Amati VCT 2 plc
ANNUAL REPORT & FINANCIAL STATEMENTS
For the year ended 31 January 2017

Company number 04138683

Contents

If you have sold or otherwise transferred all of your shares in Amati VCT 2 plc, please forward this document and the accompanying form of proxy as soon as possible to the purchaser or transferee, or the stockbroker, bank or other agent through whom the sale or transfer was, or is being, effected, for delivery to the purchaser or transferee.

Highlights

- NAV Total Return for the year 22.0%.
- Year end NAV 123.72p.
- Proposed final dividend of 4.25p per share bringing the total declared in respect of the year to 7.00p per share which is 5.7% of year end NAV.
- £2.2m invested in qualifying holdings during the year.
- The Top Up Share Issue launched on 8 November 2016 together with Amati VCT plc has raised £4m for the Company as at 25 April 2017 and was fully subscribed for tax year 2016/17.

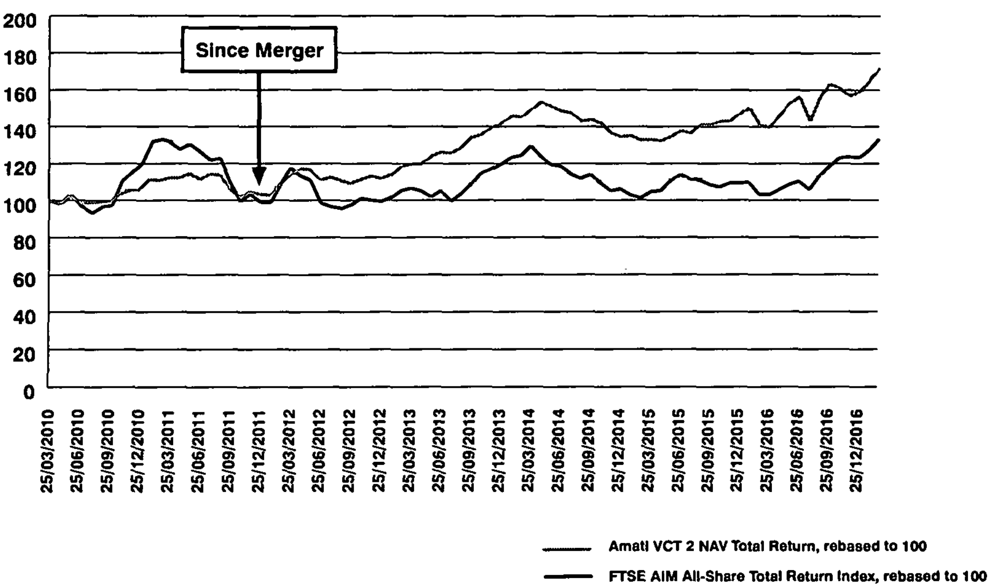
Table of investor returns to 31 January 2017

From	Date	NAV Total Return with dividends reinvested	FTSE AIM All-Share Total Return Index
Re-launch as Amati VCT 2 following merger	9 November 2011*	63.8%	28.2%
Appointment of Amati Global Investors ("Amati") as Manager of Amati VCT 2, which was known as ViCTory VCT at the time	25 March 2010	71.9%	33.4%

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

Amati VCT 2 NAV Total Return and FTSE AIM All-Share Total Return Index from change of Manager on 25 March 2010 to 31 January 2017

See next page for graph of performance since launch.



Overview
(continued)

Key data

	31/01/17	31/01/16
Net Asset Value ("NAV")	£40.4m	£32.4m
Shares in issue	32,643,069	30,259,489
NAV per share	123.7p	107.1p
Bid price	115.5p	102.5p
Mid price	115.8p	102.8p
Market capitalisation	£37.8m	£31.1m
Share price discount to NAV	6.4%	4.0%
NAV Total Return for the year (assuming re-invested dividends)	22.0%	6.1%
FTSE AIM All-Share Total Return Index	29.3%	1.8%
Ongoing charges*	2.6%	2.6%
Dividends proposed/declared in respect of the year	7.00p	6.25p

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

Dividends declared and recommended since the re-launch following the merger

Year ended 31 January	Total dividends per share p	Cumulative dividends per share p
2011	4.74	4.74
2012	5.50	10.24
2013	6.00	16.24
2014	6.75	22.99
2015	6.25	29.24
2016	6.25	35.49
2017	7.00	42.49

Historic performance

Amati VCT 2 NAV Total Return assuming re-invested dividends, FTSE AIM All-Share Total Return Index and Numis Alternative Markets Total Return Index:

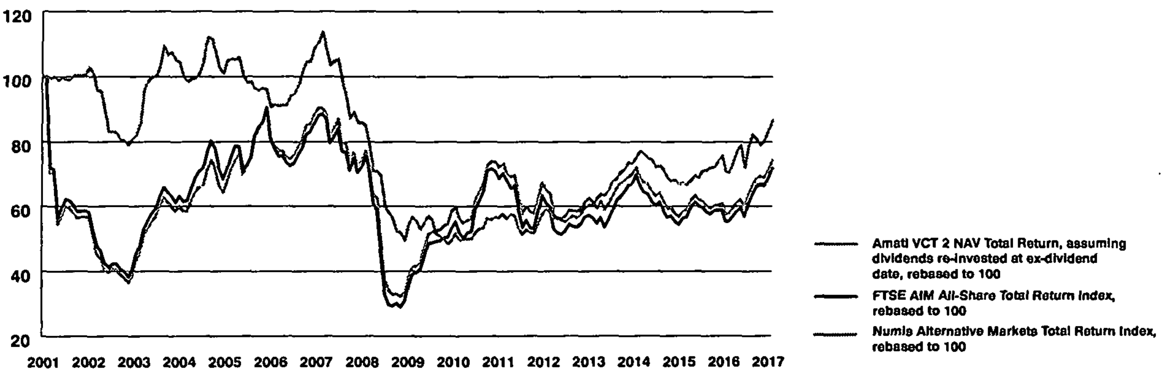


Table of Historic Returns from launch to 31 January 2017 attributable to shares issued by VCTs which have been merged into Amati VCT 2

	Launch date	Merger date	NAV Total Return with dividends re-invested	FTSE AIM All-Share Total Return Index
Singer & Friedlander AIM 3 VCT ('C' shares)	4 April 2005	8 December 2005	-4.9%	-7.4%
Invesco Perpetual AiM VCT	30 July 2004	8 November 2011	-15.9%	16.5%
Amati VCT 2 (originally Singer & Friedlander AIM 3 VCT*)	29 January 2001	n/a	-13.3%	-28.2%
Singer & Friedlander AIM 2 VCT	29 February 2000	22 February 2006	-33.6%	-62.0%
Singer & Friedlander AIM VCT	28 September 1998	22 February 2006	-54.7%	23.2%

*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

The purpose of this report is to inform shareholders and help them to assess how the directors have performed in their duty to promote the success of the Company. This report has been prepared by the directors in accordance with the requirements of Section 414A of the Companies Act 2006.

Overview

A year ago I wrote about some significant changes to the Company's policies in respect of both qualifying and non-qualifying investments. These changes are now beginning to bear fruit and it is pleasing to be able to report a strong performance for the portfolio over the last twelve months. In the qualifying portfolio, the decision to hold shares in successful companies for the longer term, rather than sell for shorter term profit generation, has resulted in the Company's portfolio having a greater weighting in mature, profitable businesses, and this is showing through in the overall performance. This strategy has also, as expected, led to a lower turnover in holdings. In parallel, our decision to manage our non-qualifying holdings primarily through the TB Amati UK Smaller Companies Fund has also resulted in strong returns. The performance of the portfolio, and its individual components, is described in greater detail in the Manager's report.

A year ago we anticipated a fall-off in the number of new investment opportunities as the new regulations were being digested. This proved to be the case, but the flow of opportunities began increasing in the second half and a reasonable number of new investments have been made towards the end of the year. We also indicated that we expected that the Manager would be making fewer, but larger, new qualifying investments, targeting companies at the more mature end of the spectrum allowed by the VCT regulations. This ambition has been more difficult to realise, as the new rules often mean that companies can raise less money from VCTs than before, and there is therefore high demand for the most attractive investments, especially while the number of opportunities remains constrained. This can result in smaller position sizes than we would have ideally liked for some new investments.

As also reported we have raised some additional funds, and in doing so we have aimed to match the level of funds raised to the level of anticipated new qualifying investment opportunities. The Company is in the fortunate position of being very fully invested in qualifying holdings so we are under no pressure to make new investments simply to maintain our VCT status.

Investment Performance and Dividend

The NAV Total Return for the period was 22.0%, which compares to a rise of 29.3% for the FTSE AIM All-Share Total Return Index. Having been just ahead of the AIM index at the half year end, the portfolio lagged the exceptional strength of AIM in the second half which was led by a resurgence of natural resources stocks and ongoing demand from investors to own AIM stocks for the tax benefits, which tends to be focused on the largest companies.

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. At 31 January 2017 the net asset value was 123.72p per share. In line with this policy the Board is proposing a final dividend of 4.25p per share, to be paid on 21 July 2017 to shareholders on the register on 16June 2017. This would make total dividends for the year 7.00p.

The Company has thus far used the FTSE AIM All-Share Total Return Index as its comparator index. For some years this index has been the only one available against which to measure performance for AIM focused investment companies, but unfortunately the cost of using it has been high. However, Numis have recently decided to extend their well known range of UK smaller company indices to include an AIM index, and the Amati VCTs and the Manager have agreed to subscribe to this index instead, which should result in a worthwhile saving to the Company, while providing a very similar comparable measurement index to the FTSE product. The historic performance chart on page 2 gives an indication of how similar the two indices are in practice. Future reports will use the Numis Alternative Markets Total Return Index as the comparator for performance.

It is worth noting to shareholders that, following a period of strong performance, the Company is now benefitting from the Manager having waived all rights to future performance fees in 2014. Had this not happened, we would now be accruing for a further performance fee. The Amati VCTs remain very unusual amongst VCTs in no longer paying performance fees.

Other Corporate Developments

A further joint top up share issue (the "Share Issues") with Amati VCT plc ("Amati VCT") was launched in November 2016. The available capacity under these offers for the 2016/17 tax year was filled for both VCTs, at around £3.6m each. At the time of writing a small amount of capacity remains available for the 2017/18 tax year. The capacity of each allotment will be subject to the rules governing non-prospectus offers, which are set out in the Share Issues document, and the offers will close on 14 July 2017, or as soon as full capacity is reached if earlier.

Investors wishing to make further investments in the Company may also wish to consider joining the Dividend Re-investment Scheme ("DRIS"), which remains open to all shareholders. Please contact the company's registrar, Share Registrars, if you wish to join or leave the DRIS.

At the Annual General Meeting ("AGM") in June the Company is seeking shareholders' consent to send or supply documents and information to them in electronic form and via its website (www.amatiglobal.com).

Chairman's Statement
(continued)

Increased use of electronic communications will deliver savings to the Company in terms of administration, printing and postage costs, as well as speeding up the provision of information to shareholders. The reduced use of paper will also have environmental benefits.

Under the proposal, when new Documents and Information become available on the website, we will notify you by letter to your normal address or, if you have consented to email notification and provided an email address, by email. Shareholders will be able to opt out of electronic communications and continue to receive printed documents in the post if they wish.

The Company is also seeking shareholders' approval to amend the Investment Policy of the Company at the AGM in June; further information is included in the Directors' Report on page 18 and the full text of the proposed new Investment Policy is detailed on page 49.

Outlook

As reported above, the portfolio is now concentrated around the more successful, mature, holdings and this is proving beneficial to the Company's performance. We believe that these companies have scope for significant further growth and will therefore become attractive to a wider group of investors. The Board has also been pleased with the new additions to the portfolio during the year, several of which have already made a positive contribution to performance. The Company is well placed to add new investments selectively, without being under any undue pressure to do so.

AGM

The AGM will again be held at the Guildhall School of Music and Drama, starting at 2.00pm on Wednesday 28 June 2017 at Milton Court Theatre, The Guildhall School of Music and Drama, Silk Street, Barbican, London, EC2Y 9BH (the entrance is on the corner of Milton Street and Silk Street). This will be followed by further events and presentations, including the fourth Amati Guildhall Creative Entrepreneurs Award, to which shareholders are invited, details of which are being sent to you with this report. I do hope that as many shareholders as possible will be able to join us. Please RSVP to rachel.lederf@amatiglobal.com if you would like to attend.

Julian Avery
Chairman

27 April 2017

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

Fund Manager's Review

Market Review

The year under review was dominated by two major political events, the UK's vote to leave the European Union and the election of Donald Trump to the office of US President. In both cases stock markets stalled ahead of the voting. After the Brexit vote they fell sharply and then recovered, breaking into new highs, with a similar pattern and much briefer fall after the US election. Overall the second half of the year produced strong returns. In our view, the strong stock markets should be seen as the result of a long term policy of low interest rates and quantitative easing ("QE") which has had the effect of normalising the bank lending environment, and forcing money into risk assets, both of which are strongly stimulative for the economy. In 2016 evidence emerged that this policy had done its job, but investors delayed entering the stock market due to the uncertainty created by these political events. Once they were completed, even though the results were unexpected and may cause many problems in the future, the cash awaiting investment waited no longer.

In the case of the EU referendum, the leave result triggered a dramatic fall in the value of sterling, and it has so far remained weak. This in turn led to the outperformance of UK larger companies, which have a bias towards overseas earnings, with the FTSE 100 enjoying a total return of 21.4% for the period, whilst the FTSE 250 lagged with a gain of 13.2% due to its heavier dependence on UK based earnings. Something different was happening in AIM, however, which beat every Full List index with a gain of 29.3%. The AIM market is increasingly being dominated by a small group of large companies, which in the main posted strong gains in 2016 and set the tempo for the overall performance of the index. Together with the recovery in commodity prices (particularly in sterling terms), which translated into a reversal of the share price declines in the Oil and Gas and Basic Materials sectors, this provided a further catalyst for AIM outperformance.

Performance

The Company returned a NAV total return of 22.0% for the year to 31 January 2017. The FTSE AIM All-Share Index enjoyed even stronger gains, ending the same period up 29.3%.

