AGM 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](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 fair, balanced and understandable assessment of the Company's position and performance, business model and strategy.

# 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 have prepared the 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 and, as regards the Company financial statements, Article 4 of the International Accounting Standards Regulation. 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 directors are responsible for ensuring that the Annual Report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, 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 of the principal risks and uncertainties that they face.

On behalf of the Board

**Julian Avery**  
Chairman

6 April 2016

# 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"). An ordinary resolution for the approval of the Directors' Annual Report on Remuneration will be put to members at the forthcoming AGM.

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 auditors opinion on these and other matters is included in the Independent Auditor's Report on pages 28 to 30.

## 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 on page 22. The Board last 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 next be put to the members at the AGM to be held in 2017.

## 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. 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	2016 AGM
Mike Killingley	22 February 2006	2016 AGM
Christopher Macdonald	8 November 2011	2016 AGM
Christopher Moorsom	12 June 2003	n/a*

\*Christopher Moorsom is stepping down at the AGM.

# Directors' Remuneration Report

(continued)

## Directors' fees for the year (Audited)

The fees payable to individual directors in respect of the year ended 31 January 2016 are shown in the table below.

Director	Total fee for year ended 31 January 2016 £	Total fee for year ended 31 January 2015 £
Julian Avery	23,500	22,000
Mike Killingley	19,000	17,500
Christopher Macdonald	16,500	15,000
Christopher Moorsom	16,500	15,000
	75,500	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.

## 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 2016		31 January 2015	
	Shares held	% of issued share capital	Shares held	% of issued share capital
Julian Avery	92,684	0.31	87,590	0.31
Mike Killingley	45,271	0.15	45,271	0.16
Christopher Macdonald	242,788	0.80	48,076	0.17
Christopher Moorsom	37,680	0.12	37,680	0.13

Following the year end Mike Killingley bought 4,562 shares under the Top Up offer.

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

## Relative importance of spend on pay

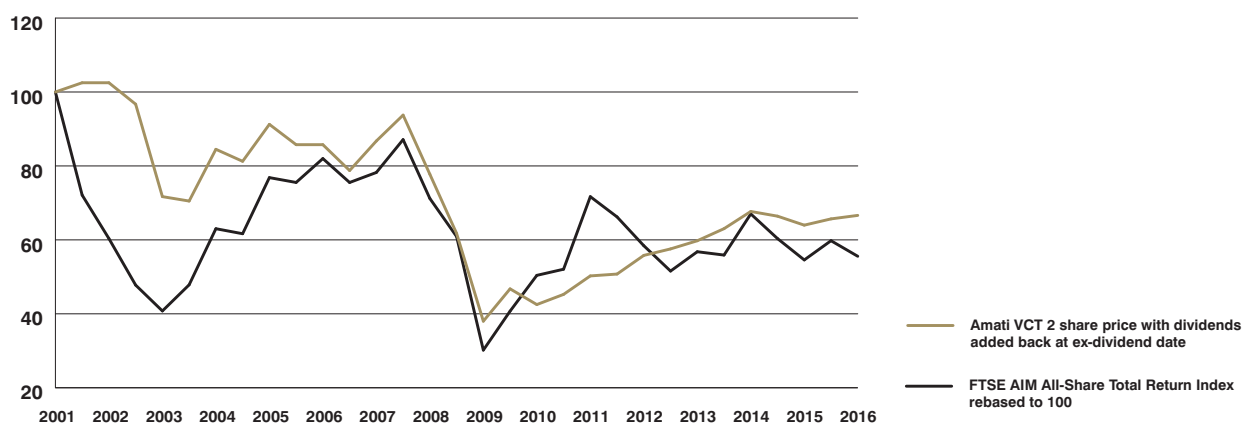
The table below shows the remuneration paid to directors and shareholder distributions in the year to 31 January 2016 and the prior year:

	2016 £	2015 £	Percentage increase/ (decrease)
Total dividend paid to shareholders	1,879,105	1,929,432	(2.61)
Total repurchase of own shares	940,166	1,130,389	(16.83)
Total directors' fees	75,500	69,500	8.63

