



# Amati VCT 2 plc

## HALF-YEARLY REPORT

For the six months ended 31 July 2016

**Amati**  
Global Investors

Finely crafted investments

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# OVERVIEW

**Table of investor returns to 31 July 2016**

	Date	NAV Total Return with dividends re-invested	FTSE AIM All-Share Total Return Index
Re-launch as Amati VCT 2 (the “Company”) following merger	9 November 2011*	48.4%	8.9%
Appointment of Amati Global Investors (“Amati”) as Manager of Amati VCT 2, which was known as ViCTory VCT at the time	25 March 2010	55.7%	13.3%

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

## Key data (Unaudited)

	6 months ended 31/07/16	Year ended 31/01/16	6 months ended 31/07/15
Net Asset Value (“NAV”)	£36.7m	£32.4m	£33.3m
Shares in issue	32,004,570	30,259,489	30,230,851
NAV per share	114.7p	107.1p	110.0p
Bid price	109.0p	102.5p	103.0p
Mid price	109.3p	102.8p	103.3p
Market capitalisation	£35.0m	£31.1m	£31.2m
Share price discount to NAV	4.7%	4.0%	6.1%
NAV Total Return (assuming re-invested dividends)	10.6%	6.1%	6.3%
FTSE AIM All-Share Total Return Index	9.8%	1.8%	9.5%
Ongoing charges*	2.7%	2.6%	2.7%
Dividends declared during the period	2.75p	6.25p	2.75p

\* Ongoing charges calculated in accordance with the Association of Investment Companies’ (“AIC”) guidance.

**Table of Historic Returns from launch to 31 July 2016 attributable to shares issued by VCTs which have been merged into Amati VCT 2**

	Launch date	Merger date	NAV Total Return with dividends re-invested	NAV Total Return with dividends not re-invested	FTSE AIM All-Share Total Return Index
Singer & Friedlander AIM 3 VCT ('C' shares)	4 April 2005	8 December 2005	-13.9%	-16.4%	-21.4%
Invesco Perpetual AiM VCT	30 July 2004	8 November 2011	-23.8%	-28.9%	-1.1%
Amati VCT 2 (originally Singer & Friedlander AIM 3 VCT*)	29 January 2001	n/a	-21.5%	-23.0%	-39.0%
Singer & Friedlander AIM 2 VCT	29 February 2000	22 February 2006	-39.8%	-40.2%	-67.7%
Singer & Friedlander AIM VCT	28 September 1998	22 February 2006	-58.9%	-35.0%	4.7%

\* Singer & Friedlander AIM 3 VCT changed its name to ViCTory VCT on 22 February 2006 and to Amati VCT 2 on 8 November 2011.

# CHAIRMAN'S STATEMENT

## Overview

The first half has seen strong performance in the Company's portfolio following the market falls at the end of the prior year, notwithstanding the sharp setback in the immediate aftermath of the referendum on EU membership. As indicated at the year end, during 2015 the Manager, encouraged by the Board, adopted an approach of making fewer, but larger, new qualifying investments, targeting companies at the more mature end of spectrum allowed for by the VCT regulations. In conjunction with this, the Manager is tending to hold, rather than sell, shares in the successful companies, based on the recognition that the portfolio concentration that this produces as the portfolio matures is likely to be beneficial for performance. It is also a real strength which we can offer to investee companies. As a result of these factors the weighted average market capitalisation of the qualifying portfolio stood at £138m at the period end, which is a good indication of its relative maturity, and the top 10 qualifying holdings now represent 47% of the Company's Net Asset Value.

The year end report also predicted a hiatus in terms of new qualifying investment opportunities of sufficiently good quality following the introduction of the new VCT legislation last November. HMRC's draft guidance on this legislation was published in May, and is expected to be finalised later this year. Views on the draft guidance were sought, and the AIC made a substantial submission of recommendations on the guidance, which was supported by a submission from Amati Global Investors.

Against this backdrop, one new qualifying investment was made during the period, and we expect the pace of new investment to pick up somewhat in the second half, albeit below levels seen in the last few years. The reduced number of opportunities, combined with the £5m limit on any single fund raising from all VCTs and EIS investors, means that new investments of good quality are likely to be highly sought after, and hence significantly over-subscribed in respect of the qualifying shares. This means that the Manager's ambition to take larger initial positions may be hard to realise whilst this situation persists.

