

Amati VCT 2 plc

(formerly Invesco Perpetual AIM VCT plc)

ANNUAL REPORT & FINANCIAL STATEMENTS

For the year ended 31 May 2011



Finely crafted investments

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OVERVIEW

Highlights

- Total NAV return for the year of 16.5%
- NAV plus cumulative dividends since launch of 58.7p per share at 31 May 2011, including cumulative dividends paid to date of 27.0p per share.
- Appointment of Amati Global Investors (“Amati”) as fund manager on 11 February 2011.
- Name change to Amati VCT 2 plc.

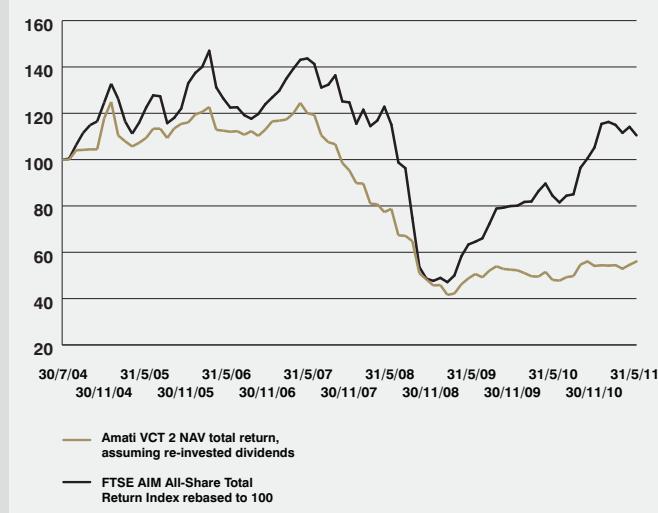
Corporate objective

The objective of Amati VCT 2 plc (the “Company”) is to provide a tax free dividend return to shareholders primarily through the realisation of capital gains while maintaining the capital value of the shares. The Company is managed as a VCT in order that shareholders may benefit from the tax reliefs available.

Fund performance

Total NAV return since inception assuming re-invested dividends up to 31 May 2011 was -44.0%. Over this period the FTSE AIM All-Share total return index has shown a return of 10.5%.

Amati VCT 2 NAV total return assuming re-invested dividends and FTSE AIM All-Share total return index:



Key data

	31/05/11	31/05/10
Total Net Asset Value (“NAV”)	£13.8m	£13.9m
Shares in issue	43,526,171	43,526,171
NAV per share	31.7p	31.9p
Share price	21.5p	27.0p
Market capitalisation	£9.4m	£11.8m
Share price discount to NAV	32.2%	15.4%
Total NAV return for the year*	16.5%	(1.2)%
FTSE AIM All-Share total return index	30.8%	33.3%
Total expense ratio	3.0%	2.5%
Dividends paid during the year	5.0p	5.0p

* Total return based on NAV per share assuming that dividends are re-invested on the ex-dividend date.

Dividends declared since launch

Year ended 31 May	Ordinary share	
	Total dividends declared p	Cumulative dividends declared p
2005	0.00	0.00
2006	5.00	5.00
2007	5.00	10.00
2008	5.00	15.00
2009	5.00	20.00
2010	5.00	25.00
2011	5.00	30.00

Introduction

This statement reviews the financial year to 2011 and also, importantly, gives preliminary details of the Board's proposals for the future of the Company. During the year the Board appointed Amati Global Investors Limited ("Amati") as the Company's investment manager and we have been encouraged by the progress that has been made to restructure and broaden the portfolio, giving more emphasis on mid-size companies. The evidence for this is provided in detail in the Fund Manager's Review.

Overview

The period under review includes the first four months following Amati's appointment, on 11 February 2011, as the Company's investment manager. The Company's name changed to Amati VCT 2 plc shortly after the change of manager took effect. Amati has developed a distinctive approach to managing AIM VCTs and this was one of the reasons why the board decided to appoint them as manager. Two key elements of this approach are the focusing of the qualifying investments on quoted companies worth more than £15m, and the building up of a complementary portfolio of non-qualifying investments with the objective of broadening the liquidity and range of the portfolio as a whole.

The portfolio has changed substantially in line with this approach since Amati's appointment. In particular sales of the Company's two largest unquoted investments have been achieved on attractive terms, which, as well as funding the dividend payment, has allowed a number of non-qualifying investments in small and mid-sized companies to be made. This gives the portfolio as a whole greater international diversification and exposure to sectors not normally found in qualifying investments.

Performance and Dividend

The NAV total return for the year was 16.5% (assuming dividends re-invested at the ex dividend date). The earnings per ordinary share were 4.67p, which was fractionally below the level of dividends paid during the year. The FTSE AIM All-Share total return index rose by 30.8% in the year ended 31 May 2011, an increase driven largely by resource stocks, most of which the Company cannot hold as qualifying investments under the VCT regulations. In the final quarter of the year, when resource stocks

were generally weak, the NAV total return was 2.9% whilst this index fell by 3.9%.

The Company paid an interim dividend of 2p per share on 11 March 2011. To ensure that we can meet the commitment given to shareholders on the level of dividend payout, notwithstanding the possible merger of the Company ahead of the continuation vote later this year, we announced on 12 August that a second interim dividend of 3p per share would be paid on 14 October 2011 to shareholders on the register on 16 September 2011.

Future of the Company

Shareholders will be aware that the Articles require the Board to put a resolution to this year's Annual General Meeting to seek approval for it to continue in existence. In preparation for this the Board last year carried out a survey of shareholders' opinions; the results from this survey showed that a clear majority of those responding wanted the Company to continue. In considering how best to achieve this we concluded that a merger with another AIM VCT would reduce running costs by spreading fixed expenses over a larger entity and also permit various other benefits to be achieved.

As it is therefore probable that the Company will not continue in the foreseeable future in its current legal form, the financial statements have been prepared on a break-up basis (see Note 1 on page 34).

After reviewing the options we decided that a merger with another VCT managed by Amati would be the most beneficial course of action, since some of the investments would be identical, the cost of restructuring the portfolios would be reduced, and the cost of terminating the manager's contract would be avoided. We have also been impressed by Amati's abilities as investment managers, noting that Amati VCT, their flagship fund, is one of the top performing AIM VCTs.

Early in July 2011, we announced to the market that the boards of directors of the Company and ViCTory VCT PLC ("ViCTory") had entered discussions regarding a possible merger. Amati was appointed manager of ViCTory in March 2010 and has undertaken a restructuring of the portfolio. The Board sees numerous commercial benefits arising from the merger and these will be outlined fully in a Prospectus and Circular, hard copy of which is enclosed with this report.

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

It is the intention of the ViCTory board that the enlarged entity will launch an offer for subscription of new shares (with an enhanced share buy back and re-investment facility for ViCTory shareholders), and introduce a dividend re-investment scheme.

Assuming the necessary resolutions are passed, and other conditions of the scheme are fulfilled, the Company will be liquidated, and the AGM will become a formality. If these resolutions are rejected, then the proposed merger will not proceed and the Board will re-consider the future of the Company and proposals will be put to shareholders along with the continuation vote at the AGM to be held on 30 November.

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. In addition to cost savings this will enable all enquiries regarding the Company to be directed through The City Partnership, who also act as Company Secretary, and who will act as Receiving Agent for the forthcoming share offer. They can be contacted on 0131 243 7210 or by email through vct-enquiries@amatiglobal.com. Amati maintains an informative website for the Company – www.amatiglobal.com – on which monthly investment updates, performance information, all relevant documentation and contact details can be found.

Annual General Meeting

The Company's 2011 annual general meeting will be held at the offices of Howard Kennedy, 19 Cavendish Square, London W1A 2AW on 30 November 2011 at 10.30am. If the merger is approved at the two General Meetings then the AGM will still be held. However, as the Company would in that case be in the process of being liquidated, the Company would be under the control of the liquidator. Any resolutions which have been proposed for the meeting which would be inconsistent with that process would be withdrawn.

Thank you for your continued support of the Company and I hope that you will find the proposals that we will be putting to you shortly of interest.

Julian Avery

Chairman

13 September 2011

Market review

The underlying tone of the UK stock market since mid-2009, and throughout the period under review to 31 May 2011, was that of continued recovery from the deep shocks which arose out of the financial crisis of 2008-9. The "V" shaped recovery that we have witnessed has been driven by expansionary policies of an extraordinary nature across developed economies. Having reached a short term peak in April 2010, the period started with a sharp reversal, when confidence was dented by the government debt crisis in Greece and Ireland, liquidity tightening in China and question marks over the pace of economic recovery in the US and Europe. Giving back all of 2010's earlier gains, the market reached a low at the end of June. Confidence returned after European governments sent a clear message that they would act to prevent default on government debt within the Eurozone and investors' attention reverted to the strong pace of recovery in global business. With corporate profits generally running ahead of expectations during the reporting season for 2010 year ends, and against a backdrop of very low interest rates in most developed economies, the market rose strongly through to the end of January 2011.

During February the unfolding of multiple political upheavals 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. This was compounded by the tragic events surrounding the earthquake in Japan during March, which 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. Meanwhile China had been making strenuous efforts to dampen down inflation with a long series of steps aimed at restricting credit, bearing the hopes of the developed world that it could do so while at the same time avoiding a hard landing for the economy. During May there was a further collapse of confidence in the Greek government bond market, which made it clear that a further bailout would be required, and prompting fears of contagion to Italy and Spain. Since the period end, risk appetite has been falling as a stream of poor economic data and the continued lack of consensus in the US over the budget deficit have made investors seek out safety in the form of government bonds, gold. Commodity prices have also fallen, along with interest rate expectations in both the UK and the US, where it is now clear that economic conditions are too fragile to withstand rate rises, and look like they will remain so for a long time.

Performance

The NAV total return was 16.5% for the year. Over the same period the FTSE AIM All-Share Total Return Index was up 30.8%. This index has been driven by the continued strong performance of resource stocks, a theme which continued until February when a reduction in risk appetite caused a sharp sell-off in commodities, reversing some of these gains. Since February, the VCT has outperformed the index. The FTSE AIM All-Share Total Return Index has become less relevant as a meaningful comparison for VCT performance as it has become increasingly dominated by resource companies. In 2010, for example, the index would have risen by 23% instead of 44% if resource companies were excluded (RBS HGSC Index 2011). We have introduced some exposure to natural resources, but the portfolio as a whole will always be underweight due to the restrictions on investing in this area in the qualifying portfolio.

The largest positive contributions in the year came from **Infrared Integrated Systems ("Irisys")**, **Brooks Macdonald Group**, **Cupid** and **System C Healthcare**. Irisys is one of two remaining unquoted companies left in the portfolio. The company has developed infrared technologies and software for applications such as queue management and checkout scheduling in supermarkets. Irisys has rolled-out its technology for a number of leading supermarket chains and has a strong order book for its next phase of growth. On this basis we recommended that the board approve an uplift in the valuation of the VCT's holding of 127%. Brooks Macdonald Group, an integrated wealth management group providing asset management and financial consulting, rose by 73% over the year. The group reported annual growth in funds under management of 46% in its interim results to December 2010. Cupid is a collection of online dating websites. It has performed exceptionally well since float, reporting impressive growth and adding accretive acquisitions, driving a share price increase of 187%. System C Healthcare was acquired by McKesson for 70p, a 50% premium to the pre-announcement price and a 43% premium to the price of System C Healthcare at the beginning of the financial year. Strong performance also came from some of the VCT's core holdings such as **Software Radio Technology**, **Staffline Group**, **BrainJuicer Group** and **FFastFill**. We remain optimistic about the future prospects of these companies.

The negative contributors were led by **Energetix**, which we have now exited. The company has several energy saving devices but has struggled to translate products into meaningful revenues and was forced into a fundraising earlier in the year. **Brookwell** was also weak following our acquisition of shares in exchange for the VCT's **Ilika** holding, due to a forced seller putting pressure on the price. We decided to write-down the valuation

of **Antenova**, the VCT's other unquoted company (along with Irisys). The VCT holds both preference and ordinary shares in Antenova. The preference shares have a preferred return which we believe leaves no value in the ordinary shares at this stage and we therefore recommended the write-down of the value of the ordinary shares to nil. **Tristel** also disappointed, after a profits warning which saw its share price fall 28% in April, following which we have reduced the VCT's holding. Other significant negative contributors were **Cyan** and **Managed Support Services**, which have both been largely exited; and **Bglobal**, which has seen its share price suffer as a result of the UK Government's rethink on its plans for the management of smart meter data aggregation and collection, and its delay in rolling-out and publishing the specification for smart meters. Our view is that the changes should have a positive impact on Bglobal in the longer run, as the rollout of domestic smart meters represents a huge opportunity, albeit that there is little the company can do to speed up the process during the current hiatus.