The greatest contributor to performance was **Accesso Technology Group** ("Accesso"). Accesso continued its progress in its main business segments: electronic queuing, where two new parks were added, including another LEGOLAND site; and ticketing, where sales via mobile devices are driving growth. With the bulk of its revenues earned in US dollars, Accesso was also a beneficiary of sterling weakness following the Brexit vote. Following a share price rise of 80%, Accesso grew to represent over 10% of the portfolio late in the year, and we took the decision to take some profits, selling around £780k worth of shares in order to manage the position size. At the end of the period it represented 8.4% of the portfolio, and we remain comfortable with this overweight position. At the time of writing Accesso's market capitalisation is now in excess of £350 million, and this size acts as a useful diversifier to the smaller companies that were acquired for the VCT more recently. The continued success of Accesso, as well as other long-standing positions in the Company, serve to increase the overall maturity and liquidity of the portfolio. As well as this, we believe in 'running our winners' and Accesso has been the most outstanding of these since we took on the management of the VCT in 2010. **Quixant**, the designer and manufacturer of hardware and software for gaming machines, has also been an exceptional stock, and was the next most significant contributor to performance, with a further share price rise of 113% during the period. Quixant upgraded its forecasts with demand from gaming customers exceeding expectations and a maiden contribution from the acquisition of Densitron, a supplier of electronic displays. Like Accesso, Quixant's success has enabled its evolution from a small AIM business with a limited audience, to a business capitalised at around £230 million at the period end that is attracting the interest of a large pool of AIM investors. Continuing this theme, **Keywords Studios** ("Keywords") climbed 170%. This was the consequence of two factors. Firstly, Keywords made a series of earnings enhancing acquisitions, thus driving the forward earnings per share (based on next twelve months) higher - from 11 pence to 18 pence over the year. Secondly, Keywords has become a favourite of a wide pool of AIM investors, and has seen a re-rating as a result, with the price to earnings (P/E) ratios rising from 19x to 29x over the year. Other notable performers were **AB Dynamics**, the designer of test equipment for vehicle suspension, steering, noise and vibration, which ended the year 86% ahead; **IDOX**, the software supplier to local authorities, which gained 30%; and **Science in Sport**, the supplier of sports nutrition products, which climbed 71%. The **TB Amati UK Smaller Companies Fund** ("the Fund") also made a valuable contribution to performance, following a 23% increase in value over the year.

The most significant detractor from performance was **Bilby**, the gas heating, electrical and building services business that was the prior year's greatest contributor to performance. Unfortunately, the gains that were enjoyed in 2015 were reversed in 2016 following a delay to anticipated work with a large, long standing public sector customer. This was followed by the announcement of a restatement of its prior year financial statements due to additional, unrecognised costs and disputed revenues, which had a material impact on the previously reported profit. The consequence was a share price fall of 61% over the year. Also weak was **Crawshaw Group**, the operator of butcher shops throughout Yorkshire, Humberside, Nottinghamshire and

Lincolnshire. The shares fell 76% over the year, with most of the damage inflicted following a poor trading update in September, in which the company blamed adverse weather, an even more price-focussed consumer post-Brexit, and aggressive price promotions by supermarket competitors for sustained reductions in like for like sales. The residual value in the convertible loan to **Polyhedra Group** was written down to nil following the failure of the group to renew a contract with a customer that represents most of its turnover. Despite attempts to diversify the business, there appears to be little progress towards any return of value from this position. **TLA Worldwide** ("TLA"), the sports management and marketing agency, fell 45% following the withdrawal of a takeover bid from a Nasdaq listed cash shell. The convertible loans in **Rame Energy** ("RAME") were also written off. RAME was unable to fulfil its promise of becoming a niche independent power producer in Latin America and entered administration, a process that is unlikely to yield much value for creditors.

Transactions

Qualifying portfolio

The Company completed five material new qualifying investments during the year under review, investing £2.0 million in the process. The Company participated in the IPO of **LoopUp Group** ("LoopUp"), a provider of high quality remote meeting technology. LoopUp addresses the frustrations that are familiar to regular participants in conference calls such as getting all the right participants on a call, background noise, sharing content and security. Amongst its features, LoopUp's software can call each participant, rather than waiting for them to join, enables screen sharing and identifies who is talking and who is on the call at any stage. These features have already attracted nearly 2,000 customers globally, in a market that is growing at 15% per annum. We took a position in **Faron Pharmaceuticals** ("Faron"), which raised capital in a secondary placing to fund safety trials for the US development of its lead product, Traumakine, for the treatment of Acute Respiratory Distress Syndrome (ARDS), a severe lung condition with a mortality rate of 30-40% and no current cure. The defining moment for Faron will be the publication of Phase III trials in mid-2017. The Company also participated in a placing of new funding for **Hardide**, a long-standing holding in Amati VCT and, as such, well known to us since 2007. Hardide has patented several surface coating technologies based around tungsten carbide which, when applied to industrial components provides a super-hard coating which extends life spans and reduces downtime. The primary end market since inception of the business has been oil and gas but Hardide has been selling increasingly into other sectors, shortly to include aerospace, where long sales cycles are compensated for by long-term, high value contracts.

We took part in the IPO of **FreeAgent Holdings** ("FreeAgent"), a developer of accounting software for small businesses. Specifically, FreeAgent has targeted the freelancer market and companies with up to ten employees. It has built an intuitive and unintimidating user interface that was designed by non-accountants for non-accountants. FreeAgent has two routes to market: direct to the end customer; and sales via accountancy practices that specialise in advising very small businesses. Like many software products, revenues are 'sticky', meaning that customers tend to renew year after year due to increasing familiarity with the functionality. Revenues have been growing at over 30% per annum. During the first half, we made a small investment in **Genedrive**, a point of care diagnostics business. Since the Company's investment, Genedrive has made progress with its Hepatitis C test and CE Marking submission, to allow the distribution of this product in Europe, which is imminent following encouraging performance results. However, the tuberculosis test has so far fared poorly, with end user sales in India having been challenging and Genedrive is working to address some issues customers are experiencing around the preparation of samples, which they believe are holding back repeat orders.

Small follow-on investments totalling £0.2 million were made in **Fox Marble Holdings**, the Kosovo-based producer of high quality marble, which recently commissioned its cutting and polishing factory; **Sabien Technology**, the designer of boiler efficiency technology; **Microsaic Systems**, the developer of smaller-scale mass spectrometry instruments; and **Ilika**, the material sciences business.

A total of £1.9 million was realised from the sale of qualifying investments, predominantly due to the profit taking in Accesso (see above) and the sale of TLA. During the failed bid period we were able to reduce the Company's holding in TLA and continued to sell following the withdrawal of the bid.

Non-qualifying portfolio

We continued to add to the Company's position in the **TB Amati UK Smaller Companies Fund** (the "Fund"). The Fund performed well against its peer group (IA UK Smaller Companies) and its benchmark (Numis Smaller Companies Index, plus AIM, excluding Investment Companies) over the year.

The Company's non-qualifying holding in **Hiscox**, the mid cap commercial and personal lines insurance group was sold to raise cash for qualifying investments.

Outlook

The year ahead is likely to be characterised by more volatility as Article 50 is triggered on this side of the Atlantic and an unpredictable administration goes about its business stateside. Investor sentiment will ebb and flow with this volatility and there is little we can do to respond to it. If we sell a qualifying holding in a good quality company, we can't buy it back in the future. As ever, therefore, we need to be confident that the stocks that we buy, and those that we hold, are in companies that we believe can perform over the long term.

Alongside volatility, another headwind for 2017 is inflation, which is already creeping into most areas of the economy but its full force is yet to be felt by consumers and businesses. If this does happen, the companies with real pricing power will become apparent, will endure and should emerge stronger. The chief underlying threat is of interest rates rising in an uncontrolled fashion, particularly at the long end of the curve. After such a long period of ultra low rates, no portfolio can be immune from this. However, whilst we are cognisant of the macro risks, we believe that smaller dynamic growth companies remain some of the most compelling investment propositions, and this is what we seek to buy and hold for the long term for the Amati VCTs.

Dr Paul Jourdan,
Douglas Lawson and
David Stevenson

Amati Global Investors

27 April 2017

Amati Global Investors

Dr Paul Jourdan
Founder and CEO Amati Global Investors

Douglas Lawson
Founder and Director, Amati Global Investors

David Stevenson
Fund Manager

Dr 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 2010, having joined Noble in 2007 as Head of Equities. His fund management career began in 1998 with Stewart Ivory, which was taken over by First State in 2000 at which time Paul became manager of what is now TB Amati UK Smaller Companies Fund. In early 2005 he launched what is now Amati VCT and he also manages Amati VCT 2 after the investment management contract moved to Amati Global Investors in 2010. In September 2014 Amati launched the Amati AIM IHT Portfolio Service, which Paul co-manages with Douglas Lawson and David Stevenson. Prior to 1998 Paul worked as a professional violinist, including a four year period with the City of Birmingham Symphony Orchestra. He is CEO of Amati and a Director of Sistema Scotland.

Douglas Lawson co-founded Amati Global Investors with Paul Jourdan. Prior to this he worked in corporate finance and private equity, initially focusing on middle market UK private equity and listed company M&A at British Linen Advisors, and latterly as an investment manager in the private equity team at Noble. Douglas has co-managed the TB Amati UK Smaller Companies Fund and Amati VCT since 2009, Amati VCT 2 since 2010 and the Amati AIM IHT Portfolio Service since 2014. Douglas started his career at Ernst & Young in London, where he qualified as a Chartered Accountant in 2002. He is a Director of Amati.

David Stevenson joined Amati in 2012. In 2005 he was a co-founding partner of investment boutique Cartesian Capital, which managed a range of retail and institutional UK equity funds in long only and long/short strategies. Prior to that he was Assistant Director at SVM, where he also managed equity products including the UK Opportunities small/midcap fund which was ranked top decile for the 5 year period from inception to 2005. David started his career at KPMG where he qualified as a Chartered Accountant. He latterly specialised in corporate finance, before moving into private equity with Dunedin Fund Managers. David has co-managed the TB Amati UK Smaller Companies Fund and the Amati VCTs since 2012 and the Amati AIM IHT Portfolio Service since 2014.

Investment Portfolio

as at 31 January 2017

	Cost £'000	Valuation £'000	Market Cap £m	Sector	Status	Dividend Yield†TTM %	Fund %
TB Amati UK Smaller Companies Fund@	2,815	3,898	-	Financials	OEIC	1.4	9.7
Accesso Technology Group plc*@	221	3,372	339.7	Technology	AIM	-	8.3
Quixant plc†@	386	2,757	215.7	Technology	AIM	0.7	6.8
IDOX plc*@	239	2,115	262.8	Technology	AIM	1.7	5.2
Keywords Studios plc†@	437	1,917	293.9	Industrials	AIM	0.2	4.7
Brooks Macdonald Group plc†@	1,154	1,824	277.7	Financials	AIM	2.4	4.5
AB Dynamics plc†@	259	1,638	104.2	Industrials	AIM	0.6	4.1
GB Group plc†@	224	1,575	393.3	Technology	AIM	0.9	3.9
Learning Technologies Group plc*@	746	1,564	185.2	Industrials	AIM	0.6	3.9
Ideagen plc†@	496	1,517	124.1	Technology	AIM	0.3	3.8
Top Ten	**6,977**	**22,177**					**54.9**
Frontier Developments plc†@	549	1,418	93.8	Consumer goods	AIM	-	3.5
Tristel plc†@	439	1,370	66.1	Health care	AIM	2.3	3.4
Science in Sport plc†@	710	1,178	36.4	Consumer goods	AIM	-	2.9
Universe Group plc*@	244	901	19.7	Industrials	AIM	-	2.2
Anpario plc†@	272	847	62.9	Health care	AIM	2.2	2.1
LoopUp Group plc*@	470	808	70.1	Technology	AIM	-	2.0
SRT Marine Systems plc*@	579	741	49.8	Technology	AIM	-	1.9
Premier Technical Services Group plc†@	403	657	75.1	Industrials	AIM	-	1.6
Fox Marble Holdings plc Ordinary shares & 8% Convertible Loan Note*@	818	618	13.1	Basic Materials	AIM/ Unquoted	-	1.5
Tasty plc†	320	600	77.7	Consumer services	AIM	-	1.5
Top Twenty	**11,781**	**31,315**					**77.5**
FreeAgent Holdings plc*@	361	576	54.4	Technology	AIM	-	1.4
Hardide plc*@	500	563	13.8	Basic materials	AIM	-	1.4
Bilby plc†@	574	544	21.8	Industrials	AIM	-	1.3
Faron Pharmaceuticals Oy*@	390	484	81.6	Health care	AIM	-	1.2
Solid State plc†@	243	471	39.7	Industrials	AIM	2.8	1.2
FairFX Group plc*@	463	447	44.1	Financials	AIM	-	1.1
Water Intelligence plc†@	170	439	13.3	Industrials	AIM	-	1.1
Belvoir Lettings plc*@	339	395	37.2	Financials	AIM	6.3	1.0
Netcall plc†	110	355	80.7	Technology	AIM	3.6	0.9
Sportsweb.com*	352	317	2.8	Industrials	Unquoted	-	0.8
MirriAd Advertising Limited*@	486	284	34.5	Technology	Unquoted	-	0.7
Dods (Group) plc*	596	270	46.0	Consumer services	AIM	-	0.7
Venn Life Sciences Holdings plc*@	274	259	12.5	Health care	AIM	-	0.6
Synectics plc†	342	246	32.0	Industrials	AIM	2.5	0.6
Kalibrate Technologies plc*@	350	239	18.3	Technology	AIM	-	0.6
Genedrive plc*@	299	205	10.3	Health care	AIM	-	0.5

Strategic Report

Investment Portfolio
(continued)

	Cost £'000	Valuation £'000	Market Cap £m	Sector	Status	Dividend Yield[NTM] %	Fund %
Brighton Pier Group plc (The)*@	292	192	33.4	Consumer services	AIM	-	0.5
EU Supply plc*@	330	190	8.8	Technology	AIM	-	0.5
MartinCo plc†@	141	180	32.4	Financials	AIM	6.5	0.5
Crawshaw Group plc†@	369	162	14.6	Consumer services	AIM	-	0.4
Ilika plc*@	192	158	36.8	Oil & Gas	AIM	-	0.4
Antenova Limited Ordinary shares & A Preference Shares*	100	128	4.2	Telecommunications	Unquoted	-	0.3
Mirada plc*@	416	88	3.1	Consumer services	AIM	-	0.2
Rosslyn Data Technologies plc*@	365	79	5.5	Technology	AIM	-	0.2
MyCelx Technologies Corporation*@	425	78	3.4	Oil & Gas	AIM	-	0.2
Sabien Technology Group plc†@	501	77	1.3	Industrials	AIM	-	0.2
Allergy Therapeutics plc*	29	68	152.8	Health care	AIM	-	0.2
Microsaic Systems plc*@	419	60	5.4	Industrials	AIM	-	0.1
Nujira Limited*@	117	9	2.3	Technology	Unquoted	-	-
Investments held at nil value	**3,093**	**-**	**-**	**-**	**-**	**-**	**-**
Total investments	**24,419**	**38,878**					**96.3**
Net current assets		**1,507**					**3.7**
Net assets	**24,419**	**40,385**					**100.0**

* Qualifying holdings.
† Part qualifying holdings.
@ These investments are also held by other funds managed by Amati.
The Manager rebates the management fee of 0.75% on the TB Amati UK Smaller Companies Fund and this is included in the yield.
All holdings are in ordinary shares unless otherwise stated.
Investments held at nil value: Polyhedra Group plc*@, China Food Company plc@: Sorbic International plc@, Rame Energy plc*@, Conexion Media Group plc*, Rated People Limited*@, Celoxica Holdings plc*, TCOM Limited*@.
As at the 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 90.25%.
NTM Next Twelve Months Consensus Estimates (no guidance given for Bilby plc and Premier Technical Services plc). Source: FactSet.