## Investment Performance and Dividend

The NAV Total Return for the six month period was 10.6%, which compares to a rise of 9.8% for the FTSE AIM All-Share Total Return Index. Performance was significantly boosted by a sharp rise in the value of the Company's largest single investment, Accesso, which continues its impressive progress. Overall performance remained ahead of the wider AIM market, despite the disappointment of having to write down the value of two loan note holdings. Full details are given in the Manager's review.

The dividend policy of the Company is to pay between five and six percent of year-end net asset value, subject to the availability of liquidity and sufficient distributable reserves. In line with this the Board is declaring an interim dividend of 2.75p per share, to be paid on 25 November 2016 to shareholders on the register on 14 October 2016.

## **Other Corporate Developments**

A joint top up offer with Amati VCT was launched in October 2015, raising a total of £5.6m when the offer closed on 15 July 2016, of which £2.7m was subscribed for shares in Amati VCT 2.

## **Outlook**

There have been a number of positive developments in the portfolio companies over the past six months, and this creates a healthy backdrop for future performance, notwithstanding the uncertainties that will arise from political developments in both Europe and the US over the coming year. The Board is also confident that there will be further opportunities to make attractive qualifying investments on AIM. Given the high weighting of qualifying holdings held by the Company, the Manager is under no pressure to make investments which do not meet the demanding quality criteria sought.

## **Julian Avery**

Chairman

30 September 2016

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

### Market Review

After significant market weakness in early January 2016, driven by fears of slowing global growth and mirrored in a slumping oil price, UK stocks reached a turning point around the middle of the month. The catalysts for this can be traced to comments from both the Bank of England and the European Central Bank (“ECB”), to the effect that, in response to the economic outlook, a rise in UK interest rates would be delayed and further EU monetary stimulus was likely. In March the ECB duly cut interest rates and announced further quantitative easing. A continued environment of ultra-accommodative policy boosted all capital markets, and the UK enjoyed a strong rebound, reaching a high point for the period immediately before the EU referendum in late June. The unexpected result initially created a high degree of investor uncertainty, causing UK equities and sterling to sell off dramatically, but a rapid transition to a new government stabilised concerns and saw the stock market return to its previous high by the end of the period, amidst the realisation that the Brexit process wasn’t going to begin any time soon.

Index leadership came from large, FTSE 100 companies, influenced by a renewed appetite for resources stocks, but also from an upgrading of international earnings following the weakness of sterling late in the period. Smaller companies, including AIM stocks, also performed well, but mid-sized, FTSE 250 companies lagged due to a heavier dependency on UK based earnings within a more uncertain economic outlook. Sector patterns were polarised, with international mining, technology and industrials dominating amongst gainers, whilst domestically exposed construction and housebuilding suffered heavy losses.

### Performance

The NAV Total Return for the six month period was 10.6%. This compares to the FTSE AIM All Share Total Return over the same period of 9.8%. Mirroring the broader market, the period began with a fall in the Company’s NAV before a significant rebound between the months of March and May. The surprise Brexit vote sent the Company’s NAV Total Return down 8.3% in June before rebounding by 8.7% in July.

The best performer over the period was **Accesso Technology Group** (“Accesso”), a business with which long-standing shareholders will be familiar. The shares ended the period 70% higher following a strong start to 2016 with good organic growth across all divisions and eighteen new contract wins, including deals for Accesso Passport, the group’s hosted ticketing ecommerce solution, with the Henry Ford Museum in Michigan and the Pacific Science Centre in Seattle. In addition to these new client wins, Passport continues to be rolled-out across Merlin Entertainment’s global estate. With over 90% of revenues billed in US Dollars from North American customers, the attractions of Accesso have been enhanced by the post-Brexit sterling weakness. As this is a very significant position in the portfolio (10.7%), movements in the share price will tend to dwarf the impact of other stocks. However, we are reluctant to reduce our exposure yet, as we still see good opportunities ahead for the business, and it would be hard to find a new investment in something as attractive. The second most important contributor to performance was **SRT Marine Systems** (“SRT”, formerly Software Radio Technology), which was awarded a contract to supply the Panama Canal with its GeoVS maritime display and data management system. This order is part of the canal’s investment to increase its shipping capacity and the recognition that more shipping traffic will require technologies, such as those developed by SRT,

