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Aberdeen Growth Opportunities VCT 2 PLC

Annual Report and Accounts

For the 70 weeks ended 31 December 2005

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Financial Calendar

22 May 2006

Annual General Meeting

Financial History

	31 December 2005
Net asset value	£7,634,000
Net asset value per Ordinary share	97.4p
Total return (without tax reliefs) ¹	97.4p
Total return (with tax reliefs) ²	137.4p
Share price ³	100p
Premium to net asset value	2.7%
Ordinary shares in issue	7,835,163

¹ Since launch, sum of current net asset value and gross dividends paid to date.

² Income tax relief at 40%

³ Mid-market price source: Bloomberg.

Corporate Summary

Company profile

Aberdeen Growth Opportunities VCT 2 is a venture capital trust and a constituent of the FTSE All-Share Index. It has one class of share and was incorporated on 26 August 2004.

Investment objective

The Company aims to achieve long term capital appreciation, principally through investment in fast growing unquoted and AIM quoted companies in the United Kingdom.

Benchmark

There is no meaningful venture capital trust index against which to compare the performance of the Company. Accordingly, the Manager uses peer group comparisons for reporting to the Board.

Capital structure

The Company's issued share capital, as at 31 December 2005, consisted of 7,835,163 Ordinary shares of 10p each.

Net assets and Net Asset Value per share

At 31 December 2005, the Company had net assets of £7,634,000 and a Net Asset Value per share of 97.4p.

Continuation date

The Articles of Association require the Directors to put a proposal for the continuation of the Company, in its then form, to Shareholders at the Company's Annual General Meeting in 2014, and thereafter at five yearly intervals. For such a resolution not to be passed, Shareholders holding at least 25% of the shares then in issue must vote against the resolution.

Risk

Investments in smaller unquoted companies carry substantially higher risk than investments in larger companies or in companies listed on the Official List. Many of the stocks in which the Company invests are exposed to the risk of political change, exchange controls, tax or other regulations, which may affect their value and marketability.

The levels and bases of tax reliefs may change.

As the volume of shares traded on the market is likely to be small, the shares may trade at a significant discount to Net Asset Value.

Further details of the Company's risk profile are contained in Note 18 to the Financial Statements on pages 33 and 34 and in Tax Position of Individual Investors on page 36.

Management agreement

The Company has agreements with Aberdeen Asset Managers Limited and Aberdeen Asset Management PLC for the provision of management and secretarial services respectively. Please refer to pages 14 and 15 for details of the management and secretarial fees payable.

Share dealing

Shares in Aberdeen Growth Opportunities VCT 2 can be purchased and sold in the open market through a stockbroker.

Your Board

The Board of five Directors, and one alternate Director, all of whom are non-executive and the majority of whom are considered by the Board to be independent of the Manager, supervises the management of Aberdeen Growth Opportunities VCT 2 PLC and looks after the interests of its Shareholders.

Ian Cormack, *Independent non-executive Director and Chairman*

Age: 58

Length of service: Appointed a Director and Chairman in September 2004.

Relevant experience and other directorships: Mr Cormack spent 30 years at Citigroup (formerly Citibank), occupying many senior positions in the bank including Country Head (CCO) for Citicorp in the UK, Chairman of Citibank International and most recently occupying the position of Co-head of Global Financial Institutions. Following his career at Citigroup, he spent two years at AIG Inc where he was Chief Executive of insurance, financial services and asset management businesses in Europe. He is currently a Partner at Cormack Tansey Partners, a consulting practice, and holds a number of directorships.

Committee membership: Audit (Chairman), Management Engagement (Chairman) and Nomination (Chairman)

Employment by the Manager: None

Other connections with the Manager: None

Shared directorships with other Directors: None

Martin Gilbert, *Non-executive Director*

Age: 50

Length of service: Appointed a Director in September 2004.

Relevant experience and other directorships: Mr Gilbert qualified as a chartered accountant in 1982 and thereafter pursued a career in investment management. He was one of the founding directors and is chief executive of Aberdeen Asset Management PLC. He is Chairman of FirstGroup plc and a director of a number of investment trusts and venture capital trusts.