Objectives and Key Policies

Investment Policy

Below is the current Investment Policy of the Company. The Company is seeking shareholder authority to amend its Investment Policy. An explanation for the reasons behind the change in Investment Policy is included on page 18 and the full text of the proposed new Investment Policy is included on page 49.

Investment Objectives

The Investment Objectives of the Company are to generate tax free capital gains and income on investors' funds through investment primarily in AIM-traded companies whilst mitigating risk appropriately within the framework of the structural requirements imposed on all VCTs.

Risk Diversification

Portfolio risk will be mitigated through appropriate diversification of holdings within the relevant portfolio.

The Manager may use exchange-traded or over-the-counter derivatives with a view to reducing overall market risk in the portfolio as a whole. The Manager shall only seek to hedge a limited amount of market risk and shall always be covered by the assets of the portfolio. The use of derivatives is on a strictly controlled basis only and is part of a total risk mitigation exercise, not a separate investment policy. The Company's overriding investment principle in relation to the use of derivatives is to seek to reduce any potential capital loss in the equity portions of the Qualifying and Non-Qualifying Investment portfolios in a falling market. The Manager has not used exchange-traded or over-the-counter derivatives to date.

Asset Allocation

The Manager intends that by the date from which all funds raised are required to meet the VCT qualifying rules, the Company's investment profile (as defined by the valuation methodology set out in sections 278-9 of the Income Tax Act 2007 in which assets are valued on the basis of last purchase price rather than by market price) will be approximately:

(i) Between 70% and 85% in Qualifying Investments, whether equity or non-equity securities in (a) companies traded on AIM or on ISDX, or (b) companies likely to seek a quotation on AIM or on ISDX or (c) likely to be the subject of a trade sale within a 24 month period.

(ii) Between 0% and 30% in Non-Qualifying investments in small and mid-sized companies where such companies are either (a) quoted in London (b) constituents of the TB Amati UK Smaller Companies Fund, (c) likely to seek a quotation in London within a 24 month period, or (d) likely to be the subject of a trade sale within a 24 month period. Investments may also include derivative instruments.

(iii) Between 0% and 30% in cash or cash equivalents (including money market funds) or government or investment grade bonds.

Consistent with the conditions for eligibility as an investment company under the Companies Act 2006, any holdings by the Company in shares or other securities in a company will not represent more than 15% by value of the Company's investments.

While Qualifying investments are being sourced, the assets of the portfolio which are not in Qualifying companies will be actively invested by the Manager in a combination of the above (always ensuring that no more than 15% of the Company's funds are invested in any one entity).

As described above, the Manager will also have the facility to seek to reduce market risk from the equity portfolio held by the Company through the use of derivatives. The derivatives used will either be traded on an over-the-counter market or will be exchange-traded. They will be in highly liquid markets bearing a reasonable level of correlation to the FTSE AIM All-Share Total Return index, ensuring that the value is normally transparent, and enabling positions to be closed rapidly when needed.

Strategy for Achieving Objectives

Qualifying Investments Strategy

The construction of the portfolio of Qualifying Investments is driven by the availability of suitable opportunities. The Manager may co-invest in companies in which other funds managed by Amati Global Investors invest, in accordance with the Qualifying Investments strategy.

The ability of VCTs to mitigate market risk is restricted by the requirement to maintain a minimum of 70% of their assets (as defined by the methodology set out in sections 278-9 of the Income Tax Act 2007) in Qualifying Investments after an initial three year period. A VCT's ability to invest and mitigate risk is therefore restricted in three important respects:

(i) Qualifying Companies are likely to be small, liable to be highly illiquid and their prospects can improve or deteriorate very rapidly. The liquidity risk itself cannot be adequately diversified, because larger, more liquid stocks cannot be purchased in the qualifying portion of a VCT's portfolio;

(ii) Qualifying Investments have to be purchased as opportunities arise. This is a long-term process, the pace of which cannot be determined solely by the Manager; and

(iii) VCTs are less able to respond readily to the changing risk environment in the market as a whole because the ability to sell Qualifying Investments may be dependent on the opportunity to replace that holding with another Qualifying Investment, and an appropriate opportunity may not be available at the right time.

The Company seeks to address these issues through the Non-Qualifying Investment strategy set out below. In addition the Company benefits from an existing Qualifying Investment portfolio of some maturity, in which, due to strong performance, the most successful companies have tended to become the largest holdings. This mature portfolio serves to mitigate the risks for subscribers for New Ordinary Shares, as new Qualifying Investments purchased with the proceeds of subscriptions will sit alongside well established ones.

Non-Qualifying Investments Strategy

While Qualifying Investments are being sourced, the assets of the portfolio which are not in Qualifying Companies will be actively invested by the Manager in a combination of the following (though ensuring that no more than 15% of the Company's funds are invested in any one entity):

(i) direct equity and non-equity investments in small and mid-sized companies quoted in London, or likely to seek a quotation in London or to be sold within a 24 month period;

(ii) investment in the TB Amati UK Smaller Companies Fund;

(iii) government or investment grade corporate bonds; and

(iv) money market funds.

The Manager seeks to adjust the non-qualifying portfolio to reflect the nature of Qualifying Investments as they are purchased, such that the portfolio remains well balanced and diversified. If the Manager holds a negative outlook on the equity markets then funds may be invested in cash or bonds as outlined above, and, in addition, the Manager may seek to reduce market risk in the equity portfolio with the use of suitable derivative instruments. Asset allocation between these categories will remain flexible.

In relation to the use of derivatives, the directors and the Manager believe that their use under the controlled and prudent parameters which have been put in place in relation to the Company could help to reduce the total risk facing investors in relation to their investments. The Company has not made use of derivative investments to date.

The use of derivatives will not prevent the Company from losing money overall in a falling market. However, insofar as derivatives are used, the Manager's objective will be partially to reduce losses and also to provide cash for investment at moments when the market is weak. The Company will only enter into such transactions for the purposes of efficient portfolio management in line with conventional practice.

Strict internal guidelines on the use of derivatives have been put in place by the Manager. Additionally, such derivatives as are used are required to offer both good liquidity and, in the Manager's opinion, reasonable correlation to the AIM market. Your attention is drawn to the risk factors relating to the use of derivatives set out on page 11 of this document.

The Manager is under no obligation to use any one of these approaches and provides no guarantee that market risk management will be in place during a falling market. The use of any or all of these instruments will reflect the Manager's view of the market risks which may be taken at any time.

Key Performance Indicators

The Board expects the Manager to deliver a performance which meets the objectives of the Company. 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 in the Chairman's Statement and Fund Manager's Review. The Board monitors on a regular basis a number of key performance indicators which are typical for VCTs, the main ones being:

- Compliance with HMRC VCT regulations to maintain the Company's VCT Status. See page 14.
- Net asset value and total return to shareholders (the aggregate of net asset value and cumulative dividends paid to shareholders, assuming dividends re-invested at ex-dividend date). See graphs on pages 1 and 2.
- Dividend distributions. See table of investor returns on page 2.
- Share price. See key data on page 2.
- Ongoing charges ratio. See key data on page 2.

Fund Management and Key Contracts

Management Agreement

Amati Global Investors was appointed as Manager to the Company on 22 March 2010. Under an Investment Management and Administration Agreement ("IMA") dated 22 March 2010 the Manager has agreed to manage the investments and other assets of the Company on a discretionary basis subject to the overall policy of the directors. The Company will pay to the Manager under the terms of the IMA a fee of 1.75% of the net asset value of the Company in arrears. In November 2014, with shareholder consent, the Company amended its non-qualifying investment policy to permit investment in the TB Amati UK Smaller Companies Fund, a small and mid cap fund managed by the Manager. The Company will receive a full rebate on the fees payable by the Company to the Manager within this fund either through a reduction of fees payable by the Company or a direct payment by the Manager.

Annual running costs are capped at 3.5% of the Company's net assets, any excess being met by the Manager by way of a reduction in future management fees. The annual running costs include the directors' and Manager's fees, professional fees and the costs incurred by the Company in the ordinary course of its business (but excluding any commissions paid by the Company in relation to any offers for subscription, irrecoverable VAT and exceptional costs, including winding-up costs). No performance fee is payable as the Manager has waived all performance fees from 31 July 2014 onwards.

Administration Arrangements

Under the IMA, the Manager has also agreed to provide secretarial and administration services for the Company. The Manager has engaged The City Partnership (UK) Limited to act as company secretary and Capita Asset Services to act as fund administrator. The fee in respect of these services payable to the Manager for the year ended 31 January 2017 is £76,000; this fee is paid annually in arrears and is subject to an annual increase in line with the retail prices index.

The appointment of the Manager as investment manager and/or administrator and company secretary may be terminated on one year's notice.

Fund Manager's Engagement

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 the shareholders. The directors are satisfied that the Manager will continue to manage the Company in a way which will enable the Company to achieve its objectives.

VCT Status Adviser

Philip Hare & Associates LLP ("Philip Hare & Associates") are engaged to advise the Company on compliance with VCT requirements. Philip Hare & Associates reviews new investment opportunities, as appropriate, and reviews regularly the investment portfolio of the Company. Philip Hare & Associates works closely with the Manager but reports directly to the Board.

Other Matters

VCT REGULATION

The Company's investment policy is designed to ensure that it meets the requirements of HM Revenue & Customs to qualify and to maintain approval as a VCT.

(i) The Company must, within three years of raising funds, maintain at least 70% of its investments by VCT value (cost, or the last price paid per share, if there is an addition to the holding) in shares or securities comprised in qualifying holdings, of which at least 70% by VCT value must be ordinary shares which carry no preferential rights (for funds raised prior to April 2011 at least 30% by VCT value must be in ordinary shares which carry no preferential rights).

(ii) It may not invest more than 15% of its investments in a single company and it must have at least 10% by VCT value of its total investments in any qualifying company in qualifying shares approved by HM Revenue & Customs.

(iii) To be classed as a VCT qualifying holding, companies in which investments are made must have no more than £15 million of gross assets at the time of investment and £16 million after investment; they must be carrying on a qualifying trade and satisfy a number of other tests including those outlined below; the investment must also be made for the purpose of promoting growth or development.

(iv) VCTs may not invest new capital in a company which has raised in excess of £5 million from all sources of state-aided capital within the 12 months prior to and including the date of investment.

(v) No investment may be made by a VCT in a company that causes that company to receive more than £12 million (£20 million if the company is deemed to be a Knowledge Intensive Company) of state aid investment (including from VCTs) over the company's lifetime. A subsequent acquisition by the investee company of another company that has previously received State Aid Risk Finance can cause the lifetime limit to be exceeded.

(vi) No investment can be made by a VCT in a company whose first commercial sale was more than 7 years prior to date of investment, except where previous State Aid Risk Finance was received by the company within 7 years (10 years in each case for Knowledge Intensive Company) or where both a turnover test is satisfied and the money is being used to enter a new product or geographical market.

(vii) No funds received from an investment into a company can be used to acquire another existing business or trade.

(viii) Since 6 April 2016 a VCT must not make "non-qualifying" investments except for certain specified investments held for liquidity purposes and redeemable within seven days. These include investments in UCITS (Undertakings for Collective Investments in Transferable Securities) funds, AIF (Alternative Investment Funds) and in shares and securities purchased on a Regulated Market. In each of these cases the restrictions in (iv) – (vii) above are not applied. Non-qualifying investments in AIM-quoted shares are not permitted as AIM is not a Regulated Market.

Prior to making any qualifying investment the Manager requests HMRC VCT clearance letters from investee companies and takes advice from Philip Hare & Associates to ensure the documentation regarding the investment does not contravene the qualifying status of the investment. The Manager monitors compliance with VCT qualifying rules on a day to day basis through a combination of automated and manual compliance checks in place within the business. Philip Hare & Associates also review the portfolio bi-annually to ensure the Manager has complied with regulations and has reported to the Board that the VCT has met the necessary requirements during the year.

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 as well as some 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 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 strong track record for investing in this segment of the market. Investments are actively and regularly monitored by the Manager and the Board receives detailed reports on the portfolio in addition to the Manager's report at regular 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 current approval as a venture capital trust 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 qualifying requirements could result in investors losing the income tax relief on initial investment and loss of tax relief on any tax-free income or capital gains received. In addition, failure to meet the qualifying requirements could result in a loss of listing of the shares.

To reduce this risk, the Board has appointed the Manager which has significant experience in venture capital trust management, and is used to operating within the requirements of the venture capital trust legislation. In addition, to provide further formal reassurance, the Board has appointed Philip Hare & Associates as taxation adviser to the Company. Philip Hare & Associates reports every six months to the Board to confirm independently compliance with the venture capital legislation, to highlight areas of risk and to inform on changes in legislation.

Compliance Risk

The Company has a premium listing 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, Financial Reporting Standards and other legislation. Failure to comply with these regulations could result in a delisting of the Company's shares, or other penalties under the Companies Acts or from financial reporting oversight bodies.

In July 2013 the Alternative Investment Fund Directive ("AIFMD") was implemented, a European directive affecting the regulation of VCTs. Amati VCT 2 has been entered in the register of small registered UK AIFMs on the Financial Services register at the Financial Conduct Authority ("FCA"). As a registered firm there are a number of regulatory obligations and reporting requirements which must be met in order to maintain its status as an AIFM.

Board members and the Manager have considerable experience of operating at senior levels within quoted businesses. In addition, the Board and the Manager receive regular updates on new regulation from the auditor, lawyers and other professional bodies.

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.

The Board seeks to mitigate the internal control risk 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 pages 22 and 23.

Financial Risk

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 19 to 22 to the financial statements on pages 45 to 47.

The Company is financed through equity.

Liquidity Risk

The Company's investments may be difficult to realise. As a closed-end vehicle the Company does have the long-term funding appropriate to making investments in illiquid companies. However, if the underlying investee companies run into difficulties then their shares can become illiquid for protracted periods of time. In these circumstances the Manager would work with the investee company and its advisors to seek appropriate solutions.

Market Risk

Investment in AIM-traded, ISDX-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 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.

Economic Risk

Events such as economic recession, not only in the UK, but also in the core markets relevant to our investee companies, together with a 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 for the current point in the business cycle, and to diversify the exposure to geographic end markets.

