Amati VCT 2 plc

HALF-YEARLY REPORT

For the six months ended 31 July 2017

Amati
Global Investors

Finely crafted investments

CONTENTS

Table of investor returns to 31 July 2017

	Date	NAV Total Return with dividends re-invested	Numis Alternative Markets Total Return Index
Re-launch as Amati VCT 2 following merger	9 November 2011*	99.0%	40.3%
Appointment of Amati Global Investors ("Amati") as Manager of Amati VCT 2, which was known as ViCTory VCT at the time	25 March 2010	108.8%	44.2%

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

Key data

	6 months ended 31/07/17 (unaudited)	Year ended 31/01/17 (audited)	6 months ended 31/07/16 (unaudited)
Net Asset Value ("NAV")	£50.4m	£40.4m	£36.7m
Shares in issue	34,585,493	32,643,069	32,004,570
NAV per share	145.8p	123.7p	114.7p
Bid price	134.5p	115.5p	109.0p
Mid price	134.8p	115.8p	109.3p
Market capitalisation	£46.6m	£37.8m	£35.0m
Share price discount to NAV	7.5%	6.4%	4.7%
NAV Total Return (assuming re-invested dividends)	21.5%	22.0%	10.6%
Numis Alternative Markets Total Return Index	13.5%	29.0%	10.2%
Ongoing charges*	2.4%	2.6%	2.7%
Dividends in respect of the period	3.25p	7.00p	2.75p

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

Table of Historic Returns from launch to 31 July 2017 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	NAV Total Return with dividends not re-invested	Numis Alternative Markets Total Return Index
Singer & Friedlander AIM 3 VCT (‘C’ shares)	4 April 2005	8 December 2005	15.5%	2.9%	17.7%
Invesco Perpetual AiM VCT	30 July 2004	8 November 2011	2.2%	-18.4%	44.2%
Amati VCT 2 (originally Singer & Friedlander AIM 3 VCT*)	29 January 2001	n/a	5.3%	-6.1%	-15.5%
Singer & Friedlander AIM 2 VCT	29 February 2000	22 February 2006	-19.3%	-27.7%	-56.9%
Singer & Friedlander AIM VCT	28 September 1998	22 February 2006	-44.9%	-27.9%	31.3%

** 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

Overview

Shareholders who attended the AGM and Investor Seminar on 28 June this year will have heard the Manager report on the progress that the Company has made in pursuance of the simplified and focused investment strategy which the Company has developed over the last few years. The Manager seeks to identify the best of the next generation of AIM companies, to provide those companies with valuable early stage capital, and to support them as long-term shareholders. It takes time to build up a portfolio of successful and dynamic businesses which have grown out of the seeds which the Amati VCTs have helped to nurture but, as our Manager reported at the AGM, the Company has now reached the point where the effect of our investment strategy is coming through in the make-up of the portfolio.

As companies' earnings grow, and this is mirrored in their stock market valuations, the portfolio will evolve and become biased more towards the most successful companies, as those which have grown the fastest in value become the largest holdings. It could be said that an inflection point has been crossed, as the portfolio is now dominated by such companies. The ten largest qualifying investments are now all capitalised at more than £100m, with three capitalised at over £400m. The unweighted average term of these investments is now around 7 years, and the unweighted average returns from these ten investments, based on our investment price (blended across more than one round where we made follow-on investments), is 856% as at the period end. These companies represent over 50% of the value of the portfolio, and provide an exceptionally strong set of core holdings. The top ten holdings have accounted for much of the strong performance seen over the past two years in particular. Fortunately the VCT rules create no pressure to sell such holdings, which generally remain qualifying as long as they are on AIM, and it is to the benefit both of both our shareholders and the portfolio companies themselves that we are able to invest for the long term.

The Manager continues to see new opportunities for qualifying investments, and expects to be able to make a steady stream of further investments, albeit at a slower rate than was the case before the rule changes last year. During the period under review a total of £1.8m was invested in qualifying investments, three of which were in new holdings, details of which are given in the Manager's Review.

Investment Performance and Dividend

The NAV Total Return for the six month period was 21.5%, which compares to a rise of 13.5% for the Numis Alternative Markets Total Return Index. While this exceptionally strong performance was attributable to two holdings in particular, Keywords Studios and Frontier Developments, there were, encouragingly, strong contributions from a wide range of other holdings. Further details are given in the Manager's report which follows.

The dividend policy of the Company continues to be to pay 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 the Board is declaring an interim dividend of 3.25p per share, to be paid on 24 November 2017 to shareholders on the register on 20 October 2017.

