Amati VCT 2 plc

HALF-YEARLY REPORT

For the six months ended 31 July 2013

Amati
Global Investors

Finely crafted investments

CONTENTS

Corporate Objective

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

Key data

for the six months to 31 July 2013

	31/07/13 (unaudited)	31/07/12 (unaudited)	31/01/13 (audited)
Net Asset Value ("NAV")	£31.1m	£28.4m	£29.1m
Shares in issue	27,693,343	27,736,452	27,289,574
NAV per share	112.3p	102.4p	106.7p
Share price	110.0p	103.0p	105.8p
Market capitalisation	£30.5m	£28.6m	£28.9m
Share price (discount)/premium to NAV	-2.0%	0.6%	-0.8%
NAV Total Return (assuming re-invested dividends)	8.7%	1.9%	8.8%
FTSE AIM All-Share Total Return Index	-1.6%	-11.8%	-2.8%
Ongoing charges*	2.7%	2.7%	2.7%
Dividends declared during the period	2.75p	2.5p	6.0p

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

Table of investor returns to 31 July 2013

	Date	NAV Total Return with dividends re-invested	FTSE AIM All-Share Total Return Index
Re-launch as Amati VCT 2 following merger	8 November 2011*	22.8%	-0.3%
ViCTory VCT change of Manager	25 March 2010	28.8%	3.8%
Invesco Perpetual AiM VCT change of Manager	10 February 2011	13.3%	-23.2%

**date of the share capital reconstruction when the NAV was re-based to approximately 100p per share*

Table of historic returns to 31 July 2013 attributable to shares issued by the original VCTs which have gone into making up Amati VCT 2

	Launch date	NAV Total Return with dividends re-invested	NAV Total Return with dividends not re-invested	FTSE AIM All-Share Total Return Index
Singer & Friedlander AIM 3 VCT ('C' shares)	4 April 2005	-28.7%	-27.3%	-28.0%
Invesco Perpetual AiM VCT	30 July 2004	-36.9%	-34.9%	-9.4%
Singer & Friedlander AIM 3 VCT	29 January 2001	-35.0%	-32.6%	-44.1%
Singer & Friedlander AIM VCT	28 September 1998	-66.0%	-39.0%	-4.1%
Singer & Friedlander AIM 2 VCT	29 February 2000	-50.2%	-47.3%	-70.4%

CHAIRMAN'S STATEMENT

Overview

This has been a good period for Amati VCT 2, with strong performance against a muted backdrop for the AIM market as a whole. The performance came from a good cross-section of holdings, some long-standing and some new. This is a reflection of the benefits of the restructuring of the portfolio over the last three years, and also of the merger in 2011, which brought economies of scale to the Company. In addition it has been an active six months for new qualifying investments. The Company invested £2.3m in five new qualifying holdings and two small additions to existing holdings during the period. These are reported on, together with a detailed review of the period and comments on the outlook, in the Fund Manager's review.

Performance and Dividend

During the six month period to 31 July 2013 the net asset value total return of the Company was 8.7%. This compares to -1.6% for the FTSE AIM All-Share Total Return Index.

As previously stated 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 the availability of liquidity and sufficient distributable reserves. In line with this policy the Board is declaring an interim dividend of 2.75p per share, to be paid on 25 October 2013 to shareholders on the register on 4 October 2013.

Corporate Developments

In February the Company launched a prospectus for a joint share offer with Amati VCT plc. As at 25 September 2013 subscriptions of £5.4m have been received under this joint offer, of which £1.8m was for Amati VCT 2 shares. The offer remains open until 23 January 2014.

As part of the share offer, arrangements were put in place for the company to offer an enhanced share buyback and re-investment facility ("ESBRF"). However, during July Her Majesty's Treasury ("HMT") and HM Revenue & Customs ("HMRC") issued a consultation paper on enhanced share buybacks for VCTs, which expressed concerns about VCTs making arrangements to purchase their own shares which are connected with an investor re-investing in the same VCT within a short space of time. We had hitherto taken the view that such re-investments offered value to the tax payer insofar as the amounts raised were then used to make new qualifying investments to the same extent that it would had it come from other sources. Amati Global Investors, the Company's Fund Manager, has sought to ensure that this has been the case. However, there is no legislation which stipulates that level of new qualifying investment, and the mechanism has been used elsewhere in the industry on a much larger scale with no intention to make new investments.