Other Matters
(continued)

Reputational Risk

Inadequate or failed controls might result in breaches of regulations or loss of shareholder trust. The Manager operates a robust risk management system which is reviewed regularly to ensure the controls in place are effective in reducing or eliminating risks to the Company. Details of the Company's internal controls are on pages 22 and 23.

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 or loss to shareholders. The Manager regularly reviews the performance of third party suppliers at monthly management meetings and quarterly board meetings of the Manager.

STATEMENT ON LONG-TERM VIABILITY

In accordance with the revisions to the UK Corporate Governance Code in 2014 (the "2014 Code"), the directors have carried out a robust assessment of the prospects of the Company for the period to January 2022, taking into account the Company's current position and principal risks, and are of the opinion that, at the time of approving the financial statements there is a reasonable expectation that the Company will be able to continue in operation and meet liabilities as they fall due over that period.

The directors consider that for the purpose of this exercise it is not practical or meaningful to look forward over a period of more than five years. This time frame allows for reasonable forecasts to be made to allow the Board to provide shareholders with reasonable assurance over the viability of the Company. In making their assessment the directors have taken 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.

OTHER DISCLOSURES

The Company had no employees during the year and has three non-executive directors, two of which are male and one is female. The Company, being an investment company with no employees, has no policies in relation to environmental matters, social, community and human rights issues.

On behalf of the Board

Julian Avery

Julian Avery
Chairman

27 April 2017

Board of Directors

Julian Avery is Chairman of the Company. He is a solicitor and was chief executive of Wellington Underwriting plc until September 2004. He was a 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 was a non-executive director of Warner Estate Holdings plc and Charles Taylor plc. He was also previously a senior adviser to Fenchurch Advisory Partners. He is a Trustee of the Butler Trust and President of St. Michael's Hospice, Hastings.

Mike Killingley is a former non-executive chairman of a number of AIM and listed companies, including Beale plc, Southern Vectis plc, Conder Environmental plc and Advanced Technology (UK) plc, and a former non-executive director of AIM-quoted Falkland Islands Holdings plc. He was a senior partner with KPMG, chartered accountants, from 1988 until retiring from the firm in 1998; he is Chairman of the audit committee of the Company and the senior independent director.

Susannah Nicklin is an investment and financial services professional with 20 years of experience in executive roles at Goldman Sachs and Alliance Bernstein in the US, Australia and the UK. She has also worked in the social impact private equity sector with Bridges Ventures and the Global Impact Investing Network. Susannah is a non-executive director and senior independent director at Pantheon International Plc and a member of the investment committee of private equity fund Impact Ventures UK. She is a CFA charterholder and member of STEP.

Directors' Report

Directors

The directors of the Company during the year under review were Julian Avery, Mike Killingley, Christopher Macdonald, Christopher Moorsom and Susannah Nicklin. The current directors of the Company are Julian Avery, Mike Killingley and Susannah Nicklin. The Company indemnifies its directors and officers and has purchased insurance to cover its directors.

Dividend

The Board is recommending a final dividend of 4.25p per share for the year ended 31 January 2017 payable on 21 July 2017.

Share Capital

There were 32,643,069 ordinary shares in issue at the year end. During the year 3,031,153 shares in the Company were allotted at an average price of 114.07p per share raising £3.4m net of issue costs. Since the year end, 1,884,298 shares have been issued under the Top Up Offer, please refer to Note 15 on page 42 for further details.

During the year 647,573 shares in the Company with a nominal value of 5p per share were bought back for an aggregate consideration of £0.7m at an average price of 109.11p per share (representing 2.1% of the shares in issue at 31 January 2016). All of the shares were cancelled after purchase. The purpose of the share buybacks was to satisfy demand from those shareholders who sought to sell their shares during the period, given that there is a very limited secondary market for shares in Venture Capital Trusts generally. It remains the Board's policy to buy back shares in the market, subject to the overall constraint that such purchases are in the Company's interest including the maintenance of sufficient resources for investment in new and existing investee companies and the continued payment of dividends to shareholders. At the Company's year end authority remains for the Company to buy back 4,365,694 shares.

The rights and obligations attached 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 Company has one class of share, ordinary shares, which carry no right to fixed income. 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.

Annual General Meeting

Authority to Allot Shares

At a general meeting of the Company held on 7 March 2013 the following resolution was passed: The directors were authorised pursuant to Section 551 of the Companies Act 2006 to allot relevant securities up to a maximum aggregate nominal value of £1,250,000. This authority expires on 7 March 2018; a resolution to renew this authority is being proposed at the AGM to be held on 28 June 2017.

New Investment Policy

The Company's current investment policy as set out on page 11 dates back to the change of manager to Amati Global Investors in March 2010, when the policy was made the same as that of Amati VCT. This policy was drawn up at the launch of Amati VCT in 2005 and was designed with the initial investment phase in mind. Since then, and particularly in the last few years, the VCT legislation has changed profoundly. The changes introduced during 2015 in particular have meant that some of the original investment policy is now in conflict with the legislation and is therefore unsuitable. In particular there are now severely limited options over what non-qualifying investments VCTs can make. As a result the Board is proposing a resolution at the AGM that an updated investment policy be adopted by the Company. The proposed policy is set out on page 49. It is much simplified and more accurately reflects the current VCT legislation and the ways in which the Company has adapted to the new rules in practice.

The formal investment policy has been reduced to two sections, Investment Policy and Strategy for Achieving Objectives. The Company's principal activity of making qualifying investments predominantly in AIM or NEX Exchange ("NEX") traded companies remains unaltered. The non-qualifying investment policy is now completely aligned with what is allowed under the VCT legislation, so that the VCT will be able to make the few types of investment that the legislation allows for and nothing more. The strategy for achieving the objectives is set out separately from the formal investment policy, and may therefore be amended by the Board without a further AGM resolution being put to shareholders. The non-qualifying investment policy is mainly reduced in scope from the previous investment policy, but is more permissive in two respects: it would potentially allow the Company to invest in UCITS (Undertakings for Collective Investments in Transferable Securities) funds other than the TB Amati UK Smaller Companies Fund; and allows it to invest in any corporate bonds which are listed on a Recognised Exchange, whereas previously the scope for investing in corporate bonds was based on the requirement to be investment grade. The Board does not regard either of these elements as significant changes.

Electronic Communications

The Company is seeking shareholders' consent to send or supply documents and information ("Documents and Information") to them in electronic form and via its website (www.amatiglobal.com). Increased use of electronic communications will deliver savings to the Company in terms of administration, printing and postage costs, as well as speeding up the provision of information to shareholders. The reduced use of paper will also have environmental benefits. Under the proposal, when new Documents and Information become available on the website, we will notify you by letter to your normal address or, if you have consented to email notification and provided an email address, by email.

The directors recommend that shareholders vote in favour of this resolution and sign up to Electronic Communications as described in further detail on page 50 by completing the enclosed Consent Form.

Substantial Shareholdings

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

Auditor

A resolution to re-appoint BDO LLP as auditor will be proposed at the forthcoming AGM.

Global Greenhouse Gas Emissions

All of the Company's activities are outsourced to third parties. The Company therefore has no direct greenhouse gas emissions to report from its operations.

Going Concern

In accordance with FRC Guidance for directors on going concern and liquidity risk the directors have assessed the prospects of the Company for the foreseeable future and are of the opinion that, at the time of approving the financial statements, the Company has adequate resources to continue in business. 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. The Company's business activities, together with the factors likely to affect its future development, performance and position including the financial risks the Company is exposed to are set out in the Strategic Report on pages 14 to 16. As a consequence, the directors have a reasonable expectation that the Company has sufficient cash and liquid investments to continue to operate and that together with funds raised after the end of the financial year under the new offer the Company is well placed to manage its business risks successfully and meet its liabilities as they fall due. Thus the directors believe it is appropriate to continue to apply the going concern basis in preparing the financial statements.

Accountability and Audit

The independent auditor's report is set out on pages 28 to 30 of this report. The directors who were in office on the date of approval of these Annual Report and Financial Statements have confirmed that, as far as they were aware, there is no relevant audit information of which the auditor is unaware. Each of the directors has taken all the steps they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Financial Instruments

The Company's financial instruments comprise equity and fixed interest investments, cash balances and liquid resources including debtors and creditors. Further details, including details about risk management, are set out in the Strategic Report and in Notes 18 to 22 on pages 44 to 47.

Future Developments

Significant events which have occurred after the year end are detailed in Note 15 on page 42. Future developments which could affect the Company are discussed in the outlook sections of the Chairman's Statement and Fund Manager's Review.

On behalf of the Board

Julian Avery
Chairman

27 April 2017

Statement of Corporate Governance

Background

The Board of Amati VCT 2 plc has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide") available on the AIC website www.theaic.co.uk. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code (the "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 Code), will provide better information to shareholders.

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

The 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 Code, the Board considers these provisions are not relevant to the position of the Company, being an investment company. The Company has therefore not reported further in respect of these provisions.

Board of Directors

The Company has a Board of three directors, all of whom are considered independent non-executive directors under the AIC Code. As all directors have 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 AGM.

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. 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 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 of the Company's affairs. In addition, the directors are responsible for ensuring that the policies and operations are in the best interests of all 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 each 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 in accordance with the guidelines in the AIC Code. Directors' interests are noted at the start of each Board meeting and any director would not participate in the discussion concerning any investment in which he had an interest. The Board does not consider that length of service will necessarily compromise the independence or effectiveness of directors and no limit has been placed on the overall length of service. The Board consider that such continuity and experience can be of significant benefit to the Company and its shareholders. The Board believes that each director has demonstrated that they are independent in character and judgment and there are no relationships or circumstances which could affect their objectivity.

Board Performance

The Board carried out a performance evaluation of the Board, committees and individual directors led by the senior independent director in the year. Due to the size of the Company, the fact that all directors are independent non-executive and the costs involved, external facilitators are not used in evaluation of the Board. The directors concluded that the balance of skills is appropriate and all directors contribute fully to discussion in an open, constructive and objective way. The composition of the Board and its committees is considered adequate for the effective governance of the Company. The biographies of the directors, set out on page 17 demonstrate the wide range of investment, commercial and professional experience that they contribute.

Board Committees

Copies of the terms of reference of the Company's audit committee are available from the company secretary and can be found on Amati's website: www.amatiglobal.com/avct2_the_board.php.

Report of the Audit Committee

The audit committee comprises Mike Killingley (chairman) and Susannah Nicklin. Julian Avery is not a member of the audit committee; however, he is invited to attend the audit committee meetings by the chairman of the audit committee. In addition, the board is satisfied that the committee as a whole has competence relevant to the venture capital trust sector.

During the year ended 31 January 2017 the audit committee met twice and:

- reviewed all financial statements released by the Company (including the annual and half-yearly report);
- reviewed the Company's accounting policies;
- monitored the effectiveness of the system of internal controls and risk management;
- approved the external auditor's plan and fees;
- received a report from the external auditors following their detailed audit work, and discussed key issues arising from that work; and
- reviewed its own terms of reference.

The audit committee carried out a robust assessment of the principal risks facing the Company and concluded that the key areas of risk which threaten the business model, future performance, solvency or liquidity of the Company are:

- compliance with HM Revenue & Customs to maintain the Company's VCT status; and
- valuation of unquoted investments.

These matters are monitored regularly by the Manager, and reviewed by the Board at every Board meeting. They were also discussed with the Manager and the auditor at the audit committee meeting held to discuss the annual financial statements.

The committee concluded:

VCT status – the Manager confirmed to the audit committee that the conditions for maintaining the Company's status had been complied with throughout the year. The Company's VCT status is also reviewed by the Company's tax adviser, Philip Hare & Associates, as described on page 14.

Valuation of unquoted investments – the Manager confirmed to the audit committee that the basis of valuation for unquoted companies was consistent with the prior year and in accordance with published industry guidelines, taking account of the latest available information about investee companies and current market data. A comprehensive report on the valuation of unquoted investments is presented and discussed at every Board meeting; directors are also consulted about material changes to those valuations between Board meetings.

The Manager and auditor confirmed to the audit committee that they were not aware of any material unadjusted misstatements. Having reviewed the reports received from the Manager, the audit committee is satisfied that the key areas of risk and judgement have been properly addressed in the financial statements and that the significant assumptions used in determining the value of assets and liabilities have been properly appraised and are sufficiently robust.

The audit committee has managed the relationship with the external auditor and assessed the effectiveness of the audit process. When assessing the effectiveness of the process for the year under review the Committee considered the auditor's technical knowledge and that they have a clear understanding of the business of the Company; that the audit team is appropriately resourced; that the auditor provided a clear explanation of the scope and strategy of the audit and that the auditor maintained independence and objectivity. As part of the review of auditor effectiveness and independence, BDO LLP has confirmed that it is independent of the Company and has complied with applicable auditing standards. BDO LLP do not provide any non-audit services to the Company and the audit committee must approve the appointment of the external auditor for any non-audit services. BDO LLP and prior to their merger PKF (UK) LLP has held office as auditor for a total of 5 years; in accordance with professional guidelines the engagement partner is rotated after at most five years, and the current partner started working with the Company for the 31 January 2016 audit.

Statement of Corporate Governance

(continued)

Following the review as noted above the audit committee is satisfied with the performance of BDO LLP and recommends the services of BDO LLP to the shareholders in view both of that performance and the firm's extensive experience in auditing Venture Capital Trusts.

Nomination and Remuneration Committees

As the Board is small and consists wholly of non-executive directors and in view of the nature of a Venture Capital Trust it has been decided that a nomination committee does not need to be formed. The remuneration of the directors is reviewed by the whole Board although no director is involved in setting his own remuneration.

The appointment of new directors is decided by the whole Board. Any search for new Board candidates is conducted, and appointments made, on merit, against objective selection criteria having due regard, amongst other things, to the benefits of diversity on the Board, including gender. When recommending new appointments to the Board the directors draw on their extensive business experience and range of contacts to identify suitable candidates; the use of formal advertisements and external consultants is not considered cost-effective given the Company's size.

During the year Christopher Moorsom indicated his intention to retire at the Annual General Meeting on 23 June 2016 and the directors, in accordance with the policy described above, commenced their search for a new director and Susannah Nicklin was appointed to the Board on 4 May 2016. Christopher Macdonald resigned as a director on 31 December 2016.

The Board has considered the recommendations of the Code concerning gender diversity and welcomes initiatives aimed at increasing diversity generally. The Board believe, however, that all appointments should be made on merit rather than positive discrimination. The policy of the Board is that maintaining an appropriate balance around the Board table through a diverse mix of skills, experience, knowledge and background is of paramount importance and gender diversity is a significant element of this.

Board and Committee Meetings

The following table sets out the directors' attendance at full Board and audit committee meetings held during the year ended 31 January 2017.