Other Corporate Developments

A series of joint top up Share Issues with Amati VCT was launched in October 2016, and was fully subscribed before the closing date, raising a total of £8.3m of which £4.1m was subscribed for shares in Amati VCT 2.

The Company was 88% invested in qualifying holdings at the period end, according to the tests required by the VCT legislation, and with cash available for new investments having become increasingly constrained, the Board announced at the time of the AGM that it intends to launch a larger fund raising this year in the form of a Joint Prospectus Offer with Amati VCT, raising up to £10m for each company. At the same time, the boards of both companies also announced that they believed that a merger of the two companies was in the best interests of shareholders. The merger process has been held up by a particular aspect of the VCT legislation which could have proven detrimental to a subset of shareholders. We have received assurances from HMRC that this was not an intended consequence of the legislation, and both boards expect to be able to proceed with a merger with the issue of a Supplementary Prospectus and Shareholder Circulars once this area of the legislation has been satisfactorily clarified. Assuming the merger can proceed as planned, it will create a combined VCT capitalised at over £100m (at the time of writing) and the ongoing expenses ratio will be less than the two VCTs have as separate entities.

The External Environment

AIM has been coming of age over recent years, supported as it is by a number of tax incentivised elements, of which VCTs are but one. There is debate about whether these and other tax incentives to support early stage businesses are good value for money for the tax payer. Recently, a broad range of questions have been posed by the consultation paper "Financing Growth in Innovative Firms" published by HM Treasury in August. We believe that AIM-focused VCTs play an important role in providing capital to some of the most innovative firms in the UK, and that the Company's portfolio bears this out. Taking a step back, these VCTs are part of a wider financing environment which has allowed AIM to become arguably the leading smaller company stock market in the world. It has taken 22 years to achieve its current level of maturity and success. A significant number of innovative UK firms are becoming global success stories as a result. Those who understand the value of having this market in London are unlikely to have much difficulty seeing this use of the tax incentives as providing good value for money. However, when markets are strong, as they are now it can be tempting for policy makers to take away key supports for a market, forgetting what happens when conditions become much tougher. The Board and the Manager seek to play an active role in this debate, which will be important for shaping both the future of the Company, and the wider environment for supporting innovative businesses in the UK.

Outlook

It is always important to remain realistic about expectations following periods of very strong performance. Markets have a tendency towards mean reversion, with periods of above average returns being followed by periods of below average returns. However, the tangible progress being made by many of our portfolio companies has been impressive and creates a strong platform for continued growth, even in tougher times. We fully expect that we will continue to see new investment opportunities and a successful fund raising will enable the Company to take advantage of these as and when they arise. Meantime, our increasingly mature portfolio is well placed to maintain strong returns to shareholders.

Julian Avery
Chairman

28 September 2017

For any matters relating to your shareholding in the Company, dividend payments, or the Dividend Reinvestment Scheme, please contact Share Registrars on 01252 821390, or by email at 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. Amati maintains an informative website for the Company – www.amatiglobal.com – on which monthly investment updates, performance information, and past Company reports can be found.

Market Review

As is almost becoming the norm, a volatile political backdrop dominated the six months under review. Whether it was the US administration's apparent floundering over policy objectives and chronic instability, combined with an increased military assertiveness overseas, or the astonishing scale of the potential for bad debts in the Chinese banking system, or the (as it turned out) ill-judged snap UK General Election causing UK market jitters, there was no shortage of talking points for those seeking to form a top down view. The tragic conflicts in Syria and the Yemen rumble on with no apparent end in sight, reminders of the dysfunctionality which has grown up in international relations with the return of proxy wars and battle for spheres of influence. It would be reasonable to expect that such a backdrop would translate into elevated risk and volatility. However, the market's main volatility gauge, the CBOE Volatility Index (the "VIX"), remained stubbornly low, only breaching the 15% level on four occasions. For reference, the VIX surpassed 40% in January 2009, shortly before the global financial crisis reached its nadir, and again in January 2011 when the Eurozone debt crisis reached a peak and long-term interest rates spiked in Greece and other peripheral states. There are various explanations for this benign volatility, the most plausible in our view being that continued accommodative monetary policies by the Federal Reserve and European Central Bank have thus far been more important for the direction of markets than the political dislocations which dominate the headlines.

In the UK, AIM, small- and mid-cap indices all outperformed the top 100 index during the period. AIM was especially strong, with its fortunes dominated by superstar stocks such as Fever-Tree and Boohoo but increasingly by the next generation of AIM stars, of which a number are also held by the Company.