to enhance the situational awareness and control of the operators. This contract followed another significant deal with Indonesia for the development and implementation of a national integrated maritime system, which is expected to generate revenues of \$100 million to SRT over a three year period. To put this into context, SRT reported revenues of £10.8 million for the full year to March 2016. The impact of the positive news sent the shares 186% higher over the period. **Quixant**, the Cambridge-based designer and developer of hardware and software for the gaming industry, was another strong performer, its shares rising 48% as it bedded in its acquisition of Densitron Technologies, an AIM-listed screen manufacturing business. The combination of the two businesses allows Quixant to augment its computing units with gaming monitors, gaining a greater share of the cost of each gaming machine unit sold. Over the course of 2016, Densitron should double the size of the group and expand the offering into other verticals besides gaming. **AB Dynamics** gained 64% over the period, bucking the trend of disappointing trading and share price performance in the engineering sector. AB Dynamics' focus on providing critical safety testing equipment to automotive manufacturers with big investment plans for next generation cars has, thus far, stood the business in good stead. Sales to North American and Far Eastern customers were particularly strong and the continued advance towards autonomous cars is expected to drive continued demand for AB Dynamics' products. A share price rise of 59% for **Keywords Studios** ("Keywords") followed a very busy period, during which five acquisitions were completed. Keywords, whose CEO gave a memorable presentation to investors following Amati VCT 2's AGM in June, has delivered a sequence of positive earnings surprises as it continues to make well-priced acquisitions of service providers to the global video games industry. The industry is consolidating as games publishing customers seek fewer suppliers with a broad suite of capabilities in multiple geographies and Keywords has established itself as a key player in this process. Their strategy has driven revenues from £4.8 million in 2010 to £49.5 million in 2015.

The most significant negative performers during the period were both convertible loan note holdings in businesses with overseas operations. We took the decision to write-off the value of the Company's holding in **RAME Energy** ("RAME"), a specialist in developing wind-farms in Chile. RAME was unable to complete a fundraising in time over the summer, for a variety of reasons. The shares were delisted from AIM and administrators were subsequently appointed. RAME's Chilean subsidiary has now been sold for \$1.2m, and a distribution should be made to the unsecured creditors of the company over the next couple of months, possibly in the range of 15-25% of the amounts outstanding, although there is no certainty of that yet. **Polyhedra**, an unquoted holding with operations in Italy, continued to disappoint. Polyhedra relies on key contracts with the Italian state for the disposal of pharmaceutical products and these are subject to periodic review. As it became increasingly likely that its most significant contract would not renew, we wrote-down the remaining value of the Company's convertible loan note instrument to nil. **Solid State** was one of the Company's best performing holdings in 2015 but disappointed in the period under review. The shares fell sharply following confirmation that its contract with the Ministry of Justice for electronic tagging hardware had been terminated due to the government abandoning the project. Whilst disappointing, we have maintained the Company's position in Solid State as it is sufficiently diverse to cope with this loss and we are confident that it will return to solid levels of growth. **Frontier Developments** also fell during the period, having seen a delay to the release of a major update to its game *Elite Dangerous: Horizons*. The company is due to release the first version of a new game franchise, *Coaster Park Tycoon*, by the end of 2016.



## Portfolio Activity

### *Qualifying Portfolio*

The Company made only one new qualifying investment during the period, alongside one small 'follow-on' investment in an existing holding. This represents a quiet period for qualifying activity and it is important to put this into context. The most recent changes to the VCT legislation became effective in November 2015. The widespread nature of these changes were reported in the most recent annual report and the result has been a slow-down in the absolute number of available investment opportunities and in those that meet our strict selection criteria. The sources of our deals are broking firms that advise AIM listed companies and these firms are inevitably going through a process of understanding the rules and the implications for their clients' capital raising plans. We maintain an active dialogue with the brokers on the characteristics that we are looking for under the new rules. We expected a much reduced level of new investment for a period, but are now seeing progress, which is translating into signs of an improved number of new investment opportunities.

The new qualifying investment was in **Genedrive** (formerly Epistem), a molecular diagnostics company. The value of Genedrive lies in a point of care diagnostic tool of the same name, which has been developed to provide a low cost, versatile and simple to use diagnostics platform for the diagnosis of infectious disease and for use in patient stratification (personalised medicine), pathogen detection and other indications. The first market for the Genedrive platform is in India, where a tuberculosis (TB) test has been developed for sale. TB is an epidemic in India and the device is being targeted at 5,000 private laboratories that conduct tests for the disease. A Hepatitis C test is due for launch in 2017 and Genedrive is working with the US Department of Defence to develop a test which can identify pathogens for the purposes of protection against biological warfare. The Company invested £0.3 million in the fundraising. We sought to invest more, but the issue was heavily over-subscribed.

The small follow-on investment (less than £0.1 million) referred to was made in **Fox Marble**, as part of a fund raise to finance the completion of its factory for the cutting and polishing of marble extracted from the company's quarries in Kosovo and Macedonia. The factory is expected to be commissioned in autumn 2016 and should provide the catalyst for both revenues and margins to increase.