Mindful of the tax reliefs which investors receive on investing in a VCT, we regard HMT as a key stakeholder in what we do as a Company, and have sought to make investments which create value for the wider interests of the economy as well as for shareholders. Taking account of the concerns expressed in the consultation paper, the boards of both Amati VCT 2 and Amati VCT took the decision to suspend the ESBRF until it becomes clear what shape the new rules will take. We may not have this clarity until after the offer period closes.

Outlook

After a strong first half we believe that our investee companies have many promising prospects, and should also be able to continue to benefit from the increasing level of interest in the AIM market arising from the recent inclusion of AIM stocks within ISAs.

Julian Avery
Chairman

25 September 2013

If you have any questions relating to your investment please contact the company secretary on 0131 2437215, or send queries to a dedicated email enquiry service at vct-enquiries@amatiglobal.com. Amati maintains a website for the Company – www.amatiglobal.com – on which monthly investment updates, performance information, and past company reports can be found.

Market Review

The strong momentum in equity markets which emerged in the second half of last year has continued into 2013, albeit punctuated by a sharp sell-off in May. Central bank stimulus within western economies has been backed up by economic data indicating a recovery is taking place in the US and the UK, even if the picture in Europe remains fragile and emerging markets are giving cause for concern. Such is the new-found confidence, debate has moved on to the likely timing of a reversal of bond buying activity, or so-called stimulus "tapering", which triggered the stock market declines in May. In fact, global bond yields are already rising sharply as markets anticipate a turning point in the interest rate cycle. Recent comments from the respective heads of both the US Federal Reserve and the Bank of England indicate that central banks are concerned that market rates have moved too far and too fast, but it is clear that these differing standpoints will be a major influence on stock market returns in the months ahead.

Performance

The net asset value total return over the six months to 31 July 2013 was 8.7%. This compares to a fall of 1.6% for the FTSE AIM All-Share Total Return Index. The biggest positive contributor to performance over the period was, once again, **Lo-Q**. Lo-Q continued to secure new contracts and contract extensions in its core 'queue busting' device business and for Accesso, the recently acquired ticketing solutions provider. Accesso offers a range of hosted ticketing, ecommerce, mobile and payment processing solutions to over 100 leading amusement venues. **MyCelx Technologies** gained 120% over the period, during which the company announced its maiden full year results as a public company following its flotation in 2012. The results validated the company's business model, which consists of an initial capital sale of water filtration technology, following by recurring sales of consumable filtration media. MyCelx added some significant client wins in the Middle East region as well as material contract extensions and repeat orders from legacy customers. **Prezzo**, the Italian restaurant group, joined in with the strong performance of the consumer discretionary sector as UK household budgets improved. Prezzo's estate now extends to 160 restaurants, focused on offering a quality choice at affordable prices. The concept has won several awards and has become a firm favourite in the casual dining market.

The biggest contributor to performance from the non-qualifying portfolio was **Blinkx**, the video search engine technology company. The share price appreciation was underpinned by a sequence of upgrades as the company continued to capitalise on rapid growth in online video. Media buyers use Blinkx's engine to attach adverts to contextually relevant video clips and the web publisher shares the advertising revenue with Blinkx. Other notable performers over the period include **Anpario**, the natural feed additive business, which performed well following excellent growth in profits, driven by a strong contribution from Asia Pacific, Latin America and the Middle East; **Quixant**, a recently floated business supplying technology for gambling machines (further details below); **Software Radio Technology**, the designer of Automated Information Systems, which are being mandated on boats in certain regions for security and safety reasons; and **TLA Worldwide**, the baseball representation and sports marketing agency.

The greatest detractor from performance was **IDOX** which, following several periods of impressive upgrades and share price appreciation, announced a slower than anticipated first half, particularly in the group's Engineering Information Management (EIM) software division. Expectations for full year earnings have been downgraded but a significant amount of ground must be made up in the second half of the year to meet revised guidance. Despite this, we continue to view IDOX as a high quality, well run business with good growth opportunities. **Cupid** was weak following accusations of false profiles on its dating websites (see below). The weakness in **Asian Citrus Holdings**, the Chinese orange grower, continued. The company is now valued at little more than its cash, despite expectations of a profit before tax of over £60 million in the current year. This creates a 'deep value' situation and we remain disinclined to sell at these levels, but are rather engaging with the directors of the company to take the steps which will restore value to the business. **Zytronic**, the designer and manufacturer of touch sensor products, suffered a share price correction following a profit warning which blamed slower than expected order conversion rates for a fall in revenues. We no longer hold a position in this company.