Performance

The VCT's NAV Total Return for the six month period was 21.5%. This compares to the Numis Alternative Markets Total Return over the same period of 13.5%. The only losing month during the period was June, when the surprise loss of the Conservative party's parliamentary majority spooked markets. These losses were swiftly reversed in July.

The greatest contributor to performance over the six months under review was **Keywords Studios** ("Keywords"), the technical services provider to the video games industry, its shares rising 109%. Keywords continued its acquisition strategy, acquiring five businesses, which all fit the template of expanding the group's geographical coverage and service lines. The most eye-catching of these recent acquisitions were a software development business and a video games content management software provider, both giving Keywords entirely new services to offer their customer base. Keywords finds itself in an enviable position: its market remains highly fragmented yet customers wish to deal with fewer vendors. By continuing to consolidate its industry, it can present itself to video games publishers as a one-stop solution for all video games support services. The market for outsourced video games services continues to demonstrate healthy levels of growth which, when combined with earnings enhancing acquisitions, provide a powerful catalyst for shareholder returns. Another player in the video games industry, **Frontier Developments** ("Frontier"), was the second most significant contributor to performance, gaining 135% over the period. Frontier is attracting a wider investor audience as it launches its own new video games franchises. The period under review witnessed the release of Frontier's original title, *Elite: Dangerous*, on PlayStation 4; the news that *Planet Coaster*, its second title, had surpassed the sale of one million units; and the announcement that its third franchise will be *Jurassic World Evolution*, based on Universal Pictures' *Jurassic World*, one of the biggest blockbusters in cinema history. The latter announcement is a major endorsement for a UK video games publisher and Frontier's appeal was recently recognised by Tencent, a leading Chinese internet and interactive entertainment company, which has acquired a 9.9% stake in the business through an investment of £17.7m in the company. **Tristel**, the manufacturer of infection control and contamination control products, gained 60%. There were two principal catalysts for this movement: the first was its move into the US and the submission for regulatory clearance by the Environmental Protection Agency of its Duo chlorine dioxide disinfectant foam; the second was a trading update announcing that revenues and profits for the year to June 2017 would be ahead of expectations. **Quixant**, the designer of computer systems for casino gaming machines, continued its progress and this was rewarded by a 27% rise in its share price. Quixant experienced stronger than anticipated trading in the first half of 2017 in both its core gaming division and Densitron, the acquisition that completed in 2015. Other notable contributors included **Faron Pharmaceuticals** ("Faron"), a pharmaceutical company focused on the treatment of Acute Respiratory Distress Syndrome, which gained 119% over the period ahead of the announcement of Phase III trial data which is expected over the next few months; **Hardide**, the industrial surface coatings company; **GB Group**, the supplier of identity verification software; and **Premier Technical Services Group**, the provider of access and safety services.

The most notable negative contributor was **Tasty**, the operator of the Wildwood chain of Italian grill restaurants, which fell 66% over the period. The management of Tasty had an excellent pedigree in the restaurant industry and ambitious roll-out plans for the brand and this was reflected in the valuation of the stock, which rewarded this quality and growth with a high rating. Recently Tasty launched a new concept – Wildwood Kitchen – which incorporated delicatessens into restaurants to encourage all day trade. These sites incurred extra costs and did not trade well, which coincided with increased competition and a general downturn in the casual dining restaurant sector. The combination led to profit downgrades and a suspension of restaurant roll-outs in the short to medium term. **FreeAgent Holdings** ("FreeAgent"), the accounting software provider, fell 31% over the period, reversing much of the gains made following its Initial Public Offering ("IPO") in November 2016. There were no obvious reasons for this, except perhaps an over-exuberant share price following admission to AIM. FreeAgent has some significant opportunities in the near term, such as the Government's Making Tax Digital initiative, which is expected to drive further adoption of FreeAgent's software amongst micro businesses; and a contract with The Royal Bank of Scotland to offer FreeAgent's software as part of the bank's client on-boarding process. Other negative contributors included: **SRT Marine Systems**, the designer of maritime location technologies, which experienced a delay in a government contract; and **Venn Life Sciences Holdings**, the clinical research organisation.

Portfolio Activity

Qualifying portfolio

The Company made 5 significant qualifying investments during the period.