The level of selling activity in the qualifying portfolio was also muted. The only sale during the period consisted of a partial reduction in the Company's holding of **TLA Worldwide** ("TLA"), the sports player representation and marketing business. TLA was the subject of a takeover bid by a US listed cash shell, led by the management team. The consideration was structured as a mixture of cash and shares in the new shell. The anticipated demand for the new vehicle amongst US institutions was not as strong as originally anticipated and the board of TLA withdrew its recommendation for the offer. Our decision to reduce the Company's position reflected our view on the likelihood of completion. A total of £0.3 million was realised.

### *Non-Qualifying Portfolio*

Activity in the non-qualifying portfolio was restricted to a further investment in the **TB Amati UK Smaller Companies Fund** (the "Fund"), which totalled £0.7 million. For the six month period, the Fund performed in line with its benchmark, gaining 7.4% against the Numis Smaller Companies (inc AIM ex Investment Trusts) Index Total Return of 7.6%.

### **Outlook**

The immediate aftermath of the EU referendum has been an environment in which every item of macroeconomic and market sentiment data published for the UK has been heavily scrutinised. So far the interpretation is that whilst there was a degree of slowdown in domestic economic activity before the vote, there has been no marked change in direction thereafter, perhaps in no small part due to the massive new injection of liquidity announced by the Bank of England. The stock market has responded positively to this, with all indices now well above the levels of late June. The UK is, however, barely at the beginning of a long and complex Brexit process, which is likely to extend for several years. The stock market will not only have to address the final negotiated outcomes for major issues, such as access to the single market with or without labour mobility, but also the intervening impact of structurally weak sterling, lower interest rates, higher inflation, and a likely worsening spending deficit alongside fiscal stimulus. The portfolio remains focused on dynamic smaller companies, many of which are achieving durable growth from a combination of technology, intellectual property or strong market position. These types of company were amongst the first to bounce following the referendum, and should be less affected by an unpredictable outlook for the UK economy, particularly where they have significant overseas earnings.

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

Amati Global Investors

30 September 2016

# INVESTMENT PORTFOLIO

as at 31 July 2016

	Cost £'000	Valuation £'000	Market Cap £m	Sector	Status	Dividend Yield# %	Fund %
Accesso Technology Group plc <sup>†@</sup>	274	3,934	320.0	Technology	AIM	-	10.7
TB Amati UK Smaller Companies Fund <sup>@</sup>	2,801	3,403	-	Financials	OEIC	1.5	9.3
IDOX plc <sup>*@</sup>	239	2,012	228.3	Technology	AIM	1.6	5.5
Quixant plc <sup>†@</sup>	386	1,921	150.1	Technology	AIM	0.8	5.2
Brooks Macdonald Group plc <sup>†@</sup>	1,154	1,626	247.3	Financials	AIM	1.9	4.4
GB Group plc <sup>†@</sup>	224	1,602	396.6	Technology	AIM	0.8	4.4
AB Dynamics plc <sup>†@</sup>	259	1,443	85.3	Industrials	AIM	0.6	3.9
Universe Group plc <sup>†@</sup>	267	1,186	23.7	Industrials	AIM	-	3.2
Ideagen plc <sup>†@</sup>	496	1,182	95.0	Technology	AIM	0.4	3.2
Keywords Studios plc <sup>†@</sup>	437	1,125	170.8	Industrials	AIM	0.4	3.1
<b>Top Ten</b>	<b>6,537</b>	<b>19,434</b>					<b>52.9</b>
Bilby plc <sup>†@</sup>	574	1,089	43.3	Industrials	AIM	2.3	3.0
Learning Technologies Group plc <sup>*@</sup>	746	1,066	125.6	Industrials	AIM	0.6	2.9
Tristel plc <sup>†@</sup>	439	1,054	50.6	Health care	AIM	3.8	2.9
SRT Marine Systems plc <sup>*@</sup>	579	1,007	67.6	Technology	AIM	-	2.7
TLA Worldwide plc <sup>†@</sup>	343	918	76.7	Consumer services	AIM	-	2.5
Frontier Developments plc <sup>†@</sup>	549	902	59.7	Consumer goods	AIM	-	2.5
Fox Marble Holdings plc Ordinary shares & 8% Convertible Loan Note <sup>*@</sup>	1,205	867	16.7	Basic Materials	AIM/ Unquoted	-	2.4
Science in Sport plc <sup>†@</sup>	710	757	23.3	Consumer goods	AIM	-	2.1
Anpario plc <sup>†@</sup>	272	740	52.8	Health care	AIM	2.2	2.0
Tasty plc <sup>†</sup>	320	738	85.4	Consumer services	AIM	-	2.0
<b>Top Twenty</b>	<b>12,274</b>	<b>28,572</b>					<b>77.9</b>