Transactions

We have been very active on the transaction front since taking on the mandate to manage the portfolio on 11 February 2011. During the year, holdings with a combined value of £7.1m were sold, with £4.8m of this coming in the period since we assumed responsibility for investment management. Similarly, stocks with a combined cost of £3.2m were acquired over the course of the year, of which £2.1m was in the period following our appointment.

Our priority in restructuring the portfolio was two-fold – firstly, we looked to sell holdings, principally in the qualifying portfolio, which we viewed as low quality, sub-scale and high risk; and secondly, we began the process of re-populating the non-qualifying portfolio with small and mid-cap UK quoted companies with business models that fit with our global investment themes. This is best illustrated by looking at the weighted average market capitalisation of the portfolio at the year end, which stood at £153m, compared to £50m at the date of Amati's appointment.

Qualifying portfolio

When we took on the investment management contract in February, the high percentage of qualifying value in the VCT gave us flexibility to sell those holdings that we saw as undesirable whilst remaining well within the 70% qualifying test. Selling the type of holding that typically populates a VCT's

qualifying portfolio can be an exercise in patience due to the limited liquidity of most of these companies, a lesson we had learnt when we took over the investment management of ViCTory VCT a year earlier. This task was exacerbated by the fact that the largest position that we were seeking to sell – **Oxford Nanopore Technologies** – was unlisted. Normally, an investor would have to wait for a sale of the entire company to achieve an exit but we were able to negotiate the sale of this holding at a price that represented a 133% profit on cost and a 25% premium to the carrying value prior to the sale. Our sale of Oxford Nanopore Technologies was not triggered by fundamental concerns over the business, but rather a rare opportunity to sell at a price that we perceived as attractive. The company remained some way from generating revenues and, whilst offering an interesting concept in DNA sequencing, remained highly cash consumptive. Further to this disposal, the most significant sales of qualifying quoted companies were **Ilika**, **Energetix** and **Managed Support Services**. Ilika was exchanged for a position in **Brookwell**, a fund that specialises in stimulating liquidity events for small, illiquid companies, as historic trading suggested that our chances of selling the VCT's shares on the market were very slim. Conversely, we were able to sell Energetix and Managed Support Services over a period of time through conventional market sales. **Software Radio Technology** was deemed to be a disproportionately large holding and reduced accordingly but remains a significant and core portfolio constituent. **Mount Engineering** was sold prior to the investment management handover, having been the subject of a cash offer by Cooper Industries of the US.

There were no new qualifying additions in the portfolio following the transfer of the investment management contract to Amati. Prior to the handover date, the qualifying portfolio was bulked up with several additions. **Proteome Sciences**, a pharmaceuticals business specialising in proteomics, the study of the structure and functions of proteins, was added to the portfolio as part of a £6.5m placing, which the company expects to be sufficient to see it through to profitability. An investment was also completed in **EKF Diagnostics Holdings**, a cash shell created for the purposes of acquiring diagnostic companies, which is led by a team with a strong track record and long experience in the field of diagnostic testing equipment. The VCT participated in the flotation of **Cupid**, which is detailed in the performance review above. The final new qualifying addition was **Hangar8**, a provider of management and chartering services to owners of private jets. The VCT also made follow-on investments into four existing holdings – **Green Compliance**, **Byotrol**, **Managed Support Services** and **Tristel**.

FUND MANAGER'S REVIEW

Continued

Non-Qualifying portfolio

The most significant sale in the non-qualifying portfolio was AJ Bell, which provides low cost SIPPs through UK financial advisers as well as third party SIPP administration and stockbroking services. The business has grown well since the VCT's original investment and we concluded after due diligence that, as both a non-qualifying and unlisted holding, a sale would be the best solution for the VCT. As a private business in which the VCT was a minority shareholder exit options were limited, however, we were able to complete the sale of the VCT's shares at a price equal to the carrying value at the time of the sale, which represented a 100% uplift to cost. We also sold **Landkom International**, a Ukrainian farming business; and **Mears**, an outsourced provider of support services, predominantly to the public sector. **Rockhopper Exploration**, the Falklands Islands based oil and gas exploration company, was sold during the first half after a strong rise in the share price following successful drilling.

The proceeds of the non-qualifying and qualifying sales were invested in a diverse selection of small and mid cap companies in our research universe, that is, UK listed stocks with market capitalisations up to £2 billion. In re-constructing the non-qualifying portfolio, we have focused on themes that are largely excluded from the qualifying portfolio, and on companies that are significantly larger and more liquid than typical qualifying investments. A particular focus has been exposure to the fast growing economies of China and India. In line with this strategy, we have acquired a position in **Asian Citrus Holdings**, which is engaged in the plantation, cultivation and selling of oranges in China. It is one of China's largest orange growers with a market capitalisation of approximately £650m and has recently expanded into the concentrated juice market with the acquisition of a leading producer of tropical fruit juices. Other additions include **Anglo Pacific Group**, which has built up a substantial portfolio of royalties from mining projects; **Elementis**, a speciality chemicals company with significant barriers to entry and excellent growth prospects in its markets; **RPC Group**, a leading supplier of rigid plastic packaging that recently completed a transformational acquisition; **London Capital Group Holdings**, a provider of spread betting platforms; and **XP Power**, a designer and manufacturer of power controllers.

VCT objectives

The recent UK budget has proposed some changes to the VCT legislation which we regard as very helpful for AIM VCTs, including the raising of the gross assets test for qualifying

investments back to £15m, from its current level of £7m, and rebasing the restriction on employee numbers to 250 from the current level of 50. These will only come into effect from 6 April 2012, and then only if the changes are approved by Brussels in relation to the EU State Aid rules. Whilst the rule changes probably won't affect Amati VCT 2 because all of the funds raised operate under old VCT rules, which include the £15m gross assets test, and no limitation on the numbers of employees, they could serve to bring back a flow of new funds to the industry, which would be good for stimulating new deal activity.

Outlook

The recent market turmoil has led us to take a more cautious view of the business cycle, which may have already ended. It 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, unlike the banks, cannot be bailed out. 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 while at the same time 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 that the Company holds have been trading exceptionally well, have very strong balance sheets, and good prospects. In addition we have made some non-qualifying investments in companies exposed 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 and Douglas Lawson

Amati Global Investors

13 September 2011



Paul Jourdan
CEO
Amati Global Investors



Douglas Lawson
Director
Amati Global Investors

Paul Jourdan is an award-winning fund manager with a strong track record in small cap investment. He co-founded Amati Global Investors following the management buyout of Noble Fund Managers from Noble Group in January 2010. He moved to Edinburgh in 1998, joining Stewart Ivory to work on UK, emerging market, and global equities. In 2000 Stewart Ivory was taken over by Colonial First State (subsequently First State Investments). From September 2000 he became manager of what is now CF Amati UK Smaller Companies Fund, winning a number of awards for this fund in 2004/05. In November 2004 he was appointed Head of UK Equities at First State. In early 2005 he launched what is now Amati VCT plc. Paul joined Noble Fund Managers in 2007 as Head of Equities. Prior to 1998 Paul worked as a professional violinist, including a four year period with the City of Birmingham Symphony Orchestra. He currently serves as a Director of Hebrides Ensemble and of Sistema Scotland, and also as a Governor of the Royal Scottish Academy of Music and Drama.

Douglas Lawson co-founded Amati Global Investors following the management buyout of Noble Fund Managers from Noble Group in January 2010. Prior to this he gained 6 years experience in corporate finance and private equity, initially as a corporate finance associate focusing on middle market UK private equity and listed company M&A at British Linen Advisers, and latterly as an investment manager in the private equity team at Noble. He joined Paul Jourdan in managing the CF Amati UK Smaller Companies Fund and Amati VCT in 2009 before adding ViCTory VCT in 2010 and Amati VCT 2 in February 2011. He started his career at Ernst & Young in London, where he qualified as a Chartered Accountant in 2002.

INVESTMENT PORTFOLIO

as at 31 May 2011

FTSE Sector	Book cost £	Valuation £	Fund %	% of shares in issue
Oil & Gas	251,944	129,200	0.9	
GETECH Group plc*	251,944	129,200	0.9	2.2
Basic materials	1,737,564	1,063,748	7.7	
Altona Energy plc@	104,500	119,014	0.8	0.3
Anglo Pacific Group plc@	352,899	340,562	2.5	0.1
Byotrol plc*	429,848	170,333	1.2	1.1
Elementis plc@	200,317	194,586	1.4	0.0
Inditherm plc*	400,000	120,000	0.9	7.8
Oxford Catalysts Group plc*	250,000	119,253	0.9	0.2
Industrials	2,870,722	2,317,249	16.8	
Augean plc*	299,988	54,790	0.4	0.2
Bglobal plc*@	174,800	66,700	0.5	0.5
Brulines Group plc*@	323,490	234,070	1.7	0.9
Cohort plc*	383,298	183,120	1.3	0.7
Datong plc*	156,000	67,031	0.5	0.9
Green Compliance plc*@	280,000	221,000	1.6	1.4
Hangar8 plc*	250,000	225,001	1.6	2.6
Petards Group plc*	34,422	12,047	0.1	0.5
RPC Group plc@	264,171	291,100	2.1	0.1
Sabien Technology Group plc*@	415,895	315,000	2.3	2.9
Staffline Group plc*	180,000	535,500	3.9	1.0
XP Power Limited@	108,658	111,890	0.8	0.0
Consumer goods	782,218	474,762	3.5	
Asian Citrus Holdings Limited@	450,218	423,776	3.1	0.1
PhotonStar LED Group plc*	332,000	50,986	0.4	0.3
Health care	2,230,833	1,823,974	13.3	
Allergy Therapeutics plc*	194,097	40,482	0.3	0.1
EKF Diagnostics Holdings plc*	150,000	225,000	1.6	0.6
Futura Medical plc*@	150,000	397,500	2.9	0.7
Kiotech International plc*@	550,005	454,350	3.3	3.3
Proteome Sciences plc*	50,000	61,250	0.5	0.1
Proximagen Group plc*	296,000	270,000	2.0	0.3
Synairgen plc*	213,687	44,381	0.3	0.3
Syntopix Group plc*	416,249	112,608	0.8	1.4
Tristel plc*@	210,795	218,403	1.6	1.2

FTSE Sector	Book cost £	Valuation £	Fund %	% of shares in issue
Consumer services	1,850,748	1,373,043	10.0	
BrainJuicer Group plc*	189,000	446,250	3.2	1.4
Cupid plc*@	175,000	501,667	3.7	0.4
DM plc*@	356,749	93,793	0.7	1.6
Hasgrove plc*	439,999	216,333	1.6	1.5
Mission Marketing Group (The) plc*	690,000	115,000	0.8	0.8
Telecommunications	1,337,528	236,961	1.7	
AdEPT Telecom plc*	326,410	88,594	0.6	1.1
Antenova Limited*#	525,000	-	-	3.0
Antenova Limited A Preference*#	100,118	100,117	0.7	3.1
Zamano plc*	386,000	48,250	0.4	1.7
Financials	811,690	1,734,997	12.6	
Brooks Macdonald Group plc*@	126,000	1,210,500	8.8	0.8
Brookwell Limited Redeemable Preference@	484,841	315,147	2.3	3.0
London Capital Group Holdings plc@	200,849	209,350	1.5	0.5
Technology	3,146,034	2,483,025	18.0	
Celoxica Holdings plc*#	198,125	-	-	0.1
Cyan Holdings plc*	330,000	11,550	0.1	0.2
FFastFill plc*@	182,000	292,500	2.1	0.6
Infrared Integrated Systems Limited*#	300,000	680,000	4.9	1.5
Invu plc	169,984	6,932	0.1	0.8
Netcall plc*	267,857	180,293	1.3	0.8
PROACTIS Holdings plc*	344,000	216,000	1.6	2.5
Publishing Technology plc*	441,500	253,750	1.8	4.3
Sanderson Group plc*	200,000	120,000	0.9	0.9
Software Radio Technology plc*@	712,568	722,000	5.2	1.8
Total investments	15,019,281	11,636,959	84.5	
Net current assets	-	2,138,713	15.5	
Net assets	15,019,281	13,775,672	100.0	

* Qualifying holdings.

† Part qualifying holdings.

Unquoted holdings.

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

All holdings are in ordinary shares unless otherwise stated.