### 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 25 June 2015, 98.8% of shareholders voted for, 1.2% voted against and 29,415 shares were withheld in respect of the resolution approving the Directors' remuneration report. At the AGM held in 2014 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  
6 April 2016

# Independent Auditors' 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 2016, which have been prepared by the directors in accordance with applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' :

- Give a true and fair view of the state of the Company's affairs as at 31 January 2016 and its profit 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 on the Financial Statements covers the:

- Income Statement;
- Statement of Changes in Equity;
- Balance Sheet;
- Statement of Cash Flows; and
- 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

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

## An overview of the scope of the audit including our assessment of the risk of material misstatement

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

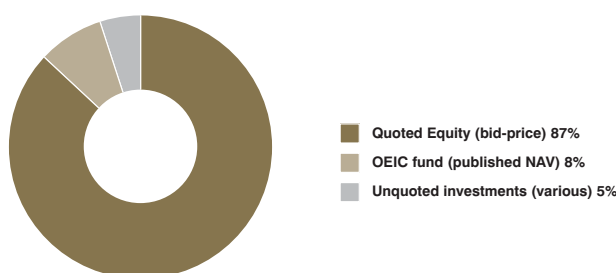
control environment. Based on this understanding we assessed those aspects of the Company's transactions and balances which were most likely to give rise to a material misstatement.

## Investments

The outcome of our risk assessment was that the valuation of investments was considered to be the area with the greatest effect on the overall audit strategy including the allocation of resources in the audit.

The valuation of investments is a key accounting estimate where there is an inherent risk of management override arising from the investment valuations being prepared by the Investment Manager, who is remunerated based on the net asset value of the Company.

We performed initial analytical procedures to determine the extent of our work considering, inter alia, the value of individual investments, the nature of the investment and the extent of the fair value movement. A breakdown of the investment portfolio by nature of instrument and valuation method is shown below.



In respect of equity investments quoted on AIM, we confirmed that bid or set price had been used and that there were no contra indicators, such as liquidity considerations, to suggest the price was not the most appropriate indication of fair value. 87% of the portfolio is valued at bid or set price, while one OEIC fund was held at published fund NAV.

5% of the portfolio is in unquoted investments. In respect of equity unquoted investments, we:

- Reviewed the valuation methodology and supporting documentation;
- Considered whether the valuation methodology is the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines;
- Verified the cost or price of recent investment to supporting documentation and reviewed the Investment Manager's determination of whether there were any reasons why the valuation did not remain appropriate;
- Re-performed the calculation of the investment valuations;

- Verified and benchmarked key inputs and estimates to independent information and our own research
- Challenged the assumptions inherent in the valuation of unquoted investments, and we assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the Financial Statements;
- Considered the economic environment in which the investment operates to identify factors that could impact the investment valuation; and
- For all investments tested, we developed our own point estimate where alternative assumptions could reasonably be applied and considered the overall impact of such sensitisations on the portfolio of investments in determining whether the valuations as a whole are reasonable and unbiased.

For a risk-weighted sample of loans held at fair value, we:

- Vouched security held to documentation;
- Agreed the terms of the loan stock to underlying agreement;
- Reviewed the DCF calculation supporting the value of the underlying loan. In particular, considering the key assumptions made in determining the value i.e. the discount factor used;
- Obtained supporting evidence for any movement in the discount factor and discussed with the Investment Manager;
- Considered the reasonableness of the assumptions used by the Investment Manager and flexed these assumptions if necessary; and
- Reviewed the treatment of accrued redemption premium/other fixed returns in line with the SORP.

## Revenue

We also considered revenue recognition to be a significant risk. Revenue consists of dividends receivable

from the portfolio companies and interest earned on loans to portfolio companies and cash balances. Revenue recognition is a significant audit risk as it is one of the key drivers of dividend returns to investors. In particular, in unquoted companies, dividends receivable can be difficult to predict.

We assessed the design and the implementation of the controls relating to revenue recognition and we developed expectations for interest income receivable based on loan instruments and investigated any variations in amounts recognised to ensure they were valid.

In respect of dividends receivable, we reviewed the income arising for a sample of the quoted shares held and agreed the income received to dividend history from Bloomberg. For unquoted shares, we compared actual income to expectations set based on independent published data on dividends declared by the portfolio companies held. We also tested the categorisation of dividends received from the portfolio companies between the revenue and capital.