Faron, a company that we initially funded in September 2016, returned for follow-on finance in March. The original fundraise was to continue the development of its lead product, Traumakine, which treats Acute Respiratory Distress Syndrome; the more recent raise allows the expansion of pre-clinical and early-stage clinical development of Clevegen, Faron's second product, as well as strengthening the balance sheet in advance of negotiations with potential partners for Traumakine. We were encouraged to follow our investment in Faron by Traumakine's successful progress through its data monitoring stages as well as the potential of Clevegen which, although some way behind Traumakine in its development pipeline, is showing potential in an important area of cancer therapy (the prevention of inflammation and cancer spread). Towards the end of the period we also took some profits from our holding, following a dramatic rise in the share price which had increased the position size significantly, as the risk profile on the drug trial remains unchanged until the results are announced later this year. We also made a follow-on investment in **Rosslyn Data Technologies** ("Rosslyn"). The Company's initial position in Rosslyn was acquired shortly before its IPO in 2014. Rosslyn has a technology platform that gives businesses the ability to ingest structured data from a wide variety of systems and sources then present this data in software where it can be used to inform management decisions. Rosslyn failed to meet the expectations that were set at its IPO and could not capitalise on partnerships with key systems integrators, including two of the 'Big 4' global professional services firms. The original investment performed poorly but we were persuaded to revisit the investment case due to the acquisition of a business called Integritie, which improves Rosslyn's technology proposition by enabling the analysis of unstructured, as well as structured, customer data. The combined business should benefit from cross-selling opportunities across the enlarged customer base.

The Company also acquired a new position in **MaxCyte**, a medical devices company with a proprietary technology known as 'flow electroporation', as well as its own pipeline of early stage drugs. Flow electroporation is a technique which uses electrical charges to allow particular molecules to cross a cell membrane without causing damage. MaxCyte owns the intellectual property to the only pharmaceutical grade machine for performing this technique, and it is becoming widely used in the burgeoning field of cell therapy. **Escape Hunt** was the first of two IPOs in which the Company participated during the period. Escape Hunt specialises in 'escape games', a leisure concept that is growing rapidly in popularity. The concept involves a group of friends, family or work colleagues participating in a problem solving game in order to escape from a themed room. The game is controlled remotely by a 'games master' who influences the cadence of the event by revealing clues. Escape Hunt came to AIM to raise capital to evolve from a franchise only model to a site ownership model, building out its own locations to capture the attractive returns that are generated on these sites. The incoming CEO has excellent 'roll-out' experience having been Global Head of Strategy at Pret A Manger and Managing Director at Harris + Hoole. The Company also acquired a position in **Velocity Composites** ("Velocity") as part of its AIM IPO. Velocity produces kits of composite materials for supply to aerospace component manufacturers such as BAE, Meggitt and GKN. This is an element of the supply chain that the manufacturers are keen to outsource to reduce their capital spend and increase floor space at their facilities and to drive improved productivity, quality control and materials traceability. Composite materials now account for over 50% of widebody (twin aisle) and 20% of narrow body (single aisle) aircraft and composite usage is expected to increase alongside a predicted doubling of aircraft numbers over the next twenty years.

The residual holding in **TLA Worldwide**, the sports player representation and marketing business, was sold during the period. **Kalibrate Technologies**, the provider of software, data and support services to the fuel retail industry, also left the portfolio, having been the subject of a successful takeover approach by a private equity buyer.

Non-Qualifying Portfolio

There were no transactions in the non-qualifying portfolio during the period.

Outlook

The strategy that has been adopted of concentrating the portfolio in our more mature, cash generative businesses by 'running our winners' has played out to the extent that, at the half year end date, the top 10 positions in the Company (including the **TB Amati UK Smaller Companies Fund**, the largest single position) accounted for 57.3% of the total net asset value. Far from causing us any anxiety, we are reassured by the fact that we consider these businesses amongst the highest quality investments in the portfolio and we are optimistic about the future prospects for these companies. Whilst some of these names have experienced extraordinary share price gains lately, our belief is that these are companies that can continue to deliver exceptional levels of revenue and profit growth. This strong core to the portfolio also gives us the flexibility to invest in attractive new qualifying opportunities and we have been pleased to see a return of good quality 'dealflow', reflected in the accelerated rate of deals completed relative to the prior period. Whilst we cannot predict the direction of the markets, and are aware that the UK in particular faces many challenges over the next few years arising from Brexit, we remain optimistic about the underlying prospects of the businesses in your Company's portfolio.