Committee membership: Nomination

Employment by the Manager: Chief Executive of Aberdeen Asset Management PLC

Other connections with Manager: Director of Aberdeen Asset Managers Limited

Shared directorships with other Directors: None

Malcolm Graham-Wood, *Independent non-executive Director*

Age: 48

Length of service: Appointed a Director in September 2004.

Relevant experience and other directorships: Mr Graham-Wood began his career with Wood Mackenzie in 1979. He has spent the past 25 years working in the City as an analyst and was head of the UK equity department at Williams de Broe.

Committee membership: Audit, Management Engagement and Nomination

Employment by the Manager: None

Other connections with the Manager: None

Shared directorships with other Directors: None

Andrew Lapping, *Independent non-executive Director*

Age: 42

Length of service: Appointed a Director in September 2004.

Relevant experience and other directorships: Mr Lapping worked for PricewaterhouseCoopers for twelve years, specialising in corporate finance and tax planning. In 1999 he established a private equity company, The Hamilton Portfolio Limited, of which he is Managing Director. He has managed a number of private equity and AIM investments. He is a fellow of The Chartered Institute of Taxation and is a non-executive director of a number of private companies.

Committee membership: Audit, Management Engagement and Nomination

Employment by the Manager: None

Other connections with the Manager: None

Shared directorships with other Directors: None

Bill Nixon, *Alternate Director for Martin Gilbert*

Age: 42

Length of service: Appointed an alternate Director in November 2005.

Relevant experience and other directorships: Mr Nixon is Head of the Growth Capital team at Aberdeen Asset Management Private Equity (AAMPE) and a member of the executive management committee of AAMPE. He has led more than 40 completed private equity transactions throughout the UK since commencing his career in private equity in 1991. He is a Fellow of the Chartered Institute of Bankers in Scotland and obtained a Masters of Business Administration degree from Strathclyde University in 1996. Before joining Aberdeen in 1999, he was head of the private equity business at Clydesdale Bank plc, a subsidiary of National Australia Bank.

Employment by the Manager: Since 1999

Other connections with the Manager: None

Shared directorships with other Directors: Mr Nixon is alternate director for Martin Gilbert on Aberdeen Growth VCT I PLC and Aberdeen Growth Opportunities VCT PLC.

Steven Scott, *Independent non-executive Director*

Age: 40

Length of service: Appointed a Director in September 2004.

Relevant experience and other directorships: Mr Scott is a qualified chartered accountant. He worked in the Bank of Scotland Structured Finance Group before becoming a director of Royal Bank Development Capital, the private equity division of The Royal Bank of Scotland plc. In 1999, he founded Penta Capital, an independent UK private equity manager with around £180 million under management. Penta Capital manages two debt funds, a mid-market fund and an early stage technology fund.

Committee membership: Audit, Management Engagement and Nomination

Employment by the Manager: None

Other connections with the Manager: None

Shared directorships with other Directors: None

Analysis of Unlisted and AIM Portfolio

As at 31 December 2005

FT Industrial Sector	Valuation £'000	%
Unlisted		
Aerospace & Defence	250	6.1
General Retailers	250	6.1
Household Goods & Textiles	200	4.8
Insurance	250	6.1
Leisure & Hotels	156	3.8
Oil & Gas	150	3.6
Software & Computer Services	150	3.6
Support Services	525	12.7
Telecommunication Services	167	4.0
	2,098	50.8
AIM		
Electronic & Electrical Equipment	183	4.4
Health	175	4.2
Leisure & Hotels	366	8.9
Media & Entertainment	166	4.0
Software & Computer Services	367	8.9
Support Services	445	10.8
Telecommunication Services	331	8.0
	2,033	49.2
Total Unlisted and AIM	4,131	100.0

Deal Type	No. of deals	Valuation £'000	%
Unlisted			
Management buy-outs	4	856	20.7
Management buy-ins	1	225	5.5
Development capital	6	1,017	24.6
	11	2,098	50.8
AIM			
	14	2,033	49.2
Total Unlisted and AIM	25	4,131	100.0

Chairman's Statement

Net Asset Value

The Net Asset Value per share at 31 December 2005 was 97.4p compared with 95p immediately after launch. The increase reflects the uplift achieved in the AIM portfolio and in one of the unlisted holdings. The increase of 2.5% compares to the changes in stock market indices generally and, in particular, the FTSE SmallCap Index, which rose by 16.0%, and the FTSE AIM Index, which fell by 3.3% for the period between April 2005, when the majority of the shares were issued, and 31 December 2005. This return ignores the benefit of the income tax recovered by investors on the amount invested.