The audit committee's consideration of their key issues is set out on pages 21 and 22.

## 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 – based on 1% of invested assets	Assessing whether the Financial Statements as a whole present a true and fair view	<ul style="list-style-type: none"> <li>• The value of investments</li> <li>• The level of judgement inherent in the valuation</li> <li>• The range of reasonable alternative valuation</li> </ul>	310,000
Specific materiality – classes of transactions and balances which impact on revenue profits – based on 10% of gross expenditure	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	<ul style="list-style-type: none"> <li>• The level of net income return</li> </ul>	80,000

# Independent Auditors' Report

(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 22 and 23 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.

## Statement regarding the directors' assessment of principal risks, going concern and longer term viability of the Company

We have nothing material to add or to draw attention to in relation to:

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

## 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the directors' statements, set out on page 18, in relation to going concern and on page 16 in relation to longer-term viability; 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.

## Vanessa Bradley

(senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor

London

United Kingdom

6 April 2016

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



# Income Statement

for the year ended 31 January 2016

	Note	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Gain/(loss) on investments	8	-	2,098	2,098	-	(2,682)	(2,682)
Income	2	654	-	654	374	31	405
Investment management fees	3	(139)	(416)	(555)	(148)	(254)	(402)
Other expenses	4	(294)	-	(294)	(303)	-	(303)
Profit/(loss) on ordinary activities before taxation		221	1,682	1,903	(77)	(2,905)	(2,982)
Taxation on ordinary activities	5	-	-	-	-	-	-
Profit/(loss) and total comprehensive income attributable to shareholders		221	1,682	1,903	(77)	(2,905)	(2,982)
Basic and diluted earnings/(loss) per Ordinary share	7	0.74p	5.63p	6.37p	(0.27p)	(10.22p)	(10.49p)

The total column of this Income Statement represents the profit and loss account of the Company. The supplementary revenue and capital columns have been prepared in accordance with The Association of Investment Companies' Statement of Recommended Practice. There is no other comprehensive income other than the results for the year discussed above. Accordingly a Statement of total comprehensive income is not required.

All the items above derive from continuing operations of the Company.

The notes on pages 35 to 45 form part of these financial statements.

# Statement of Changes in Equity

for the year ended 31 January 2016

	Non-distributable reserves					Distributable reserves		
	Called up share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserve# £'000	Revenue reserve £'000	Total reserves £'000
Opening balance as at 1 February 2015	1,434	7,205	1,088	287	19,969	836	(193)	30,626
Shares issued	124	2,588	-	-	-	-	-	2,712
Share issue expenses	-	(22)	-	-	-	-	-	(22)
Repurchase of shares	(45)	-	-	45	(940)	-	-	(940)
Dividends paid	-	-	-	-	(1,879)	-	-	(1,879)
Transfer of merger investment disposals	-	-	(663)	-	-	663	-	-
Profit and total comprehensive income for the year	-	-	-	-	-	1,682	221	1,903
Closing balance as at 31 January 2016	1,513	9,771	425	332	17,150	3,181	28	32,400

for the year ended 31 January 2015

	Non-distributable reserves					Distributable reserves		
	Called up share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserve# £'000	Revenue reserve £'000	Total reserves £'000
Opening balance as 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 and total comprehensive income for the year	-	-	-	-	-	(2,905)	(77)	(2,982)
Closing balance as 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 2016, the capital reserve constitutes realised losses of £5,295,000 (31 January 2015: £4,769,000) and unrealised investment holding gains, which are not distributable, of £8,476,000 (31 January 2015: £5,605,000). Distributable reserves comprise the special reserve, the revenue reserve and the capital reserve excluding investment holding gains. At 31 January 2016, the amount of reserves deemed distributable is £11,883,000 (31 January 2015: £15,007,000).