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

28 September 2017

INVESTMENT PORTFOLIO
as at 31 July 2017

	Cost £'000	Valuation £'000	Market Cap £m	Sector	Status	Dividend Yield[NTM] %	Fund %
TB Amati UK Smaller Companies Fund@	2,837	4,549	-	Financials	OEIC	1.6	9.0
Keywords Studios plc†@	437	4,008	629.8	Industrials	AIM	0.1	7.9
Accesso Technology Group plc*@	221	3,615	430.6	Technology	AIM	-	7.2
Quixant plc†@	386	3,509	276.9	Technology	AIM	0.7	7.0
Frontier Developments plc†@	549	3,326	220.8	Consumer goods	AIM	-	6.6
Tristel plc†@	439	2,195	107.0	Health care	AIM	1.7	4.4
IDOX plc*@	239	2,075	265.4	Technology	AIM	1.9	4.1
GB Group plc†@	224	1,990	562.5	Technology	AIM	0.7	3.9
Brooks Macdonald Group plc†@	1,154	1,836	281.1	Financials	AIM	2.6	3.6
Ideagen plc†@	496	1,807	160.5	Technology	AIM	0.3	3.6
Top Ten	**6,982**	**28,910**					**57.3**
AB Dynamics plc†@	259	1,804	114.7	Industrials	AIM	0.6	3.6
Learning Technologies Group plc*@	746	1,688	270.2	Industrials	AIM	0.6	3.3
Science in Sport plc†@	710	1,276	41.5	Consumer goods	AIM	-	2.5
Anpario plc†@	272	1,079	80.5	Health care	AIM	1.8	2.1
Hardide plc*@	500	1,031	25.3	Basic materials	AIM	-	2.0
Premier Technical Services Group plc†@	403	982	132.1	Industrials	AIM	1.3	2.0
LoopUp Group plc*@	470	893	77.8	Technology	AIM	-	1.8
Faron Pharmaceuticals Oy*@	328	849	189.8	Health care	AIM	-	1.7
Universe Group plc*@	202	832	22.0	Industrials	AIM	-	1.7
SRT Marine Systems plc*@	579	637	42.8	Technology	AIM	-	1.3
Top Twenty	**11,451**	**39,981**					**79.3**

	Cost £'000	Valuation £'000	Market Cap £m	Sector	Status	Dividend Yield[NTM] %	Fund %
Bilby plc†@	574	594	23.9	Industrials	AIM	4.3	1.2
Fox Marble Holdings plc Ordinary shares & 8% Convertible Loan Note*@	665	574	14.1	Basic Materials	AIM/ Unquoted	-	1.2
Rosslyn Data Technologies plc*@	777	512	9.4	Technology	AIM	-	1.0
Velocity Composites plc*@	492	480	29.7	Industrials	AIM	-	1.0
Solid State plc†@	243	476	40.2	Industrials	AIM	2.7	0.9
Water Intelligence plc†@	170	455	13.8	Industrials	AIM	-	0.9
Escape Hunt plc*@	402	428	29.2	Consumer services	AIM	-	0.9
Netcall plc†	110	401	91.2	Technology	AIM	3.3	0.8
FreeAgent Holdings plc*@	361	400	37.9	Technology	AIM	-	0.8
Belvoir Lettings plc*@	339	380	36.3	Financials	AIM	6.7	0.8
MaxCyte inc*@	425	371	17.5	Health care	AIM	-	0.7
Sportsweb.com*	352	317	2.8	Industrials	Unquoted	-	0.6
Synectics plc†	342	314	40.9	Industrials	AIM	2.2	0.6
MirriAd Advertising Limited*@	486	284	35.9	Technology	Unquoted	-	0.6
Dods (Group) plc*	596	260	44.3	Consumer services	AIM	-	0.5
EU Supply plc*@	330	234	10.8	Technology	AIM	-	0.5
Property Franchise Group plc (The)†@	141	218	40.0	Financials	AIM	5.1	0.4
Crawshaw Group plc†@	369	215	27.7	Consumer services	AIM	-	0.4
Tasty plc†	320	203	26.3	Consumer services	AIM	-	0.4
Brighton Pier Group plc (The)*@	292	173	30.2	Consumer services	AIM	-	0.3