The performance of the portfolio of investments is governed to a large extent by the investment in instruments designed to protect the capital while providing a measure of income, where typically the value of such instruments does not follow general stock market indices. In addition, the valuation of investments in unlisted companies is generally held at cost for an initial period of up to 12 months.

Investment Strategy

The prime objective in the short term is to achieve the 70% investment in qualifying holdings which is required to achieve venture capital trust status by December 2007. I am pleased to report excellent progress with this objective having achieved a qualifying level in excess of 40% by the reporting period end. The directors are confident that this, and all other criteria required for confirmation of VCT status, will be achieved.

Pursuit of the qualifying target is not being achieved at the expense of the quality of the investments being made and the objective remains to build a well diversified portfolio of unlisted and AIM investments which offer excellent growth prospects and therefore the opportunity for capital gains in the medium and longer term.

The Board has recognised the success which the Manager has achieved with investments in the AIM Market and has increased the amount which is available for investment in this market to 30% of the fund.

Whilst it is the Board's intention that the proportion of the Company's assets invested in AIM shares should not exceed 30% in the long-term, the directors wish the Manager to have the flexibility to invest up to 40% in AIM-quoted companies when appropriate. A resolution will

therefore be proposed at the Annual General Meeting to specifically authorise an increase in the maximum investment in AIM to 40% of the fund.

Valuation process

The unlisted companies in which Aberdeen Growth Opportunities VCT 2 has invested are valued in accordance with the International Private Equity and Venture Capital Guidelines issued jointly by the British Venture Capital Association and others. Investments are valued at fair value, except where that cannot be reasonably determined in which case they will be carried at their previous valuation.

The programme to converge UK Generally Accepted Accounting Principles with International Financial Reporting Standards applies to accounting years starting on or after 1 January 2005 and these new regulations require that listed holdings, including AIM stocks, are valued at their bid price where previously they would have been valued at their closing mid-market price in line with industry practice. Where trading restrictions apply, an appropriate level of discount will be applied.

The Board cannot adopt these standards early but has deemed it prudent to value the quoted securities at bid prices.

Dividends

The Board does not intend to declare a dividend for the period ended 31 December 2005. Any future dividends will be paid tax-free to shareholders but the timing of capital dividends, which will depend on the achievement of realisations, cannot be reliably predicted.

Co-investment Scheme of the Manager

A co-investment scheme, which will allow executive members of the Manager to invest alongside the Company, has been agreed with the Manager for implementation during the coming year. The Directors believe that this incentive scheme will align the interests of the executives and the shareholders of the Company more closely. The scheme will operate through a nominee which will invest alongside the Company in each and every transaction completed by the Company, including any follow-on investments.

In an unlisted investment, the transaction will normally be structured such that 70 to 90% of the investment is by way of fixed interest investment with the balance in ordinary shares. The amount which will be invested by the nominee is fixed at 5% of the value of the ordinary shares which are available to the Company except where the Company is investing only in ordinary shares. In that case, the amount to be invested by the executives will be 1.5% of the amount available to the Company.

The impact of the scheme in terms of dilution will be small but will align the interests of the Executives and the Company's shareholders while introducing an incentive to enable the Manager to retain the existing skills and capacity of the Manager's team in a highly competitive market.

Outlook

The Company is building a diversified portfolio of good quality assets which your Board believes will deliver sustained long term performance in due course. The investment rate is ahead of plan and deal flow across the network of the Manager's offices is growing, which should ensure a continuing flow of opportunities in which the Company can invest. The Manager and the Board are confident that the investment target will be achieved by 31 December 2007, which will confirm the Company's status as a Venture Capital Trust.