Portfolio Activity

Qualifying Portfolio

It was a busy period for VCT qualifying floats and we participated in four IPOs whilst also financing one pre-IPO opportunity, which has subsequently listed on AIM. **Quixant** is a niche developer and manufacturer of the computers which power casino-type gambling machines. These computers control the core elements of the gaming machine, and must comply with strict and complex local regulatory requirements. Manufacturers are cautious of changing providers due to performance, regulatory and reliability requirements and Quixant has capitalised upon this to develop embedded customer relationships. **AB Dynamics** supplies automotive manufacturers with advanced testing and measurement products for vehicle suspension, brakes and steering. It is a long established and well respected business that was operating at capacity due to burgeoning demand and required funding to expand manufacturing capacity. **Outsourcery** acts as an enabler for companies wishing to migrate their communications and the latest Microsoft corporate software applications to the Cloud, which moves hardware offsite and allows employees to access these systems anywhere with an internet connection. **Keywords Studios** provides localisation services for games developers. Video games must be 'localised' before they are exported to foreign markets, meaning that both text and audio must be translated into local languages and settings must be contextually relevant. A position was also taken in **Frontier Developments** through a convertible loan note, which converted into equity when the company floated on AIM the following month at a 15% discount to the placing price. The transaction provided near term upside, although we remain long term holders of Frontier, a Cambridge based video games developer and publisher. Next year it is due to publish a long-awaited modernisation of a cult space game called Elite, which was co-developed in the 1980s by David Braben.

We also made two small follow-on investments in **Microsaic Systems** and **Paragon Entertainment**, as these companies sought additional working capital to fund the next stages of their development.

We exited **Synergy Health**, due in part to its move from qualifying to non-qualifying status following the fifth anniversary of its transfer from AIM to the Main Market. We sold **Sinclair IS Pharma** for similar reasons, as this holding derived from the takeover of IS Pharma, and it became non-qualifying on the second anniversary of this event. **Cupid** had to respond to press allegations about its working practices towards existing and prospective users. An independent review was instigated, and whilst this subsequently found no evidence to support the allegations, the episode undermined market confidence in the company and the position was sold. **Zytronic** was also exited following a disappointing trading update which highlighted the lack of order book visibility inherent in the business.

Non-Qualifying Portfolio

Significant new purchases during the period included **AVEVA Group**, the supplier of engineering design and plant management software; **Bank of Georgia Holdings**, a leading bank in a fragmented and under-developed market with great promise; **Elementis**, the speciality chemicals supplier; **Crest Nicholson Holdings**, the recently re-floated housebuilder; **Restaurant Group**, owner of the Frankie & Benny's chain of casual dining eateries; and **Rightmove**, the leading UK property portal. Our investment strategy behind these non-qualifying decisions reflects a combination of sustained prospects for UK household spending, underpinned by government initiatives in the case of house builders, plus individual structural growth situations.

Sales included **Devro**, the collagen sausage skin manufacturer; **Providence Resources**, the oil and gas exploration and production business; and **Quintain Estates & Development**, the London-focused property developer.

Outlook

In August, after the period end, the Bank of England announced it was moving towards US-style forward guidance on interest rates, with policy now linked to a combination of inflation and unemployment targets. This is likely to increase market volatility as investor sentiment will react to each announcement of economic data and every nuanced interpretation of policy guidance. The improved economic indicators are already prompting global bond markets to factor in an earlier reversal of stimulus than previously expected. Recent stock market patterns show this is creating some headwinds for interest-rate sensitive, cyclical stocks, with a tendency also for investors to crystallise gains in areas which have had the greatest outperformance such as mid-caps. In contrast, the legislation change in early August which now allows AIM stocks to be held within ISAs has already had an impact on the traded volumes and relative performance of that index. Should these broader trends prove to be ongoing, then the portfolio should be well placed to benefit.