	Cost £'000	Valuation £'000	Market Cap £m	Sector	Status	Dividend Yield[NTM] %	Fund %
MyCelx Technologies Corporation*@	425	165	7.2	Oil & Gas	AIM	-	0.3
FairFX Group plc*@	113	162	65.4	Financials	AIM	-	0.3
Venn Life Sciences Holdings plc*@	274	162	7.8	Health care	AIM	-	0.3
Genedrive plc*@	299	149	7.5	Health care	AIM	-	0.3
Antenova Limited Ordinary shares & A Preference Shares*	100	128	2.7	Telecomm-unications	Unquoted	-	0.3
Ilika plc*@	192	111	25.9	Oil & Gas	AIM	-	0.2
Allergy Therapeutics plc*	29	77	172.3	Health care	AIM	-	0.2
Sabien Technology Group plc†@	530	68	1.1	Industrials	AIM	-	0.1
Mirada plc*@	416	59	2.1	Consumer services	AIM	-	0.1
Microsaic Systems plc*@	419	30	2.7	Industrials	AIM	-	0.1
Nujira Limited*@	117	8	-	Technology	Unquoted	-	-
Investments held at nil value	3,048	-	-	-	-	-	-
Total investments	**25,199**	**48,389**					**96.0**
Net current assets		**2,027**					**4.0**
Net assets	**25,199**	**50,416**					**100.0**

* *Qualifying holdings.*

† *Part qualifying holdings.*

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

The Manager rebates the management fee of 0.75% on the TB Amati UK Smaller Companies Fund and this is included in the yield.

NTM *Next twelve months consensus estimate (Source: FactSet and Fidessa).*

All holdings are in ordinary shares unless otherwise stated.

Investments held at nil value: Polyhedra Group plc@, China Food Company plc@; Sorbic International plc@, Rame Energy plc*@, Conexion Media Group plc*, Rated People Limited*@, Celoxica Holdings plc*, TCOM Limited*@.*

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 87.59%.

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 19 to 22 to the Financial Statements in the Company's Report and Financial Statements for the year ended 31 January 2017. 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 which has been prepared in accordance with FRS 104 "Interim Financial Reporting" gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- 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 Guidance 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 13 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 Guidance 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 Company 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

28 September 2017

INCOME STATEMENT
for the six months ended 31 July 2017

	Note	Revenue £'000	Capital £'000	Six months ended 31 July 2017 (unaudited) Total £'000
Gain on investments		-	9,259	9,259
Income	8	226	-	226
Investment management fee		(104)	(311)	(415)
Other expenses		(146)	-	(146)
(Loss)/profit on ordinary activities before taxation		(24)	8,948	8,924
Taxation on ordinary activities	10	-	-	-
(Loss)/profit and total comprehensive income attributable to shareholders		(24)	8,948	8,924
Basic and diluted (loss)/earnings per Ordinary share	6	(0.07)p	26.39p	26.32p

The total column of this Income Statement represents the profit and loss account of the Company in accordance with Financial Reporting Standards ("FRS"). The supplementary revenue and capital columns have been prepared in accordance with The Association of Investment Companies' Statement of Recommended Practice ("AIC SORP"). There is no other comprehensive income other than the results for the period discussed above. Accordingly a statement of total comprehensive income is not required.

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

The accompanying notes are an integral part of the statement.

Six months ended 31 July 2016 (unaudited)			Year ended 31 January 2017 (audited)		
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
-	3,712	3,712	-	7,748	7,748
254	-	254	446	-	446
(78)	(233)	(311)	(158)	(473)	(631)
(156)	-	(156)	(302)	-	(302)
20	3,479	3,499	(14)	7,275	7,261
-	-	-	-	-	-
20	3,479	3,499	(14)	7,275	7,261
0.06p	11.04p	11.10p	(0.04)p	22.89p	22.85p

STATEMENT OF CHANGES IN EQUITY

		Non-distributable reserves			
For the six months ended 31 July 2017 (unaudited)	**Called up share capital £'000**	**Share premium £'000**	**Merger reserve £'000**	**Capital redemption reserve £'000**	**Capital reserve (non-distributable) £'000**
Opening balance as at 1 February 2017	1,633	13,044	425	364	16,487
Shares issued	119	3,049	-	-	-
Share issue expenses	-	(40)	-	-	-
Repurchase of shares	(22)	-	-	22	-
Dividends paid	-	-	-	-	-
Transfer of merger investment disposals	-	-	-	-	-
Profit for the period	-	-	-	-	8,732
Closing balance as at 31 July 2017	1,730	16,053	425	386	25,219
For the six months ended 31 July 2016 (unaudited)					
Opening balance as at 1 February 2016	1,513	9,771	425	332	8,476
Shares issued	103	2,192	-	-	-
Share issue expenses	-	(21)	-	-	-
Repurchase of shares	(16)	-	-	16	-
Dividends paid	-	-	-	-	-
Transfer of merger investment disposals	-	-	-	-	-
Profit for the period	-	-	-	-	3,493
Closing balance as at 31 July 2016	1,600	11,942	425	348	11,969
For the year ended 31 January 2017 (audited)					
Opening balance as at 1 February 2016	1,513	9,771	425	332	8,476
Shares issued	152	3,306	-	-	-
Share issue expenses	-	(33)	-	-	-
Repurchase of shares	(32)	-	-	32	-
Dividends paid	-	-	-	-	-
Transfer of merger investment disposals	-	-	-	-	-
Profit and total comprehensive income for the period	-	-	-	-	8,011
Closing balance as at 31 January 2017	1,633	13,044	425	364	16,487

The accompanying notes are an integral part of the statement.