27 February 2006

I D Cormack
Chairman

Investment Manager's Report

Investment Activity

The Company has raised a total of £7.4 million from shareholders after expenses, and allotments were made in February, April and May 2005. The first investments were made immediately following the first allotment and a total of eleven private equity and sixteen AIM investments have been made at a total cost of £4.3 million during the reporting period. The balance of funds raised has been invested in a range of bonds, unit trusts and cash to await investment in qualifying companies as required by VCT legislation.

The following investments have been made since publication of the interim report:

Bond Aviation Solutions (November 2005) - £250,000:

Bond provides commercial pilot training services from its Gatwick base. (www.flyastraeus.com)

Chiltern UK (November 2005) - £225,000:

Chiltern negotiates and manages standstill agreements and repayment plans for individuals who cannot currently meet their debt obligations. (www.chiltern-debt-management.com)

Elam-T (August 2005) - £167,000: Elam-T is a developer of flat panel display technologies.

Essential Viewing Systems (August 2005) - £150,000:

Essential Viewing Systems is a developer of an advanced delivery technology for video over mobile telephones, the internet and conventional mediums such as television. (www.essential-viewing.com)

Fieldstreet (Investments) (October 2005) - £250,000:

Fieldstreet acquired Cox Insurance in a public to private deal. Cox is a mid-sized insurance business focussed on predominately niche risk areas within motor insurance. (www.cox.co.uk)

Litcomp (October 2005) - £100,000:

Litcomp is a national supplier of medical reports in support of legal actions. Litcomp shares are traded on OFEX. (www.litcomp-plc.com)

Styles & Wood Holdings (December 2005) - £200,000:

Styles & Wood is the leading independent provider of store fit-out and refurbishment programmes to the UK retail sector. (www.stylesandwood.co.uk)

Vibration Technology (September 2005) - £150,000:

Vibration Technology was formed in 1996 to develop a lightweight, cable-free, seismic acquisition system for use in land seismic surveys. (www.vibtech.co.uk)

Amazing Holdings * (December 2005) - £150,000:

Amazing is a leisure and hotel developer. (www.amazing.co.im)

AT Communications * (November 2005) - £140,000:

AT Communications is an integrator of communications systems to SMEs and small corporates, providing service, installation and maintenance for voice, data, mobile and converged networks. (www.atcommunications.co.uk)

Avanti ScreenMedia * (November 2005) - £100,000:

Avanti is a provider of screens and media advertising content to retailers, pubs, clubs and leisure facilities. (www.avanti-screenmedia.com)

Datong Electronics * (October 2005) - £164,000:

Datong produces devices that enable government intelligence and defence agencies to covertly track vehicles and mobile phones. (www.datong.co.uk)

Imprint * (September 2005) - £151,000: Imprint is a provider of a results orientated search, selection and value added human capital management service within the critical higher, middle and senior management recruitment markets. (www.imprintplc.com)

NeutraHealth * (August 2005) - £150,000:

NeutraHealth has acquired BioCare a leading provider of vitamins, mineral supplements, probiotics and other food supplements to health practitioners and specialist retailers. (www.biocare.co.uk)

* Quoted on AIM

Aberdeen Growth Opportunities VCT 2 has co-invested with other funds managed by the Private Equity Division of Aberdeen Asset Managers (AAMPE) and is expected to continue to do so. The advantage of this arrangement is that, together, the funds are able to underwrite a wider range and size of transaction than would be the case on a stand-alone basis.

Portfolio Developments

In the Company's Prospectus it was anticipated that the portfolio of investments would consist of approximately 50% in private equity investments in relatively mature companies, 25% in earlier stage companies and 25% in AIM quoted investments. These proportions will vary from time to time and, at present, there is a larger number of AIM transactions becoming available to the Company and, therefore, there has been a higher proportion of investments in this category. The AIM portfolio has been actively managed and, during the reporting period, two AIM investments were realised completely and a further three partial realisations were achieved resulting in an overall gain of £25,000 over cost. Details are given in the table below. At the period end, the remaining AIM portfolio had achieved an uplift over cost of £146,000 (7.7%).

