# ViCTory VCT PLC

## HALF YEARLY REPORT

**For the six months ended 31 July 2011**

Amati
Global Investors

Finely crafted investments

# CONTENTS

# OVERVIEW

## Corporate Objective

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

## Key data

for the six months to 31 July 2011

| | 31/07/11 (unaudited) | 31/07/10 (unaudited) Restated* | 31/01/11 (audited) |
|---|---|---|---|
| Total Net Asset Value ("NAV") | £18.5m | £18.3m | £20.7m |
| Shares in issue | 39,642,549 | 43,557,324 | 43,557,324 |
| NAV per share | 46.7p | 42.0p | 47.5p |
| Share price | 39.0p | 33.5p | 40.5p |
| Market capitalisation | £15.5m | £14.6m | £17.6m |
| Share price discount to NAV | 16.5% | 20.2% | 14.7% |
| Total return for the period (assuming re-invested dividends) | 2.6% | 0.2% | 12.9% |
| FTSE AIM All-Share total return index | -7.7% | 3.3% | 42.2% |
| Total expense ratio | 3.3% | 3.4% | 2.9% |
| Dividends declared/paid during the period | 2.0p | - | - |

** Restated – see note 10 on page 22.*

## Table of investor returns to 31 July 2011

| | Launch date | NAV total return with dividends re-invested | NAV total return with dividends not re-invested | FTSE AIM All-Share total return index |
|---|---|---|---|---|
| ViCTory VCT | 29 January 2001 | -42.60% | -38.46% | -33.79% |
| Singer & Friedlander AIM VCT | 28 September 1998 | -69.97% | -41.49% | 13.56% |
| Singer & Friedlander AIM 2 VCT | 29 February 2000 | -56.01% | -51.57% | -64.94% |
| Singer & Friedlander AIM 3 VCT ('C' shares) | 4 April 2005 | -37.05% | -33.95% | -14.66% |

# BOARD REVIEW

## Overview

The markets have been more challenging over the six months to 31 July 2011. However, during the period the total return was positive, outperforming the benchmark by 10.5%. Moreover, the restructuring of the portfolio continued and is now close to completion. As a result, the resilience of the portfolio has increased, and we are better placed to weather the kind of financial storm that has been unleashed in August. During the period:

- The NAV total return was 2.6%, which compares to -7.7% for the FTSE AIM All-Share Total Return Index (the "Index").
- The company paid a 2p dividend, its first since January 2009.
- An interim dividend of 1p has been declared for the period.
- Five new qualifying investments made during the period, totaling £1.2m, creating room to make further adjustments to the qualifying portfolio.

## Performance and Dividend

The NAV total return was 2.6%, which compares to -7.7% for the Index. There were two significant factors behind this outperformance. First, the resources sector began to underperform, with the result that the portfolio significantly outperformed the Index, which is heavily weighted towards resource stocks. Second, the Manager has focused on selling holdings with weak balance sheets and those without a strong competitive position, and this has made the portfolio more robust in the face of stormier economic conditions. Towards the end of the period investor appetite for small and microcap companies began to wane, and this was exacerbated by the steep erosion of market confidence during August.

In line with the stated intention to pay dividends of 5-6% of year end NAV each year, the Board has declared an interim dividend of 1p payable on 18 October 2011 to shareholders on the register on 23 September 2011.

## Merger Proposals and Corporate Matters

On 7 July 2011 the Board announced that discussions were being held concerning a possible merger with Amati VCT 2 plc ("Amati 2"). The Board sees numerous commercial benefits arising from the merger and these will be outlined fully in a Prospectus and Circular, which will be posted to shareholders with this report (subject to UKLA approval).

The proposed merger would be effected by way of a scheme of reconstruction, whereby Amati 2 is placed in members' voluntary liquidation and all of its assets and liabilities are transferred to ViCTory in exchange for new shares in ViCTory.

In addition to the merger, the Company is also proposing to launch an offer for subscription of new shares (with an enhanced share buy back and re-investment facility for existing shareholders), and introduce a dividend re-investment scheme.

In anticipation of these developments the Board has decided to change the Company's Registrar from Capita Registrars to The City Partnership (UK) Limited with effect from 16 September 2011. This will enable all enquiries regarding the Company to be directed through City Partnership, who also act as Company Secretary, and who will act as Receiving Agent for the proposed forthcoming Share Offer. They can be contacted on 0131 243 7210 or by email at vct-enquiries@amatiglobal.com. Amati maintains an informative website for the Company – www.amatiglobal.com - on which monthly investment updates, performance information, and all relevant documentation and contact details can be found.

**Christopher Moorsom (Chairman)**
**James Hambro**
**Mike Killingley**
**David Page**

Directors of ViCTory VCT PLC
13 September 2011

# FUND MANAGER'S REVIEW

## Market Review

The six month period from February to July showed little overall direction in markets. At a macro level, the period encompassed some momentous events, all of which contributed to market sentiment. The most significant were the swathe of uprisings across the Middle East, which began in February; the tragic earthquake in Japan during March; the renewed crisis in the Eurozone over the solvency of Greece during May; and finally the pantomime in Washington concerning the raising of the US debt ceiling, which in turn spilled over into a crisis of confidence in stock markets during early August.