# Balance Sheet

as at 31 January 2016

	Note	2016 £'000	2015 £'000
<b>Fixed assets</b>			
Investments held at fair value	8	30,826	28,302
<b>Current assets</b>			
Debtors	9	99	144
Cash at bank		1,692	2,659
Total current assets		1,791	2,803
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	10	(217)	(479)
Net current assets		1,574	2,324
Total assets less current liabilities		32,400	30,626
<b>Capital and reserves</b>			
Called up share capital*	11	1,513	1,434
Share premium account*		9,771	7,205
Merger reserve*		425	1,088
Capital redemption reserve*		332	287
Special reserve		17,150	19,969
Capital reserve#		3,181	836
Revenue reserve		28	(193)
Equity shareholders' funds		32,400	30,626
Net asset value per share	12	107.07p	106.82p

\* These reserves are not distributable.

# These reserves are not wholly distributable.

The financial statements on pages 31 to 45 were approved and authorised for issue by the Board of directors on 6 April 2016 and were signed on its behalf by

**Julian Avery**

Chairman

Company Number 04138683

The accompanying notes on pages 35 to 45 are an integral part of the balance sheet.

# Statement of Cash Flows

for the year ended 31 January 2016

	2016 £'000	2015 £'000
<b>Cash flows from operating activities</b>		
Investment income received	613	396
Investment management fees	(551)	(1,849)
Other operating costs	(291)	(303)
Net cash outflow from operating activities	(229)	(1,756)
<b>Cash flows from investing activities</b>		
Purchases of investments	(4,126)	(6,869)
Disposals of investments	3,526	8,774
Net cash (outflow)/inflow from investing activities	(600)	1,905
Net cash (outflow)/inflow before financing	(829)	149
<b>Cash flows from financing activities</b>		
Net proceeds of share issues & buybacks	1,741	1,510
Equity dividends paid	(1,879)	(1,929)
Net cash outflow from financing activities	(138)	(419)
Decrease in cash	(967)	(270)
<b>Reconciliation of net cash flow to movement in net cash</b>		
Decrease in cash during the year	(967)	(270)
Net cash at 1 February	2,659	2,929
Net cash at 31 January	1,692	2,659
<b>Reconciliation of profit/(loss) on Ordinary Activities Before Taxation to Net Cash Outflow from Operating Activities</b>		
Profit/(loss) on ordinary activities before taxation	1,903	(2,982)
Net (gain)/loss on investments	(2,098)	2,682
Increase/(decrease) in creditors, excluding corporation tax payable	5	(1,448)
Increase in debtors	(39)	(8)
Net cash outflow from operating activities	(229)	(1,756)

The accompanying notes on pages 35 to 45 are an integral part of the statement.

# Notes to the Financial Statements

## 1 Accounting Policies

### Principal Activity

The Company is a public limited company incorporated and domiciled in the United Kingdom. The address of the registered office is 27/28 Eastcastle Street, London W1W 8DH. The principal activity of the Company is to invest in a portfolio of companies whose shares are primarily traded on AIM.

### Basis of Accounting

The financial statements have been prepared under FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and in accordance with the SORP issued by the Association of Investment Companies ("AIC") in November 2014 and on the assumption that the Company maintains VCT status. There are no significant changes to the Company's accounting policies or previous reported financial position and performance as a result of the adoption of FRS 102 which became mandatory for companies with a financial year beginning on or after 1 January 2015.

### 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. Where interest is rolled up or payable on redemption it is recognised as income unless there is reasonable doubt as to its receipt.

### 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.

No tax liability arises on gains from sales of fixed asset investments by the Company by virtue of its VCT status.

# Notes to the Financial Statements

(continued)

## Investments

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

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 FRS 102, 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. 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 present value of future payments discounted at a market value of interest for a similar loan and valuing the option at fair value.

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 held at fair value through profit or loss with changes in the fair value recognised in the Income Statement and allocated to capital.

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.

## Short-term Debtors and Creditors

Debtors and creditors with no stated interest rate and receivable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

## Judgements and Key Sources of Estimation Uncertainty

The preparation of the Financial Statements requires management to make judgments and estimates that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The nature of estimation means that the actual outcomes could differ from those estimates, possibly significantly. The most critical estimates and judgments relate to the determination of carrying value of investments at fair value through profit or loss. The Company values investments by following the IPEV guidelines.

## 2 Income

	Year to 31 January 2016 £'000	Year to 31 January 2015 £'000
Income:		
Dividends from UK companies	308	264*
Dividends from overseas companies	20	10
UK loan stock interest	317	116
Interest from deposits	9	15
	654	405

\*Includes dividends received from Antenna Limited deemed to be capital in nature in 2015.