Investment Manager's Report – continued

	Cost of shares disposed of £'000	Sales proceeds £'000	Realised gain/(loss) £'000
Accuma Group	100	129	29
Gladstone	125	91	(34)
Leisure & Gaming	14	23	9
NeutraHealth	4	5	1
Talarius	69	89	20
Total	312	337	25

The private equity investment portfolio was valued at cost at the period end with one exception where an uplift was included; these investments, by their nature, are less liquid

and it may be some time before these companies have developed to the point where exits will be sought.

Aberdeen Asset Managers Limited

27 February 2006

Summary of Investment Changes during the Period

For the period ended 31 December 2005

	Net proceeds of share issue		Net investment (disinvestment) £'000	Appreciation (depreciation) £'000	Valuation 30 December 2005	
	£'000	%			£'000	£'000
Unlisted investments						
Equities	–	–	638	30	668	8.7
Preference shares	–	–	67	–	67	0.9
Loan stocks	–	–	1,363	–	1,363	17.9
	–	–	2,068	30	2,098	27.5
AIM investments						
Equities	–	–	1,862	171	2,033	26.6
Listed investments						
Fixed income	–	–	2,114	4	2,118	27.7
Unit Trusts	–	–	1,006	14	1,020	13.4
Total investments	–	–	7,050	219	7,269	95.2
Other net assets	7,444	100.0	(7,079)	–	365	4.8
Total assets	7,444	100.0	(29)	219	7,634	100.0

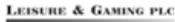
Investment Portfolio Summary

As at 31 December 2005

Investment	Nature of business	Bookcost £'000	Valuation £'000	% of total assets	% of equity held	% of equity held by other clients
Unlisted						
Bond Aviation Solutions Chiltern (UK)	Commercial pilot training services Manages agreements and repayment plans for credit card holders	250 225	250 225	3.3 2.9	4.0 4.5	36.0 26.4
Elam-T Essential Viewing Systems	Developer of flat panel display technologies Developer of an advanced delivery technology for video over mobile telephones	167 150	167 150	2.2 2.0	3.9 9.5	14.7 39.9
Fieldstreet (Investments)	Insurance business focussed mainly on niche risk areas in motor insurance	251	250	3.3	0.1	1.3
Kingsley Cards Litcomp	Greetings card distributor Retailer of lighting products	200 100	200 100	2.6 1.3	2.5 0.0	25.0 0.0
Original Shoe Company Styles & Wood Holdings	Branded clothing and footwear retailer Independent provider of store fit outs to the UK retail sector	250 200	250 200	3.3 2.6	1.3 0.8	32.2 45.6
Travel Class	Provider of activity based educational holidays for children	125	156	2.0	5.0	44.9
Vibration Technology	Seismic survey for energy exploration	150	150	2.0	1.6	9.6
		2,068	2,098	27.5		
AIM						
Amazing Holdings	Leisure and hotel developer	150	158	2.1	5.0	1.8
AT Communications Group	Leading communications integrator	140	140	1.8	0.6	1.3
Avanti Screenmedia	Provider of screens and media advertising	100	108	1.4	0.2	2.1
Axeon	Developer of semi conductor intellectual property rights	150	155	2.0	1.6	14.5
Datong Electronics	Producer of tracker devices to track vehicles and mobile phones	163	183	2.4	0.9	1.2
Elevation Events Group	Integrated events management and corporate hospitality	100	58	0.8	1.7	8.9
Imprint	Provider of a result and search service	151	142	1.9	0.1	0.4
Leisure & Gaming	Online gaming operator	137	208	2.7	0.3	1.1
Neutrahealth	Provider of BioCare products to health practitioners and specialist retailers	147	175	2.3	1.1	2.5
Software Radio Technology	Digital wireless communication development business	143	227	3.0	0.7	3.5
Spectrum Interactive	Provider of payphones and internet access throughout the UK.	116	104	1.4	0.4	1.5
System C Healthcare	Provider of information services and IT systems to the healthcare sector	150	72	0.9	0.3	1.0
Talarius	High street gaming	80	123	1.6	0.2	1.2
United Clearing	Specialist financial clearing and settlement services provider	159	180	2.3	1.0	6.0
		1,886	2,033	26.6		
Listed fixed income investments						
Bond - Barclays FRN 5.19% 12/03/12		601	600	7.8		
Bond - BNG 4.625% 07/12/06		405	406	5.3		
Bond - Cades 5.25% 07/12/06		211	211	2.8		
Bond - GE FRN 5.019% 04/05/07		901	901	11.8		
		2,118	2,118	27.7		
Quoted unit trusts						
Aberdeen International Fixed Interest			1,006	1,020	13.4	
		1,006	1,020	13.4		
Total		7,078	7,269	95.2		