These events have cast a range of economic shadows. The uprisings in the Middle East caused the oil price to spike upwards sharply as supplies from some countries were disrupted, which acted as a brake on the global economy. The Japanese earthquake had a widespread impact on some key industrial supply chains, causing some industries to slow, and tending to result in slower economic growth than forecast in the first half of this year. Both the series of crises surrounding Greece's inability to service its financing requirements and the lack of political consensus in the US to start tackling its budget deficit are serving to cause investors to question the very structure of the financial landscape as it is currently mapped out, and thus to become more cautious. Meanwhile China has been making strenuous efforts to dampen down inflation with a long series of steps aimed at restricting credit.

By May it became evident that forecasts for economic growth were unlikely to be met in much of Europe and the US. Talk of companies seeing a slowdown in business appeared during May and June. More importantly, commodity prices rolled over, in some cases sharply from May onwards, while interest rate expectations in both the UK and the US fell significantly as it became clear that economic conditions were too fragile to withstand rate rises, and looked like they would continue to be so for a long time.

## Performance

The volatility of the portfolio remained low relative to the wider AIM market with the NAV total return finishing at 2.6%, as compared to - 7.7% for the FTSE AIM All-Share Total Return Index. The biggest contributor to performance was from the largest holding, **Lo-Q**, which sells queue management systems to theme parks. The company announced strong results and an expanding customer base internationally. Other leading contributors to performance were **IDOX**, a software company focused on the UK public sector, which also announced robust trading, and **Tasty**, the restaurant operator, which doubled in price during the period under review on the back of success with its chain of Wildwood restaurants in the London area. Positive share price gains followed impressive trading news from **Tikit Group**, **RPC Group**, **Elementis** and **Hargreaves Services.**

The largest negative in the portfolio was **AssetCo**, a qualifying holding which provides international fire and rescue services. Its share price collapsed several times as the market was given successive pieces of bad news about the company's financial structure. Whilst it is fortunate that we declined the initial re-financing of the company, we decided not to sell the holding at what seemed to be a distressed price. The situation then deteriorated further and we decided to exit, but too late to preserve much value. A company that we continue to like a good deal, **Asian Citrus Holdings**, was also weak during the period, despite a positive trading statement showing profits boosted by increased production and high unit prices. We attribute this to weakening sentiment towards China generally, but see this stock as something of a safe haven strategically in an increasingly unpredictable world economy, and have added to the position. Several other companies detracted from performance, including **Sterling Resources**, which lost ground after disappointing results from a North Sea well, and which we subsequently sold; **Tristel**, makers of infection control and hygiene products, which fell after profits did not meet expectations; and **Parseq**, supplier of specialist mobile and online banking software, which fell back after announcing that trading would be below market expectations, despite a major contract win with O2, which had precipitated an earlier rally in the share price.

## Portfolio Activity

The process of restructuring the portfolio has now come a long way since it began in March last year. Changes to the qualifying portfolio in particular can take a long time, as it requires both liquidity in stocks being sold, and opportunities to make new qualifying investments which fit our criteria. One of our objectives was to increase the size of companies held across the portfolio, and in particular to reduce the weighting in equity holdings capitalised at less than £15m, this latter measure reducing from around 24% when we took on the portfolio to around 9% at the period end. The non-qualifying portfolio comprises mainly more liquid holdings in significantly larger companies, which address investment themes and sectors not generally found as qualifying investments. Despite the severe uncertainties facing the global economy at the moment, we still wish to have exposure to the emerging economies of China and India, where we believe the long term dynamics can remain favourable.

## Qualifying Portfolio

Sales amongst the qualifying investments included: **Mediwatch**, the urological diagnostic company, and **ILX Group**, an e-learning software and consulting services provider, both of which were capitalised at less than £15m. Combined with the disposals of qualifying investments last year, these reduced our weighting of qualifying investments towards the lower limit, at which point we held off from looking at other disposals pending making further qualifying investments.

Fortunately, a number of new, attractive qualifying investment opportunities emerged to bolster the percentage of assets held in qualifying investments once more. There were five new qualifying investments in the period, two in secondary offerings (where companies already quoted on AIM raise further funds), and three in Initial Public Offerings ("IPOs") on AIM. The two secondary offerings were: **Futura Medical**, a developer of innovative sexual healthcare products that is expected to begin to enjoy royalty revenues from licensing deals for its three lead products; and **Deltex Medical Group**, supplier of the Cardio-Q, a monitoring device used for optimising the fluid management of patients undergoing major surgery. Deltex was recently recommended by the National Institute of Clinical Excellence (NICE) on the basis that its use produces faster recovery times, potentially saving the NHS up to £1bn annually. The three IPOs in which we participated were **Ubisense Group**, a company specialising in geo-spatial location systems, where we followed an initial investment made in the company at the pre-IPO stage; **Music Festivals**, a vehicle managed by Vince Power, which owns a number of music festivals, notably Benicassim in Spain, and Hop Farm in the UK, and in which we invested primarily through a convertible loan; and **Manroy**, an equipment supplier primarily to the UK and US military.