Notes to the above table:

1. No holding represents more than 9% by value of the Company's portfolio.

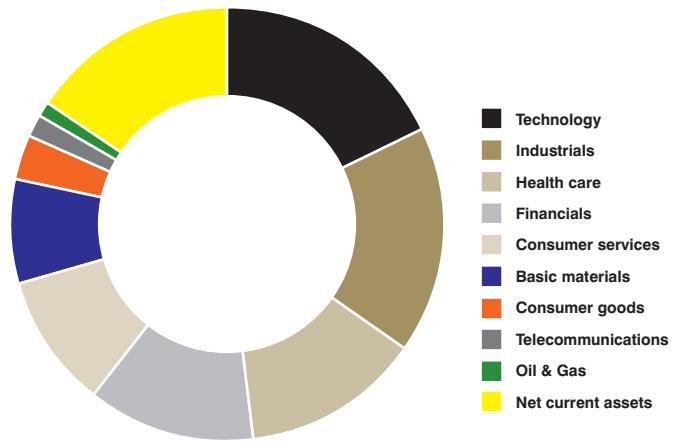
2. As at the year end, the percentage of the Company's portfolio held in qualifying holdings for the purposes of Section 274 of the Income and Corporation Taxes Act 2007 is 89.56%.

INVESTMENT PORTFOLIO

Continued

Sector Allocation as at 31 May 2011

FTSE Sector	Fund %
Technology	18.0
Industrials	16.8
Health care	13.3
Financials	12.6
Consumer services	10.0
Basic materials	7.7
Consumer goods	3.5
Telecommunications	1.7
Oil & Gas	0.9
Net current assets	15.5
	100.0



Top Ten Investments as at 31 May 2011

Company	Valuation £	2011 % of net assets	Valuation £	2010 % of net assets
Brooks Macdonald Group plc	1,210,500	8.8	691,200	5.0
Software Radio Technology plc	722,000	5.2	574,156	4.1
Infrared Integrated Systems Limited	680,000	4.9	300,000	2.2
Staffline Group plc	535,500	3.9	195,000	1.4
Cupid plc	501,667	3.7	-	-
Kiotech International plc	454,350	3.3	475,001	3.4
BrainJuicer Group plc	446,250	3.2	333,407	2.4
Asian Citrus Holdings Limited	423,776	3.1	-	-
Futura Medical plc	397,500	2.9	185,000	1.3
Anglo Pacific Group plc	340,562	2.5	-	-

TOP TEN INVESTMENTS

as at 31 May 2011

Brooks Macdonald Group plc

Sector	Financials		
Market capitalisation	£143.0m	Final results to 30 June 2010	£ million
Cost	£126,000	Profit before tax	5.7
Valuation	£1,210,500	Profit after tax	3.9
Valuation basis	Bid price	Net assets	12.4
Income for year	£10,000		

Brooks Macdonald is an AIM traded wealth management group providing discretionary investment management and independent bespoke planning advice to individuals as well as managing a range of property investment funds through its subsidiary, Braemar Group. The company has 240 staff throughout the UK and has shown impressive growth since its inception twenty years ago. Brooks Macdonald announced growth in discretionary funds under management of 23% in the six months to December 2010.

Software Radio Technology plc

Sector	Technology		
Market capitalisation	£40.2m	Final results to 31 March 2011	£ million
Cost	£712,568	Profit before tax	1.9
Valuation	£722,000	Profit after tax	2.2
Valuation basis	Bid price	Net assets	7.2
Income for year	£nil		

Software Radio Technology (“SRT”) designs and supplies a range of Automated Information Systems (“AIS”) for maritime identification and tracking. The market is driven by increasing legislation that is mandating the use of identifying and tracking devices on commercial and leisure boats. SRT’s focus is to be the global leader in the AIS market and the company is now evolving its strategy to include applications and services.

Infrared Integrated Systems Limited

Sector	Technology		
Market capitalisation	£44.0m	Final results to 31 December 2010	£ million
Cost	£300,000	Profit before tax	4.1
Valuation	£680,000	Profit after tax	5.2
Valuation basis	Earnings multiple	Net assets	12.0
Income for year	£nil		

Infrared Integrated Systems (‘Irisys’) supplies infrared sensors and cameras and operates through 3 divisions: queue management, people counting and thermal imaging. Irisys’s queue management technology is installed over check-out lanes at retail outlets, together with detectors which together monitor and count the number of live ‘shopping units’ in the checkout line. The company’s people counting units contain imaging optics, sensors, signal processing and interfacing electronics to detect the heat emitted by people passing the area beneath them as infrared radiation. People are counted as they pass through a virtual line, which can be a single counting line or a network of several units spanning a wide opening. The third division of Irisys sells thermal imaging technology, combining array technologies and image analysis.

TOP TEN INVESTMENTS

Continued

Staffline Group plc

Sector	Industrials		
Market capitalisation	£54.0m	Preliminary results to 31 December 2009	£ million
Cost	£180,000	Profit before tax	3.5
Valuation	£535,500	Profit after tax	2.4
Valuation basis	Bid price	Net assets	26.1
Income for year	£ 10,000		

Staffline provides labour to the food industry, including supermarkets, food growers, manufacturers, logistics and distribution businesses. The company is based in Nottingham and operates from 150 locations across the UK, supplying approximately 20,000 workers every day. Staffline provides and manages the workforce on an outsourced basis and uses training and business improvement techniques to achieve increased levels of efficiency and give clients improved productivity and a commercial advantage.

Cupid plc

Sector	Consumer services		
Market capitalisation	£138.0m	Final results to 31 December 2010	£ million
Cost	£175,000	Profit before tax	4.2
Valuation	£501,667	Profit after tax	3.1
Valuation basis	Bid price	Net assets	13.3
Income for year	£nil		

Cupid provides online dating services through a collection of websites. The company has built a database of over 23 million members in 39 countries. Cupid's sites cater to a variety of audiences of different ages, cultures and social interests. Cupid began trading on AIM in June 2010.

Kiotech International plc

Sector	Health care		
Market capitalisation	£13.9m	Preliminary results to 31 December 2010	£ million
Cost	£550,005	Profit before tax	1.5
Valuation	£454,350	Profit after tax	1.3
Valuation basis	Bid price	Net assets	14.8
Income for year	£7,000		

Kiotech supplies natural feed additives to enhance health, growth and sustainability in agriculture and aquaculture. The company has consolidated its production facilities into a modern feed additive plant at Manton Wood, the site of Optivite, which was acquired by Kiotech to add scale and distribution capability. Along with further investment at this site, this move has facilitated efficiencies and provides a stronger platform for growth and margin improvement.

BrainJuicer Group plc

Sector	Consumer services		
Market capitalisation	£31.8m	Final results to 31 December 2010	£ million
Cost	£189,000	Profit before tax	2.2
Valuation	£446,250	Profit after tax	1.5
Valuation basis	Bid price	Net assets	4.3
Income for year	£nil		

BrainJuicer is an international marketing consultancy. The company provides consumer-driven insights to 11 of the world's top 20 consumer goods companies. Between 2006 and 2010, Brainjuicer has achieved compound annual revenue growth of 37% and compound annual operating profit growth of 47%. The company's tools give their clients a more productive and in-depth understanding of consumer behaviour.

Asian Citrus Holdings Limited

Sector	Consumer goods		
Market capitalisation	£650.0m	Preliminary results to 30 June 2010	£ million
Cost	£450,218	Profit before tax	57.8
Valuation	£423,776	Profit after tax	57.6
Valuation basis	Bid price	Net assets	375.9
Income for year	£nil		

Asian Citrus is the largest orange plantation owner and operator in China. The company has three plantations: one is fully developed with approximately 1.3 million orange trees; the second is fully planted with 1.6 million orange trees; and another has been cleared and planting has commenced. Asian Citrus recently expanded into the concentrated juice market with the acquisition of a 92% interest in Beihai Perfuming Garden Juice Company and intends to expand production through the construction of a new facility by the end of 2011.

Futura Medical plc

Sector	Health care		
Market capitalisation	£57.6m	Preliminary results to 31 December 2010	£ million
Cost	£150,000	Loss before tax	(1.3)
Valuation	£397,500	Loss after tax	(1.1)
Valuation basis	Bid price	Net assets	0.9
Income for year	£nil		

Futura Medical is a pharmaceuticals group specializing in over-the counter ("OTC") products for sexual healthcare and pain relief management. The company has developed a portfolio of products and has successfully signed three licensing agreements with major pharmaceuticals companies.

TOP TEN INVESTMENTS

Continued

Anglo Pacific Group plc

Sector	Basic materials		
Market capitalisation	£339.7m	Preliminary results to 31 December 2010	£ million
Cost	£352,899	Profit before tax	65.8
Valuation	£340,562	Profit after tax	56.3
Valuation basis	Bid price	Net assets	345.9
Income for year	£4,000		

Anglo Pacific owns mining and exploration interests in coal, uranium, gold, diamond, base metals and oil and gas. The continuing demand for raw materials driven by the Asian economies has led to a significant rise in commodity prices, which have been beneficial for Anglo Pacific's royalty and mining interests. The group's strategy is focused on securing new royalties through the acquisition of further mining interests.

BOARD OF DIRECTORS

Julian Avery

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

Professor James MacLeod

Professor James MacLeod is a Chartered Accountant. He was partner of Ernst & Young from 1973 to 1998. He is a director of British Assets Trust plc, the Scottish Investment Trust plc and Invesco Perpetual Recovery Trust 2011 plc. He was a professor at the Edinburgh University Law School. He is Chairman of the Audit Committee.

Richard Martin

Richard Martin is currently strategy adviser to T. Bailey Asset Management Limited, a fund of funds investment manager, having been chief investment officer for nine years. He is chairman of F&C Managed Portfolio Trust plc and a director of Montanaro European Smaller Companies Trust plc and a director of Aurora Investment Trust plc as well as adviser to various family groups. He is the designated Senior Independent Director.

Christopher Macdonald

Christopher Macdonald is chief executive officer of Brooks Macdonald Group plc, a private client listed fund management group. He is also a director of Brooks Macdonald Asset Management Limited, Brooks Macdonald Financial Consulting Limited, Brooks Macdonald Asset Management (Tunbridge Wells) Limited and Braemar Group Limited.

The directors submit their Annual Report and Financial Statements on the affairs of the Company for the year ended 31 May 2011. The Corporate Governance Statement on pages 23 to 26 forms part of the Directors' Report.

Results and Dividends

The total profit on ordinary activities after taxation for the year was £2,032,000 and 4.67p per share (31 May 2010: £92,000 and 0.21p per share). An interim dividend of 2.0p per share was paid on 11 March 2011.

The Board is recommending a second interim dividend of 3p per share for the year ended 31 May 2011 payable on 14 October 2011 to shareholders on the register at 16 September 2011.

A review of the Company's performance during the financial year, the position of the Company at the year end and the outlook for the coming year is contained within the Chairman's Statement and the Fund Manager's Review on pages 2 to 7.

A graph of the performance of the growth of the Company's net asset value total return (assuming dividends re-invested) compared with FTSE AIM All-Share total return index is shown on page 1.

Company Business

The Articles state that the Directors will, at the annual general meeting of the Company in 2011, arrange for an ordinary resolution to be proposed to the effect that the Company shall continue in being as a venture capital trust. If such a resolution is not passed, the Directors will, within nine months of the meeting, convene an extraordinary general meeting of the Company at which a special resolution will be proposed requiring that the Company be wound up voluntarily. The Directors will be entitled to make proposals at the same time for the reconstruction of the Company provided such proposal would provide the shareholders with the opportunity to realise their investment in the Company.

Issue and Buy Back of Shares

During the financial year and since the financial year end, no shares have been bought back or allotted.

Business Review

The Business Review has been prepared in accordance with the requirements of Section 417 of the Companies Act 2006 and best practice. The purpose of this review is to provide

shareholders with a summary of the business objectives of the Company, the Board's strategy to achieve those objectives, the risks faced, the regulatory environment and the key performance indicators used to measure performance.

Key Performance Indicators

The Board monitors on a regular basis a number of key performance indicators, the main ones being:

- Net asset value total return to shareholders (the aggregate of net asset value and cumulative dividends paid to shareholders). See graph on page 1.
- Dividend distributions. See dividend table on page 1.
- Share price.
- Total expense ratio. See key data on page 1.

Principal Activity and Status

The Company was incorporated in England & Wales, registered number 5121438 and is registered as a public limited company under the Companies Act 2006. The directors have managed and intend to continue to manage the Company's affairs in such a manner as to continue to qualify as a Venture Capital Trust. It has received full approval as a Venture Capital Trust from HM Revenue & Customs for the year ended 31 May 2010. A review of the Company's business during the period is contained in the Chairman's Statement and Fund Manager's Review.

Investment Objective

The objective of the Company is to provide a tax free dividend return to shareholders primarily through the realisation of capital gains while maintaining the capital value of the shares. The Company is managed as a VCT in order that shareholders may benefit from the tax reliefs available.