## 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 13.

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 2016 £'000	Year to 31 January 2015 £'000
Due to the Manager by the Company at 1 February	133	1,580
Management fee charged to revenue and capital for the year	555	590
Performance fee charged to capital for the year	-	(188)
Investment management fees charged to revenue and capital for the year	555	402
Fees paid to the Manager during the year	(551)	(1,849)
Due to the Manager by the Company at 31 January	137	133

The Manager also receives a secretarial and administration fee of £75,000 (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 2016 or the year ended 31 January 2015 as the Manager has waived all performance fees from 31 July 2014 onwards.

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).

# Notes to the Financial Statements

(continued)

## 4 Other Expenses

	Year to 31 January 2016 £'000	Year to 31 January 2015 £'000
Directors' remuneration	76	70
Auditor's remuneration – audit of statutory financial statements	22	21
Administration and secretarial services	75	74
Other expenses	121	138
	294	303

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 25 and 26.

## 5 Tax on Ordinary Activities

### 5a Analysis of charge for the year

	Year to 31 January 2016 £'000	Year to 31 January 2015 £'000
Charge for the year	-	-

### 5b Factors affecting the tax charge for the year

	Year to 31 January 2016 £'000	Year to 31 January 2015 £'000
Profit/(loss) on ordinary activities before taxation	1,903	(2,982)
Corporation tax at standard rate of 20.17% (2015: 21.33%)	384	(636)
Effect of:		
Non-taxable dividends	(66)	(58)
Non-taxable (gains)/losses on investments	(423)	572
Movement in excess management expenses	105	122
Tax charge for the year (note 5a)	-	-

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 £1,675,000 (31 January 2015: £1,571,000).



## 6 Dividends Paid

	2016 £'000	2015 £'000
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
Final dividend for the year ended 31 January 2015 of 3.5p per ordinary share paid on 24 July 2015	1,051	-
Interim dividend for the year ended 31 January 2016 of 2.75p per ordinary share paid on 13 November 2015	828	-
	<b>1,879</b>	<b>1,929</b>

## 7 Earnings per Share

	Net profit/(loss) £'000	2016 Weighted average shares	Earnings per share pence	Net profit/(loss) £'000	2015 Weighted average shares	Earnings per share pence
Revenue	221	29,854,090	0.74p	(77)	28,437,624	(0.27p)
Capital	1,682	29,854,090	5.63p	(2,905)	28,437,624	(10.22p)
Total	1,903	29,854,090	6.37p	(2,982)	28,437,624	(10.49p)

## 8 Investments

	Level a* Traded on AIM £'000	Level c i)* Unquoted investments £'000	Level c ii)* Unquoted investments £'000	Total £'000
Cost as at 1 February 2015	18,460	902	4,673	24,035
Opening unrealised gain/(loss)	6,693	(270)	(818)	5,605
Opening unrealised loss recognised in realised reserve	(786)	-	(552)	(1,338)
Opening valuation as at 1 February 2015	<b>24,367</b>	<b>632</b>	<b>3,303</b>	<b>28,302</b>
Movements in the year:				
Reclassification in year	-	-	-	-
Purchases	3,734	-	133	3,867
Sales - proceeds	(2,619)	(115)	(707)	(3,441)
Realised (loss)/gain on sales	(64)	-	33	(31)
Unrealised gain/(loss) in the year	3,842	(195)	(1,518)	2,129
Valuation as at 31 January 2016	<b>29,260</b>	<b>322</b>	<b>1,244</b>	<b>30,826</b>
Cost at 31 January 2016	18,411	787	4,110	23,308
Unrealised gain/(loss) as at 31 January 2016	11,145	(355)	(2,314)	8,476
Closing unrealised loss recognised in realised reserve	(296)	(110)	(552)	(958)
Valuation as at 31 January 2016	<b>29,260</b>	<b>322</b>	<b>1,244</b>	<b>30,826</b>
Equity shares	29,260	322	190	29,772
Preference shares	-	-	30	30
Loan stock	-	-	1,024	1,024
Valuation as at 31 January 2016	<b>29,260</b>	<b>322</b>	<b>1,244</b>	<b>30,826</b>