	Cost £'000	Valuation £'000	Market Cap £m	Sector	Status	Dividend Yield# %	Fund %
Crawshaw Group plc <sup>†@</sup>	369	702	63.1	Consumer services	AIM	0.7	1.9
Hiscox Limited <sup>@</sup>	490	610	3,025.7	Financials	AIM	2.5	1.7
Premier Technical Services Group plc <sup>†@</sup>	403	580	66.1	Industrials	AIM	1.8	1.6
Belvoir Lettings plc <sup>*@</sup>	339	479	44.1	Financials	AIM	5.1	1.3
Netcall plc <sup>†</sup>	110	318	72.1	Technology	AIM	5.7	0.9
Venn Life Sciences Holdings plc <sup>*@</sup>	274	318	15.4	Health care	AIM	-	0.9
Sportsworld.com <sup>*</sup>	352	317	2.8	Industrials	Unquoted	-	0.9
Solid State plc <sup>†@</sup>	243	315	26.4	Industrials	AIM	3.9	0.9
FairFX Group plc <sup>*@</sup>	463	305	29.9	Financials	AIM	-	0.8
Kalibrate Technologies plc <sup>*@</sup>	350	301	23.0	Technology	AIM	-	0.8
Genedrive plc <sup>*@</sup>	299	299	15.0	Health care	AIM	-	0.8
Water Intelligence plc <sup>†@</sup>	170	269	7.2	Industrials	AIM	-	0.7
Synectics plc <sup>†</sup>	342	267	34.7	Industrials	AIM	1.5	0.7
Dods (Group) plc <sup>*</sup>	596	260	44.3	Consumer services	AIM	-	0.7
MartinCo plc <sup>†@</sup>	141	186	29.0	Financials	AIM	4.9	0.5
Mirada plc <sup>*@</sup>	416	176	6.3	Consumer services	AIM	-	0.5
Brighton Pier Group plc (The) <sup>*@</sup>	292	164	28.5	Consumer services	AIM	-	0.4
MirriAd Advertising Limited <sup>†@</sup>	486	137	4.2	Technology	AIM	-	0.4
Ilika plc <sup>*@</sup>	144	127	34.9	Oil & Gas	AIM	-	0.3
Sabien Technology Group plc <sup>†@</sup>	452	106	1.8	Industrials	AIM	-	0.3
Rosslyn Data Technologies plc <sup>*@</sup>	365	99	6.8	Technology	AIM	-	0.3
EU Supply plc <sup>*@</sup>	330	88	4.1	Technology	AIM	-	0.2
Antenova Limited Ordinary shares & A Preference Shares <sup>*</sup>	100	80	2.6	Telecom- munications	Unquoted	-	0.2
Microsaic Systems plc <sup>*@</sup>	370	55	4.0	Industrials	AIM	-	0.1
Allergy Therapeutics plc <sup>*</sup>	29	49	109.0	Health care	AIM	-	0.1

	Cost £'000	Valuation £'000	Market Cap £m	Sector	Status	Dividend Yield# %	Fund %
MyCelx Technologies Corporation* <sup>@</sup>	425	35	1.5	Oil & Gas	AIM	-	0.1
Nujira Limited* <sup>@</sup>	117	5	1.1	Technology	Unquoted	-	-
Investments held at nil value	3,094	-	-			-	-
<b>Total investments</b>	<b>23,835</b>	<b>35,219</b>					<b>95.9</b>
<b>Net current assets</b>		<b>1,500</b>					<b>4.1</b>
<b>Net assets</b>	<b>23,835</b>	<b>36,719</b>					<b>100.0</b>

\* Qualifying holdings.

† Part qualifying holdings.

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

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

# Next twelve months consensus estimate (Source: Capital IQ).

All holdings are in ordinary shares unless otherwise stated.

Investments held at nil value: Polyhedra Group plc, China Food Company plc, Sorbic International plc, RAME Energy plc, Conexion Media Group plc, Rated People Limited, Celoxia Holdings plc, TCOM Limited.