	Board meetings		Audit committee meetings	
Director	held	attended	held	attended
Julian Avery*	4	4	2	2
Mike Killingley	4	4	2	2
Christopher Macdonald†	4	4	2	2
Christopher Moorsom†	4	2	2	1
Susannah Nicklin†	4	3	2	1

* Julian Avery is not a member of the audit committee but is invited to attend audit committee meetings.

† Christopher Macdonald retired from the Board on 31 December 2016, Christopher Moorsom retired from the Board on 23 June 2016 and Susannah Nicklin was appointed to the Board on 4 May 2016.

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

Internal Control

The Board acknowledges that it is responsible for the Company's internal control systems and for reviewing their effectiveness. In accordance with the AIC Code and the Guidance on Risk Management published by the Financial Reporting Council in 2014, the audit committee 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 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 13, 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.

A bi-annual review of the 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 and the audit committee reviews* financial information prior to its publication. The principal features of the internal control systems 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, cash forecasts and investment valuations are produced on a weekly basis for review by the Manager. Quarterly management accounts are produced for review and approval by the Manager and the Board.

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 AGM accompanies this annual report, which is sent to shareholders. A separate resolution is 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). 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 *fair, balanced and understandable assessment of the* Company's position and performance, business model and strategy.

On behalf of the Board

Julian Avery
Chairman

27 April 2017

Reports from the Directors

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared 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 for 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 judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with applicable UK accounting standards, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business; and
- prepare a Strategic Report, a Directors' Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

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 the Companies Act 2006 and, as regards the Company financial statements, Article 4 of the International Accounting Standards Regulation. 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 ensuring that the Annual Report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Website Publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' Responsibilities pursuant to DTR4

The directors confirm to the best of their knowledge:

- 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.
- The annual report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

Julian Avery

Julian Avery
Chairman

27 April 2017

Directors' Remuneration Report

Introduction

This report has been prepared in accordance with the requirements of the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the "Regulations"). Ordinary resolutions for the approval of the Directors' Remuneration Policy and the Directors' Annual Report on Remuneration will be put to members at the AGM on 28 June 2017.

The Company's auditors, BDO LLP, are required to give their opinion on certain information included in this report. The disclosures which have been audited are indicated as such. The auditors opinion on these and other matters is included in the Independent Auditor's Report on pages 28 to 30.

Annual Statement from the Chairman of the Company

Directors' fees are reviewed annually and are set by the Board to attract individuals with the appropriate range of skills and experience. In determining the level of fees their duties and responsibilities are considered, together with the level of time commitment required in preparing for and attending meetings. The Company has not appointed a remuneration committee and any decisions on remuneration are taken by the Board as a whole. The remit of the Board regarding remuneration is included in the Statement of Corporate Governance on page 22. The Board last agreed to increase annual fees with effect from 1 February 2015 by £1,500 per director.

Directors' Remuneration Policy

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. Directors' fees are set with a view to attracting and retaining the directors required to oversee the Company effectively 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 Board has not received any views from the Company's shareholders in respect of the levels of directors' remuneration.

The Company's Articles of Association provide for a maximum level of total remuneration of £90,000 per annum in aggregate. The directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits. No arrangements have been entered into between the Company and the directors to entitle any of the directors to compensation for loss of office.

This policy was last approved by the members at the AGM in 2014, and is included as a resolution to be voted on by the members at the AGM to be held on 28 June 2017.

Directors' Annual Report on Remuneration

Terms of appointment

No director has a contract of service with the Company. All of the directors have been provided with letters of appointment which include details of fees payable. 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. In accordance with corporate governance best practice, the Board have resolved that all directors will stand for annual re-election. Their re-election is subject to shareholder approval. The letters of appointment are available for inspection on request from the company secretary. There is no period of notice to be given to terminate the letters of 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 at which they may stand for re-election.

Director	Date of original appointment	Due date for re-election
Julian Avery	8 November 2011	2017 AGM
Mike Killingley	22 February 2006	2017 AGM
Susannah Nicklin	4 May 2016	2017 AGM

Directors' Remuneration Report

(continued)

Directors' fees for the year (Audited)

The fees payable to individual directors in respect of the year ended 31 January 2017 are shown in the table below.

Director	*Total fee for year ended 31 January 2017* £	*Total fee for year ended 31 January 2016* £
Julian Avery	23,500	23,500
Mike Killingley	19,000	19,000
Christopher Macdonald (retired 31 December 2016)	15,125	16,500
Christopher Moorsom (retired 23 June 2016)	6,554	16,500
Susannah Nicklin (appointed 4 May 2016)*	12,242	n/a
	76,421	75,500

* Susannah Nicklin's total fee for a year is £16,500.

Directors are remunerated exclusively by fixed fees and do not receive bonuses, share options, long term incentives, pension or other benefits.

Relative importance of spend on pay

The table below shows the remuneration paid to directors and shareholder distributions in the year to 31 January 2017 and the prior year:

	2017 £	2016 £	Percentage increase/ (decrease)
Total dividend paid to shareholders	1,994,648	1,879,105	6.15
Total repurchase of own shares	706,557	940,166	(24.85)
Total directors' fees	76,421	75,500	1.22

Directors' shareholdings (Audited)

The directors who held office at 31 January 2017 and their interests in the shares of the Company (including beneficial and family interests) were:

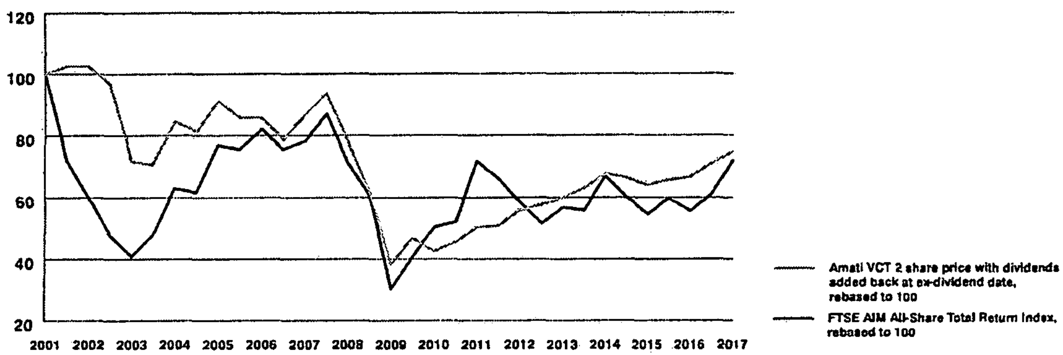
	31 January 2017 Shares held	31 January 2017 % of issued share capital	31 January 2016 Shares held	31 January 2016 % of issued share capital
Julian Avery	97,865	0.30	92,684	0.31
Mike Killingley	49,833	0.15	45,271	0.15
Susannah Nicklin (appointed 4 May 2016)	2,793	0.01	n/a	n/a

The Company confirms that it has not set out any formal requirements or guidelines for a director to own shares in the Company.

Company Performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Manager through the management agreement. The graph below compares the Company's share price with dividends added back at the ex-dividend date to the FTSE AIM All-Share Total Return Index for the period from the launch of the Company. This index was chosen for comparison purposes, as it is the benchmark used for investment performance measurement purposes.

At the last AGM held on 23 June 2016, 89.5% of shareholders voted for, 10.5% voted against and 57,408 shares were withheld in respect of the resolution approving the Directors' Remuneration Report. At the AGM held in 2014 98.25% of shareholders voted for the Remuneration Policy with 1.75% voting against and 23,051 shares withheld. Ordinary resolution for the approval of the Directors' Annual Report on Remuneration and the Directors' Remuneration Policy will be put to shareholders at the forthcoming AGM.



On behalf of the Board

Julian Avery
Chairman

27 April 2017

Reports from the Directors

Independent Auditors' Report

to the members of Amati VCT 2 plc

Our opinion on the Financial Statements

In our opinion the Amati VCT 2 plc Financial Statements for the year ended 31 January 2017, which have been prepared by the directors in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice):

- give a true and fair view of the state of the Company's affairs as at 31 January 2017 and its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 auditor's 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.

What our opinion covers

The financial statements comprise the income statement, the company balance sheet, the statement of changes in equity, the cash flow statement and the related notes. The financial reporting framework that has been applied in preparing the company financial statements is applicable law and United Kingdom Accounting Standards.

Respective responsibilities of directors and auditor

As explained more fully in the report of the directors, 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 and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

A description of the scope of an audit of Financial Statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

An overview of the scope of the audit including our assessment of the risk of material misstatement

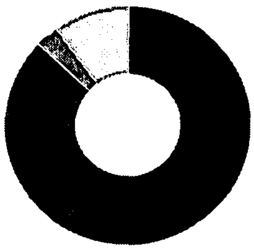
Our audit approach was developed by obtaining an understanding of the Company's activities, the key functions undertaken on behalf of the Board by the Investment Manager and Administrator and the overall control environment. Based on this understanding we assessed those aspects of the Company's transactions and balances which were most likely to give rise to a material misstatement.

Investments

The outcome of our risk assessment was that the valuation of investments was considered to be the area with the greatest effect on the overall audit strategy including the allocation of resources in the audit.

The valuation of investments is a key accounting estimate where there is an inherent risk of management override arising from the investment valuations being prepared by the Investment Manager, who is remunerated based on the net asset value of the Company.

We performed initial analytical procedures to determine the extent of our work considering, inter alia, the value of individual investments, the nature of the investment and the extent of the fair value movement. A breakdown of the investment portfolio by nature of instrument and valuation method is shown below.



In respect of equity investments quoted on AIM, we confirmed that bid or set price had been used and that there were no contra indicators, such as liquidity considerations, to suggest the price was not the most appropriate indication of fair value. 87% of the portfolio is valued at bid or set price, while one OEIC fund was held at published fund NAV. We also reviewed the year-end custodian holdings report and ensured that, for all listed investments, the number of shares owned agrees to the year-end investments summary.

3% of the portfolio is in unquoted investments. In respect of equity unquoted investments, we:

- Reviewed the valuation methodology and supporting documentation
- Considered whether the valuation methodology is the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines
- Verified the cost or price of recent investment to supporting documentation and reviewed the Investment Manager's determination of whether there were any reasons why the valuation did not remain appropriate
- Re-performed the calculation of the investment valuations
- Verified and benchmarked key inputs and estimates to independent information and our own research
- Challenged the assumptions inherent in the valuation of unquoted investments, and we assessed the impact

of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the Financial Statements

- Considered the economic environment in which the investment operates to identify factors that could impact the investment valuation
- For all investments tested, we developed our own point estimate where alternative assumptions could reasonably be applied and considered the overall impact of such sensitivities on the portfolio of investments in determining whether the valuations as a whole are reasonable and unbiased.

For a risk-weighted sample of loans held at fair value, we:

- Vouched security held to documentation
- Agreed the terms of the loan stock to underlying support
- Reviewed the DCF calculation supporting the value of the underlying loan. In particular, considering the key assumptions made in determining the value i.e. the discount factor used
- Obtained supporting evidence for any movement in the discount factor and discussed with the Investment Manager
- Considered the reasonableness of the assumptions used by the Investment Manager and flexed these assumptions if necessary
- Reviewed the treatment of accrued redemption premium/other fixed returns in line with the Statement of Recommended Practice issued by the Association of Investment Companies ("AIC") in November 2014.

Revenue

We also considered revenue recognition to be a significant risk. Revenue consists of dividends receivable from the portfolio companies and interest earned on loans to portfolio companies and cash balances. Revenue recognition is a significant audit risk as it is one of the key drivers of dividend returns to investors. In particular, in unquoted companies, dividends receivable can be difficult to predict.

We considered the design and the implementation of the controls in place over the completeness and validity of receipts based on the portfolio of investments held.

We completed substantive testing of investment income and also reviewed the classification of income between revenue and capital.

In respect of dividends receivable, we traced a sample of dividend income through from the nominal ledger to bank statements. We reviewed the income arising for a sample of the quoted shares held and agreed the income received to dividend history from Bloomberg.

In respect of loan stock interest, we recalculated expected interest based on the terms of the loan and agreed the income received to bank. We developed expectations for interest income receivable based on loan instruments and investigated any variations in amounts recognised to ensure they were valid.

The audit committee's consideration of their key issues is set out on pages 21 and 22.

Materiality in context

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the Financial Statements. Importantly, misstatements below this level will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements. The application of these key considerations gives rise to two levels of materiality, the quantum and purpose of which are tabulated below.

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
Financial Statement materiality – Based on 1% of invested assets	Assessing whether the Financial Statements as a whole present a true and fair view	• The value of investments • The level of judgement inherent in the valuation • The range of reasonable alternative valuation	390,000
Specific materiality – classes of transactions and balances which impact on revenue profits – Based on 10% of gross expenditure	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the Financial Statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements	• The level of net income return	90,000

Auditor's Report

Independent Auditors' Report

(continued)

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £5,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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.

In our opinion: based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Statement regarding the directors' assessment of principal risks, going concern and longer term viability of the Company

We have nothing material to add or to draw attention to in relation to:

- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements; and
- the directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Matters on which we are required to report by exception

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited Financial Statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report

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 from branches not visited 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; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the directors' statements, set out on page 19, in relation to going concern and on page 16 in relation to longer-term viability; and
- the part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for review by the auditor in accordance with Listing Rule 9.8.10 R(2).

We have nothing to report in respect of these matters.

V J Bradley

Vanessa Bradley
(senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

27 April 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Income Statement

for the year ended 31 January 2017

	Note	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Gain on investments	8	-	7,748	7,748	-	2,098	2,098
Income	2	446	-	446	654	-	654
Investment management fees	3	(158)	(473)	(631)	(139)	(416)	(555)
Other expenses	4	(302)	-	(302)	(294)	-	(294)
(Loss)/profit on ordinary activities before taxation		(14)	7,275	7,261	221	1,682	1,903
Taxation on ordinary activities	5	-	-	-	-	-	-
(Loss)/profit and total comprehensive income attributable to shareholders		(14)	7,275	7,261	221	1,682	1,903
Basic and diluted (loss)/earnings per Ordinary share	7	(0.04)p	22.89p	22.85p	0.74p	5.63p	6.37p

The total column of this Income Statement represents the profit and loss account of the Company. 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 notes on pages 35 to 47 form part of these financial statements.