Investment Policy

The intention is that substantially all of the funds will be invested in a spread of AIM-traded stocks and unquoted companies, with approximately 80% of the Company's Qualifying Holdings comprising AIM-traded stocks, subject to availability of suitable investment opportunities and market conditions. The remaining investments will be split between PLUS Markets' stocks, fully listed stocks, AIM-traded non-qualifying stocks and unquoted companies and cash.

The Manager adopts an active investment strategy and seeks to moderate risk by careful stock selection and portfolio construction. The Manager tends to invest relatively small amounts across a range of companies, to achieve the appropriate balance between risk and reward for the portfolio.

Investment Limits

The Board has prescribed other limits on investment policy, including:

- no investment will exceed 12.5% of gross assets when it is made;
- the Company will not invest more than 15% of the Company's gross assets in collective investment schemes or investment companies; and
- borrowings are limited to 15% of gross assets.

Investment Style

The investment manager follows an active investment process, utilising its research experience and commercial contacts relevant to the UK smaller companies stock markets. Its aim is to find companies which are appropriately financed, well managed, and which have a strong business which the Manager believes will enable earnings to grow faster than the overall economy.

Co-investment Allocation

The Manager acts as fund manager or adviser to two other clients with similar investment mandates to the Company. Investment opportunities identified as suitable for the Company may also be suitable for other clients. As a regulated entity, the Manager has in place procedures by which it ensures compliance with Financial Services Authority regulations governing equality of treatment for different clients and, subject always to the provisions of these regulations, the Manager seeks to ensure that the Company is not disadvantaged in relation to any other fund or entity managed or advised by the Manager. The Manager's written allocation policy is reviewed at least annually and amended as appropriate.

In managing the portfolio, the Manager may combine orders for the Company with those of its other clients.

Management

The Board has delegated the management of the investment portfolio to the Manager and the Manager also provides or

procures the provision of company secretarial and administrative services to the Company.

Principal Risks and Uncertainties

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

Investment Risk

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

To reduce the risk, the Board places reliance upon the skills and expertise of the Manager and its track record of investing in this segment of the market. In addition, the Manager operates a formal and structured investment process, which includes an investment committee. Investments are actively and regularly monitored by the Manager and the Board receives detailed reports on each investment at board meetings. The Manager also seeks to limit these risks through building a highly diversified portfolio with companies in different sectors and markets at different stages of development.

Venture Capital Trust Approval Risk

The approval as a VCT allows investors to take advantage of income tax reliefs on initial investment and ongoing tax-free capital gains and dividend income. Failure to meet the requirements of the VCT legislation could result in investors losing some or all of their tax reliefs.

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

DIRECTORS' REPORT AND BUSINESS REVIEW

Continued

Compliance Risk

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

Board members and the Manager have considerable experience in operating at senior levels within quoted businesses. In addition, the Board and the Manager receive regular updates on new regulations from professional advisers.

Internal Control Risk

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

By its nature as a venture capital trust, the Company is exposed to market price risk, credit risk, liquidity risk and interest rate risk. The Company's policies for managing these risks are outlined in full in notes 21 to 24 to the financial statements on pages 43 to 45.

Economic Risk

Events such as economic recession and movement in interest rates can affect investor sentiment towards liquidity risk, and hence have a negative impact on the valuation of smaller companies. The Manager seeks to mitigate this risk by seeking to adopt a suitable investment style, and to diversify the exposure to geographic markets.

Reputational Risk

Inadequate or failed controls might result in breaches of regulations or loss of shareholder trust. The audit committee reviews the Manager's internal controls bi-annually.

Operational Risk

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

Market Risk

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

The Board seeks to mitigate the internal risks by setting policy, regular reviews of performance, enforcement of contractual obligations and monitoring progress and compliance. Details of the Company's internal controls are on page 25.

Directors

The biographies of directors are shown on page 15. The terms of a director's appointment are set out in the Statement of Corporate Governance on page 23.

The directors who held office during the year and their interests in the shares of the Company (all of which are owned beneficially) were:

	31 May 2011 Shares held	31 May 2010 Shares held
Julian Avery	81,310	81,310
Christopher Macdonald	29,660	29,660
Professor James MacLeod	27,825	27,825
Richard Martin	23,388	23,388

There have been no changes in the holdings of the directors between 31 May 2011 and the date of this report.

Details of their remuneration are set out in the directors' remuneration report on page 28.

Companies Act 2006 Environmental Disclosures

The Board recognises the requirement under Section 417(5) of the Act to detail information about environmental matters (including the impact of the Company's business on the environment), any Company employees and social and community issues; including information about any policies it has in relation to these matters and effectiveness of these policies. As the Company has no employees or policies in these matters this requirement does not apply.

Share Capital

The Company has an authorised share capital of 100,000,000 ordinary shares of 10p each, of which 43,526,171 were in issue at the year end.

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

Management Agreement

Until 11 February 2011 the fund manager ("Manager") for the Company was Invesco Asset Management Limited ("IAML"). Under an agreement dated 11 June 2004, IAML received an investment management fee, calculated and paid quarterly in arrears at a rate of 0.5% of the Company's market capitalisation.

Amati Global Investors was appointed as Manager to the Company on 11 February 2011. Under an Investment Management and Administration Agreement ("IMA") dated 11 February 2011 the Manager has agreed to manage the investments of the Company on a discretionary basis subject to the overall policy of the directors. The Company will pay to the Manager in arrears under the terms of the IMA a quarterly fee of 0.4375% of the net asset value of the Company.

It is VCT industry practice to reward exceptional performance of a fund manager by payment to the fund manager of performance fees. The performance fee is calculated at the end of each performance period and becomes payable upon publication of the preliminary results of the Company for that performance period. The first such performance period commenced on 11 February 2011. Thereafter performance periods correspond to the Company's half yearly financial

periods. The last period for which a performance fee is payable will be from the penultimate performance fee date to the date of termination of the IMA.

It is the Board's intention that performance fees are allocated 100% to capital. No performance fee is due for the year ended 31 May 2011.

Administration Arrangements

Under the IMA, the Manager has also agreed to provide certain portfolio management, secretarial and administration services for the Company. A fee of £65,000 per annum is payable by the Company to the Manager for these services, subject to an annual increase in line with the retail prices index. These services are subject to termination by either party on 12 months' notice.

Fund Manager's Appointment

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

Details of the principal investments made by the Company are shown in the portfolio of investments on pages 8 and 9.

The ratio of the Company's expenses for the year ended 31 May 2011 as a proportion of the net assets of the Company was 3.0%.

Supplier Payment Policy

The Company's policy is to pay all suppliers' invoices in accordance with agreed terms. The trade creditors as at 31 May 2011 were £nil (31 May 2010: £nil).

Auditor

A resolution to re-appoint Ernst & Young LLP as auditor will be proposed at the forthcoming annual general meeting.

Substantial Shareholdings

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

DIRECTORS' REPORT AND BUSINESS REVIEW

Continued

Accountability and audit

The directors' responsibility statement in respect of the financial statements is set out on page 22 of this report. The independent auditor's report is set out on page 29 of this report. The directors who were in office on the date of approval of these Financial Statements have confirmed that, as far as they were aware, there is no relevant audit information of which the auditors are unaware. Each of the directors has taken all the steps which he ought to have taken as director in order to make himself aware of any relevant audit information which has been communicated to the auditors.

Annual General Meeting

The annual general meeting will be held at the offices of Howard Kennedy, 19 Cavendish Square, London W1A 2AW on 30 November 2011 at 10.30 am. The notice of meeting is set out on pages 46 and 47 of this Annual Report and a proxy form is included. The following denotes the business to take place:

Ordinary business

Resolution 1: Approval of the Annual Report

Shareholders will be asked to receive the directors' report and financial statements for the financial year ended 31 May 2011, together with the independent auditor's report thereon.

Resolution 2: Approval of the Directors' Remuneration Report

Company law requires the directors to produce a directors' remuneration report for each relevant financial year and shareholders are invited to approve that report for the financial year ended 31 May 2011 which is set out in full on pages 27 and 28 of this Annual Report. The directors' remuneration report includes details of the remuneration paid to directors and the Company's remuneration policy for its directors.

Resolutions 3 and 4: Re-appointment of auditor

These resolutions provide for the reappointment of Ernst & Young LLP as auditor to the Company to hold office from the conclusion of the annual general meeting until the conclusion of the next annual general meeting at which accounts are laid before the Company and to authorise the directors to fix the auditor's remuneration.

Resolution 5: Re-election of Julian Avery

Julian Avery will retire by rotation, and being eligible, offers himself for re-election.

Resolution 6: Re-election of Christopher Macdonald

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

Special Business

Resolution 7: Continuation of the Company as a venture capital trust

The Articles state that the directors propose an ordinary resolution to the effect that the Company shall continue in being as a venture capital trust.

If this resolution is not passed, the directors will, within nine months of the meeting, convene an extraordinary general meeting of the Company at which a special resolution will be proposed requiring that the Company be wound up voluntarily.

Shareholders will appreciate that the Board have announced on 7 July 2011 that the Company is in discussion with a view to a merger of the company with ViCTory VCT PLC, and it is anticipated that shareholders will have the opportunity to vote on these merger proposals before the Annual General Meeting at a separate General Meeting. If shareholders approve the merger at that General Meeting, then it is the intention of the directors that this resolution will not be put before the Annual General Meeting, but if the merger proposals are not approved by Shareholders, then it would be the directors' intention to write to shareholders well before the date of the Annual General Meeting with their recommendation and proposals as to whether or not they consider that the continuation of the Company as a venture capital trust is in the best interest of shareholders as a whole.

Resolution 8: Renewal of authority for directors to allot shares

Shareholders will be asked to renew the directors' authority to allot unissued ordinary shares in the Company up to an aggregate nominal value of £5,647,383 which represents the balance of the unissued share capital at 13 September 2011.

Resolution 8 seeks to renew this authority. Whilst the directors have no current plans to utilise the authority, the resolution provides the Company with the flexibility to issue shares going forward. This authority will expire on the earlier of the next annual general meeting in 2012 and the date which is 15 months after the date on which this resolution is passed. As at 13 September 2011 the Company did not hold any shares in treasury.

Resolution 9: Renewal of authority for directors to disapply pre-emption rights in respect of their authority to allot shares

Shareholders will be asked to renew the directors' authority to disapply pre-emption rights in respect of their authority to allot unissued ordinary shares of the Company up to an aggregate nominal value of £5,647,383 which represents the balance of the unissued share capital as at 13 September 2011.

If the directors wish to allot any of the unissued ordinary shares for cash they must, in the first instance, offer them to existing shareholders in proportion to their shareholding. There may be occasions, however, when the directors will need the flexibility to finance business opportunities by the issue of ordinary shares without a pre-emptive offer to existing shareholders. The general authority sought under Resolution 9 will expire on the earlier of the date of the next annual general meeting of the Company in 2012 and the date which is 15 months after the date on which this resolution is passed.

Special Business

Resolution 10: Renewal of authority for the Company to purchase its own shares

The directors consider that the Company should have the ability to make market purchases of its ordinary shares in the market for cancellation. A special resolution will be proposed at the annual general meeting seeking authority for the Company to purchase up to 14.99% of the issued share capital as at the date of the annual general meeting. This authority will expire on the earlier of the date of the Company's annual general meeting to be held in 2012 and the date which is 18 months after the date on which this resolution is passed.

By order of the board

The City Partnership (UK) Limited

Company Secretary

13 September 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

in respect of the Annual Report and the Financial Statements

The directors are responsible for preparing the directors' report, the directors' remuneration report and the financial statements in accordance with applicable law and regulations. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Services Authority.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with company law. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

The directors confirm, to the best of their knowledge:

- that the financial statements, which have been prepared in accordance with UK Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- that the management report included within the Board review, Fund Manager's review and Directors' report and business review includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The names and functions of all the directors are stated on page 15.

Electronic Publication

The annual financial report is published on http://www.amatiglobal.com/avct2_literature.php which is the Company's website maintained by the Company's Manager. The work carried out by the Auditors does not involve consideration of the maintenance and integrity of this website and accordingly, the Auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

STATEMENT OF CORPORATE GOVERNANCE

Background

The Board of Amati VCT 2 plc has considered the principles and recommendations of the Association of Investment Companies' Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues which are of specific relevance to the Company.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code), will provide better information to shareholders.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code except as set out below.

The Combined Code includes provisions relating to:

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

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

Board of Directors

The Company has a board of four directors, all of whom the Board regards as independent of the Manager. The chairman is Julian Avery. Richard Martin is the Senior Independent Director and is available to shareholders who have concerns which have not been resolved through the normal channels of Chairman or Manager or for which such contact is inappropriate. Biographical details of all directors are shown on page 15.

The Company has an investment in Brooks Macdonald Group, of which Christopher Macdonald is chief executive officer. The Board has concluded that the independence of Christopher Macdonald is not compromised by this relationship.