As at the period end, the percentage of the Company's portfolio held in qualifying holdings for the purposes of Section 274 of the Income and Corporation Taxes Act 2007 is 85.69%.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Company's assets consist of equity and fixed interest investments and cash. Its principal risks include market risk, interest rate risk, credit risk and liquidity risk. Other risks faced by the Company include economic, investment and strategic, regulatory, reputational, operational and financial risks as well as the potential for loss of approval as a VCT. These risks, and the way in which they are managed, are described in more detail in Notes 19 to 22 to the Financial Statements in the Company's Report and Financial Statements for the year ended 31 January 2016. The Company's principal risks and uncertainties have not changed materially since the date of that report.

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements which has been prepared in accordance with FRS 104 “Interim Financial Reporting” gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Chairman’s Statement and Fund Manager’s Review (constituting the interim management report) includes a true and fair review of the information required by DTR4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements;
- the Statement of Principal Risks and Uncertainties on page 12 is a fair review of the information required by DTR4.2.7R, being a description of the principal risks and uncertainties for the remaining six months of the year; and
- the financial statements include a fair review of the information required by DTR4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

For and on behalf of the Board

**Julian Avery**

Chairman

30 September 2016

# UNAUDITED INCOME STATEMENT

for the six months ended 31 July 2016

			Six months ended 31 July 2016	
	Note	Revenue £'000	Capital £'000	Total £'000
Gain on investments		-	3,712	3,712
Income	8	254	-	254
Investment management fee		(78)	(233)	(311)
Other expenses		(156)	-	(156)
Profit on ordinary activities before taxation		20	3,479	3,499
Taxation on ordinary activities	10	-	-	-
Profit and total comprehensive income attributable to shareholders		20	3,479	3,499
Basic and diluted earnings per Ordinary share	6	0.06p	11.04p	11.10p

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

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

The accompanying notes are an integral part of the statement.



Six months ended 31 July 2015			Year ended 31 January 2016		
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
-	2,034	2,034	-	2,098	2,098
372	-	372	654	-	654
(70)	(209)	(279)	(139)	(416)	(555)
(148)	-	(148)	(294)	-	(294)
154	1,825	1,979	221	1,682	1,903
-	-	-	-	-	-
154	1,825	1,979	221	1,682	1,903
0.52p	6.17p	6.69p	0.74p	5.63p	6.37p

# UNAUDITED STATEMENT OF CHANGES IN EQUITY

		Non-distributable reserves		
	Called up share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000
For the six months ended 31 July 2016				
Opening balance as at 1 February 2016	1,513	9,771	425	332
Shares issued	103	2,192	-	-
Share issue expenses	-	(21)	-	-
Repurchase of shares	(16)	-	-	16
Dividends paid	-	-	-	-
Transfer of merger investment disposals	-	-	-	-
Profit for the period	-	-	-	-
Closing balance as at 31 July 2016	1,600	11,942	425	348
For the six months ended 31 July 2015				
Opening balance as at 1 February 2015	1,434	7,205	1,088	287
Shares issued	100	2,072	-	-
Share issue expenses	-	(15)	-	-
Repurchase of shares	(22)	-	-	22
Dividends paid	-	-	-	-
Transfer of merger investment disposals	-	-	(663)	-
Profit for the period	-	-	-	-
Closing balance as at 31 July 2015	1,512	9,262	425	309
For the year ended 31 January 2016 (Audited)				
Opening balance as at 1 February 2015	1,434	7,205	1,088	287
Shares issued	124	2,588	-	-
Share issue expenses	-	(22)	-	-
Repurchase of shares	(45)	-	-	45
Dividends paid	-	-	-	-
Transfer of merger investment disposals	-	-	(663)	-
Profit and total comprehensive income for the period	-	-	-	-
Closing balance as at 31 January 2016	1,513	9,771	425	332

# these reserves are not wholly distributable.

The accompanying notes are an integral part of the statement.

Distributable reserves				
	Special reserve £'000	Capital reserve# £'000	Revenue reserve £'000	Total reserves £'000
	17,150	3,181	28	32,400
	-	-	-	2,295
	-	-	-	(21)
	(338)	-	-	(338)
	(1,088)	-	(28)	(1,116)
	-	-	-	-
	-	3,479	20	3,499
	15,724	6,660	20	36,719
	19,969	836	(193)	30,626
	-	-	-	2,172
	-	-	-	(15)
	(461)	-	-	(461)
	(1,051)	-	-	(1,051)
	-	663	-	-
	-	1,825	154	1,979
	18,457	3,324	(39)	33,250
	19,969	836	(193)	30,626
	-	-	-	2,712
	-	-	-	(22)
	(940)	-	-	(940)
	(1,879)	-	-	(1,879)
	-	663	-	-
	-	1,682	221	1,903
	17,150	3,181	28	32,400