Dr Paul Jourdan, Douglas Lawson and David Stevenson
Amati Global Investors

25 September 2013

INVESTMENT PORTFOLIO
as at 31 July 2013

FTSE Sector	Number of shares	Book cost+ £'000	Valuation £'000	Fund %	% of shares in issue	Original AVCT2 book cost at 8 November 2011‡ £'000
Amerisur Resources plc@	697,000	297	307	1.0	0.1	-
Egdon Resources plc†@	1,650,060	207	161	0.5	1.2	-
Genel Energy plc@	19,285	176	185	0.6	0.1	-
MyCelx Technologies Corporation†@	234,440	513	1,242	4.0	6.1	211
Oil & Gas		**1,193**	**1,895**	**6.1**		**211**
Elementis plc@	194,000	479	486	1.6	0.0	-
Fox Marble Holdings plc 8% Convertible Loan Note*#@	508,300	508	504	1.6	48.0**	-
Fox Marble Holdings plc*@	2,260,000	452	362	1.2	2.1	-
Basic materials		**1,439**	**1,352**	**4.4**		
AB Dynamics plc*@	345,872	298	374	1.2	2.1	-
Bglobal plc*@	1,134,117	291	42	0.1	1.1	175
Cohort plc*	290,667	247	456	1.5	0.7	383
Corac Group plc*@	1,240,962	186	146	0.5	0.4	-
Judges Scientific plc*@	35,978	216	518	1.7	0.7	-
Keywords Studios plc*@	354,467	436	514	1.7	0.9	-
Microsaic Systems plc†@	1,333,000	490	620	2.0	2.5	-
Polyhedra Group plc*#@	1,032,711	310	248	0.8	1.2	-
Polyhedra Group plc 8% Convertible Unsecured Loan Stock*#@	953,272	953	916	2.9	23.8**	-
Sabien Technology Group plc†@	1,670,832	398	401	1.3	5.3	416
SKIL Ports & Logistics Limited@	158,778	316	146	0.5	0.4	-
Sportsweb.com*#	58,688	352	317	1.0	11.4	-
Synectics plc*	136,588	341	574	1.8	0.8	-

FTSE Sector	Number of shares	Book cost+ £'000	Valuation £'000	Fund %	% of shares in issue	Original AVCT2 book cost at 8 November 2011‡ £'000
Universe Group plc*@	12,495,970	287	500	1.6	5.9	-
Vianet Group plc*@	256,098	231	182	0.6	0.9	-
Industrials		**5,352**	**5,954**	**19.2**		**974**
Asian Citrus Holdings Limited@	2,730,000	1,201	573	1.8	0.2	490
China Food Company plc 12.5% Convertible Loan Note#@	624	624	710	2.3	14.1**	-
Crest Nicholson Holdings plc@	194,383	631	653	2.1	0.1	-
Frontier Developments plc*@	565,182	602	831	2.7	1.8	-
Sorbic International plc@	609,771	52	49	0.1	1.1	-
Sorbic International plc 10% Convertible Loan Stock#@	276	276	271	0.9	10.8**	-
Consumer goods		**3,386**	**3,087**	**9.9**		**490**
Allergy Therapeutics plc*	265,455	29	23	0.1	0.1	194
Anpario plc†@	590,515	520	986	3.2	3.0	550
Deltex Medical Group plc*@	2,931,000	735	410	1.3	1.8	-
Futura Medical plc*@	560,222	365	370	1.2	0.7	108
Inditherm plc*	2,500,000	69	112	0.3	4.9	250
Tristel plc*@	876,402	438	237	0.8	2.2	145
Health care		**2,156**	**2,138**	**6.9**		**1,247**