## Non-Qualifying Portfolio

We raised cash from a number of disposals, including **Kiotech International**, a supplier of feed additives to the agriculture and aquaculture industries, which we think is a strong company, but too small for the non-qualifying portfolio; **Gooch & Housego**, the optical components and systems specialist which had risen sharply in value, to the point where its rating looked too stretched; and **NCC**, the IT and software specialists, which likewise had risen strongly.

The most significant additions to the non-qualifying portfolio were in two Indian companies: **Eros International** and **OPG Power Ventures**. Eros is the largest producer and distributor of 'Bollywood' films, a market that is growing rapidly on the back of increased consumer spending and the rise of a prosperous middle class in India. OPG Power Ventures is a developer and operator of electricity generating assets, with a current generation capacity of 107MW and adequate funding to expand this to 1,250MW by 2015. India is experiencing a severe shortage of electricity generating capacity, and we believe OPG is well placed to help fill some of the gap. We also took a position in the AIM IPO of **Waterlogic**, a manufacturer and distributor of water purifying and dispensing systems, in the belief that the company's recent innovation, a product called the Firewall UV system, provides an exceptional opportunity over the coming years.

## Outlook

The recent market turmoil reflects the build up of very significant macro-economic and political risks, which are difficult to analyse and predict. At the root of these risks lies excess debt. The credit crunch of 2008 was caused by excess debt in the private sector, with much of the focus being on over-leveraged banks. This has now morphed into a problem of excess debt in the public sector, where its trajectory is much less predictable, because nations, even more so than large banks, cannot become bankrupt. Something else has to happen, but it is not clear what. Whilst the 2008 crisis itself was responsible for pushing up government debt levels in Western markets to unprecedented levels, as governments bailed out the banking sector whilst experiencing a significant fall in tax revenue, the real difficulty is that there is a forty year underlying trend in place of rising government debt and rising budget deficits in most developed economies. This very long-term trend has been called the “Debt Supercycle”, and there appears to be no reverse gear. Instead, successive generations have devised ways of postponing the problem of reducing deficits. Hence we have arrived at a situation where over-leveraged government finances have little capacity to deal with a recession, and less still to deal with deflation. As a consequence, both Europe and the US appear locked into close to zero interest rates for the foreseeable future, in order to ward off the spectre of deflation, with few levers left to pull in order to stimulate the economy, other than quantitative easing (the technical term for printing money).

This leaves an acute dilemma for investors. The stock market will be prone to sudden panic attacks, as we have seen during August, and these may well get worse. However, many of the companies we analyse and hold have been trading exceptionally well, have very strong balance sheets, and good prospects. In addition the non-qualifying investments we have made bring us exposure to the major Far Eastern economies, where we see stronger prospects for growth. It would take a severe and protracted financial meltdown for such equity investments to fare worse than cash or government bonds from here over a medium term time-frame. Therefore, although we expect further bumps on the road, we believe that good equity investments will prove their worth over time, particularly if it turns out that inflation remains high, as we suspect it will.

**Dr Paul Jourdan**
CEO and Founder
Amati Global Investors

13 September 2011

# INVESTMENT PORTFOLIO

as at 31 July 2011

| FTSE Sector | Number of shares | Book cost £ | Valuation £ | Fund % | % of shares in issue |
|---|---|---|---|---|---|
| **Oil & Gas** | | **387,993** | **404,881** | **2.2** | |
| Deo Petroleum plc@ | 403,518 | 181,583 | 157,372 | 0.9 | 0.9 |
| Egdon Resources plc†@ | 1,650,060 | 206,410 | 247,509 | 1.3 | 1.3 |
| **Basic materials** | | **697,934** | **837,600** | **4.5** | |
| Anglo Pacific Group plc@ | 160,000 | 461,703 | 512,000 | 2.8 | 0.1 |
| Elementis plc@ | 200,000 | 236,231 | 325,600 | 1.7 | 0.0 |
| **Industrials** | | **4,849,913** | **4,224,289** | **22.8** | |
| Avingtrans plc* | 503,333 | 528,333 | 302,000 | 1.6 | 2.0 |
| Bglobal plc*@ | 674,117 | 256,164 | 91,006 | 0.5 | 0.7 |
| Corac Group plc*@ | 1,240,962 | 186,144 | 161,325 | 0.9 | 0.5 |
| Green Compliance plc†@ | 43,210,000 | 440,231 | 518,520 | 2.8 | 2.4 |
| Hargreaves Services plc@ | 39,956 | 258,755 | 425,531 | 2.3 | 0.1 |
| Hightex Group plc* | 2,505,000 | 175,353 | 125,250 | 0.7 | 1.3 |
| Manroy plc (Placing)*@ | 190,138 | 180,631 | 180,631 | 1.0 | 1.0 |
| Microsaic Systems plc†@ | 713,828 | 228,486 | 171,319 | 0.9 | 1.9 |
| Quadnetics Group plc* | 136,588 | 341,381 | 275,908 | 1.5 | 0.8 |
| RPC Group plc@ | 102,720 | 264,659 | 366,505 | 2.0 | 0.1 |
| RTC Group plc* | 537,500 | 220,375 | 43,000 | 0.2 | 4.0 |
| SKIL Ports & Logistics Limited@ | 95,452 | 238,630 | 193,767 | 1.0 | 0.2 |
| Sportsweb.com*# | 58,688 | 352,128 | 316,915 | 1.7 | 11.4 |
| Symphony Environmental Technologies plc* | 2,680,770 | 428,379 | 442,327 | 2.4 | 2.1 |
| Waterlogic plc@ | 96,073 | 139,306 | 158,520 | 0.9 | 0.1 |
| Zytronic plc* | 215,126 | 610,958 | 451,765 | 2.4 | 1.4 |
| **Consumer goods** | | **1,470,563** | **1,619,280** | **8.7** | |
| Asian Citrus Holdings Limited@ | 834,000 | 408,496 | 450,360 | 2.4 | 0.1 |
| China Food Company plc 8% Convertible Loan Note#@ | 624 | 624,000 | 636,570 | 3.4 | 45.2** |