# UNAUDITED CONDENSED BALANCE SHEET

as at 31 July 2016

	Note	31 July 2016 £'000	31 July 2015 £'000	31 January 2016 (audited) £'000
<b>Fixed assets</b>				
Investments held at fair value	11	35,219	31,167	30,826
<b>Current assets</b>				
Debtors		99	128	99
Cash at bank		1,689	2,997	1,692
Total current assets		1,788	3,125	1,791
<b>Current liabilities</b>				
Creditors: amounts falling due within one year		(288)	(1,042)	(217)
Net current assets		1,500	2,083	1,574
Total assets less current liabilities		36,719	33,250	32,400
<b>Capital and reserves</b>				
Called up share capital		1,600	1,512	1,513
Share premium account		11,942	9,262	9,771
Reserves		23,177	22,476	21,116
Equity shareholders' funds		36,719	33,250	32,400
Net asset value per share	7	114.73p	109.99p	107.07p

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

# UNAUDITED STATEMENT OF CASH FLOWS

for the six months ended 31 July 2016

	Six months ended 31 July 2016 £'000	Six months ended 31 July 2015 £'000	Year ended 31 January 2016 (audited) £'000
<b>Operating activities</b>			
Investment income received	274	308	613
Investment management fees	(292)	(271)	(551)
Other operating costs	(172)	(161)	(291)
Net cash outflow from operating activities	(190)	(124)	(229)
<b>Investing activities</b>			
Purchases of investments	(1,028)	(2,487)	(4,126)
Disposals of investments	334	2,305	3,526
Net cash outflow from investing activities	(694)	(182)	(600)
Net cash outflow before financing	(884)	(306)	(829)
<b>Financing activities</b>			
Net proceeds of share issues and buybacks	1,998	1,695	1,741
Equity dividends paid	(1,117)	(1,051)	(1,879)
Net cash inflow/(outflow) from financing activities	881	644	(138)
(Decrease)/increase in cash	(3)	338	(967)
<b>Reconciliation of net cash flow to movement in net cash</b>			
Net cash at start of period	1,692	2,659	2,659
Net cash at end of period	1,689	2,997	1,692
(Decrease)/increase in cash during the period	(3)	338	(967)

The accompanying notes are an integral part of the statement.

# NOTES TO THE FINANCIAL STATEMENTS

for the six months ended 31 July 2016

1. The Half-yearly financial report covers the six months ended 31 July 2016. The Company applies FRS 102 and the AIC's Statement of Recommended Practice issued in November 2014 as adopted for its financial year ended 31 January 2016. The financial statements for this six month period have been prepared in accordance with FRS 104 and on the basis of the same accounting policies as set out in the Company's Annual Report and Financial Statements for the year ended 31 January 2016.

The comparative figures for the financial year ended 31 January 2016 have been extracted from the latest published audited Annual Report and Financial Statements. Those accounts have been reported on by the Company's auditor and lodged with the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

2. The financial information set out in this report has not been audited and does not comprise full financial statements within the meaning of Section 434 of the Companies Act 2006. No statutory accounts in respect of any period after 31 January 2016 have been reported on by the Company's auditors or delivered to the Registrar of Companies.

## 3. Going concern

In accordance with FRC Guidance for directors on going concern and liquidity risk the directors are of the opinion that, at the time of approving the Half-yearly Report, the Company has adequate resources to continue in business for the foreseeable future. In reaching this conclusion the directors took into account the nature of the Company's business and Investment Policy, its risk management policies, the diversification of its portfolio, the cash holdings and the liquidity of non-qualifying investments. Thus the directors believe it is appropriate to continue to apply the going concern basis in preparing the financial statements.

## 4. Segmental reporting

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

5. Copies of the Half-yearly report are being sent to all shareholders. Further copies are available free of charge from Amati Global Investors by telephoning 0131 503 9115 or email [vct-enquiries@amatiglobal.com](mailto:vct-enquiries@amatiglobal.com).
6. The earnings per share is based on the gain attributable to shareholders for the six months ended 31 July 2016 of £3,499,000 (six months ended 31 July 2015: £1,979,000, year ended 31 January 2016: £1,903,000) and the weighted average number of shares in issue during the period of 31,506,740 (31 July 2015: 29,559,281, 31 January 2016: 29,854,090). There is no difference between basic and diluted earnings per share.
7. The net asset value per share at 31 July 2016 is based on net assets of £36,719,000 (31 July 2015: £33,250,000, 31 January 2016: £32,400,000) and the number of shares in issue of 32,004,570 (31 July 2015: 30,230,851, 31 January 2016: 30,259,489). There is no difference between basic and diluted net asset value per share.