FTSE Sector	Number of shares	Book cost[+] £'000	Valuation £'000	Fund %	% of shares in issue	Original AVCT2 book cost at 8 November 2011[‡] £'000
BrainJuicer Group plc[*]	40,000	118	102	0.3	0.3	43
Cello Group plc[*]	225,000	258	124	0.4	0.3	-
Conexion Media Group plc[*]	1,080,883	184	2	-	1.4	-
Dignity plc[@]	9,100	97	134	0.4	0.0	-
Dods Group plc[*]	2,000,000	596	75	0.2	0.6	-
Ebiquity plc[*]	345,500	729	335	1.1	0.6	-
Expansys plc[*@]	775,000	450	2	-	0.1	-
Fuse8 plc[#]	20,999	210	-	-	0.2	-
Music Festivals plc[*#@]	59,527	39	-	-	0.4	-
Music Festivals plc 8% Convertible Loan Note 2016[*#@]	340,000	340	-	-	11.3[**]	-
Ovidia Investments[#]	134,307	518	-	-	0.4	-
Prezzo plc[†]	1,342,500	151	1,611	5.2	0.6	-
Restaurant Group plc[@]	67,000	330	355	1.1	0.0	-
Rightmove plc[@]	17,200	323	418	1.3	0.0	-
Tasty plc[*]	779,688	540	647	2.1	1.6	-
TLA Worldwide plc[*@]	2,876,000	575	734	2.4	3.3	-
UBC Media Group plc[*]	2,296,384	614	46	0.2	1.2	-
Consumer services		**6,072**	**4,585**	**14.7**		**43**
Antenova Limited[*#]	2,181,435	-	-	-	3.0	525
Antenova Limited A Preference Shares[*#]	1,275,166	100	233	0.7	3.1	100
Telecommunications		**100**	**233**	**0.7**		**625**

FTSE Sector	Number of shares	Book cost+ £'000	Valuation £'000	Fund %	% of shares in issue	Original AVCT2 book cost at 8 November 2011‡ £'000
Belvoir Lettings plc†@	577,000	433	808	2.6	2.8	-
Bank of Georgia Holdings plc@	36,800	520	655	2.1	0.1	-
Brooks Macdonald Group plc†@	90,100	1,153	1,167	3.8	0.7	127
Brookwell Limited Redeemable Preference Shares	205,371	157	86	0.3	3.8	160
CLS Holdings plc@	8,678	73	97	0.3	0.0	-
Fulcrum Utility Services Limited*@	1,408,093	169	74	0.2	0.9	-
London Capital Group Holdings plc@	430,652	372	168	0.5	0.8	132
Paragon Entertainment Limited†@	8,431,300	322	422	1.4	4.5	-
Financials		**3,199**	**3,477**	**11.2**		**419**
AVEVA Group plc@	12,656	317	304	1.0	0.0	-
Blinkx plc@	630,000	478	825	2.6	0.2	-
Celoxica Holdings plc*#	771,250	-	-	-	0.3	198
GB Group plc*@	538,323	222	512	1.6	0.5	88
Ideagen plc†@	2,152,300	409	430	1.4	1.8	-
IDOX plc†@	3,611,951	272	1,309	4.2	1.0	-
Lo-Q plc*@	326,000	326	1,964	6.3	1.7	-
Netcall plc*	961,562	173	394	1.3	0.8	268
Outsourcery plc*@	282,467	311	348	1.1	0.9	-
Quixant plc†@	834,117	384	592	1.9	1.3	-
Software Radio Technology plc*@	1,900,000	579	618	2.0	1.6	713
Ubisense Group plc*@	325,577	563	674	2.2	1.5	150
Technology		**4,034**	**7,970**	**25.6**		**1,417**

FTSE Sector	Number of shares	Book cost+ £'000	Valuation £'000	Fund %	% of shares in issue	Original AVCT2 book cost at 8 November 2011‡ £'000
Total investments		26,931	30,691	98.7		5,426
Net current assets			412	1.3		
Net assets		26,931	31,103	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.*

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

‡ *This column shows the book cost of the AVCT2 investments which formed part of the asset acquisition. These investments were transferred into the Company at fair value on the date of the asset acquisition. The total book cost at 8 November 2011 per the table above does not agree to the total book cost of AVCT2 investments at 8 November 2011 due to sales since this date.*

All holdings are in ordinary shares unless otherwise stated.

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 90.27%.