| FTSE Sector | Number of shares | Book Cost £ | Valuation £ | Fund % | % of shares in issue |
|---|---|---|---|---|---|
| New Britain Palm Oil Limited@ | 27,000 | 162,067 | 255,150 | 1.4 | 0.0 |
| Sorbic International plc 10% Convertible Loan Stock#@ | 276 | 276,000 | 277,200 | 1.5 | 23.2** |
| **Health care** | | **1,575,727** | **2,158,042** | **11.7** | |
| Deltex Medical Group plc*@ | 700,000 | 199,500 | 157,500 | 0.9 | 0.5 |
| Futura Medical plc*@ | 275,222 | 185,775 | 214,673 | 1.2 | 0.4 |
| Omega Diagnostics Group plc* | 1,000,000 | 200,000 | 145,000 | 0.8 | 1.2 |
| Sinclair IS Pharma plc†@ | 1,429,471 | 425,678 | 414,547 | 2.2 | 0.4 |
| Synergy Health plc* | 94,000 | 142,567 | 893,000 | 4.8 | 0.2 |
| Tristel plc*@ | 740,715 | 422,207 | 333,322 | 1.8 | 1.9 |
| **Consumer services** | | **6,992,200** | **3,494,108** | **18.9** | |
| Cello Group plc* | 225,000 | 257,625 | 78,750 | 0.4 | 0.3 |
| Conexion Media Group plc* | 1,080,883 | 183,750 | 4,864 | - | 1.4 |
| Coolabi plc* | 2,535,883 | 354,516 | 171,172 | 0.9 | 4.6 |
| Dods Group plc* | 2,000,000 | 595,868 | 145,000 | 0.8 | 1.3 |
| Ebiquity plc* | 345,500 | 729,005 | 317,860 | 1.7 | 0.6 |
| Entertainment One Limited@ | 180,918 | 121,458 | 331,080 | 1.8 | 0.1 |
| Eros International plc@ | 140,000 | 332,465 | 310,800 | 1.7 | 0.1 |
| Expansys plc*@ | 775,000 | 449,500 | 12,400 | 0.1 | 0.1 |
| Fuse 8 plc* | 20,999 | 209,990 | 5,250 | - | 0.2 |
| Imagesound plc*# | 1,250,000 | 92,188 | 200,000 | 1.1 | 2.0 |
| Just Car Clinics Group plc* | 228,577 | 77,716 | 70,859 | 0.4 | 1.7 |
| Lilestone Holdings Limited*# | 1,616,786 | 1,238,655 | - | - | 4.0 |
| Music Festivals plc*@ | 59,527 | 38,692 | 38,692 | 0.2 | 0.4 |
| Music Festivals plc 8% Convertible Loan Note 2016*#@ | 340,000 | 340,000 | 346,878 | 1.9 | 6.4** |
| Ovidia Investments# | 134,307 | 518,312 | - | - | 0.4 |
| Prezzo plc† | 1,342,500 | 151,327 | 825,637 | 4.5 | 0.6 |