	Distributable reserves			
	Special reserve £'000	Capital reserve (distributable) £'000	Revenue reserve £'000	Total reserves £'000
	14,477	(6,031)	(14)	40,385
	-	-	-	3,168
	-	-	-	(40)
	(559)	-	-	(559)
	(1,462)	-	-	(1,462)
	-	-	-	-
	-	216	(24)	8,924
	12,456	(5,815)	(38)	50,416
	17,150	(5,295)	28	32,400
	-	-	-	2,295
	-	-	-	(21)
	(338)	-	-	(338)
	(1,088)	-	(28)	(1,116)
	-	-	-	-
	-	(14)	20	3,499
	15,724	(5,309)	20	36,719
	17,150	(5,295)	28	32,400
	-	-	-	3,458
	-	-	-	(33)
	(707)	-	-	(707)
	(1,966)	-	(28)	(1,994)
	-	-	-	-
	-	(736)	(14)	7,261
	14,477	(6,031)	(14)	40,385

CONDENSED BALANCE SHEET

as at 31 July 2017

	Note	31 July 2017 (unaudited) £'000	31 July 2016 (unaudited) £'000	31 January 2017 (audited) £'000
Fixed assets				
Investments held at fair value	11	48,389	35,219	38,878
Current assets				
Debtors		47	99	659
Cash at bank		2,358	1,689	1,255
Total current assets		2,405	1,788	1,914
Current liabilities				
Creditors: amounts falling due within one year		(378)	(288)	(407)
Net current assets		2,027	1,500	1,507
Total assets less current liabilities		50,416	36,719	40,385
Capital and reserves				
Called up share capital		1,730	1,600	1,633
Share premium account		16,053	11,942	13,044
Reserves		32,633	23,177	25,708
Equity shareholders' funds		50,416	36,719	40,385
Net asset value per share	7	145.77p	114.73p	123.72p

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

STATEMENT OF CASH FLOWS
for the six months ended 31 July 2017

	Six months ended 31 July 2017 (unaudited) £'000	Six months ended 31 July 2016 (unaudited) £'000	Year ended 31 January 2017 (audited) £'000
Operating activities			
Investment income received	200	274	526
Investment management fees	(372)	(292)	(598)
Other operating costs	(160)	(172)	(293)
Net cash outflow from operating activities	(332)	(190)	(365)
Investing activities			
Purchases of investments	(1,858)	(1,028)	(2,909)
Disposals of investments	1,703	334	2,508
Net cash outflow from investing activities	(155)	(694)	(401)
Net cash outflow before financing	(487)	(884)	(766)
Financing activities			
Net proceeds of share issues and buybacks	3,052	1,998	2,323
Equity dividends paid	(1,462)	(1,117)	(1,994)
Net cash inflow from financing activities	1,590	881	329
Increase/(decrease) in cash	1,103	(3)	(437)
Reconciliation of net cash flow to movement in net cash			
Net cash at start of period	1,255	1,692	1,692
Net cash at end of period	2,358	1,689	1,255
Increase/(decrease) in cash during the period	1,103	(3)	(437)

The accompanying notes are an integral part of the statement.

1. The Half-yearly financial report covers the six months ended 31 July 2017. The Company applies FRS 102 and the AIC's Statement of Recommended Practice issued in November 2014 as adopted for its financial year ended 31 January 2017. The financial statements for this six month period have been prepared in accordance with FRS 104 and on the basis of the same accounting policies as set out in the Company's Annual Report and Financial Statements for the year ended 31 January 2017.

The comparative figures for the financial year ended 31 January 2017 have been extracted from the latest published audited Annual Report and Financial Statements. Those accounts have been reported on by the Company's auditor and lodged with the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

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. No statutory accounts in respect of any period after 31 January 2017 have been reported on by the Company's auditors or delivered to the Registrar of Companies.