All directors are subject to re-election by shareholders at the first general meeting after their appointment and to further re-election thereafter at three year intervals.

Directors' retirement and re-election are subject to the Articles of Association and the AIC Code of Corporate Governance. At the forthcoming annual general meeting Julian Avery and

Christopher Macdonald will retire by rotation and stand for re-election. As they have both acted in the interests of the Company throughout the period of their appointment and demonstrated commitment to their roles the Board recommends they be re-elected at the annual general meeting.

No director has a contract of service with the Company. All of the directors have been provided with letters of appointment which are available for inspection by shareholders immediately before and after the Company's annual general meeting.

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

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

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

The Board is responsible to shareholders for the proper management of the Company and meets at least quarterly. The AIC Code states that the Board should have a formal schedule of matters specifically reserved to it for decision, to ensure that it has firm direction and control of the Company. This is achieved by a management agreement between the Company and the Manager, which sets out the matters over which the Manager has authority and the limits above which board approval must be sought. All other matters including strategy, investment and dividend policies, gearing and corporate governance proceedings are reserved for the approval of the Board of directors.

All the directors are equally responsible for the proper conduct

STATEMENT OF CORPORATE GOVERNANCE

Continued

of the Company's affairs. In addition, the directors are responsible for ensuring that the policies and operations are in the best interests of the Company's shareholders and that the best interests of creditors and suppliers to the Company are properly considered.

The chairman and the company secretary establish the agenda for each board meeting. The necessary papers for each meeting are distributed well in advance of the meeting ensuring all directors receive accurate, timely and clear information.

Independence of Directors

The Board regularly reviews the independence of each director and of the Board as a whole. The Board believes that each director has demonstrated that he is independent in character and judgment and there are no relationships or circumstances which could affect their objectivity.

Board Performance

During the year, the performance of the Board, audit committee and individual directors was evaluated through an assessment process led by the Senior Independent Director who also considered the independence of the directors and concluded that he considered all directors to be independent.

The directors seek to ensure that the Board has an appropriate balance of skills, experience and length of service. The biographies of the directors shown on page 15 demonstrate the wide range of investment, commercial and professional experience that they contribute. The size and composition of the Board and its committees is considered adequate for the effective governance of the Company.

Audit Committee

The audit committee comprises Professor James MacLeod (chairman), Christopher Macdonald and Richard Martin.

The audit committee has written terms of reference which clearly define its responsibilities and duties. The terms of reference are reviewed annually to ensure compliance with best practice and the AIC Code. Committee members believe that collectively they have recent and relevant financial experience to fulfil the role required. The terms of reference of the audit committee, including its role and authority are available via the Manager's website at www.amatiglobal.com.

The audit committee is responsible to the Board for reviewing each aspect of the financial reporting process; systems of internal control and the management of financial risks; the audit process;

relationships with external auditors and the Company's process for monitoring compliance with laws and regulations.

The audit committee meets twice a year to review the Annual and Half-yearly reports before submission to the Board. The audit committee reviews the services of the auditor on an annual basis and recommends the services of Ernst & Young LLP to the shareholders in view of the firm's extensive experience in auditing venture capital trusts. The audit committee reviews the auditors' independence, objectivity and effectiveness, the fees of the auditor, the quality of the services of all the services of all service providers to the Company and, together with the Manager, reviews the Company's compliance with financial reporting and regulatory requirements. The audit committee also monitors the services of the auditor in respect of non-audit work.

Nomination Committee

As the Board is small and consists of non-executive directors and in view of the nature of a venture capital trust company it has been decided that a nomination committee does not need to be formed. The appointment of new directors is decided by the whole Board. There have been no new appointments during the financial year to 31 May 2011 or to the date of this report.

Remuneration Committee

Where a venture capital trust company has no executive directors, the Combined Code principles relating to directors' remuneration do not apply and as such no remuneration committee has been appointed. The remuneration of the directors is reviewed by the whole board although no director is involved in setting his own remuneration.

Board and Committee Meetings

The following table sets out the directors' attendance at full board and committee meetings held during the year ended 31 May 2011.

Director	Board meetings		Audit Committee Meetings	
	held	attended	held	attended
Julian Avery	4	4	2	2*
Christopher Macdonald	4	3	2	0
Professor James MacLeod	4	4	2	2
Richard Martin	4	4	2	2

* Julian Avery is not a member of the Audit Committee. However, he attended the Audit Committee Meetings at the invitation of the Chairman of the Audit Committee.

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

Relations with Shareholders

The Company welcomes the views of shareholders and places great importance on communication with its shareholders. Shareholders have the opportunity to meet the Board at the annual general meeting. All shareholders are welcome to attend the meeting and to ask questions of the directors. The Board is also happy to respond to any written queries made by shareholders during the course of the year. All communication from shareholders is recorded and reviewed by the Board to ensure that shareholder enquiries are promptly and adequately resolved.

The notice of the annual general meeting accompanies this annual report, which is sent to shareholders. Separate resolutions are proposed for each substantive issue. The Board and representatives of the Manager are available to answer any questions shareholders may have.

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

Internal Control

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

The Board has delegated contractually to third parties, as set out on page 19, the management of the investment portfolio, the custodial services, including the safeguarding of the assets, the day-to-day accounting, company secretarial and administration requirements and registration services.

Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered. The Board receives and considers regular reports from the Manager. Ad hoc reports and information are supplied to the Board as required. It remains the role of the Board to keep under review the terms of the management agreement with the Manager.

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

Whistle Blowing

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

Going Concern

The Company has adequate resources to continue in business for the foreseeable future. However, due to the proposed merger with ViCTory VCT PLC, the directors believe it is probable that the Company will not continue in the foreseeable future in its current legal form. Thus the directors believe it is not

STATEMENT OF CORPORATE GOVERNANCE

Continued

appropriate to continue to apply the going concern basis in preparing the financial statements and, therefore, the financial statements have been prepared on a break-up basis.

Listing Rule Disclosures DTR 7.2.6

The Company has one class of share, ordinary shares, which carry no right to fixed income. Details of the Company's share capital, including the number of shares authorised and allotted and rights attached to such shares are set out in the Directors' Report and Business Review on page 19.

There were no shareholders with a significant holding as at the year end and the date of this report.

The Company may by ordinary resolution appoint any person who is willing to act as a Director, either to fill a vacancy or as an additional Director. Each Director is to be appointed by separate resolution.

The Company may by special resolution make amendment to the Company's Articles of Association.

The authority to allot securities (in accordance with section 551 of the Companies Act 2006) and to re-purchase its own shares was renewed at the AGM held on 12 October 2010 and a resolution to renew these authorities will be put to shareholders at the AGM to be held on 30 November 2011.

Julian Avery

Chairman

13 September 2011

Introduction

The Board has prepared this report in accordance with the requirements of the Companies Act 2006 and The Large and Medium-sized Company and Groups (Accounts and Reports) Regulations 2008. An ordinary resolution for the approval of this report will be put to the members at the forthcoming annual general meeting.

The law requires that the Company's auditor should audit certain disclosures. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in the Independent Auditor's Report on page 29.

Policy on Directors' Fees

The Board's policy is that the remuneration of directors should reflect the experience of the Board as a whole, be fair and comparable with that of other companies that are similar in size and nature to the Company and have similar objectives and structures. Furthermore, the level of remuneration should be sufficient to attract and retain the directors required to oversee effectively the Company and to reflect the specific circumstances of the Company, the duties and responsibilities of the directors and the value and amount of time committed to the Company's affairs. It is the intention of the Board that, unless any revision to this policy is deemed necessary, this policy will continue to apply in the forthcoming and subsequent financial years.

The fees for the directors are set within maximum limits determined from time to time by the Company in general meeting. At present, the maximum aggregate remuneration is as contained in the Company's Articles, which limit the fees payable to the directors to £100,000 per annum in aggregate. The directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

Directors' Service Contracts

No director has a contract of service with the Company. All of the directors have been provided with letters of appointment. The letters of appointment provide that directors are appointed for a period of up to three years and are subject to re-election by shareholders at the first annual general meeting after their appointment. Thereafter they must retire at intervals of no more than three years. Their re-election is subject to shareholder approval. The letters of appointment are available for inspection on request. Any director who has served on the Board for more than nine years will submit himself for re-election annually. There is no period of notice to be given to terminate an appointment and no provision for compensation upon early termination of appointment.

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

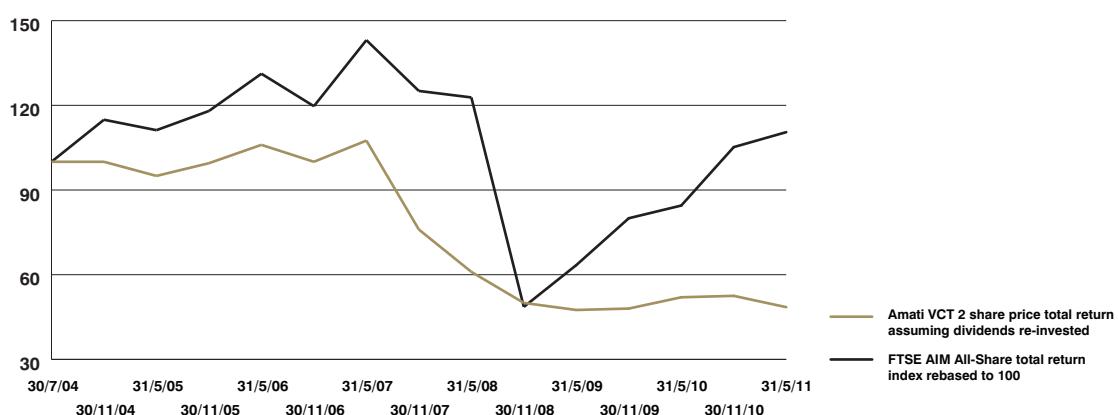
Director	Date of original appointment	Due date for re-election
Julian Avery	1 June 2004	2011 AGM
Christopher Macdonald	1 June 2004	2011 AGM
Professor James MacLeod	1 June 2004	2012 AGM
Richard Martin	1 June 2004	2012 AGM

DIRECTORS' REMUNERATION REPORT

Continued

Company Performance

The graph below compares the change in the Company's share price total return assuming dividends re-invested to the FTSE AIM All-Share total return index for the period from the launch of the Company.



Directors' Remuneration (audited)

Director	2011 £	2010 £
Julian Avery (Chairman)	22,000	22,000
Christopher Macdonald	14,000	14,000
Professor James MacLeod (Chairman of the Audit Committee)	16,000	16,000
Richard Martin	14,000	14,000
	66,000	66,000

None of the directors received any other remuneration during the year.

No element of the directors' remuneration is performance related. The Company has not awarded any share options or long-term performance incentives to any of the directors.

On behalf of the board

Julian Avery

Chairman

13 September 2011

REPORT OF THE INDEPENDENT AUDITOR

to the members of Amati VCT 2 plc

We have audited the financial statements of Amati VCT 2 plc for the year ended 31 May 2011 which comprise the income statement, the reconciliation of movements in shareholders' funds, the balance sheet, the cash flow statement, and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements have been prepared under the break-up basis.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibility Statement set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of Financial Statements

An audit involves obtaining evidence about the amount and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion of Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs

as at 31 May 2011 and of its profit for the year then ended;

- have been properly prepared in accordance with United Kingdom's Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on Other Matters Prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following.

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 25, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Julian Young (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP

Statutory Auditor

London

13 September 2011

INCOME STATEMENT

for the year ended 31 May 2011

	Note	2011 Revenue Return £'000	2011 Capital Return £'000	2011 Total Return £'000	2010 Revenue Return £'000	2010 Capital Return £'000	2010 Total Return £'000
Gain on investments	7	-	2,347	2,347	-	324	324
Income	2	102	-	102	139	-	139
Investment management fee	3	(46)	(136)	(182)	(42)	(124)	(166)
Other expenses	4	(225)	(10)	(235)	(190)	(15)	(205)
Return on ordinary activities before taxation		(169)	2,201	2,032	(93)	185	92
Taxation on ordinary activities	5	-	-	-	-	-	-
Return on ordinary activities after taxation		(169)	2,201	2,032	(93)	185	92
Return per Ordinary share	6	(0.39)p	5.06p	4.67p	(0.21)p	0.42p	0.21p

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 year.

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

The notes on pages 34 to 45 form part of these financial statements.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the year ended 31 May 2011

	2011 £'000	2010 £'000
Opening shareholders' funds	13,881	15,965
Profit for the year	2,032	92
IFA commission credit	39	-
Dividends paid	(2,176)	(2,176)
Closing shareholders' funds	13,776	13,881

The notes on pages 34 to 45 form part of these financial statements.