| FTSE Sector | Number of shares | Book Cost £ | Valuation £ | Fund % | % of shares in issue |
|---|---|---|---|---|---|
| Skywest Airlines Limited@ | 734,000 | 146,488 | 183,500 | 1.0 | 0.4 |
| Tasty plc* | 779,688 | 540,377 | 405,438 | 2.2 | 1.6 |
| UBC Media Group plc* | 2,296,384 | 614,268 | 45,928 | 0.2 | 1.3 |
| **Utilities** | | **185,767** | **127,839** | **0.7** | |
| OPG Power Ventures plc@ | 199,749 | 185,767 | 127,839 | 0.7 | 0.1 |
| **Financials** | | **1,095,139** | **1,141,055** | **6.1** | |
| Brookwell Limited Redeemable Preference shares@ | 116,201 | 116,201 | 81,341 | 0.4 | 0.8 |
| Fulcrum Utility Services Limited†@ | 5,167,557 | 620,193 | 775,134 | 4.2 | 3.3 |
| London Capital Group Holdings plc@ | 389,836 | 358,745 | 284,580 | 1.5 | 0.7 |
| **Technology** | | **2,151,679** | **3,810,543** | **20.6** | |
| Camaxys# | 1,592,656 | 254,825 | - | - | 0.0 |
| IDOX plc†@ | 3,608,951 | 270,902 | 866,148 | 4.7 | 1.1 |
| Lo-Q plc† | 749,200 | 749,806 | 1,311,100 | 7.1 | 4.4 |
| Parseq plc* | 4,039,075 | 116,123 | 191,856 | 1.0 | 0.9 |
| Tikit Group plc* | 318,626 | 366,420 | 901,712 | 4.9 | 2.2 |
| Ubisense Group plc*@ | 242,030 | 393,603 | 539,727 | 2.9 | 1.1 |
| **Total investments** | | **19,406,915** | **17,817,637** | **96.2** | |
| **Net current assets** | | | **695,296** | **3.8** | |
| **Net assets** | | **19,406,915** | **18,512,933** | **100.0** | |

* Qualifying holdings.
† Part qualifying holdings.
\# Unquoted holdings.
@ These investments are also held by other funds managed by Amati.
** These figures represent percentage of loan stock held.
All holdings are in ordinary shares unless otherwise stated.

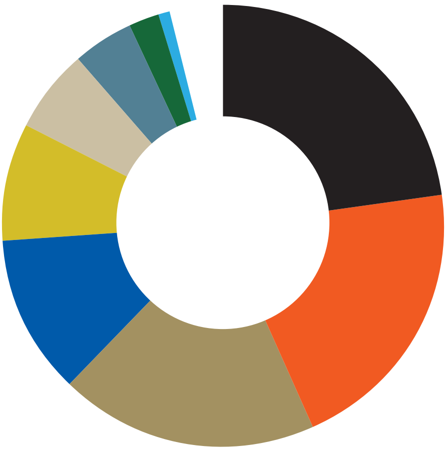
Note to the above table:
As at the period end, the percentage of the Company's portfolio held in qualifying holdings for the purposes of Section 274 of the Income and Corporation Taxes Act 2007 is 82.13%.

## TEN LARGEST HOLDINGS
as at 31 July 2011

| Company | Sector | Valuation £ | Fund % |
|---|---|---|---|
| Lo-Q plc | Technology | 1,311,100 | 7.1 |
| Tikit Group plc | Technology | 901,712 | 4.9 |
| Synergy Health plc | Health care | 893,000 | 4.8 |
| IDOX plc | Technology | 866,148 | 4.7 |
| Prezzo plc | Consumer services | 825,637 | 4.5 |
| Fulcrum Utility Services Limited | Financials | 775,134 | 4.2 |
| China Food Company plc | Consumer goods | 636,570 | 3.4 |
| Ubisense Group plc | Technology | 539,727 | 2.9 |
| Green Compliance plc | Industrials | 518,520 | 2.8 |
| Anglo Pacific Group plc | Basic materials | 512,000 | 2.8 |

*Representing approximately 42.1% of shareholders' funds.*

## SECTOR ALLOCATION
as at 31 July 2011



| FTSE Sector | Fund % |
|---|---|
| Industrials | 22.8 |
| Technology | 20.6 |
| Consumer services | 18.9 |
| Health care | 11.7 |
| Consumer goods | 8.7 |
| Financials | 6.1 |
| Basic materials | 4.5 |
| Oil & Gas | 2.2 |
| Utilities | 0.7 |
| Net current assets | 3.8 |
| | 100.0 |

# PRINCIPAL RISKS AND UNCERTAINTIES

The Company's assets consist of equity and fixed interest investments and cash. Its principal risks include market risk, credit risk and liquidity risk. Other risks faced by the Company include economic, investment and strategic, regulatory, reputational, operational and financial risks as well as the potential for loss of approval as a VCT. These risks, and the way in which they are managed, are described in more detail in Notes 22 to 25 to the Financial Statements in the Company's Report and Financial Statements for the year ended 31 January 2011. The Company's principal risks and uncertainties have not changed materially since the date of that report.

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with the Statement "Half-yearly financial reports" issued by the UK Accounting Standards Board;
- the Board Review and Fund Manager's Review (constituting the interim management report) includes a true and fair review of the information required by DTR4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements;
- the Statement of Principal Risks and Uncertainties on page 12 is a fair review of the information required by DTR4.2.7R, being a description of the principal risks and uncertainties for the remaining six months of the year; and
- the financial statements include a fair review of the information required by DTR4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

For and on behalf of the Board

**C J L Moorsom**
Chairman

13 September 2011

# INCOME STATEMENT

for the six months ended 31 July 2011

| | Note | Revenue £'000 | Capital £'000 | Six months ended 31 July 2011 (unaudited) Total £'000 |
|---|---|---|---|---|
| Return on investments | | - | 156 | 156 |
| Income | 6 | 124 | - | 124 |
| Investment management fee | | (42) | (125) | (167) |
| Other expenses | | (138) | - | (138) |
| (Loss)/profit on ordinary activities before taxation | | (56) | 31 | (25) |
| Taxation on ordinary activities | 8 | - | - | - |
| (Loss)/profit on ordinary activities after taxation | | (56) | 31 | (25) |
| Basic and diluted (loss)/return per Ordinary share | 4 | (0.13)p | 0.07p | (0.06)p |

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

All revenue and capital items derive from continuing operations.