TEN LARGEST HOLDINGS

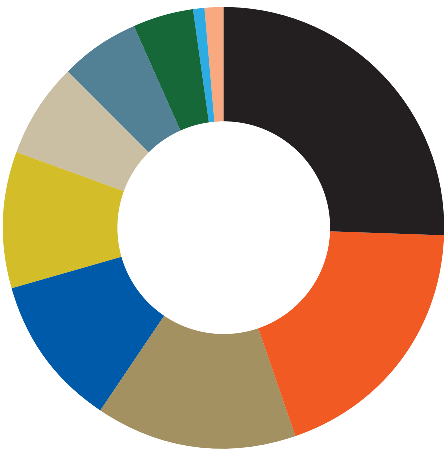
as at 31 July 2013

Company	Sector	Valuation £'000	Fund %
Lo-Q plc	Technology	1,964	6.3
Prezzo plc	Consumer services	1,611	5.2
IDOX plc	Technology	1,309	4.2
MyCelx Technologies Corporation	Oil & Gas	1,242	4.0
Brooks Macdonald Group plc	Financials	1,167	3.8
Polyhedra Group plc	Industrials	1,164	3.7
Anpario plc	Health care	986	3.2
Fox Marble Holdings plc	Basic materials	866	2.8
Frontier Developments plc	Consumer goods	831	2.7
Blinkx plc	Technology	825	2.6

Representing approximately 38.5% of shareholders' funds.

SECTOR ALLOCATION

as at 31 July 2013



FTSE Sector	Fund %
Technology	25.6
Industrials	19.2
Consumer services	14.7
Financials	11.2
Consumer goods	9.9
Health care	6.9
Oil & Gas	6.1
Basic materials	4.4
Telecommunications	0.7
Net current assets	1.3
	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, interest rate 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 2013. 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 Chairman's Statement 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 14 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

Julian Avery
Chairman

25 September 2013

INCOME STATEMENT
for the six months ended 31 July 2013

	Note	Revenue £'000	Capital £'000	Six months ended 31 July 2013 (unaudited) Total £'000
Return on investments		-	2,653	2,653
Income	6	259	-	259
Investment management fee		(68)	(204)	(272)
Other expenses		(137)	-	(137)
Profit/(loss) on ordinary activities before taxation		54	2,449	2,503
Taxation on ordinary activities	8	-	-	-
Profit/(loss) on ordinary activities after taxation		54	2,449	2,503
Basic and diluted return/(loss) per Ordinary share	4	0.19p	8.88p	9.07p

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

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

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

The accompanying notes are an integral part of the statement.

Six months ended 31 July 2012 (unaudited) Revenue £'000	Capital £'000	Total £'000	Year ended 31 January 2013 (audited) Revenue £'000	Capital £'000	Total £'000
-	513	513	-	2,514	2,514
222	-	222	382	-	382
(65)	(195)	(260)	(127)	(382)	(509)
(141)	-	(141)	(277)	-	(277)
16	318	334	(22)	2,132	2,110
(1)	-	(1)	(1)	-	(1)
15	318	333	(23)	2,132	2,109
0.05p	1.15p	1.20p	(0.08)p	7.71p	7.63p

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the six months ended 31 July 2013

	Note	Six months ended 31 July 2013 (unaudited) £'000	Six months ended 31 July 2012 (unaudited) £'000	Year ended 31 January 2013 (audited) £'000
Opening shareholders' funds		29,106	28,680	28,680
Profit for the period		2,503	333	2,109
Increase in share capital in issue		1,880	2,256	2,513
Share buy backs		(1,284)	(1,933)	(2,572)
Other costs charged to capital		(133)	(76)	(64)
Dividends paid	7	(969)	(870)	(1,560)
Closing shareholders' funds		31,103	28,390	29,106

The accompanying notes are an integral part of the statement.

CONDENSED BALANCE SHEET
as at 31 July 2013

	Note	31 July 2013 (unaudited) £'000	31 July 2012 (unaudited) £'000	31 January 2013 (audited) £'000
Fixed assets				
Investments held at fair value		30,691	26,510	29,134
Current assets				
Debtors		94	143	98
Cash at bank		532	2,293	99
Total current assets		626	2,436	197
Current liabilities				
Creditors: amounts falling due within one year		(214)	(556)	(225)
Net current assets/(liabilities)		412	1,880	(28)
Total assets less current liabilities		31,103	28,390	29,106
Capital and reserves				
Called up share capital	9	1,384	1,386	1,364
Share premium account	9	4,436	2,533	2,771
Reserves	9	25,283	24,471	24,971
Equity shareholders' funds		31,103	28,390	29,106
Net asset value per share	5	112.31p	102.36p	106.66p