BALANCE SHEET

as at 31 May 2011

	Note	2011 £'000	2010 £'000
Fixed assets			
Investments held at fair value	7	-	13,222
Current assets			
Investments held at fair value	7	11,637	-
Debtors	8	42	95
Cash at bank		2,442	1
Investments - liquidity funds		-	1,005
Total current assets		14,121	1,101
Current liabilities			
Creditors: amounts falling due within one year	9	(345)	(353)
Net current assets		13,776	748
Total assets less current liabilities		13,776	13,970
Provisions			
Trail commission	10a	-	(89)
Deferred management fee	10b	-	-
Net assets		13,776	13,881
Capital and reserves			
Called up share capital*	11	4,353	4,353
Share premium account*	12	39	-
Special reserve	12	30,921	33,097
Capital redemption reserve*	12	23	23
Capital reserve	12	(21,316)	(23,517)
Revenue reserve	12	(244)	(75)
Equity shareholders' funds		13,776	13,881
Net asset value per share	13	31.65p	31.89p

* These reserves are not distributable.

The financial statements on pages 30 to 45 were approved and authorised for issue by the Board of directors on 13 September 2011 and were signed on its behalf by

Julian Avery

Chairman

Company Number 5121438

The notes on pages 34 to 45 form part of these financial statements.

CASH FLOW STATEMENT

for the year ended 31 May 2011

	Note	2011 £'000	2010 £'000
Operating activities			
Investment income received		107	159
Other interest received		-	22
Investment management fees		(168)	(180)
Other operating costs		(207)	(199)
Net cash outflow from operating activities	15	(268)	(198)
Financial investment			
Purchase of investments		(2,715)	(1,389)
Sale of liquidity funds		1,005	65
Disposals of investments		6,657	3,750
Net cash inflow from financial investment		4,947	2,426
Equity dividends paid			
Payment of dividends		(2,176)	(2,176)
Net cash inflow before financing		2,503	52
Financing			
Trail commissions paid to IFAs		(62)	(60)
Net cash outflow from financing		(62)	(60)
Increase/(decrease) in cash		2,441	(8)
Reconciliation of net cash flow to movement in net cash			
Net cash at 1 June		1	9
Net cash at 31 May		2,442	1
Increase/(decrease) in cash during the year		2,441	(8)

The notes on pages 34 to 45 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting Policies

Basis of Accounting

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and with the Statement of Recommended Practice (“SORP”) Financial Statements of Investment Trust Companies and Venture Capital Trusts, issued by the Association of Investment Companies in January 2009.

As it is probable that the Company will not continue in the foreseeable future in its current legal form, the financial statements have been prepared on a break-up basis. As a consequence, in these financial statements:

- all assets and liabilities are classified as current;
- quoted investments continue to be stated at their bid value;
- unquoted/illiquid investments continue to be valued on the basis shown below; and
- no provision has been made for break-up costs as these can not be reliably estimated at this stage.

Income Statement

The revenue column of the income statement includes all income and expenses other than the proportion of the management fee charged to capital and other capital expenses. The capital statement accounts for the realised profit and loss on investments, increases and decreases in the valuation of investments, the proportion of the management fee charged to capital and other capital expenses (including VCT monitoring fees).

Income

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

Income from fixed interest securities, other investment income and deposit income are included on an accruals basis provided there is no reasonable doubt that payment will be received in due course.

Expenses

All expenses have been charged to revenue except as follows:

The investment management fee is currently allocated 25% to revenue and 75% to capital, reflecting the directors' view of the long term investment returns of the Company. VCT monitoring fees are allocated wholly to capital. Performance fees are charged to capital.

Issue Costs

Issue costs were deducted from the share premium account.

Taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Deferred tax assets are only recognised when they arise from timing differences where recovery in the foreseeable future is regarded as probable. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods. There was no deferred tax at the year end.

Current tax is expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years. The tax effect of different items of expenditure is allocated between revenue and capital on the same basis as a particular item to which it relates, using the Company's effective rate of tax, as applied to those items allocated to revenue, for the accounting period. No tax was payable on the profit in the year.

Trail Commissions

Under the IMA dated 11 February 2011 the Manager is now responsible for payment of trail commission to IFAs.

Investments

Quoted investments are valued at cost on acquisition and are measured at subsequent reporting dates at fair value, generally being the bid price for the stock.

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

Those venture capital investments that may be termed associated undertakings are carried at fair value as determined by the directors in accordance with the Company's normal policy and are not equity accounted as required by the Companies Act 2006. The directors consider that, as these investments are held as part of the Company's portfolio with a view to the ultimate realisation of capital gains, equity accounting would not give a true and fair view of the Company's interests in these investments. Quantification of the effect of this departure is not practicable. Carrying investments at fair value is specifically permitted under Financial Reporting Standard 9 "Associates and Joint Ventures", where venture capital entities hold investments as part of a portfolio. At the year end, the Company has no holdings that are considered to be associates or joint ventures.

Fair values for unquoted investments are established by using various valuation techniques in accordance with International Private Equity Venture Capital Valuation ("IPEV") guidelines published in September 2009. These may include recent arm's length transactions, applying profit multiples (with appropriate discounts) of samples of comparable quoted companies, discounted cash flow analysis and option pricing models. Where a valuation technique commonly used by market participants to price the instrument has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, that technique is utilised. Valuations of unquoted investments are reviewed quarterly by the Board.

Convertible loan stock instruments are valued using a discounted cash flow calculation of the underlying loan instrument and by valuing the option at fair value. The fair value of each option is calculated using assumptions which the Manager believes to be prudent.

Realised surpluses or deficits on the disposal of investments and investment holding gains or losses on the revaluation of investments and permanent impairments in the value of investments are taken to capital.

Financial Instruments

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

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

Foreign Currency

Foreign currency assets and liabilities are translated into sterling at the exchange rates ruling at the balance sheet date. Transactions during the year are converted into sterling at the rates ruling at the time the transactions are executed. All exchange differences are reflected in the income statement and, depending on the nature of the gain or loss, are allocated to either revenue or capital.

Trade Debtors and Creditors

Trade debtors and creditors are stated at their original invoiced value.

NOTES TO THE FINANCIAL STATEMENTS

Continued

2 Income

	Year to 31 May 2011 £'000	Year to 31 May 2010 £'000
Dividends from UK companies	99	131
Dividends from overseas companies	3	8
	102	139

3 Investment Management Fees

The Manager provides investment management and secretarial services to the Company under an investment management agreement. Details of this agreement are given on page 19.

Investment management fees for the year were as follows:

Investment Management Fees	Revenue £'000	Capital £'000	Year to 31 May 2011 Total £'000	Revenue £'000	Capital £'000	Year to 31 May 2010 Total £'000
Management fee for the year	46	136	182	42	124	166
	46	136	182	42	124	166

At 31 May 2011, £60,000 was due to the Manager by the Company for investment management fees (31 May 2010: £46,000).

Performance fee

A formula is used in order to arrive at the amount of the total performance fee based on the Company's starting NAV as at 9 February 2011 of 31.46p per share ("Starting NAV per share"), the weighted average NAV per share of any subsequent share offer or pool, and the relevant performance hurdles. Returns are defined by comparing the Starting NAV per share and the weighted average NAV per share adjusted for prior dividends ("Returns"). When the IMA was approved there was one pool and the formula allows for the creation of further pools, referred to as additional pools. The ordinary shares issued under any subsequent offer will each form separate pools for this purpose. At 31 May 2011 there remained one pool.

The principle followed is that no performance fees are payable on the first 20% of Returns from the Starting NAV per share (which is 6.29p, so the minimum threshold for NAV plus dividends paid is 37.75p), and that the Returns from each pool are also subject to a hurdle rate test of 8% simple interest. In addition, fees are only paid where the Returns are sustained for at least six months. The fee itself is based on 20% of the Returns per share in excess of the first 20% of Returns, multiplied by the number of shares in pools which have passed the 8% hurdle rate, less any previous performance fees paid.

4 Other Expenses

	Revenue £'000	Capital £'000	Year to 31 May 2011 Total £'000	Revenue £'000	Capital £'000	Year to 31 May 2010 Total £'000
Directors remuneration	66	-	66	66	-	66
Auditor's remuneration	27	-	27	26	-	26
Administration and secretarial services	16	-	16	-	-	-
Other expenses	116	10	126	98	15	113
	225	10	235	190	15	205

The Company has no employees.

Details of directors' remuneration are provided in the directors' remuneration report on pages 27 and 28.

Auditor's remuneration can be broken down into:

	Revenue £'000	Capital £'000	Year to 31 May 2011 Total £'000	Revenue £'000	Capital £'000	Year to 31 May 2010 Total £'000
Audit of statutory financial statements	22	-	22	22	-	22
Amounts paid to the auditor for tax services	5	-	5	4	-	4
	27	-	27	26	-	26

Charges for non audit services provided by the auditor relate to tax compliance and advice.

5 Tax on Ordinary Activities

5a Analysis of credit for the year

	Year to 31 May 2011 £'000	Year to 31 May 2010 £'000
Tax payable for the year	-	-

5b Factors affecting the tax charge for the year

	Year to 31 May 2011 £'000	Year to 31 May 2010 £'000
Profit on ordinary activities before taxation	2,032	92
Theoretical tax at UK corporation tax rate of 27.7% (31 May 2010: 28%)	563	26
Effect of:		
Non-taxable income	(27)	(37)
Gain on investments not taxable	(650)	(91)
Expenses in excess of taxable income	114	101
Disallowable expenses	-	1
Tax charge for the year (note 5a)	-	-

No deferred tax asset has been recognised on surplus expenses carried forward as it is not envisaged that any such tax will be recovered in the foreseeable future. The amount of carried forward expenses is £3,304,000 (31 May 2010: £2,889,000).

6 Return per Share

The revenue return per share is based on the negative revenue return of £169,000 (31 May 2010: £93,000) and on 43,526,171 (31 May 2010: 43,526,171) shares, being the weighted average number of shares in issue during the year. The capital return per share is based on the capital return of £2,201,000 (31 May 2010: £185,000) and on 43,526,171 (31 May 2010: 43,526,171) shares, being the weighted average number of shares in issue during the year. The total return per share is based on the total return of £2,032,000 (31 May 2010: £92,000) and on 43,526,171 (31 May 2010: 43,526,171) shares, being the weighted average number of shares in issue during the year.

NOTES TO THE FINANCIAL STATEMENTS

Continued

7 Investments

		Quoted investments £'000	Unquoted investments £'000	Total £'000
Cost at 1 June 2010		25,627	4,747	30,374
Transfers between quoted and unquoted		(198)	198	-
Purchases		3,170	-	3,170
Disposals	- proceeds received	(5,321)	(1,781)	(7,102)
	- realised gains on disposal	717	255	972
	- realisation of revaluation movements from previous years	(10,099)	(2,296)	(12,395)
Cost at 31 May 2011		13,896	1,123	15,019
Unrealised losses at 1 June 2010		(14,500)	(2,652)	(17,152)
Unrealised gains on investments during the year		1,362	13	1,375
Realisation of revaluation movements from previous years		10,099	2,296	12,395
Unrealised losses at 31 May 2011		(3,039)	(343)	(3,382)
Valuation at 1 June 2010		11,127	2,095	13,222
Valuation at 31 May 2011		10,857	780	11,637

Equity shares	10,542	680	11,222
Preference shares	315	100	415
Total investments at valuation	10,857	780	11,637

	2011 £'000	2010 £'000
Realised gains/(losses) on disposal	972	(1,861)
Unrealised gains on investments during the year	1,375	2,185
Net gain on investments	2,347	324

Transaction Costs

During the year the Company incurred transaction costs of £11,000 and £6,000 on purchases and sales of investments respectively. These amounts are included in the gain on investments as disclosed in the income statement.

8 Debtors

	2011 £'000	2010 £'000
Receivable for investments sold	28	68
Prepayments and accrued income	14	27
	42	95

9 Creditors: Amounts Falling Due Within One Year

	2011 £'000	2010 £'000
Payable for investments bought	155	185
Related party payables (due to Manager)	60	46
Trail commission payable for period to 1 March 2011	37	49
Other creditors	93	73
	345	353

10 Provisions

a) Trail commission

The following provision relates to trail commission on the initial issue of the ordinary shares.