\* Refer to note 18 for definitions

# Notes to the Financial Statements

(continued)

	2016 £'000	2015 £'000
Realised losses on disposal	(31)	(506)
Unrealised gains/(losses) on investments during the year	2,129	(2,176)
Net gain/(loss) on investments	2,098	(2,682)

## Transaction Costs

During the year the Company incurred transaction costs of £2,000 (31 January 2015: £3,000) and £5,000 (31 January 2015: £21,000) on purchases and sales of investments respectively. These amounts are included in the gain on investments as disclosed in the income statement.

## 9 Debtors

	2016 £'000	2015 £'000
Receivable for investments sold	-	84
Prepayments and accrued income	99	60
	99	144

## 10 Creditors: Amounts Falling due within One Year

	2016 £'000	2015 £'000
Payable for investments bought	-	258
Other creditors	217	221
	217	479

## 11 Called Up Share Capital

Ordinary shares (5p shares)	2016 Number	2016 £'000	2015 Number	2015 £'000
Allotted, issued and fully paid at 1 February	28,670,817	1,434	27,893,328	1,395
Issued during the year	2,483,093	124	1,747,323	87
Repurchase of own shares for cancellation	(894,421)	(45)	(969,834)	(48)
At 31 January	30,259,489	1,513	28,670,817	1,434

During the year a total of 894,421 ordinary shares of 5p each were purchased by the Company at an average price of 104.59p per share.

## 12 Net Asset Value per Ordinary Share

	Net assets £'000	Ordinary shares	2016 NAV per share pence	Net assets £'000	Ordinary shares	2015 NAV per share pence
Ordinary share	32,400	30,259,489	107.07	30,626	28,670,817	106.82

### 13 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
Sabien Technology Group plc	2,640,276	6.0
Universe Group plc	11,575,552	5.0
Water Intelligence plc	395,584	3.7
Science in Sport plc	1,402,049	3.5

### 14 Material Disposals of Unquoted Investments

At 31 January 2015 the Company held 2,048,000 ordinary shares and 337,067 loan notes in DXI Limited, valued at £246,000 and £429,000 respectively. During the year the overall position in DXI Limited was disposed of for total proceeds of £676,000.

### 15 Post Balance Sheet Events

The following transactions have taken place between 31 January 2016 and the date of this report:

1,658,323 shares were allotted raising net proceeds of £1.8m.

### 16 Related Parties

The Company holds 90,130 shares in Brooks Macdonald Group plc, an AIM traded company, of which Christopher Macdonald is chief executive officer.

The Company holds 3,313,224 shares and 508,300 convertible loan notes in Fox Marble Holdings plc, an AIM traded company of which Paul Jourdan is a non-executive director.

The Company retains Amati Global Investors as its Manager. Details of the agreement with the Manager are set out on page 13. The number of ordinary shares held (all of which are held beneficially) by certain members of the management team are:

	31 January 2016 shares held
Paul Jourdan	155,173
Douglas Lawson	14,499
David Stevenson	9,120

### 17 Segmental Reporting

The Directors are of the opinion that the Company is engaged in a single segment of business, being investment business.

# Notes to the Financial Statements

(continued)

## 18 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:

	2016 (Book value) £'000	2016 (Fair value) £'000	2015 (Book value) £'000	2015 (Fair value) £'000
<b>Assets at fair value through profit and loss</b>				
Investment portfolio	30,826	30,826	28,302	28,302
<b>Assets measured at amortised cost</b>				
Receivable for investments sold	-	-	84	84
Accrued income and other debtors	99	99	48	48
Cash at bank	1,692	1,692	2,659	2,659
<b>Liabilities measured at amortised cost</b>				
Accrued expenses	(217)	(217)	(479)	(479)
<b>Total for financial instruments</b>	<b>32,400</b>	<b>32,400</b>	<b>30,614</b>	<b>30,614</b>

Fixed asset investments (see note 8) are measured at fair value. For quoted securities this is generally the bid price or, in the case of SETS securities, the closing price. As explained in note 1, unquoted investments are valued in accordance with the IPEV guidelines. Changing one or more inputs for level c 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. 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 a"

Inputs to Level a 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 b"

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

– Valuation technique; - “Level c i) & ii)”

- i) Fair value is measured using a valuation technique that is based on data from an observable market; or
- ii) Fair value is measured using a valuation technique that is not based on data from an observable market.