3. Going concern

In accordance with FRC Guidance for directors on going concern and liquidity risk the directors are of the opinion that, at the time of approving the Half-yearly Report, the Company has adequate resources to continue in business for the foreseeable future. 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. Thus the directors believe it is appropriate to continue to apply the going concern basis in preparing the financial statements.

4. Segmental reporting

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

5. Copies of the Half-yearly report are being made available to all shareholders. Further copies are available free of charge from Amati Global Investors by telephoning 0131 5039115 or email vct-enquiries@amatiglobal.com.

6. The earnings per share is based on the gain attributable to shareholders for the six months ended 31 July 2017 of £8,924,000 (six months ended 31 July 2016: £3,499,000, year ended 31 January 2017: £7,261,000) and the weighted average number of shares in issue during the period of 33,907,246 (31 July 2016: 31,506,740, 31 January 2017: 31,774,562). There is no difference between basic and diluted earnings per share.

7. The net asset value per share at 31 July 2017 is based on net assets of £50,416,000 (31 July 2016: £36,719,000, 31 January 2017: £40,385,000) and the number of shares in issue of 34,585,493 (31 July 2016: 32,004,570, 31 January 2017: 32,643,069). There is no difference between basic and diluted net asset value per share.

8. Income

	Six months ended 31 July 2017 (unaudited) £'000	Six months ended 31 July 2016 (unaudited) £'000	Year ended 31 January 2017 (audited) £'000
Income:			
Dividends from UK companies	198	184	320
Dividends from overseas companies	-	27	23
UK loan stock interest	25	38	98
Interest from deposits	3	5	5
	226	254	446

9. Dividends paid

	Six months ended 31 July 2017 (unaudited) £'000	Six months ended 31 July 2016 (unaudited) £'000	Year ended 31 January 2017 (audited) £'000
Final dividend for the year ended 31 January 2017 of 4.25p per share paid on 21 July 2017	1,462	-	-
Interim dividend for the year ended 31 January 2017 of 2.75p per ordinary share paid on 25 November 2016	-	-	878
Final dividend for the year ended 31 January 2016 of 3.5p per ordinary share paid on 22 July 2016	-	1,116	1,116
	1,462	1,116	1,994

10. The effective rate of tax for the six months ended 31 July 2017 is 0% (31 July 2016: 0%, 31 January 2017: 0%).

11. Investments

	Level 1 Traded on AIM £'000	Level 3 Unquoted investments £'000	Total £'000
Cost as at 1 February 2017	19,902	4,518	24,420
Opening unrealised appreciation/(depreciation)	18,043	(1,556)	16,487
Opening unrealised loss recognised in realised reserve	(296)	(1,733)	(2,029)
Opening valuation as at 1 February 2017	37,649	1,229	38,878
Movements in the period:			
Reclassification in period	-	-	-
Purchases	1,858	-	1,858
Sales – proceeds	(1,580)	(26)	(1,606)
Realised gain on sales	758	-	758
Unrealised gain in the period	8,461	40	8,501
Valuation as at 31 July 2017	47,146	1,243	48,389
Cost at 31 July 2017	20,707	4,492	25,199
Unrealised appreciation/(depreciation) as at 31 January 2017	26,735	(1,516)	25,219
Closing unrealised loss recognised in realised reserve	(296)	(1,733)	(2,029)
Valuation as at 31 July 2017	47,146	1,243	48,389
Equity shares	47,146	691	47,837
Preference shares	-	47	47
Loan stock	-	505	505
Valuation as at 31 July 2017	47,146	1,243	48,389

11. Investments (continued)

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

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

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

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

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

– A valuation technique; – "Level 3"

Fair value is measured using a valuation technique that is based on data which are not observable.

Following the update to FRS 102, for periods starting after 1 January 2017 the Company will disclose the fair value hierarchy based upon Levels 1, 2 and 3 rather than a, b, c i) and c ii). Levels c i) and c ii) as disclosed in prior periods are now shown within Level 3.

12. Related parties

The Company retains Amati Global Investors as its Manager. The number of ordinary shares (all of which are held beneficially) by certain members of the management team of the Manager are:

	31 July 2017 shares held
Paul Jourdan	256,266
Douglas Lawson	15,770
David Stevenson	9,120

Related party transaction

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

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 July 2017 was 145.8p. The Company normally announces its net asset value on a weekly basis. Net asset value per share information can be found on Amati Global Investor's website: http://www.amatiglobal.com/avct2.php.

Financial calendar

September 2017	Half-yearly report for the six months to 31 July 2017 published
31 January 2018	Year end
May 2018	Announcement of final results for the year ended 31 January 2018
June 2018	Annual General Meeting

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.

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