## 8. Income

	Six months ended 31 July 2016 £'000	Six months ended 31 July 2015 £'000	Year ended 31 January 2016 £'000
Income:			
Dividends from UK companies*	184	170	308
Dividends from overseas companies	27	6	20
UK loan stock interest	38	191	317
Interest from deposits	5	5	9
	254	372	654

\* includes dividends received from Antenova Limited deemed to be capital in nature.

**9. Dividends paid**

	Six months ended 31 July 2016 £'000	Six months ended 31 July 2015 £'000	Year ended 31 January 2016 £'000
Final dividend for the year ended 31 January 2016 of 3.5p per share paid on 22 July 2016	1,116	-	-
Interim dividend for the year ended 31 January 2016 of 2.75p per ordinary share paid on 13 November 2015	-	-	828
Final dividend for the year ended 31 January 2015 of 3.5p per ordinary share paid on 24 July 2015	-	1,051	1,051
	1,116	1,051	1,879

- 10.** The effective rate of tax for the six months ended 31 July 2016 is 0% (31 July 2015: 0%, 31 January 2016: 0%).



## 11. Investments

	Level a Traded on AIM £'000	Level ci Unquoted investments £'000	Level cii Unquoted investments £'000	Total £'000
Cost as at 1 February 2016	18,411	787	4,110	23,308
Opening unrealised appreciation/(depreciation)	11,145	(355)	(2,314)	8,476
Opening unrealised loss recognised in realised reserve	(296)	(110)	(552)	(958)
Opening valuation as at 1 February 2016	29,260	322	1,244	30,826
Movements in the period:				
Reclassification in period	-	-	-	-
Purchases	1,028	-	-	1,028
Sales – proceeds	(341)	(7)	-	(348)
Realised gain on sales	77	-	-	77
Unrealised gain/(loss) in the period	4,154	7	(525)	3,636
Valuation as at 31 July 2016	34,178	322	719	35,219
Cost at 31 July 2016	19,317	780	3,738	23,835
Unrealised appreciation/(depreciation) as at 31 January 2016	15,157	(348)	(2,839)	11,970
Closing unrealised loss recognised in realised reserve	(296)	(110)	(180)	(586)
Valuation as at 31 July 2016	34,178	322	719	35,219
Equity shares	34,178	322	187	34,687
Preference shares	-	-	30	30
Loan stock	-	-	502	502
Valuation as at 31 July 2016	34,178	322	719	35,219

## 11. Investments (continued)

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

### – Quoted market prices in active markets – “Level a”

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

### – Valued using models with significant observable market parameters – “Level b”

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

### – A valuation technique; – “Level c i) & ii)”

- i) Using observable market data; or
- ii) Using non-observable market data.

There has been no significant change in analysis as disclosed in the Company’s annual accounts.

## 12. Related parties

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

The Company holds 3,943,034 shares and 508,300 convertible loan notes in Fox Marble Holdings plc, an AIM traded company of which Paul Jourdan was a non-executive director until 20 September 2016.

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

	31 July 2016 shares held
Paul Jourdan	205,875
Douglas Lawson	14,953
David Stevenson	9,120

### Related party transaction

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

# SHAREHOLDER INFORMATION

## Share price

The Company's shares are listed on the London Stock Exchange. The bid-price of the Company's shares can be found on Amati Global Investors' website: <http://www.amatiglobal.com/avct2.php>.

## Net Asset Value per Share

The Company's net asset value per share as at 31 July 2016 was 114.73p. The Company normally announces its net asset value on a weekly basis. Net asset value per share information can be found on Amati Global Investor's website: <http://www.amatiglobal.com/avct2.php>.

## Financial calendar

September 2016	Half-yearly report for the six months to 31 July 2016 published
31 January 2017	Year end
May 2017	Announcement of final results for the year ended 31 January 2017
June 2017	Annual General Meeting

## Dividends

Shareholders who wish to have future dividends reinvested in the Company's shares or wish to have dividends paid directly into their bank account rather than sent by cheque to their registered address should contact Share Registrars Limited on 01252 821 390 or email [enquiries@shareregistrars.uk.com](mailto:enquiries@shareregistrars.uk.com).

## CORPORATE INFORMATION

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

Finely crafted investments