No operations were acquired or discontinued during the period.

There were no other recognised gains or losses in the period.

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

The accompanying notes are an integral part of the statement.

** Restated – see note 10 on page 22.*

# DIVIDENDS PAID

| | Six months ended 31 July 2011 (unaudited) £'000 | Six months ended 31 July 2010 (unaudited) £'000 | Year ended 31 January 2011 (audited) £'000 |
|---|---|---|---|
| Final dividend for the year ended 31 January 2011 of 2.0p per Ordinary share – paid on 26 July 2011 | 795 | - | - |
| | 795 | - | - |

The accompanying notes are an integral part of the statement.

| | Revenue £'000 Restated* | Capital £'000 Restated* | Six months ended 31 July 2010 (unaudited) Total £'000 Restated* | Revenue £'000 | Capital £'000 | Year ended 31 January 2011 (audited) Total £'000 |
|---|---|---|---|---|---|---|
| | - | 161 | 161 | - | 2,710 | 2,710 |
| | 131 | - | 131 | 248 | - | 248 |
| | (38) | (114) | (152) | (80) | (239) | (319) |
| | (161) | - | (161) | (277) | - | (277) |
| | (68) | 47 | (21) | (109) | 2,471 | 2,362 |
| | - | - | - | - | - | - |
| | (68) | 47 | (21) | (109) | 2,471 | 2,362 |
| | (0.16)p | 0.11p | (0.05)p | (0.25)p | 5.67p | 5.42p |

# RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the six months ended 31 July 2011

| | Six months ended 31 July 2011 (unaudited) £'000 | Six months ended 31 July 2010 (unaudited) £'000 Restated* | Year ended 31 January 2011 (audited) £'000 |
|---|---|---|---|
| Opening shareholders' funds (as previously stated) | 20,692 | 17,803 | 18,330 |
| Prior period adjustment | - | 527 | - |
| Opening shareholders' funds (restated) | 20,692 | 18,330 | 18,330 |
| (Loss)/profit for the period | (25) | (21) | 2,362 |
| Share buybacks during the period | (1,359) | - | - |
| Dividends paid | (795) | - | - |
| Closing shareholders' funds | 18,513 | 18,309 | 20,692 |

** Restated – see note 10 on page 22.*

The accompanying notes are an integral part of the statement.

# CONDENSED BALANCE SHEET
as at 31 July 2011

| | Note | 31 July 2011 (unaudited) £'000 | 31 July 2010 (unaudited) £'000 Restated* | 31 January 2011 (audited) £'000 |
|---|---|---|---|---|
| **Fixed assets** | | | | |
| Investments held at fair value | | 17,818 | 14,103 | 19,215 |
| **Current assets** | | | | |
| Debtors | | 310 | 820 | 1,381 |
| Cash at bank | | 719 | 3,679 | 249 |
| | | 1,029 | 4,499 | 1,630 |
| **Current liabilities** | | | | |
| Creditors: amounts falling due within one year | | (334) | (293) | (153) |
| Net current assets | | 695 | 4,206 | 1,477 |
| Total assets less current liabilities | | 18,513 | 18,309 | 20,692 |
| **Capital and reserves** | | | | |
| Called up share capital | 9 | 1,982 | 2,178 | 2,178 |
| Share premium account | 9 | 2,955 | 2,955 | 2,955 |
| Reserves | 9 | 13,576 | 13,176 | 15,559 |
| Equity shareholders' funds | | 18,513 | 18,309 | 20,692 |
| Net asset value per share | 5 | 46.70p | 42.03p | 47.51p |

** Restated – see note 10 on page 22.*

The accompanying notes are an integral part of the balance sheet.

# CASH FLOW STATEMENT

for the six months ended 31 July 2011

| | Note | Six months ended 31 July 2011 (unaudited) £'000 | Six months ended 31 July 2010 (unaudited) £'000 | Year ended 31 January 2011 (audited) £'000 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Investment income received | | 116 | 162 | 275 |
| Investment management fees | | (172) | (98) | (256) |
| Other operating costs | | (153) | (132) | (312) |
| Net cash outflow from operating activities | 11 | (209) | (68) | (293) |
| **Financial investment** | | | | |
| Purchase of investments | | (2,140) | (2,686) | (9,057) |
| Disposals of investments | | 3,857 | 6,612 | 10,198 |
| Net cash inflow from financial investment | | 1,717 | 3,926 | 1,141 |
| **Dividends** | | | | |
| Payment of dividends | | (795) | - | - |
| Net cash inflow before financing | | 713 | 3,858 | 848 |
| **Financing** | | | | |
| Share buy backs (see note 10) | | (243) | (155) | (575) |
| Net cash outflow from financing | | (243) | (155) | (575) |
| Increase in cash | | 470 | 3,703 | 273 |
| **Reconciliation of net cash flow to movement in net cash** | | | | |
| Net cash at start of period | | 249 | (24) | (24) |
| Net cash at end of period | | 719 | 3,679 | 249 |
| Increase in cash during the period | | 470 | 3,703 | 273 |

The accompanying notes are an integral part of the statement.