**Financial assets at fair value**

	Year ended 31 January 2016				Year ended 31 January 2015			
	Level a £'000	Level c i) £'000	Level c ii) £'000	Total £'000	Level a £'000	Level c i) £'000	Level c ii) £'000	Total £'000
Equity shares	29,260	322	190	29,772	24,367	632	446	25,445
Preference shares	-	-	30	30	-	-	15	15
Loan stock	-	-	1,024	1,024	-	-	2,842	2,842
	29,260	322	1,244	30,826	24,367	632	3,303	28,302

**Level c financial assets at fair value**

	Year ended 31 January 2016				Year ended 31 January 2015			
	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	1,078	15	2,842	3,935	688	344	2,539	3,571
Transfers (from)/to Level c	-	-	-	-	(27)	(265)	-	(292)
Purchases	133	-	-	133	930	-	851	1,781
Disposal proceeds	(485)	-	(337)	(822)	(7)	(115)	-	(122)
Total net (losses)/gains recognised in the income statement	(214)	15	(1,481)	(1,680)	(506)	51	(548)	(1,003)
<b>Closing balance at 31 January</b>	<b>512</b>	<b>30</b>	<b>1,024</b>	<b>1,566</b>	<b>1,078</b>	<b>15</b>	<b>2,842</b>	<b>3,935</b>

**19 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 11. 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 9 to 10. FRS 102 requires the directors to consider the impact of changing one or more of the inputs used as part of the valuation process to reasonable possible alternative assumptions.

As at 31 January 2016 94.9% (31 January 2015: 86.1%) of the Company's investments are traded on AIM or fully listed. A 10% increase in stock prices as at 31 January 2016 would have increased the net assets attributable to the Company's shareholders and the total profit for the year by £2,926,000 (31 January 2015: £2,437,000); 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.

# Notes to the Financial Statements

(continued)

As at 31 January 2016 5.1% (31 January 2015: 13.9%) 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 2016 would have increased the net assets attributable to the Company's shareholders and the total profit for the year by £157,000 (31 January 2015: £394,000); 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.

## 20 Interest Rate Risk

### Fixed rate

Seven 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 £1,024,000 (31 January 2015: £2,842,000), the weighted average interest rate is 13.6% (31 January 2015: 11.0%) and the average period to maturity is 2.0 years (31 January 2015: 2.1 years).

Details of the Company's investments at the balance sheet date are provided on pages 9 to 10.

## 21 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 2016, the financial assets exposed to credit risk, representing convertible loan stock instruments, amounts due from brokers, accrued income and cash amounted to £2,799,000 (31 January 2015: £5,630,000). 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 2016 £'000	0-6 Months £'000	Total 2015 £'000
Loan stock past due	508	508	1,381	1,381

Interest of £38,000 was due to the Company at 31 January 2016 from Polyhedra Group plc, however this was received on 4 April 2016. Interest of £34,000 was due from Fox Marble Group plc and £11,000 was due from Rame Energy 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 2016, 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 2016 or 31 January 2015.

## 22 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 15. 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 2016, these investments were valued at £5,270,000 (31 January 2015: £3,071,000). The directors consider that frequently traded AIM investments with a market capitalisation of greater than £200m represent readily realisable securities.

## 23 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 bid price of the Company's shares can be found on Amati Global Investors' website:  
<http://www.amatiglobal.com/avct2.php>.

## Net Asset Value per Share

The Company's net asset value per share as at 31 January 2016 was 107.07p. 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](mailto:enquiries@shareregistrars.uk.com).

## Financial Calendar

April 2016	Annual report for the year ended 31 January 2016 to be circulated to shareholders
June 2016	Annual General Meeting
September 2016	Half-yearly Report for the six months ending 31 July 2016 to be circulated to shareholders
31 January 2017	Year-end

## Annual General Meeting

The Annual General Meeting of the Company will be held on Thursday 23 June 2016 at 2.30pm at Rehearsal Room 3, 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 47 to 52 of this report.