Financial Statements

Statement of Changes in Equity

for the year ended 31 January 2017

	Non-distributable reserves					Distributable reserves			
	Called up share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Capital reserve (non-distributable) £000	Special reserve £'000	Capital reserve (distributable) £'000	Revenue reserve £'000	Total reserves £'000
Opening balance as at 1 February 2016	1,513	9,771	425	332	8,476	17,150	(5,295)	28	32,400
Shares issued	152	3,306	-	-	-	-	-	-	3,458
Share issue expenses	-	(33)	-	-	-	-	-	-	(33)
Repurchase of shares	(32)	-	-	32	-	(707)	-	-	(707)
Dividends paid	-	-	-	-	-	(1,966)	-	(28)	(1,994)
Transfer of merger investment disposals	-	-	-	-	-	-	-	-	-
Profit/(loss) and total comprehensive income for the year	-	-	-	-	8,011	-	(736)	(14)	7,261
Closing balance as at 31 January 2017	1,633	13,044	425	364	16,487	14,477	(6,031)	(14)	40,385

for the year ended 31 January 2016

	Non-distributable reserves					Distributable reserves			
	Called up share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Capital reserve (non-distributable) £000	Special reserve £'000	Capital reserve (distributable) £'000	Revenue reserve £'000	Total reserves £'000
Opening balance as at 1 February 2015	1,434	7,205	1,088	287	5,605	19,969	(4,769)	(193)	30,626
Shares issued	124	2,588	-	-	-	-	-	-	2,712
Share issue expenses	-	(22)	-	-	-	-	-	-	(22)
Repurchase of shares	(45)	-	-	45	-	(940)	-	-	(940)
Dividends paid	-	-	-	-	-	(1,879)	-	-	(1,879)
Transfer of merger investment disposals	-	-	(663)	-	-	-	663	-	-
Profit and total comprehensive income for the year	-	-	-	-	2,871	-	(1,189)	221	1,903
Closing balance as at 31 January 2016	1,513	9,771	425	332	8,476	17,150	(5,295)	28	32,400

Distributable reserves comprise the special reserve, the revenue reserve and the capital reserve excluding investment holding gains. At 31 January 2017, the amount of reserves deemed distributable is £8,432,000 (31 January 2016: £11,883,000).

Balance Sheet

as at 31 January 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Investments held at fair value	8	38,878	30,826
Current assets			
Debtors	9	659	99
Cash at bank		1,255	1,692
Total current assets		1,914	1,791
Current liabilities			
Creditors: amounts falling due within one year	10	(407)	(217)
Net current assets		1,507	1,574
Total assets less current liabilities		40,385	32,400
Capital and reserves			
Called up share capital*	11	1,633	1,513
Share premium account*		13,044	9,771
Merger reserve*		425	425
Capital redemption reserve*		364	332
Capital reserve (non-distributable)*		16,487	8,476
Special reserve		14,477	17,150
Capital reserve (distributable)		(6,031)	(5,295)
Revenue reserve		(14)	28
Equity shareholders' funds		40,385	32,400
Net asset value per share	12	123.72p	107.07p

* These reserves are not distributable.

The financial statements on pages 31 to 47 were approved and authorised for issue by the Board of directors on 27 April 2017 and were signed on its behalf by

Julian Avery
Chairman

Company Number 04138683

The accompanying notes on pages 35 to 47 are an integral part of the balance sheet.

Financial Statements

Statement of Cash Flows

for the year ended 31 January 2017

	2017 £'000	2016 £'000
Cash flows from operating activities		
Investment income received	526	613
Investment management fees	(598)	(551)
Other operating costs	(293)	(291)
Net cash outflow from operating activities	(365)	(229)
Cash flows from investing activities		
Purchases of investments	(2,909)	(4,126)
Disposals of investments	2,508	3,526
Net cash outflow from investing activities	(401)	(600)
Net cash outflow before financing	(766)	(829)
Cash flows from financing activities		
Net proceeds of share issues	2,888	2,681
Payments for share buy-backs	(565)	(940)
Equity dividends paid	(1,994)	(1,879)
Net cash inflow/(outflow) from financing activities	329	(138)
Decrease in cash	(437)	(967)
Reconciliation of net cash flow to movement in net cash		
Decrease in cash during the year	(437)	(967)
Net cash at 1 February	1,692	2,659
Net cash at 31 January	1,255	1,692
Reconciliation of profit/(loss) on Ordinary Activities Before Taxation to Net Cash Outflow from Operating Activities		
Profit on ordinary activities before taxation	7,261	1,903
Net gain on investments	(7,748)	(2,098)
Increase in creditors, excluding corporation tax payable	43	5
Decrease/(increase) in debtors	79	(39)
Net cash outflow from operating activities	(365)	(229)

The accompanying notes on pages 35 to 47 are an integral part of the statement.

Notes to the Financial Statements

1 Accounting Policies

Principal Activity

The Company is a public limited company incorporated and domiciled in the United Kingdom. The address of the registered office is 27/28 Eastcastle Street, London W1W 8DH. The principal activity of the Company is to invest in a portfolio of companies whose shares are primarily traded on AIM.

Basis of Accounting

The financial statements have been prepared under FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and in accordance with the SORP issued by the Association of Investment Companies ("AIC") in November 2014 and on the assumption that the Company maintains VCT status.

Income

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

Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis so as to reflect the effective yield, provided there is no reasonable doubt that payment will be received in due course. Interest receivable is included in the accounts on an accruals basis. Where interest is rolled up or payable on redemption it is recognised as income unless there is reasonable doubt as to its receipt.

Expenses

All expenses are accounted for on an accruals basis. In respect of the analysis between revenue and capital items presented within the income statement, all expenses have been prescribed as revenue items except as follows:

- Expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated, and accordingly the investment management fee is currently allocated 25% to revenue and 75% to capital, which reflects the directors' expected long-term view of the nature of the investment returns of the Company.

Issue Costs

Issue costs in respect of ordinary shares issued by the Company are 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 more likely than not. 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. Deferred tax is not discounted.

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 liability arises on gains from sales of fixed asset investments by the Company by virtue of its VCT status.

Investments

Investments are designated on initial recognition as Fair Value through Profit or Loss and are measured at subsequent reporting dates at fair value.

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 as these investments are held as part of the Company's portfolio with a view to the ultimate realisation of capital gains. Carrying investments at fair value is specifically permitted under FRS 102, where venture capital entities hold investments as part of a portfolio.

In respect of investments that are traded on AIM, ISDX or are fully listed, these are generally valued at bid prices at close of business on the Balance Sheet date. Investments traded on SETS (London Stock Exchange's electronic trading service) are valued at closing price as this is considered to be a more accurate indication of fair value.

Unquoted investments are shown at fair value as assessed by the directors in accordance with International Private Equity Venture Capital Valuation ("IPEV") guidelines. Valuations of unquoted investments are reviewed quarterly:

- the shares may be valued by using the most appropriate methodology recommended by the IPEV guidelines, including earnings multiples, net assets, discounted cashflows and industry valuation benchmarks.
- alternatively where a value is indicated by a material arms-length transaction by a third party in the shares of the company the valuation will normally be based on this.

Convertible loan stock instruments are valued using present value of future payments discounted at a market value of interest for a similar loan and valuing the option at fair value.

The valuation of the Company's investment in TB Amati UK Smaller Companies Fund is based on the published fund mid price NAV. The NAV is provided by the Authorised Corporate Director of the fund, T Bailey Fund Managers Limited.

Realised and unrealised surpluses or deficits on the disposal of investments, the revaluation of investments and permanent impairments in the value of investments are taken to the capital reserve.

Financial Instruments

The Company classifies financial instruments, 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 trade date when the Company becomes a party to the contractual provisions of the instrument. Investments are held at fair value through profit or loss with changes in the fair value recognised in the Income Statement and allocated to capital.

Financial instruments are derecognised on the trade 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.

Short-term Debtors and Creditors

Debtors and creditors with no stated interest rate and receivable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Judgements and Key Sources of Estimation Uncertainty

The preparation of the Financial Statements requires management to make judgments and estimates that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The nature of estimation means that the actual outcomes could differ from those estimates, possibly significantly. The most critical estimates and judgments relate to the determination of carrying value of investments at fair value through profit or loss (see notes 8 and 18 on pages 41 and 44 respectively). The Company values investments by following the IPEV guidelines.

Share Premium

The share premium account is a non-distributable reserve which represents the accumulated premium paid on the issue of shares in previous periods over the nominal value net of any expenses.

Merger Reserve

The merger reserve is a non-distributable reserve which originally represented the share premium on shares issued when the Company merged with Singer & Friedlander AIM VCT and Singer & Friedlander AIM 2 VCT in February 2006. The merger reserve is released to the realised capital reserve as the assets acquired as a consequence of the merger are subsequently disposed of or permanently impaired.

Capital Redemption Reserve

The capital redemption reserve is a non-distributable reserve which is created when shares are repurchased for cancellation resulting in a reduction of share capital.

Special Reserve

The special reserve is a distributable reserve which is created by the authorised reduction of the share premium account and can be applied in any manner in which the Company's profits available for distribution (as determined in accordance with the Companies Act 2006) are able to be applied.

Capital Reserve

The following are taken to the capital reserve:

- gains and losses on the disposal of investments
- increase and decrease in the value of investments held at the year end
- expenses allocated to this reserve in accordance with the above policies.

Revenue Reserve

The revenue reserve represents accumulated profits and losses and any surplus profit is distributable by way of dividends.

2 Income

	Year to 31 January 2017 £'000	Year to 31 January 2018 £'000
Income:		
Dividends from UK companies	320	308
Dividends from overseas companies	23	20
UK loan stock interest	98	317
Interest from deposits	5	9
	446	654

Financial Statements

Notes to the Financial Statements

(continued)

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 13.

Under this agreement the Manager receives a fee of 1.75% of the net asset value of the Company in arrears.

Investment management fees for the year were as follows:

	Year to 31 January 2017 £'000	Year to 31 January 2016 £'000
Due to the Manager by the Company at 1 February	137	133
Investment management fees charged to revenue and capital for the year	631	555
Fees paid to the Manager during the year	(598)	(551)
Due to the Manager by the Company at 31 January	170	137

The Manager also receives a secretarial and administration fee of £76,000 (subject to an annual increase in line with the retail prices index) annually in arrears.

No performance fee is payable in respect of the year ended 31 January 2017 or the year ended 31 January 2016 as the Manager has waived all performance fees from 31 July 2014 onwards.

Annual running costs are capped at 3.5% of the Company's net assets, any excess being met by the Manager by way of a reduction in future management fees. The annual running costs include the directors' and Manager's fees, professional fees and the costs incurred by the Company in the ordinary course of its business (but excluding any commissions paid by the Company in relation to any offers for subscription, any performance fee payable to the Manager, irrecoverable VAT and exceptional costs, including winding-up costs).

4 Other Expenses

	Year to 31 January 2017 £'000	Year to 31 January 2016 £'000
Directors' remuneration	76	76
Auditor's remuneration – audit of statutory financial statements	22	22
Administration and secretarial services	76	75
Other expenses	128	121
	302	294

The Company has no employees other than directors, they are therefore the only key management personnel.

Details of directors' remuneration are provided in the audited section of the directors' remuneration report on page 26.

5 Tax on Ordinary Activities

5a Analysis of charge for the year

	Year to 31 January 2017 £'000	Year to 31 January 2016 £'000
Charge for the year	-	-

5b Factors affecting the tax charge for the year

	Year to 31 January 2017 £'000	Year to 31 January 2016 £'000
Profit on ordinary activities before taxation	7,261	1,903
Corporation tax at standard rate of 20% (2016: 20.17%)	1,452	384
Effect of:		
Non-taxable dividends	(64)	(66)
Non-taxable gains on investments	(1,550)	(423)
Movement in excess management expenses	162	105
Tax charge for the year (note 5a)	-	-

Due to the Company's tax status as an approved Venture Capital Trust, deferred tax has not been provided on any net capital gains arising on the disposal of investments as such gains are not taxable.

No deferred tax asset has been recognised on surplus management expenses carried forward as it is not envisaged that any such tax will be recovered in the foreseeable future. The amount of unrecognised deferred tax asset is £1,560,000 (31 January 2016: £1,675,000). This is calculated using a corporation tax rate of 17% which is the rate at which it is deemed that any losses would be utilised.

Notes to the Financial Statements
(continued)

6 Dividends Paid

Amounts recognised as distributions to equity holders during the year:

	2017 Revenue £'000	2017 Capital £'000	2016 Revenue £'000	2016 Capital £'000
Final dividend for the year ended 31 January 2015 of 3.5p per ordinary share paid on 24 July 2015	-	-	-	1,051
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 2016 of 3.5p per ordinary share paid on 22 July 2016	28	1,088	-	-
Interim dividend for the year ended 31 January 2017 of 2.75p per ordinary share paid on 25 November 2016	-	878	-	-
	28	1,966	-	1,879

Set out below are the interim and final dividends paid or proposed on Ordinary Shares in respect of the financial year.

	2017 Revenue £'000	2017 Capital £'000	2016 Revenue £'000	2016 Capital £'000
Interim dividend for the year ended 31 January 2017 of 2.75p per ordinary share (2016: 2.75p)	-	878	-	828
Proposed final dividend for the year ended 31 January 2017 of 4.25p per ordinary share (2016: 3.5p)	-	1,457*	28	1,088
	-	2,335	28	1,916

*Based on shares in issue on 27 April 2017.

7 Earnings per Share

	2017 Net profit/(loss) £'000	2017 Weighted average shares	2017 Earnings per share pence	2016 Net profit £'000	2016 Weighted average shares	2016 Earnings per share pence
Revenue	(14)	31,774,562	(0.04)p	221	29,854,090	0.74p
Capital	7,275	31,774,562	22.89p	1,682	29,854,090	5.63p
Total	7,261	31,774,562	22.85p	1,903	29,854,090	6.37p

8 Investments

	Level a* Traded on AIM £'000	Level c i)* Unquoted Investments £'000	Level c ii)* Unquoted Investments £'000	Total £'000
Cost as at 1 February 2016	18,411	787	4,110	23,308
Opening unrealised gain/(loss)	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 year:				
Reclassification in the year	-	137	(137)	-
Purchases	2,909	-	-	2,909
Sales - proceeds	(2,598)	(7)	-	(2,605)
Realised gain on sales	250	-	-	250
Unrealised gain/(loss) in the year	7,828	158	(488)	7,498
Valuation as at 31 January 2017	**37,649**	**610**	**619**	**38,878**
Cost at 31 January 2017	19,902	955	3,563	24,420
Unrealised gain/(loss) as at 31 January 2017	18,043	(235)	(1,321)	16,487
Closing unrealised loss recognised in realised reserve	(296)	(110)	(1,623)	(2,029)
Valuation as at 31 January 2017	**37,649**	**610**	**619**	**38,878**
Equity shares	37,649	610	81	38,340
Preference shares	-	-	47	47
Loan stock	-	-	491	491
Valuation as at 31 January 2017	**37,649**	**610**	**619**	**38,878**

* Refer to note 18 for definitions

	2017 £'000	2016 £'000
Realised gains/(losses) on disposal	250	(31)
Unrealised gains on investments during the year	7,498	2,129
Net gain on investments	7,748	2,098

Transaction Costs

During the year the Company incurred transaction costs of £nil (31 January 2016: £2,000) and £7,000 (31 January 2016: £5,000) on purchases and sales of investments respectively. These amounts are included in the gain on investments as disclosed in the income statement.