# NOTES TO THE FINANCIAL STATEMENTS
for the six months ended 31 July 2011

**1.** The unaudited half-yearly financial results cover the six months ended 31 July 2011 and have been prepared in accordance with applicable accounting standards and adopting the accounting policies set out in the statutory accounts for the year ended 31 January 2011 and in accordance with the SORP.

**2.** The financial information set out in this report has not been audited and does not comprise full financial statements within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 January 2011, which were unqualified, have been lodged with the Registrar of Companies. No statutory accounts in respect of any period after 31 January 2011 have been reported on by the Company's auditors or delivered to the Registrar of Companies.

**3.** Copies of the half-yearly report are being sent to all shareholders. Further copies are available free of charge from The City Partnership (UK) Limited, secretary to the Company by telephoning 0131 243 7210 or email vct-enquiries@amatiglobal.com.

**4.** The (loss)/return per share is based on the loss attributable to shareholders for the six months ended 31 July 2011 of £25,000 (31 July 2010: loss of £21,000, 31 January 2011: gain of £2,362,000) and the weighted average number of shares in issue during the period of 41,736,513 (31 July 2010: 43,557,324 restated, 31 January 2011: 43,557,324). There is no dilutive effect on the return per share for the outstanding convertible securities (as explained in note 12) therefore considered to be no difference between basic and diluted return per share.

**5.** The net asset value per share at 31 July 2011 is based on net assets of £18,513,000 (31 July 2010: £18,309,000 restated, 31 January 2011: £20,692,000) and the number of shares in issue of 39,642,549 (31 July 2010: 43,557,324 restated, 31 January 2011: 43,557,324). There is no dilutive effect on the net asset value per share for the outstanding convertible securities (as explained in note 12) therefore considered to be no difference between basic and diluted net asset value per share.

## 6. Income

| | Six months ended 31 July 2011 (unaudited) £'000 | Six months ended 31 July 2010 (unaudited) £'000 | Year ended 31 January 2011 (audited) £'000 |
|---|---|---|---|
| Income: | | | |
| Dividends from UK companies | 82 | 86 | 152 |
| Dividends from overseas companies | 2 | - | 14 |
| UK loan stock interest | 40 | 45 | 82 |
| | 124 | 131 | 248 |

**7.** During the period ending 31 July 2011, a dividend in respect of the year ending 31 January 2011 of 2.0 pence per share, totalling £795,000, has been paid (31 July 2010: no dividend paid, 31 January 2011: no dividend paid).

**8.** The effective rate of tax for the six months ended 31 July 2011 is 0%.

## 9. Unaudited reserves

| | Share capital** £'000 | Share premium** £'000 | Merger reserve £'000 |
|---|---|---|---|
| Opening balance as at 1 February 2011 | 2,178 | 2,955 | 3,286 |
| Transfer of merger investment disposals | - | - | (268) |
| Profit/(loss) for the period | - | - | - |
| Share buybacks during the period | (196) | - | - |
| Dividends paid | - | - | - |
| Closing balance as at 31 July 2011 | 1,982 | 2,955 | 3,018 |

***These reserves are not distributable.*

The merger reserve is a non-distributable reserve and was created when the Company merged with Singer & Friedlander AIM VCT and Singer & Friedlander AIM 2 VCT in February 2006. It reflected the excess of the value of the investments acquired over the nominal value of the ordinary shares issued. Following a review, and in accordance with ICAEW Technical guidance on distributable profits (Tech 2/10), it was identified that the merger reserve should be released to the realised capital reserve as the assets acquired as a consequence of the merger were subsequently disposed of or permanently impaired. A further transfer of £268,000 from the merger reserve to the realised capital reserve has been made in the current period, to reflect disposals of investments during the period, that were in existence at the date of the merger.

The realised and unrealised capital reserve have been amalgamated under the revised SORP, as there is no requirement to show realised and unrealised separately.

At 31 July 2011, the capital reserve constitutes realised losses of £4,738,000 (31 July 2010: £1,849,000 restated, 31 January 2011: £3,930,000) and investment holding losses of £1,589,000 (31 July 2010: £7,501,000 restated, 31 January 2011: £2,696,000).