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

CASH FLOW STATEMENT

for the six months ended 31 July 2013

	Note	Six months ended 31 July 2013 (unaudited) £'000	Six months ended 31 July 2012 (unaudited) £'000	Year ended 31 January 2013 (audited) £'000
Operating activities				
Investment income received		253	189	358
Other interest received		-	5	5
Investment management fees		(262)	(257)	(504)
Other operating costs		(148)	(120)	(238)
Merger costs of the Company		-	(5)	(6)
Net cash outflow from operating activities	10	(157)	(188)	(385)
Taxation				
Taxation paid		-	(1)	(1)
Financial investment				
Purchase of investments		(5,962)	(3,067)	(7,027)
Disposal of investments		7,058	4,965	8,018
Net cash inflow from financial investment		1,096	1,898	991
Dividends				
Payment of dividends		(969)	(870)	(1,560)
Net cash (outflow)/inflow before financing		(30)	839	(955)

	Note	Six months ended 31 July 2013 (unaudited) £'000	Six months ended 31 July 2012 (unaudited) £'000	Year ended 31 January 2013 (audited) £'000
Financing				
Merger costs relating to asset acquisition		19	(6)	(7)
Issue of shares		1,822	2,192	2,442
Expenses of the issue of shares		(94)	(10)	(20)
Share buy backs		(1,284)	(2,054)	(2,693)
Net cash inflow/(outflow) from financing		463	122	(278)
Increase/(decrease) in cash		433	961	(1,233)

Reconciliation of net cash flow to movement in net cash

Net cash at start of period	99	1,332	1,332
Net cash at end of period	532	2,293	99
Increase/(decrease) in cash during the period	433	961	(1,233)

The accompanying notes are an integral part of the statement.

1. The unaudited half-yearly financial results cover the six months ended 31 July 2013 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 2013 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 2013, which were unqualified, have been lodged with the Registrar of Companies. No statutory accounts in respect of any period after 31 January 2013 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 7215 or email vct-enquiries@amatiglobal.com.

4. The return per share is based on the profit attributable to shareholders for the six months ended 31 July 2013 of £2,503,000 (six months ended 31 July 2012: £333,000, year ended 31 January 2013: £2,109,000) and the weighted average number of shares in issue during the period of 27,581,783 (31 July 2012: 27,733,278, 31 January 2013: 27,624,086). There is no dilutive effect on the return per share for the outstanding convertible securities (as explained in note 11) and there is therefore considered to be no difference between basic and diluted return per share.

5. The net asset value per share at 31 July 2013 is based on net assets of £31,103,000 (31 July 2012: £28,390,000, 31 January 2013: £29,106,000) and the number of shares in issue of 27,693,343 (31 July 2012: 27,736,452, 31 January 2013: 27,289,574). There is no dilutive effect on the net asset value per share for the outstanding convertible securities (as explained in note 11) and there is therefore considered to be no difference between basic and diluted net asset value per share.

6. Income

	Six months ended 31 July 2013 (unaudited) £'000	Six months ended 31 July 2012 (unaudited) £'000	Year ended 31 January 2013 (audited) £'000
Income:			
Dividends from UK companies	189	147	264
Dividends from overseas companies	15	21	57
UK loan stock interest	25	54	61
Loan refinancing fee	28	-	-
Interest from deposits	2	-	-
	259	222	382

7. Dividends paid

	Six months ended 31 July 2013 (unaudited) £'000	Six months ended 31 July 2012 (unaudited) £'000	Year ended 31 January 2013 (audited) £'000
Final dividend for the year ended 31 January 2013 of 3.5p per ordinary share paid on 15 July 2013	969	-	-
Interim dividend for the year ended 31 January 2013 of 2.5p per ordinary share paid on 26 October 2012	-	-	690
Final dividend for the year ended 31 January 2012 of 3.13p per ordinary share paid on 17 July 2012	-	870	870
	969	870	1,560