Largest Unlisted and AIM Investments

BOND AVIATION SERVICES LIMITED		Gatwick Airport		www.flyastraeus.com	
	Cost	£250,000	Year ended* Sales Profit/(loss) before tax Retained profit/(loss) Net assets	£'000 £'000	
	Valuation	£250,000			
	Basis of valuation	Cost			
	Equity held	4.0%			
	Income received	-			
	First invested	December 2005			
	Bond Aviation Services is licensed by the UK Civil Aviation Authority to provide commercial pilot training services.				
Other AAMPE Funds invested	Aberdeen City Council Pension Fund, Aberdeen Growth Opportunities, Aberdeen Growth VCT I, Murray Johnstone Private Acquisitions Partnership II, Murray VCT 4.				
FIELDSTREET (INVESTMENTS) LIMITED		Brentford, Essex		www.cox.co.uk	
	Cost	£250,000	Year ended* Sales Profit/(loss) before tax Retained profit/(loss) Net assets	£'000 £'000	
	Valuation	£250,000			
	Basis of valuation	Cost			
	Equity held	0.13%			
	Income received	-			
	First invested	October 2005			
	Fieldstreet trades under the name Equity Insurance and is a mid sized insurance business focussed predominantly on niche risk areas within motor insurance. The business comprises a Lloyd's underwriting business, a broking business and a Lloyd's Managing Agent.				
Other AAMPE Funds invested	Aberdeen Development Capital, Aberdeen Growth Opportunities VCT, Aberdeen Growth VCT I, Murray VCT 4, Talisman First VCT.				
KINGSLEY CARDS LIMITED		Skipton, Yorkshire		www.kcny.co.uk	
	Cost	£250,000	Year ended 30 September Sales Profit/(loss) before tax Retained profit/(loss) Net assets	2004	2003
	Valuation	£250,000		£'000	£'000
	Basis of valuation	Cost		11,475	13,580
	Equity held	3.1%		78	(1,188)
	Income received	-		103	(1,525)
	First invested	July 2005		3,132	3,029
	Kingsley designs and produces greeting cards supplying a number of main high street retailers and trade distributors.				
Other AAMPE Funds invested	Aberdeen Growth Opportunities VCT, Aberdeen Growth VCT I, Murray VCT 4, Yorkshire Investors III.				
ORIGINAL SHOE COMPANY LIMITED		Cumnock, Ayrshire		www.originalshoe.biz	
	Cost	£250,000	Year ended 31 October Sales Profit/(loss) before tax Retained profit/(loss) Net assets	2004	2003
	Valuation	£250,000		£'000	£'000
	Basis of valuation	Cost		35,589	31,403
	Equity held	1.25%		(27)	768
	Income received	£6,468		(125)	113
	First invested	May 2005		1,285	1,610
	Original Shoe is a retailer of a wide range of branded clothing and footwear and now has 45 stores across the UK.				
Other AAMPE Funds invested	Aberdeen City Council Pension Fund, Aberdeen Development Capital, Aberdeen Growth Opportunities VCT, Aberdeen Growth VCT I, Murray VCT 4, Talisman First VCT.				
STYLES & WOOD HOLDINGS LIMITED		Altrincham, Cheshire		www.stylesandwood.co.uk	
	Cost	£200,000	Year ended* Sales Profit/(loss) before tax Retained profit/(loss) Net assets	£'000 £'000	
	Valuation	£200,000			
	Basis of valuation	Cost			
	Equity held	0.8%			
	Income received	-			
	First invested	December 2005			
	Styles & Wood is the leading independent provider of store fit-out and refurbishment programmes to the UK retail sector.				
Other AAMPE Funds invested	Aberdeen Growth Opportunities VCT, Aberdeen Growth VCT I, Aberdeen Murray Johnstone Private Equity Partnership, Murray VCT 4, Ventures North West 3.				