	2011 £'000	2010 £'000
Opening provision	89	149
Charge for the year	(50)	(60)
Credit to the share premium account*	(39)	-
Closing provision	-	89

**Trail commission was payable by the Company until 1 March 2011 but under the IMA dated 11 February 2011 the Manager is now responsible for payment of trail commission to IFAs.*

The Company paid trail commission to IFAs provided that the IFA continued to act for the Shareholder and the Shareholder continued to hold the ordinary shares. Trail commission was based on 0.375% per annum of the amount invested by the Shareholder and was payable on the first and each subsequent anniversary up to and including the sixth anniversary of the date of allotment of ordinary shares to the Shareholder. Trail commission was not paid to the extent that the cumulative trail commission would exceed 2.25% of the initial net asset value per share.

b) Deferred management fee

The following provision related to the deferred management fee under the previous investment management agreement. There is no deferred management fee under the IMA dated 11 February 2011.

	2011 £'000	2010 £'000
Opening provision	-	19
Amount released	-	(19)
Closing provision	-	-

11 Called Up Share Capital

Ordinary shares (10p shares)	Number	2011 £'000	Number	2010 £'000
Allotted, issued and fully paid at 1 June and 31 May	43,526,171	4,353	43,526,171	4,353

NOTES TO THE FINANCIAL STATEMENTS

Continued

12 Reserves

	Share capital* £'000	Share premium* £'000	Special reserve £'000	Capital redemption reserve* £'000	Capital reserve £'000	Revenue reserve £'000	Total reserves £'000
At 1 June 2010	4,353	-	33,097	23	(23,517)	(75)	13,881
Profit/(loss) for the year	-	-	-	-	2,201	(169)	2,032
IFA commission credit	-	39	-	-	-	-	39
Dividends paid	-	-	(2,176)	-	-	-	(2,176)
At 31 May 2011	4,353	39	30,921	23	(21,316)	(244)	13,776

*These reserves are not distributable.

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

At 31 May 2011, the capital reserve constitutes realised losses of £17,934,000 (31 May 2010: £6,365,000) and unrealised losses of £3,382,000 (31 May 2010: £17,152,000).

Distributable reserves comprise the special reserve, the revenue reserve and the capital reserve. At 31 May 2011, the amount of reserves deemed distributable is £9,361,000 (31 May 2010: £9,505,000), a net movement in the period of negative £144,000. The net movement is comprised of profit on ordinary activities in the income statement of £2,032,000 less the dividends paid of £2,176,000.

A second interim dividend for the year ended 31 May 2011 of 3p per share has been declared to be paid on 14 October 2011 to shareholders on the register at 16 September 2011.

13 Net Asset Value per Ordinary Share

The calculation of net asset value per share at 31 May 2011 is based on net assets of £13,776,000 (31 May 2010: £13,881,000) divided by the 43,526,171 (31 May 2010: 43,526,171) shares in issue at the year end.

14 Analysis of Changes in Cash

	2011 £'000	2010 £'000
At 1 June	1	9
Increase/(decrease) in cash	2,441	(8)
At 31 May	2,442	1

15 Reconciliation of Profit on Ordinary Activities Before Taxation to Net Cash Outflow from Operating Activities

	2011 £'000	2010 £'000
Profit on ordinary activities before taxation	2,032	92
Net gain on investments	(2,347)	(324)
Increase/(decrease) in creditors, excluding corporation tax payable	34	(5)
Decrease in debtors	13	39
Net cash outflow from operating activities	(268)	(198)

16 Significant Interests

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

	Nominal	% held
Inditherm plc	4,000,000	7.8
Publishing Technology plc	362,500	4.3
Kiotech International plc	590,065	3.3
Brookwell Limited Redeemable Preference	484,841	3.0
Antenova Limited	2,181,435	3.0

17 Unquoted Investments

During the year the material disposals of unquoted investments were:

At 31 May 2010, the Company held 14,039 shares in Oxford Nanopore Technologies at a cost of £550,000 and valuation of £1,027,000. During the year ended 31 May 2011, the Company realised this investment for £1,283,000.

At 31 May 2010, the Company held 125,000 shares in A J Bell at a cost of £251,000 and valuation of £500,000. During the year ended 31 May 2011, the Company realised this investment for £500,000.

During the year there were no material acquisitions of unquoted investments.

18 Post Balance Sheet Events

The following transactions have taken place between 31 May 2011 and the date of this report:

On 7 July 2011 the Company announced that it has entered discussions regarding a possible merger of the Company with ViCTory VCT PLC.

NOTES TO THE FINANCIAL STATEMENTS

Continued

19 Related Parties

The Company holds 90,000 shares in Brooks Macdonald Group, of which Christopher Macdonald is chief executive officer. Christopher Macdonald holds 1,003,308 shares in Brooks Macdonald Group in his own name.

The Company retains Amati Global Investors Limited to act as its Manager. Details of the agreement with the Manager are set out on page 19.

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

20 Financial Instruments

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

Investments (see note 7) are valued at fair value. For quoted securities this is the bid price. Unquoted investments are valued by the directors using rules consistent with International Private Equity Venture Capital Valuation guidelines. The fair value of all other financial assets and liabilities is represented by their carrying value in the balance sheet.

The Company's investing activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most important types of financial risk to which the Company is exposed are market risk, credit risk and liquidity risk. The nature and extent of the financial instruments outstanding at the balance sheet date and the risk management policies employed by the Company are discussed below.

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

FRS 29 "Financial Instruments: Disclosures" is applicable for reporting periods beginning on or after 1 January 2009. The three levels set out in FRS 29 are:

Level 1 – fair value based on quoted prices in active markets for identical assets.

Level 2 – fair values based on valuation techniques using observable inputs other than quoted prices within Level 1.

Level 3 – fair values based on valuation techniques using inputs that are not based on observable market data.

Categorisation within this hierarchy is determined on the basis of the lowest level input that is significant to the fair value measurement of each relevant asset/liability.

The valuation techniques used by the Company are explained in the accounting policies note. Unquoted investments are all deemed to be Level 3 as described above. Quoted investments have been reviewed on a stock-by-stock basis and have been shown in Level 1 where there is an active market. Quoted investments where the market is not active, that is where the Company's holding would take more than 60 days to realise based on average market turnover, have been shown in Level 2.

Financial assets at fair value

At 31 May 2011

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Ordinary shares	7,877	2,665	680	11,222
Preference shares	315	-	100	415
	8,192	2,665	780	11,637

Level 3 financial assets at fair value

At 31 May 2011

	Ordinary shares £'000	Preference shares £'000	Loan Stock £'000	Total £'000
Opening balance at 1 June 2010	1,995	100	-	2,095
Disposals – proceeds	(1,782)	-	-	(1,782)
Disposals - realised losses on disposal	(6,965)	-	(465)	(7,430)
Unrealised gains on investments in the year	7,432	-	465	7,897
Closing balance at 31 May 2011	680	100	-	780

AJ Bell and Oxford Nanopore were included within Level 3 assets at 31 May 2010 and were sold during the year under review. Changing one or more inputs to other reasonable input assumptions would not have a significant impact on the valuation reported in the accounts.

Level 3 financial assets at fair value

At 31 May 2010

	Ordinary shares £'000	Preference shares £'000	Loan Stock £'000	Total £'000
Opening balance at 1 June 2009	2,886	100	-	2,986
Transfers to Level 1	(854)	-	-	(854)
Disposals – proceeds	(206)	-	-	(206)
Disposals - realised gains on disposal	55	-	-	55
Unrealised gains on investments in the year	114	-	-	114
Closing balance at 31 May 2010	1,995	100	-	2,095

21 Market Risk

Market risk covers the potential for losses, interest rate risk and price risk.

The Company's strategy on the management of investment risk is driven by the Company's investment objective as outlined in the corporate objective on page 1. The management of market risk is part of the investment management process. The portfolio is managed in accordance with policies and procedures in place as described in more detail in the Directors' Report and Business Review on pages 16 to 21, with an awareness of the effects of adverse price movements through detailed and continuing analysis, with an objective of maximising overall returns to shareholders. Investments in unquoted stocks and AIM traded companies, by their nature, involve a higher degree of risk than investments in the main market. Some of that risk can be mitigated by diversifying the portfolio across business sectors and asset classes. The Company's overall market positions are monitored by the Board on a quarterly basis.

NOTES TO THE FINANCIAL STATEMENTS

Continued

Details of the Company's investments at the balance sheet date are disclosed in the Investment Portfolio on pages 8 and 9.

Of the Company's investments, 93.3% are traded on AIM or fully listed (31 May 2010: 84.2%). A 10% increase in stock prices as at 31 May 2011 would have increased the net assets attributable to the Company's shareholders and the total profit for the year by £1,086,000 (31 May 2010: £1,113,000); an equal change in the opposite direction would have decreased the net assets attributable to the Company's shareholders and the total profit for the year by an equal amount.

Of the Company's investments, 6.7% are in unquoted companies held at fair value (31 May 2010: 15.8%). A 10% increase in the valuations of unquoted investments at 31 May 2011 would have increased the net assets attributable to the Company's shareholders and the total profit for the year by £78,000 (31 May 2010: £209,000); an equal change in the opposite direction would have decreased the net assets attributable to the Company's shareholders and the total profit for the year by an equal amount.

22 Interest Rate Risk

Fixed rate

None of the Company's financial assets are interest bearing at a fixed rate. As a result, the Company is not subject to exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates.

Floating rate

Any cash balances held by the Company are subject to floating rates. A change in interest rates would therefore have had a minimal impact. At 31 May 2011, the overdraft balance was £nil (31 May 2010: £nil).

23 Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Manager has in place a monitoring procedure in respect of counterparty risk which is revised on an ongoing basis. The carrying amount of financial assets best represents the maximum credit risk exposure at the balance sheet date. At 31 May 2011, the financial assets exposed to credit risk amounted to £42,000 (31 May 2010: £95,000).

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered to be small due to the short settlement period involved and the high credit quality of the brokers used. The Board monitors the quality of service provided by the brokers used to further mitigate this risk.

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

At 31 May 2011, substantially all of the cash held by the Company was held by The Bank of New York. Bankruptcy or insolvency of this institution may cause the Company's rights with respect to the cash held by it to be delayed or limited. Should the credit quality or the financial position of this institution deteriorate significantly the Company has the ability to move the cash at short notice.

There were no significant concentrations of credit risk to counterparties at 31 May 2011 or 31 May 2010.

24 Liquidity Risk

The Company's financial instruments include investments in unlisted equity investments which are not traded on a recognised stock exchange and which generally may be illiquid. As a result, the Company may not be able to sell quickly some of its investments in these instruments at an amount close to their fair value.

The Company's liquidity risk is managed on an ongoing basis by the Manager in accordance with policies and procedures in place as described in the Directors' Report and Business Review on pages 16 to 21. The Company's overall liquidity risks are monitored on a quarterly basis by the Board.

The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses. At 31 May 2011, these investments were valued at £2,442,000 (31 May 2010: £1,006,000).

25 Capital Management Policies and Procedures

The Company's capital is as disclosed in the balance sheet and is managed on a basis consistent with its investment objective and policies, as disclosed in the Directors' Report. The principal risks and their management are disclosed above.

26 Dividends paid

	2011 £'000	2010 £'000
Final dividend for the year ended 31 May 2010 of 3.00p per Ordinary share – paid on 22 October 2010	1,306	-
Interim dividend for the year ended 31 May 2011 of 2.00p per Ordinary share – paid on 11 March 2011	870	-
Final dividend for the year ended 31 May 2009 of 3.00p per Ordinary share – paid on 23 October 2009	-	1,306
Interim dividend for the year ended 31 May 2010 of 2.00p per Ordinary share – paid on 12 March 2010	-	870
	2,176	2,176

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of Amati VCT 2 plc (the “Company”) will be held on 30 November 2011 at 10.30am at the offices of Howard Kennedy, 19 Cavenish Square, London W1A 2AW for the transaction of the following business:

Ordinary Business

To consider, and if thought fit, to pass the following Resolutions 1 to 8 as Ordinary Resolutions of the Company:

Ordinary Resolutions

1. “To receive and adopt the Directors’ Report and financial statements of the Company for the financial year ended 31 May 2011 together with the Independent Auditor’s Report thereon.”
2. “To approve the Directors’ Remuneration Report for the financial year ended 31 May 2011.”
3. “To re-appoint Ernst & Young LLP of 1 More London Place, London SE1 2AF as auditor of the Company from the conclusion of the Meeting until the conclusion of the next annual general meeting of the Company to be held in 2012 at which financial statements are laid before the Company.”
4. “To authorise the directors to fix the remuneration of the auditor.”
5. “To re-elect Julian Avery, as a director of the Company, who is retiring by rotation.”
6. “To re-elect Christopher Macdonald as a director of the Company, who is retiring by rotation.”