8. The effective rate of tax for the six months ended 31 July 2013 is 0% (31 July 2012: 0%, 31 January 2013: 0%).

9. Unaudited reserves

	Share capital* £'000	Share premium* £'000	Merger reserve* £'000	Special reserve £'000	Capital redemption reserve* £'000	Capital reserve# £'000	Revenue reserve £'000	Total capital & reserves £'000
Opening balance as at 1 February 2013	1,364	2,771	1,956	26,445	160	(3,469)	(121)	29,106
Shares issued	82	1,798	-	-	-	-	-	1,880
Share issue expenses	-	(133)	-	-	-	-	-	(133)
Transfer of merger investment disposals	-	-	(421)	-	-	421	-	-
Profit for the period	-	-	-	-	-	2,449	54	2,503
Share buybacks during the period	(62)	-	-	(1,284)	62	-	-	(1,284)
Dividends paid	-	-	-	(969)	-	-	-	(969)
Closing balance as at 31 July 2013	1,384	4,436	1,535	24,192	222	(599)	(67)	31,103

* *These reserves are not distributable.*

\# *These reserves are not wholly distributable.*

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 2013, the capital reserve constitutes realised losses of £6,216,000 (31 July 2012: £4,682,000, 31 January 2013: £8,254,000) and investment holding gains of £5,617,000 (31 July 2012: losses of £1,021,000, 31 January 2013: gains of £4,785,000).

Distributable reserves comprise the special reserve, the revenue reserve and the capital reserve excluding investment holding gains. At 31 July 2013, the amount of reserves deemed distributable is £17,909,000 (31 July 2012: £21,969,000, 31 January 2013: £18,070,000), a net movement in the period of £161,000. The net movement is comprised of the profit on ordinary activities in the income statement of £2,503,000 plus the transfer of investment losses to the merger reserve of £421,000, less the movement in investment holding gains of £832,000, the dividend paid of £969,000 and the share buybacks of £1,284,000.

10. Reconciliation of profit on ordinary activities before taxation to net cash outflow from operating activities

	Six months ended 31 July 2013 (unaudited) £'000	Six months ended 31 July 2012 (unaudited) £'000	Year ended 31 January 2013 (audited) £'000
Profit on ordinary activities before taxation	2,503	334	2,110
Net gains on investments	(2,653)	(513)	(2,514)
Increase/(decrease) in creditors	8	(12)	(4)
(Increase)/decrease in debtors	(15)	3	23
Net cash outflow from operating activities	(157)	(188)	(385)

11. Singer & Friedlander's option

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

The value of dividends paid since the merger to 31 July 2013, adjusted to reflect the share consolidation in November 2011, was 34.39p, including the proposed interim dividend of 2.75p, which was insufficient to trigger Singer & Friedlander Investment Management Limited's entitlement to subscribe for additional shares. It is estimated that a further 143p in dividends per share would require payment by 31 January 2014 and 174p by 31 January 2015 in order to exceed the targeted return before the option lapses. These figures are calculated by adjusting the starting net asset value per ordinary share to take account of the share consolidation in November 2011. Regardless of performance over this period, the Directors would not sanction this level of dividend within that period and, therefore, do not see any circumstances under which the option would crystallise and continue to value the option at nil (31 January 2013: nil).

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 2013 was 112.31p. The Company normally announces its net asset value on a weekly basis.

Financial calendar

September 2013	Half-yearly report for the six months to 31 July 2013 published
November 2013	Interim management statement released
31 January 2014	Year end
May 2014	Announcement of final results for the year ended 31 January 2014
June 2014	Annual General Meeting

CORPORATE INFORMATION

Directors
Julian Ralph Avery
Mike Sedley Killingley
Christopher Anthony 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
Telephone: 01312437215
Email: vct-enquiries@amatiglobal.com

Fund Manager
Amati Global Investors Limited
18 Charlotte Square
Edinburgh
EH2 4DF

VCT Tax Adviser
PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

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

Auditor
BDO LLP
Farringdon Place
20 Farringdon Road
London
EC1M 3AP

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

For enquiries regarding administration, share and tax certificates, share holdings, subscriptions and dividends, please contact:

The City Partnership (UK) Limited
on +44 (0)131 243 7215
or email: vct-enquiries@amatiglobal.com

For general investment enquiries, please contact:

Amati Global Investors
on +44 (0)131 503 9100

Amati Global Investors Limited
18 Charlotte Square
Edinburgh EH2 4DF
Tel: +44 (0)131 503 9100
Email: vct-enquiries@amatiglobal.com