9 Debtors

	2017 £'000	2016 £'000
Receivable for investments sold	96	-
Prepayments and accrued income	563	99
	659	99

Notes to the Financial Statements

(continued)

10 Creditors: Amounts Falling due within One Year

	2017 £'000	2016 £'000
Payable for investments bought	142	-
Other creditors	265	217
	407	217

11 Called Up Share Capital

Ordinary shares (5p shares)	2017 Number	2017 £'000	2016 Number	2016 £'000
Allotted, issued and fully paid at 1 February	30,259,489	1,513	28,670,817	1,434
Issued during the year	3,031,153	152	2,483,093	124
Repurchase of own shares for cancellation	(647,573)	(32)	(894,421)	(45)
At 31 January	32,643,069	1,633	30,259,489	1,513

During the year a total of 647,573 ordinary shares of 5p each were purchased by the Company at an average price of 109.11p per share.

Further details of the Company's share capital and associated rights are shown in the Directors' Report on page 18.

12 Net Asset Value per Ordinary Share

	2017 Net assets £'000	2017 Ordinary shares	2017 NAV per share pence	2016 Net assets £'000	2016 Ordinary shares	2016 NAV per share pence
Ordinary share	40,385	32,643,069	123.72	32,400	30,259,489	107.07

13 *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
Sportsweb.com	58,688	11.4%
Sabien Technology Group plc	3,862,169	6.2%
Universe Group plc	10,600,183	4.6%
Hardide plc	62,500,000	4.1%
Water Intelligence plc	395,370	3.3%
Science in Sport plc	1,402,049	3.1%

14 Material Disposals of Unquoted Investments

There were no material disposals of unquoted investments during the year.

15 Post Balance Sheet Events

The following transactions have taken place between 31 January 2017 and the date of this report:

1,884,298 shares were allotted raising net proceeds of £2.5m.

16 Related Parties

The Company retains Amati Global Investors as its Manager. Details of the agreement with the Manager are set out on page 13. The number of ordinary shares (all of which are held beneficially) by certain members of the management team are:

	31 January 2017 shares held
Paul Jourdan	210,787
Douglas Lawson	15,310
David Stevenson	9,120

The remuneration of the Directors, who are key management personnel of the Company, is disclosed in the Directors' Remuneration Report on page 26.

17 Segmental Reporting

The Directors are of the opinion that the Company is engaged in a single segment of business, being investment business. The Company primarily invests in companies listed in the UK.

Notes to the Financial Statements

(continued)

18 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.

Classification of financial instruments

The Company held the following categories of financial instruments at 31 January:

	2017 (Book value) £'000	2017 (Fair value) £'000	2016 (Book value) £'000	2016 (Fair value) £'000
Assets at fair value through profit and loss				
Investment portfolio	38,878	38,878	30,826	30,826
Assets measured at amortised cost				
Receivable for investments sold	96	96	-	-
Accrued income and other debtors	553	553	99	99
Cash at bank	1,255	1,255	1,692	1,692
Liabilities measured at amortised cost				
Payable for investments bought	(142)	(142)	-	-
Accrued expenses	(265)	(265)	(217)	(217)
Total for financial instruments	40,375	40,375	32,400	32,400

Fixed asset investments (see note 8) are measured at fair value. For quoted securities this is generally the bid price or, in the case of SETS securities, the closing price. As explained in note 1, unquoted investments are valued in accordance with the IPEV guidelines. Changing one or more inputs for level c assets would not have a significant impact on the valuation. For example, earnings multiple calculations are used to value some unquoted equity holdings. These multiples are derived from a basket of comparable quoted companies, with appropriate discounts applied. These discounts are subjective and based on the Manager's experience. In respect of unquoted investments, these are valued by the directors using rules consistent with IPEV guidelines. Investments in TB Amati UK Smaller Companies Fund are based on the published fund mid price NAV. 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:

– 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 and fully listed 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.

– Valuation technique; - "Level c i) & ii)"

i) Fair value is measured using a valuation technique that is based on data from an observable market; or

ii) Fair value is measured using a valuation technique that is not based on data from an observable market.

Financial assets at fair value

	Year ended 31 January 2017				Year ended 31 January 2016			
	Level a £'000	Level c i) £'000	Level c ii) £'000	Total £'000	Level a £'000	Level c i) £'000	Level c ii) £'000	Total £'000
Equity shares	37,649	610	81	38,340	29,260	322	190	29,772
Preference shares	-	-	47	47	-	-	30	30
Loan stock	-	-	491	491	-	-	1,024	1,024
	37,649	610	619	38,878	29,260	322	1,244	30,826

Level c financial assets at fair value

	Year ended 31 January 2017				Year ended 31 January 2016			
	Equity shares £'000	Preference shares £'000	Loan stock £'000	Total £'000	Equity shares £'000	Preference shares £'000	Loan stock £'000	Total £'000
Opening balance at 1 February	512	30	1,024	1,566	1,078	15	2,842	3,935
Purchases	-	-	-	-	133	-	-	133
Disposal proceeds	-	-	-	-	(485)	-	(337)	(822)
Total net gains/(losses) recognised in the income statement	179	17	(533)	(337)	(214)	15	(1,481)	(1,680)
Closing balance at 31 January	691	47	491	1,229	512	30	1,024	1,566

19 Market Risk

Market risk arises from uncertainty about the future prices of financial instruments held in accordance with the Company's investment objectives. It represents the potential loss that the Company might suffer through holding positions in the face of market investments.

The Company's strategy on the management of investment risk is driven by the Company's investment objective as outlined on page 11. The management of market risk is part of the investment management process. The Board seeks to mitigate the internal risks by setting policy, regular reviews of performance, enforcement of contractual obligations and monitoring progress and compliance 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.

Details of the Company's investments at the balance sheet date are disclosed in the Investment Portfolio on pages 9 and 10. FRS 102 requires the directors to consider the impact of changing one or more of the inputs used as part of the valuation process to reasonable possible alternative assumptions.

As at 31 January 2017 96.8% (31 January 2016: 94.9%) of the Company's investments are traded. A 10% increase in stock prices as at 31 January 2017 would have increased the net assets attributable to the Company's shareholders and the total profit for the year by £3,765,000 (31 January 2016: £2,926,000); 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.

As at 31 January 2017 3.2% (31 January 2016: 5.1%) of the Company's investments are in unquoted companies held at fair value. A 10% increase in the valuations of unquoted investments at 31 January 2017 would have increased the net assets attributable to the Company's shareholders and the total profit for the year by £123,000 (31 January 2016: £157,000); 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.

Notes to the Financial Statements
(continued)

20 Interest Rate Risk

Fixed rate

Six of the Company's financial assets are interest bearing at a fixed rate, no assets have a floating interest rate, all other assets are non-interest bearing. As a result, the Company is subject to exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates, however the impact of a reasonable movement in interest rates would not be significant to the net assets and profit for the year.

The total current market value of these stocks is £491,000 (31 January 2016: £1,024,000), the weighted average interest rate is 8.0% (31 January 2016: 13.6%) and the average period to maturity is 0.6 years (31 January 2016: 2.0 years).

Details of the Company's investments at the balance sheet date are provided on pages 9 and 10.

21 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 carrying amount of financial assets best represents the maximum credit risk exposure at the balance sheet date. At 31 January 2017, the financial assets exposed to credit risk, representing convertible loan stock instruments, amounts due from brokers, accrued income and cash amounted to £1,849,000 (31 January 2016: £2,799,000). The convertible loans in China Food Company plc and Sorbic International plc are secured over the buildings and land use rights of the companies.

Credit risk on the unquoted loan stock held within unlisted investments is also considered to be part of market risk as the value of the loan stock is influenced in part by the price of the underlying equity.

The loan stock investments in the table below are considered past due, but not individually impaired, because it is believed that the loan is fully recoverable.

	0-6 Months £'000	Total 2017 £'000	0-6 Months £'000	Total 2016 £'000
Loan stock past due	491	491	508	508

Interest of £7,000 was accrued at 31 January 2017 in relation to Fox Marble Group plc. The interest is payable quarterly in arrears and the amount due to the quarter ended 28 February 2017 was paid on 6 March 2017.

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, the high credit quality of the brokers used and the fact that almost all transactions are on a 'delivery versus payment' basis. The Manager 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 January 2017, cash held by the Company was held by The Bank of New York and UBS. Bankruptcy or insolvency of the institutions 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 the institutions 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 January 2017 or 31 January 2016.

22 Liquidity Risk

The Company's financial instruments include investments in unlisted equity investments which are not traded in an organised public market and which generally may be illiquid. As a result, the Company may not be able to liquidate quickly some of its investments in these instruments at an amount close to their fair value in order to meet its liquidity requirements, or to respond to specific events such as deterioration in the creditworthiness of any particular issuer. The proportion of the portfolio invested in unlisted equity investments is not considered significant given the amount of investments in readily realisable securities.

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 Strategic Report on page 15. 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 January 2017, these investments were valued at £14,815,000 (31 January 2016: £5,270,000). The directors consider that frequently traded AIM investments with a market capitalisation of greater than £200m represent readily realisable securities.

23 Capital Management Policies and Procedures

The Company's capital management objectives are:

- to ensure that it will be able to continue as a going concern;
- to satisfy the relevant HMRC requirements; and
- to maximise the income and capital return to its shareholders.

As a VCT, the Company must have, within 3 years of raising its capital, at least 70% by value of its investments in VCT qualifying holdings, which are relatively high risk UK smaller companies. In satisfying this requirement, the Company's capital management scope is restricted. The Company does have the option of maintaining or adjusting its capital structure by varying dividends, returning capital to shareholders, issuing new shares or selling assets to maintain a certain level of liquidity. There has been no change in the objectives, policies or processes for managing capital from the previous year.

The structure of the Company's capital is described in note 11 and details of the Company's reserves are shown in the Statement of Changes in Equity on page 32.

The Board, with the assistance of the Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the need to buy back equity shares for cancellation, which takes account of the difference between the net asset value per share and the share price (i.e. the premium or discount);
- the need for new issues of shares; and
- the extent to which revenue in excess of that which is to be distributed should be retained.

The Company is subject to externally imposed capital requirements:

a. as a public limited company, the Company is required to have a minimum share capital of £50,000; and

b. in accordance with the provisions of the Income Tax Act 2007, the Company as a Venture Capital Trust:

   i) is required to make a distribution each year such that it does not retain more than 15% of income from shares and securities; and

   ii) is required to derive 70% of its income from shares and securities.

These requirements are unchanged since last year and the Company has complied with them at all times.

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 January 2017 was 123.72p. 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

Dividends

Shareholders who wish to have future dividends reinvested in the Company's shares or wish to have dividends paid directly into their bank account rather than sent by cheque to their registered address should contact Share Registrars Limited on 01252 821390 or email enquiries@shareregistrars.uk.com.

Financial Calendar

May 2017	Annual report for the year ended 31 January 2017 to be circulated to shareholders
June 2017	Annual General Meeting
September 2017	Half-yearly Report for the six months ending 31 July 2017 to be circulated to shareholders
31 January 2018	Year-end

Annual General Meeting

The Annual General Meeting of the Company will be held on Wednesday 28 June 2017 at 2.00pm at Milton Court Theatre, The Guildhall School of Music & Drama, Silk Street, Barbican, London EC2Y 9BH. The notice of the meeting, together with the enclosed proxy form, is included on pages 51 and 55 of this report.

Supplementary Information for the Annual General Meeting

As explained on page 18 the Company is seeking shareholder authority to amend the Investment Policy of the Company. Below is the proposed new Investment Policy.

A. Investment Policy

Unless specified otherwise, defined terms shall have the meaning given to them in the FCA Handbook from time to time.

"**ITA**" means the Income Tax Act 2007 (as amended).

"**Manager**" means Amati Global Investors Limited.

"**VCT**" means a venture capital trust under section 842AA of the Income and Corporation Taxes Act 1988.

"**Qualifying Investment**" means an investment in shares in, or securities of a company or group carrying on a qualifying trade wholly or mainly in the UK satisfying the conditions in Chapter 4 of Part 6 of ITA, and held by a VCT which meets the requirements described in Part 6 of ITA.

Investment Objectives

The investment objectives of the Company are to generate tax free capital gains and regular dividend income for its shareholders, primarily through Qualifying Investments in AIM-traded companies and through non-qualifying investments as allowed by the VCT legislation. The Company will manage its portfolio to comply with the requirements of the rules and regulations applicable to VCTs from time to time. The Company's policy is to hold a diversified portfolio across a broad range of sectors to mitigate risk.

Investment Parameters

Whilst the objective is to make Qualifying Investments primarily in companies traded on AIM or on NEX, the Company may also make Qualifying Investments in companies likely to seek a quotation on AIM or NEX. With regard to the non-qualifying portfolio the Company makes investments which are permitted under the VCT regulations, including shares or units in an Alternative Investment Fund (AIF) or an Undertakings for Collective Investment in Transferable Securities (UCITS) fund, and shares in other companies which are listed on a regulated market such as the Main Market of the London Stock Exchange. For continued approval as a VCT under the ITA the Company must, within three years of raising funds, maintain at least 70% of its value (based on cost price, or last price paid per share if there is an addition to the holding) in qualifying investments. Any investments by the Company in shares or securities of another company must not represent more than 15% of the Company's net asset value at the time of purchase.

B. Strategy for Achieving Objectives

The strategy for achieving the Investment Objectives which follows is not part of the formal Investment Policy. Any material amendment to the formal Investment Policy may only be made with shareholder consent, but that consent applies only to the formal Investment Policy above and not any part of the Strategy for Achieving Objectives or Key Performance Indicators below.

Qualifying Investments Strategy

The Company is likely to be a long term investor in most Qualifying Investments, with sales generally only being made where an investment case has deteriorated or been found to be flawed, or to realise profits, adjust portfolio weightings, fund new investments or pay dividends. Construction of the portfolio of Qualifying Investments is driven by the historic investments made by the Company and by the availability of suitable new investment opportunities. The Manager may co-invest in companies in which other funds managed by Amati Global Investors invest.

Non-Qualifying Investments Strategy

The assets of the portfolio which are not in Qualifying Investments will be invested by the Manager in investments which are allowable under the rules applicable to VCTs. Currently cash not needed in the short term is invested a combination of the following (though ensuring that no more than 15% of the Company's funds are invested in any one entity at the time of purchase):

(i) the TB Amati UK Smaller Companies Fund (which is a UCITS fund), or other UCITS funds approved by the Board;

(ii) direct equity investments in small and mid-sized companies and debt securities in each case listed on the Main Market of the London Stock Exchange; and

(iii) cash or cash equivalents (including money market funds) which are redeemable within 7 days.