DATONG ELECTRONICS PLC		London	www.datong.co.uk	
	Cost	£164,000	2005	2004
	Valuation	£183,000	Year ended 31 March	£'000
	Basis of valuation	Market price	Sales	6,485
	Equity held	0.9%	Profit/(loss) before tax	1,555
	Income received	-	Retained profit/(loss)	1,138
	First invested	October 2005	Net assets	3,559
				2,423
	Datong produces devices which enable government intelligence and defence agencies to covertly track vehicles and cell phones.			
Other AAMPE Funds invested	Aberdeen Growth Opportunities VCT, Talisman First VCT.			
UNITED CLEARING PLC		London	www.unitedclearing.com	
	Cost	£159,000	2005	2004
	Valuation	£180,000	Year ended 30 September	£'000
	Basis of valuation	Market price	Sales	3,223
	Equity held	1.0%	Profit/(loss) before tax	1,172
	Income received	-	Retained profit/(loss)	471
	First invested	May 2005	Net assets	4,475
				3,954
	United Clearing provides clearing and settlement for international roaming, voice, data and m-commerce related services.			
Other AAMPE Funds invested	Aberdeen Growth Opportunities VCT, Aberdeen Growth VCT I, Murray VCT 4, Talisman First VCT.			
NEUTRAHEALTH PLC		London	www.biocare.co.uk	
	Cost	£147,000	Year ended*	£'000
	Valuation	£175,000	Sales	£'000
	Basis of valuation	Market price	Profit/(loss) before tax	£'000
	Equity held	1.1%	Retained profit/(loss)	
	Income received	-	Net assets	
	First invested	August 2005		
	Neutrahealth acquired BioCare a leading provider of vitamins, mineral supplements, probiotics and other food supplements to health practitioners and specialist retailers.			
Other AAMPE Funds invested	Aberdeen Growth Opportunities VCT, Murray VCT 4, Talisman First VCT.			
SOFTWARE RADIO TECHNOLOGY PLC		Midsomer Norton, Bath	www.softwarerad.com	
	Cost	£143,000	Year ended*	£'000
	Valuation	£222,000	Sales	£'000
	Basis of valuation	Market price	Profit/(loss) before tax	£'000
	Equity held	0.7%	Retained profit/(loss)	
	Income received	-	Net assets	
	First invested	March 2005		
	Software Radio Technology is a leading provider of wireless technology products and services focussing on secure digital communications and marine tracking.			
Other AAMPE Funds invested	Aberdeen Growth Opportunities VCT, Aberdeen Growth VCT I.			
LEISURE AND GAMING PLC		London	www.lngplc.com	
	Cost	£137,000	Year ended*	£'000
	Valuation	£208,000	Sales	£'000
	Basis of valuation	Market price	Profit/(loss) before tax	£'000
	Equity held	0.3%	Retained profit/(loss)	
	Income received	-	Net assets	
	First invested	June 2005		
	Leisure and Gaming comprises VIP Group, NINE.com both well established US facing , online sportsbooks and English Harbour a casino operator.			
Other AAMPE Funds invested	Aberdeen Growth Opportunities VCT, Murray VCT 4, Talisman First VCT.			

* These companies have not yet produced their first annual report and accounts.

Aberdeen Growth Opportunities VCT 2 PLC

Directors' Reports & Financial Statements

For the period from 26 August 2004 to 31 December 2005

Directors' Report

The Directors submit their Annual Report together with the Financial Statements of the Company for the period ended 31 December 2005.