# Notice of Annual General Meeting

It is the Board's opinion that all resolutions are in the best interests of shareholders as a whole and the Board recommends that shareholders should vote in favour of all resolutions. Any shareholder who is in any doubt as to what action to take should consult an appropriate independent adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all your Shares in the Company, please forward this document, together with the forms of proxy, to the purchaser, transferee, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

Notice is hereby given that the Annual General Meeting of Amati VCT 2 plc (the "**Company**") will be held on Thursday 23 June 2016 at Rehearsal Room 3, 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 2016 together with the Independent Auditor's Report thereon.
2. To approve the Directors' Annual Report on Remuneration for the financial year ended 31 January 2016.
3. To approve a final dividend of 3.5p per share payable on 22 July 2016 to shareholders on the register at 17 June 2016.
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 2017 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. That, pursuant to article 157 of the Company's articles of association, the directors be authorised

to offer holders of shares in the Company the right to receive shares, credited as fully paid, instead of cash in respect of the whole (or some part as may be determined by the directors from time to time) of any dividend declared in the period commencing of the date of this Resolution 9 and ending on the fifth anniversary of this Resolution 9 pursuant to the Company's Dividend Re-investment Scheme ("DRIS").

## 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 Companies Act 2006 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 Act) for cash pursuant to the authority given in accordance with section 551 of the Act by the resolution passed at the general meeting on 7 March 2013 as if section 561(1) of the 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 2017 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 the Act, 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;

# Notice of Annual General Meeting

(continued)

- (iv) the authority hereby conferred shall expire on the earlier of the annual general meeting of the Company to be held in 2017 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

*Registered office:*

27/28 Eastcastle Street  
London W1W 8DH

6 April 2016

## 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 21 June 2016 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 21 June 2016 (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](http://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 6 April 2016 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 31,828,812 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 6 April 2016 are 31,828,812.
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 7215 or
  - Emailing [vct-enquiries@amatiglobal.com](mailto: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.

# Corporate Information

## **Directors**

Julian Ralph Avery  
Mike Sedley Killingley  
Christopher Antony James Macdonald  
Christopher John Leon Moorsom

all of:

27/28 Eastcastle Street  
London  
W1W 8DH

## **Secretary**

The City Partnership (UK) Limited  
Thistle House, 21 Thistle Street  
Edinburgh  
EH2 1DF

## **Fund Manager**

Amati Global Investors Limited  
18 Charlotte Square  
Edinburgh  
EH2 4DF

## **VCT Tax Adviser**

Philip Hare & Associates LLP  
Suite C, First Floor  
4-6 Staple Inn  
Holborn London  
WC1V 7QH

## **Registrar**

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

## **Auditor**

BDO LLP  
55 Baker Street  
London  
W1U 7EU

## **Solicitors**

Nimmo W.S.  
8 Walker Street  
Edinburgh  
EH3 7LH

## **Bankers**

The Bank of New York Mellon SA/NV  
London Branch  
160 Queen Victoria Street  
London  
EC4V 4LA

# Amati VCT 2 plc

## Form of Proxy for the Annual General Meeting on 23 June 2016

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 3, Milton Court, Guildhall School of Music & Drama, Silk Street, Barbican, London EC2Y 9BH on 23 June 2016 at 2.30pm, notice of which was dated 6 April 2016, 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

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

Please refer to the notes overleaf

### Attendance indication

I/we intend to attend the Annual General Meeting and Investor Event at Rehearsal Room 3, Milton Court, Guildhall School of Music & Drama, Silk Street, Barbican, London EC2Y 9BH on 23 June 2016 at 2.30pm.

AGM only       AGM & Investor Event       Investor Event only

Signed

Date

2016

# Amati VCT 2 plc

## Notes relating to Form of Proxy

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](http://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](mailto:proxies@shareregistrars.uk.com) to be received no later than 2.30pm on 21 June 2016.
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.



**Amati Global Investors Limited**  
18 Charlotte Square  
Edinburgh  
EH2 4DF  
Tel: 0131 503 9100

Amati Global Investors Limited  
is authorised and regulated by  
the Financial Conduct Authority