Supplementary Information for the Annual General Meeting

(continued)

The Company is also seeking shareholder authority to send or supply documents or information to shareholders by making them available on a website or other electronic means as explained on page 19. Below is further information in relation to Resolution 14.

Electronic Communications

The Company is seeking shareholders' consent to send or supply documents and information ("Documents and Information") to them in electronic form and via its website (www.amatiglobal.com). Increased use of electronic communications will deliver savings to the Company in terms of administration, printing and postage costs, as well as speeding up the provision of information to shareholders. The reduced use of paper will also have environmental benefits. Under the proposal, when new Documents and Information become available on the website, we will notify you by letter to your normal address or, if you have consented to email notification and provided an email address, by email.

Under the provisions of the Companies Act 2006, we are required to ask you individually to confirm your agreement to the Company sending or supplying the Documents and Information to you as a member of the Company via www.amatiglobal.com (the "Website"). **If you do not opt out you are deemed to have consented. You may opt out by choosing Option B on the enclosed Consent to Electronic Communications form.**

If the resolution to permit website communications (as set out in the Notice on page 52) is passed by shareholders on 28 June 2017, and if you do not opt out from electronic communication within 28 days of the date of this notice, then you will be taken to have agreed (under paragraph 10 of Schedule 5 to the Companies Act 2006) that the Company may send or supply the Documents and Information to you via the Website.

Irrespective of the outcome of the vote, you can indicate your communication preferences as indicated on the electronic communications form.

If the Company is required to restrict the sending of any Documents and Information to any shareholders within or outside the European Economic Area (EEA), for example due to the local laws of the EEA country or outside in which the particular shareholders are resident or otherwise located, we will not be permitted to use electronic means to communicate with any shareholders holding shares of the same class as those shareholders within the EEA or outside. In any such case, we will send paper copies of the Documents and Information.

Shareholders who wish to change their preferences about electronic communications in the future or provide an updated email address should contact Share Registrars by emailing enquiries@shareregistrars.uk.com or by writing to Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR. For those shareholders who are registered with the web-based share portal at www.shareregistrars.uk.com please log in and click on "Personal Details" to update.

Electronic Communications Extra Information

In order to access the Documents and Information on the Website, you will need access to the internet and to a program or app that can display the documents. At this time, you will need a program or app that can display documents in Portable Document Format ("PDF"). As at the date of this document, you can download the free version of Adobe Acrobat from https://get.adobe.com/uk/reader/. Our providing this link should not be interpreted as approval by us of such linked website or information you may obtain from it, and we accept no liability in respect of your access or use of third party websites. We have no control over the contents of those sites or resources.

Notice of Annual General Meeting

It is the Board's opinion that all resolutions are in the best interests of shareholders as a whole and the Board recommends that shareholders should vote in favour of all resolutions. Any shareholder who is in any doubt as to what action to take should consult an appropriate independent adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all your Shares in the Company, please forward this document, together with the forms of proxy, to the purchaser, transferee, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

Notice is hereby given that the Annual General Meeting of Amati VCT 2 plc (the "**Company**") will be held on Wednesday 28 June 2017 at Milton Court Theatre, The Guildhall School of Music & Drama, Silk Street, Barbican, London EC2Y 9BH at 2.00pm (the "**Meeting**") for the transaction of the following business:

ORDINARY BUSINESS

To consider, and if thought fit, to pass the following Resolutions 1 to 11 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 January 2017 together with the Independent Auditor's Report thereon.
2. To approve the Directors' Annual Report on Remuneration for the financial year ended 31 January 2017.
3. To approve the Directors' Remuneration Policy.
4. To approve a final dividend of 4.25p per share payable on 21 July 2017 to shareholders on the register at 16 June 2017.
5. To re-appoint BDO LLP of 55 Baker Street, London, W1U 7EU 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 2018 at which financial statements are laid before the Company.
6. To authorise the directors to fix the remuneration of the auditor.
7. To re-elect Julian Avery as a director of the Company.
8. To re-elect Mike Killingley as a director of the Company.
9. To re-elect Susannah Nicklin as a director of the Company.
10. That, in substitution for any existing authorities, but without prejudice to the exercise of any such authority prior to the date of the passing of this resolution, the Directors be and hereby are authorised in accordance with section 551 of the Companies Act 2006 (the "2006 Act"), as amended, to exercise all powers of the Company to allot shares of 5p each in the capital of the Company and to grant rights to subscribe for or to convert any security into shares up to an aggregate nominal amount of £1,250,000, provided that the authority conferred by this resolution shall expire on the fifth anniversary of the date of the passing of this resolution unless renewed, varied or revoked 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.
11. That the proposed amendments to the Company's Investment Policy be approved and the revised Investment Policy as detailed in the Annual Report and Financial Statements, a copy of which is initialled for the purpose of identification by the Chairman of the Annual General Meeting and produced to the Annual General Meeting, be and is hereby approved and adopted with effect from 28 June 2017 as the Company's Investment Policy in place of its existing Investment Policy.

SPECIAL BUSINESS

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

Special Resolutions

12. THAT in substitution for any existing authorities, the directors be and hereby are empowered pursuant to sections 570 and 573 of the Companies Act 2006 to allot or make offers or agreements to allot equity securities (which expression shall have the meaning ascribed to it in section 560 of the Act) for cash pursuant to the authority given in accordance with section 551 of the Act by resolution 10 above as if section 561(1) of the Act did not apply to any such allotment, up to an aggregate nominal amount of £1,250,000. The authority hereby conferred by this resolution shall expire (unless previously renewed or revoked) on the earlier of the date of the annual general meeting of the Company to be held in 2018 and the date which is 15 months after the date on which this resolution is passed.

13. THAT, in substitution for existing authorities, the Company be and is hereby empowered to make one or more market purchases within the meaning of Section 701 of the Act, of the Ordinary Shares (either for cancellation or for the retention of treasury shares for future re-issue or transfer) provided that:
    (i) the maximum aggregate number of Ordinary Shares authorised to be purchased is such number thereof being 14.99% of the issued ordinary share capital of the Company as at the date of this resolution;
    (ii) the minimum price which may be paid per Ordinary Share is 5p per share, the nominal amount thereof;
    (iii) the maximum price (exclusive of expenses) which may be paid per Ordinary Share is an amount equal to 105% of the average of the middle market quotation of such Ordinary Share taken from the London Stock Exchange daily official list for the five business days immediately preceding the day on which such Ordinary Share is to be purchased;
    (iv) the authority hereby conferred shall expire on the earlier of the annual general meeting of the Company to be held in 2018 and the date which is 15 months after the date on which this Resolution is passed; and
    (v) the Company may make a contract to purchase its own Ordinary Shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority, and may make a purchase of such Ordinary Shares pursuant to any such contract.
14. THAT the Company may send or supply documents or information to shareholders by making them available on a website or other electronic means.

By order of the Board

The City Partnership (UK) Limited
Secretary

Registered office:

27/28 Eastcastle Street
London W1W 8DH

27 April 2017

Notes

1. A member entitled to attend and vote at the Meeting convened by the above Notice is entitled to appoint one or more proxies to attend and, on a poll, to vote in his place. A proxy need not be a member of the Company.
2. To appoint a proxy you may use the Form of Proxy enclosed with this Notice of Annual General Meeting. To be valid, the Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be deposited by 2.00pm on 26 June 2017 to Share Registrars, The Courtyard, 17 West Street, Farnham GU9 7DR. Completion of the Form of Proxy will not prevent you from attending and voting in person.
3. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders registered in the register of members of the Company on 26 June 2017 (48 hours before the time appointed for the Meeting) shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at such time. If the Meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned Meeting is 48 hours before the time appointed for the adjourned Meeting. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
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, you should photocopy the proxy form. Please indicate in the box next to the proxy holder's name the number of securities in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned together in the same envelope.

   A reply paid form of proxy is enclosed with members' copies of this document. To be valid, it should be lodged with the Company's registrars, Share Registrars, The Courtyard, 17 West Street, Farnham GU9 7DR so as to be received not later than 48 hours before the time appointed for the Meeting or any adjourned meeting or, in the case of a poll taken subsequent to the date of the Meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll.

5. Online voting: alternatively, you may register your votes electronically by visiting the website of the Company's registrar. You will need to register in order to be able to use this service. To register, please visit www.shareregistrars.uk.com and click on "Register" under the title Account Log In. If you have already registered, log in and click on "My Meeting Votes".
6. As at 26 April 2017 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 34,285,177 shares of 5p each, carrying one vote each at an annual general meeting of the Company. Therefore, the total voting rights in the Company as at 26 April 2017 are 34,285,177.
7. Appointment of a proxy will not preclude a member from subsequently attending, voting and speaking at the Meeting should he or she subsequently decide to do so. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
8. 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, under an agreement between the Nominated Person and the member by whom he/she was nominated, have a right 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.
9. The statement of the rights of members in relation to the appointment of proxies in paragraphs 3 to 5 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.
10. The Register of Directors' Interests will be available for inspection at the Meeting.
11. Except as provided above, members who have general queries about the Meeting should use the following means of communication (no other methods of communication will be accepted):
    - Calling Doreen Nic on 0131 510 7465 or
    - Emailing vct-enquiries@amatiglobal.com

    You may not use any electronic address provided either in this notice of Meeting or any related documents (including the chairman's letter and proxy form) to communicate with the Company for any purpose other than those expressly stated.

Corporate Information

Directors
Directors
Julian Ralph Avery
Mike Sedley Killingley
Susannah Nicklin

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

Secretary
The City Partnership (UK) Limited
110 George Street
Edinburgh
EH2 4LH

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

VCT Tax Adviser
Philip Hare & Associates LLP
Suite C, First Floor
4-6 Staple Inn
Holborn London
WC1V 7QH

Registrar
Share Registrars
The Courtyard
17 West Street
Farnham
GU9 7DR

Auditor
BDO LLP
55 Baker Street
London
W1U 7EU

Solicitors
Rooney Nimmo
8 Walker Street
Edinburgh
EH3 7LH

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

Amati VCT 2 plc
Form of Proxy for the Annual General Meeting on 28 June 2017

I/We

(block capitals please)

of

being a member of Amati VCT 2 plc, hereby appoint (see notes 1 and 2)

or failing him/her the chairman of the meeting to be my/our proxy and exercise all or any of my/our rights to attend, speak and vote for me/us in respect of my/our voting entitlement on my/our behalf at the Annual General Meeting of the Company to be held at Milton Court Theatre, The Guildhall School of Music & Drama, Silk Street, Barbican, London EC2Y 9BH on 28 June 2017 at 2.00pm, notice of which was dated 27 April 2017, and at any adjournment thereof. The proxy will vote as indicated below in respect of the resolution set out in the notice of meeting:

☐ Please indicate by placing an **X** in this box if this proxy appointment is one of multiple appointments being made (see note 2 below).

Resolution

	Resolution	For	Against	Vote Withheld
1	To receive the Directors' Report and Financial Statements together with the Independent Auditor's Report	☐	☐	☐
2	To approve the Directors' Annual Report on Remuneration	☐	☐	☐
3	To approve the Directors' Remuneration Policy	☐	☐	☐
4	To approve a final dividend	☐	☐	☐
5	To re-appoint BDO LLP as auditor	☐	☐	☐
6	To authorise the directors to fix the remuneration of the auditor	☐	☐	☐
7	To re-elect Julian Avery as a director of the Company	☐	☐	☐
8	To re-elect Mike Killingley as a director of the Company	☐	☐	☐
9	To re-elect Susannah Nicklin as a director of the Company	☐	☐	☐
10	To renew the directors' authority to allot shares	☐	☐	☐
11	To approve the proposed amendments to the Company's Investment Policy	☐	☐	☐
12	To renew the directors' authority to disapply pre-emption rights	☐	☐	☐
13	To authorise the directors to buy back shares	☐	☐	☐
14	To approve the supply of documents or information to shareholders by making them available on a website or other electronic means	☐	☐	☐

Please refer to the notes overleaf

If you wish to attend the AGM please either complete the attendance indication on the enclosed covering letter or contact Rachel Le Derf at rachel.lederf@amatiglobal.com or by phone on 0131 503 9104 to register your interest.

Signed	Date
	2017

Amati VCT 2 plc

Notes relating to Form of Proxy

1. Every member has the right to appoint some other person(s) of his/her choice, who need not be a member, as his/her proxy to exercise all or any of his/her rights to attend, speak or vote on his/her behalf at the meeting. A member wishing to appoint a person other than the chairman of the meeting as proxy should insert the name of such person in the space provided. If the proxy is being appointed in relation to less than your full voting entitlement, please enter alongside the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account). Any alteration or deletion must be signed or initialled.

2 A member may appoint more than one proxy in relation to a meeting, provided that the proxy is appointed to exercise the rights attached to a different share or shares held by him/her. To appoint more than one proxy, please contact Share Registrars Limited on 01252 821390 for (an) additional form(s), or you may photocopy this form. Please indicate alongside the proxy holder's name the number of shares in relation to which the proxy holder is authorised to act as your proxy. Please also indicate by placing an X in the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned together in the same envelope.

3 Use of the form of proxy does not preclude a member from attending and voting in person.

4 Where the form of proxy is executed by an individual it must be signed by that individual or his or her attorney.

5 Where the form of proxy is executed by joint shareholders it may be signed by any of the members, but the vote of the member whose name stands first in the register of members of the Company will be accepted to the exclusion of the votes of the other joint holders.

6 Where the form of proxy is executed by a corporation it must be either under its seal or under the hand of an officer or attorney duly authorised.

7 If the form of proxy is signed and returned without any indication as to how the proxy shall vote, the proxy will exercise his/her discretion as to whether and how he/she votes, as he/she will on any other matters to arise at the meeting.

8 Online voting: alternatively, you may register your votes electronically by visiting the website of the Company's registrar. You will need to register in order to be able to use this service. To register, please visit www.shareregistrars.uk.com and click on "Register" under the title Account Log In. If you have already registered, log in and click on "My Meeting Votes".

9 To be valid, the form of proxy, together with, if applicable, the power of attorney or other authority under which it is signed, or a certified copy thereof, must be sent or delivered to Share Registrars Limited, The Courtyard, 17 West Street, Farnham GU9 7DR or by fax to 01252 719232 or by scan and email to proxies@shareregistrars.uk.com to be received no later than 2.00pm on 26 June 2017.

10 The "vote withheld" option is provided to enable a member to abstain from voting on the resolution; however, it should be noted that a "vote withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes "for" and "against" the resolution.