Special Business

To consider, and if thought fit, to pass the following Resolutions, Resolution 7 and 8 as Ordinary Resolutions and Resolutions 9 and 10 as Special Resolutions of the Company:

Ordinary Resolution

7. “To approve the continuation of the Company as a venture capital trust.”
8. “THAT in substitution for any existing authority under section 551 of the Companies Act 2006, as amended (the “Act”) but without prejudice to the exercise of any such authority prior to the date of the passing of this Resolution the Board be and is hereby generally and unconditionally

authorised to exercise all the powers of the Company to allot ordinary shares of 10p each (“Ordinary Shares”) up to an aggregate nominal amount of £5,647,383 during the period commencing on the passing of this Resolution and expiring on the earlier of the date of the annual general meeting of the Company to be held in 2012 and the date which is 18 months after the date on which this Resolution is passed, (unless previously revoked, varied or extended by the Company in general meeting), save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Special Resolutions

9. “THAT in substitution for any existing authority under section 570 and 573 of the Act but without prejudice to the exercise of any such authority prior to the date of the passing of this Resolution the Board be and is hereby generally and unconditionally empowered, pursuant to section 561(1) of the Act, to allot Ordinary Shares for cash pursuant to the authority conferred by Resolution 7 above as if subsection 561(1) of the Act did not apply to any such allotment, up to an aggregate nominal amount of £5,647,383. The authority hereby conferred shall (unless previously renewed or revoked) expire on the earlier of the annual general meeting of the Company to be held in 2012 and the date that is 18 months after the date on which this Resolution is passed.”
10. “THAT the Company be and is hereby generally and unconditionally authorised to make market purchases within the meaning of Section 693(4) of the Act, of the Ordinary Shares on such terms and in such manner as the directors of the Company may determine provided that:
 - (i) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased represents approximately 10% of the issued ordinary share capital of the Company as at the date of the annual general meeting;
 - (ii) the minimum price which may be paid for an Ordinary Share is 10p per share, the nominal amount thereof;
 - (iii) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall be the higher of not more than (i) 5% above the average of the

middle market quotations for an Ordinary Share on The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that Ordinary Share is purchased and (ii) the higher of the last independent trade and the highest current bid on The London Stock Exchange;

- (iv) the authority hereby conferred shall (unless previously renewed, varied or revoked) expire on the earlier of the annual general meeting of the Company to be held in 2012 and the date which is 18 months after the date on which this Resolution is passed; and
- (v) the Company may make a contract or contracts to purchase its own Ordinary Shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and the Company may make a purchase in pursuance of any such contract or contracts as if the authority conferred hereby had not expired.”

By order of the board

The City Partnership (UK) Limited
Secretary

Registered office:
Thistle House,
21 Thistle Street
Edinburgh EH2 1DF

13 September 2011

Notes

1. A member entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend, speak and vote in his stead. Where more than one proxy is appointed, each proxy must be appointed to exercise the rights attached to a different share or shares. A proxy need not be a member of the Company. In order to be valid an appointment of proxy must be returned by one of the following methods:
 - in hard copy form by post, by courier or by hand to The City Partnership (UK) Limited c/o Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey, GU9 7LL; or
 - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below
 - and in each case to be received not less than 48 hours before the time of the meeting.
2. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a “CREST Proxy Instruction”) must be properly authenticated in accordance with Euroclear UK & Ireland Limited’s specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment of the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer’s agent (ID 7RA36) by the latest time(s) for receipt of proxy appointments specified in this document. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies through CREST should be communicated to the appointee through other means. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take or, if the CREST member concerned to take or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s), such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The CREST Manual can be reviewed at www.euroclear.com/CREST.

NOTICE OF ANNUAL GENERAL MEETING

Continued

3. A form of appointment of proxy is enclosed. Appointment of a proxy (whether by completion of a form of appointment of proxy, or other instrument appointing a proxy or any CREST Proxy Instruction) does not prevent a member from attending and voting at this meeting.

To be effective, the form of appointment of proxy, duly completed and executed, together with any power of attorney or other authority under which it is signed (or a notarially certified copy thereof) must be lodged at The City Partnership (UK) Limited c/o Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey, GU9 7LL, by not later than 10.30am on 28 November 2011.

4. A person entered on the Register of Members at close of business on 28 November 2011 ("a member") is entitled to attend and vote at the Meeting pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001. Any changes to the Register of Members after such time and date shall be disregarded in determining the rights of any person to attend and/or vote at the Meeting. If the Meeting is adjourned, entitlement to attend and vote at the adjourned meeting, and the number of votes which may be cast thereat, will be determined by reference to the Company's register of members 48 hours before the time fixed for the adjourned meeting.

5. The Letters of Appointment for directors will be available at the AGM for at least 15 minutes prior to and during the Meeting.

6. A copy of the Articles of Association are available for inspection at the Registered Office of the Company during normal business hours on any business day (excluding public holidays) until the close of the AGM and will also be available at the AGM for at least 15 minutes prior to and during the Meeting.

7. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may have a right, under an agreement between him/her and the member by whom he/she was nominated, to be appointed (or to have someone else appointed) as a proxy for the Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

The statement of the above rights of the shareholders in relation to the appointment of proxies does not apply to Nominated Persons. Those rights can only be exercised by shareholders of the Company.

8. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

9. Any member attending the AGM has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the AGM but no such answer need be given if (a) to do so would interfere unduly with the preparation for the AGM or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.

10. You may not use any electronic address (within the meaning of section 333(4) of the Companies Act 2006) provided in this Notice (or in any related documents including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

11. As at 13 September 2011 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 43,526,171 shares of 10p each, carrying one vote each at an annual general meeting of the Company. Therefore, the total voting rights in the Company as at 13 September 2011 are 43,526,171.

12. Shareholders should note that it is possible that, pursuant to requests made by members of the Company under section 527 of the Companies Act 2006 (the "2006 Act"), the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting for the financial year beginning on 1 June 2010; or (ii) any circumstance connected with an auditor of the Company appointed for the financial year beginning on 1 June 2010 ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006 (in each case) that the members propose to raise at the relevant Annual General Meeting. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the 2006 Act. Where the Company is required to place a statement on a website under section 527 of the 2006 Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

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.

Share certificates in the name of Invesco Perpetual AIM VCT plc will remain valid and do not need to be changed.

Net Asset Value per Share

The Company's net asset value per share as at 31 May 2011 was 31.65p. The Company normally announces its net asset value on a weekly basis. Net asset value per share information can be found on the Amati Global Investors' website: <http://www.amatiglobal.com/avct2.php>

Financial Calendar

September 2011	Annual report for the year ended 31 May 2011 to be circulated to shareholders
October 2011	Interim management statement released
15 November 2011	Annual general meeting
January 2012	Half-yearly Report for the six months ending 30 November 2011 to be circulated to shareholders
April 2012	Interim management statement released
31 May 2012	Year end

Annual General Meeting

The annual general meeting of the Company will be held on 30 November 2011 at 10.30am at the offices of Howard Kennedy, 19 Cavendish Square, London W1A 2AW.

The notice of the meeting, together with the enclosed proxy form, is included on pages 46 and 47 of this report. Proxy forms should be completed in accordance with the instructions printed thereon and sent to arrive at The City Partnership (UK) Limited, c/o Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL 48 hours before the time appointed for the meeting.

CORPORATE INFORMATION

Directors

Julian Avery
Professor James MacLeod
Christopher Macdonald
Richard Martin

all of:
27/28 Eastcastle Street
London
W1W 8DH

Secretary

The City Partnership (UK) Limited
Thistle House, 21 Thistle Street
Edinburgh
EH2 1DF
Telephone: 0131 2437210
Email: vct-enquiries@amatiglobal.com

Fund Manager

Amati Global Investors Limited
76 George Street
Edinburgh
EH2 3BU

VCT Tax Adviser

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Registrar

(Until 16 September 2011)
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

(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

Auditor

Ernst & Young LLP
Registered Auditor
1 More London Place
London
SE1 2AF

Solicitors

Dickson Minto W.S
16 Charlotte Square
Edinburgh
EH2 4DF

Bankers

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

FORM OF PROXY
AMATI VCT 2 PLC (the "Company")
ANNUAL GENERAL MEETING

I/We

of

being a member/members of the Company hereby appoint the Chairman of the meeting, or

of

as my/our proxy to vote, on a poll, in my/our name and on my/our behalf at the Annual General Meeting of the Company to be held at 10.30am on 30 November 2011 at the offices of Howard Kennedy, 19 Cavendish Square, London W1A 2AW and at any adjournment thereof.

Please indicate here with an X if this proxy form is one of multiple instructions being given (see Note 7).

Please indicate with an X in the boxes below how you wish your vote to be cast on the Resolutions mentioned. Should this form of proxy be returned signed but without a specific indication, the proxy may vote or abstain from voting as he/she thinks fit.

Ordinary Business

Resolution 1 To receive the Directors' Report and financial statements of the Company for the year ended 31 May 2011.

For	Against	Withheld
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Resolution 2 To approve the Directors' Remuneration Report for the year ended 31 May 2011.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Resolution 3 To re-appoint Ernst & Young LLP as Auditor of the Company.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Resolution 4 To authorise the directors to fix the remuneration of the Auditor.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Resolution 5 To re-elect Julian Avery as a director of the Company.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Resolution 6 To re-elect Christopher Macdonald as a director of the Company.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Special Business

Resolution 7 To approve the continuation of the Company as a venture capital trust.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Resolution 8 To renew the directors' authority to allot shares.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Resolution 9 To renew the directors' authority to disapply statutory pre-emption rights.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Resolution 10 To authorise the directors to buy back shares.

Signed:

Dated:

Notes and instructions

1. Only those Shareholders registered on the Company's register of members at 10.30am on 28 November 2011 or if this annual general meeting is adjourned, at 10.30am on the day two days prior to the adjourned annual general meeting, shall be entitled to attend and vote at the annual general meeting.
2. Information regarding the annual general meeting, including the information required by section 311A of the Companies Act 2006, is available from www.amatiglobal.com.
3. If you are a Shareholder of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the annual general meeting and you should have received a Form of Proxy with this notice of annual general meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the Form of Proxy.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different Shares. You may not appoint more than one proxy to exercise rights attached to any one Share. To appoint more than one proxy, contact The City Partnership (UK) Limited c/o Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey, GU9 7LL.
5. To appoint a proxy, you must:
 - send a completed hard copy of the Form of Proxy to The City Partnership (UK) Limited c/o Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey, GU9 7LL; or
 - or send a legible scan of the completed hard copy of the Form of Proxy to proxies@shareregistrars.uk.com.For a proxy appointment to be valid, the hard copy or e-mailed scan, as applicable, must be received as above, by no later than 10.30am on 28 November 2011.
6. In order to revoke a proxy instruction you will need to inform the Company using one of the following methods:
 - By sending a signed hard copy notice, clearly stating your intention to revoke your proxy appointment, to The City Partnership (UK) Limited c/o Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey, GU9 7LL. In the case of a Shareholder which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
 - By sending an e-mail, clearly stating your intention to revoke your proxy appointment, to proxies@shareregistrars.uk.com.In either case, the revocation notice must be received as above by no later than 10.30am on 28 November 2011. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.
7. Appointment of a proxy does not preclude you from attending the annual general meeting and voting in person. If you have appointed a proxy and attend the annual general meeting in person, your proxy appointment will automatically be terminated.
8. As at 13 September 2011, the Company's issued share capital comprised 43,526,171 ordinary shares. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 13 September 2001 is 43,526,171.
9. Under section 319A of the Companies Act 2006, the Company must answer any question you ask relating to the business being dealt with at the annual general meeting unless:
 - answering the question would interfere unduly with the preparation for the annual general meeting or involve the disclosure of confidential information;
 - the answer has already been given on a website in the form of an answer to a question; or
 - it is undesirable in the interests of the Company or the good order of the annual general meeting that the question be answered.
10. Except as provided above, Shareholders who have general queries about the annual general meeting should use the following means of communication (no other methods of communication will be accepted):
 - by e-mail to proxies@shareregistrars.uk.com; or
 - by post to The City Partnership (UK) Limited c/o Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey, GU9 7LL; or
 - by telephone on 0131 243 7210.
11. You may not use any electronic address provided either in this notice of annual general meeting, or any related documents (including the chairman's letter and Form of Proxy), to communicate with the Company for any purposes other than those expressly stated.
12. Copies of the following documents will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturday and Public Holidays excluded) from the date of this notice, until the end of the annual general meeting and at the place of the annual general meeting for at least 15 minutes prior to and during the annual general meeting:
 - the Directors' and the Independent Auditor's Reports and the Company's financial statements for the year ended 31 May 2011 (Resolution 1);
 - the Directors' Remuneration Report (Resolution 2); and
 - the Director Directors' Letters of Appointment and the Register of Directors' interests in the Shares of the Company (Resolutions 5-6).
13. Information about the Directors who are proposed by the Board for appointment and re-election at the annual general meeting is shown in the Annual Report and Financial Statements 2011 (Resolutions 5-6).