Distributable reserves comprise the special reserve, the revenue reserve and the capital reserve. At 31 July 2011, the amount of reserves deemed distributable is £9,804,000 (31 July 2010: £9,032,000 restated, 31 January 2011: £11,715,000), a net movement in the period of negative £1,911,000. The net movement is comprised of the loss on ordinary activities in the income statement of £25,000, the transfer of investment losses to the merger reserve of £268,000, the dividend paid of £795,000 and the share buybacks of £1,359,000. Share buy backs during the period include the buy back of shares with a nominal value of £162,000 and cost of £1,097,000, that were previously disclosed as having been made in prior periods but were restated as described in note 10. The buy backs have now been reinstated following the filing of relevant accounts as at 31 January 2011, demonstrating sufficient distributable reserves.

| | Special reserve £'000 | Capital redemption reserve** £'000 | Capital reserve £'000 | Revenue reserve £'000 | Total capital & reserves £'000 |
|---|---|---|---|---|---|
| | 18,217 | 558 | (6,626) | 124 | 20,692 |
| | - | - | 268 | - | - |
| | - | - | 31 | (56) | (25) |
| | (1,359) | 196 | - | - | (1,359) |
| | (672) | - | - | (123) | (795) |
| | 16,186 | 754 | (6,327) | (55) | 18,513 |

## 10. Restatement

During the year ended 31 January 2011 it was identified that buybacks totalling 3,240,564 shares had not been carried out in accordance with the Companies Act. Under section 692(2) of the Companies Act 2006 a buyback of shares must be financed from distributable reserves. The relevant accounts filed for 31 January 2009 and 31 January 2010 did not show sufficient distributable reserves under section 836 and therefore the buybacks have been reversed in the comparatives. The effect of this on the 31 July 2010 balance sheet is to restate share capital and the capital redemption reserve by £115,000 and increase the special reserve by the cost of these buybacks, being £760,000. The payments made in respect of these buy backs in each respective period are shown in the cash flow statement. The cost of all of these buybacks undertaken was shown as a debtor as at 31 January 2011 which has been recovered now that the financial statements for the year ended 31 January 2011 have been filed, demonstrating sufficient distributable reserves, allowing the buybacks to be reinstated.

In addition to the restatements in the share capital and reserves noted above, the restatements also affected the total shareholders' funds, ordinary shares in issue, net asset value and return per share figures reported in the previous accounts, which were restated accordingly.

## 11. Reconciliation of (loss)/profit on ordinary activities before taxation to net cash outflow from operating activities

| | Six months ended 31 July 2011 (unaudited) £'000 | Six months ended 31 July 2010 (unaudited) £'000 | Year ended 31 January 2011 (audited) £'000 |
|---|---|---|---|
| (Loss)/profit on ordinary activities before taxation | (25) | (21) | 2,362 |
| Net gain on investments | (156) | (161) | (2,710) |
| (Decrease)/increase in creditors | (13) | 79 | 16 |
| (Increase)/decrease in debtors | (15) | 42 | 46 |
| Amortisation of discount on fixed interest securities | - | (7) | (7) |
| Net cash outflow from operating activities | (209) | (68) | (293) |

## 12. Singer & Friedlander's option

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

This right is a share based payment under FRS20.

The value of dividends paid since the merger is 8.5p. In order to exceed the targeted return which triggers Singer & Friedlander Investment Management Limited's entitlement to subscribe for additional shares, a further 38.7p of dividends would require payment by 31 January 2013. Regardless of performance over this period, the Directors would not sanction this level of dividend within this period and thus do not foresee any circumstances under which the option would crystalise. The option is therefore valued at nil (31 July 2010: nil, 31 January 2011: nil).

## 13. Related Parties

The Company retains Amati Global Investors Limited as its Manager. Details of the agreement with the Manager are set out on page 22 of the Annual Report & Financial Statements for the year ended 31 January 2011.

Save as disclosed in this paragraph, there is no conflict of interest between the Company, the duties of the Directors and their interests.

# SHAREHOLDER INFORMATION

## Share price

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

## Net asset value per share

The Company's net asset value per share as at 31 July 2011 was 46.7p. The Company normally announces its net asset value on a weekly basis.

## Financial calendar

| | |
|---|---|
| September 2011 | Half-yearly report for the six months to 31 July 2011 published |
| November 2011 | Interim management statement released |
| 31 January 2012 | Year end |
| May 2012 | Announcement of final results for the year ended 31 January 2012 |
| June 2012 | Annual General Meeting |

# CORPORATE INFORMATION

## Directors

Christopher John Leon Moorsom
James Daryl Hambro
Mike Sedley Killingley
David Michael Page

all of:

27/28 Eastcastle Street
London
W1W 8DH

## Secretary

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

## Manager

Amati Global Investors Limited
(Authorised and regulated by the Financial Services Authority)
76 George Street
Edinburgh EH2 3BU

## Auditor

PKF (UK) LLP
Farringdon Place
20 Farringdon Road
London
EC1M 3AP

## VCT Tax Adviser

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

## Bankers

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

## Registrar (until 16 September 2011)

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

## Registrar (from 19 September 2011)

The City Partnership (UK) Limited
c/o Share Registrars Limited
Suite E, First Floor
9 Lion and Lamb Yard
Farnham
Surrey
GU9 7LL

**Amati Global Investors Limited**
**76 George Street**
**Edinburgh EH2 3BU**
**Tel: 0131 243 0411**



Finely crafted investments