Review of the business

A review of the Company's operations is given in the Chairman's Statement on pages 5 and 6 and in the Investment Manager's Report on pages 7 and 8.

The Company was incorporated as a public limited company on 26 August 2004. For administrative purposes, the original directors were DM Director Limited and 25 Nominees Limited, who held office until the appointment of the current directors on 1 September 2004. 500,000 Redeemable Preference shares of 10p were issued at 10p each on 1 September 2004 and redeemed at par on 16 February 2005.

From incorporation until the close of the offer period on 30 May 2005, a total of 7,730,551 Ordinary shares of 10p each were allotted for cash at £1 per share. From 30 May 2005 until 31 December 2005, a further 104,612 Ordinary shares of 10p were allotted for cash at £1 per share, under the terms of the Prospectus, bringing the total issued share capital to 7,835,163 Ordinary shares of 10p each.

Results and dividends

For the 70 weeks ended 31 December 2005, the revenue attributable to equity Shareholders amounted to £20,000 which has been transferred to reserves. In the Prospectus it was stated that it might be some time after the initial investment period before dividends were paid by the Company. The Directors have decided not to recommend a dividend to Shareholders in respect of the Company's first period.

Directors

The Directors who held office during the period under review are shown on pages 2 and 3 of the Annual Report and their interests in shares of the Company are shown below.

In accordance with the Articles of Association, directors must offer themselves for re-election at least once every three years. As a non-independent director, Martin Gilbert offers himself for re-election annually. The forthcoming Annual General Meeting will be the first at which Shareholders who participated in the Offer for Subscription will be able to vote to re-elect directors, and accordingly all of the directors will retire and stand for re-election at that time. Resolutions 3 to 7 to this effect will be proposed at the Annual General Meeting. The biographies of all of the directors appear on pages 2 and 3.

Mr M J Gilbert is a director of Aberdeen Asset Management PLC, and Mr W R Nixon, who was appointed alternate director for Mr Gilbert on 1 November 2005, is an employee of Aberdeen Asset Management PLC. Aberdeen Asset Managers Limited, a subsidiary of Aberdeen Asset Management PLC, is entitled to receive investment management and secretarial fees as described below. No other contract or arrangement significant to the Company's business and in which any of the directors is interested has subsisted during the period.

The interests of the directors in the share capital of the Company are as follows:

	31 December 2005 Ordinary shares of 10p	1 September 2004 (or other date of appointment) Ordinary shares of 10p
I D Cormack	100,000	-
M J Gilbert	50,000	-
W R Nixon (as alternate for M J Gilbert)	20,500	-
M Graham-Wood	10,000	-
A Lapping	25,000	-
S Scott	15,000	-
Total	220,500	-

Unless otherwise stated, all holdings are beneficial. As at 7 February 2006, there have been no changes to the above holdings.

Manager and Company Secretary

Investment management services are provided to the Company by Aberdeen Asset Managers Limited. The Manager also provides company secretarial, accounting and administrative services through its parent Company, Aberdeen Asset Management PLC.

For the 70 weeks ended 31 December 2005, the investment management and secretarial fees payable to the Aberdeen Asset Management group have been calculated and charged on the following basis:

- (a) an investment management fee of 2.0% per annum of the total assets less adjusted liabilities of the Company at the previous quarter end, rising to 2.5% per annum after 31 December 2006. The investment management fee is chargeable 20% to revenue and 80% against capital reserves to reflect the Company's investment policy and prospective income and capital growth. To the extent that the portfolio is invested in any funds managed by any member of the Aberdeen group and an annual fee is payable to that member, the management fees derived from the amounts so invested have been deducted in the calculation of fees payable by the Company. As a result, the aggregate of all such fees paid or payable to members of the Aberdeen group do not exceed the maximum fee that would be payable to the Manager if no part of the portfolio was invested in funds managed by members of the Aberdeen group. The effects of this arrangement are detailed in Note 3 on page 29; and
- (b) a secretarial fee of £60,000 a year, which is chargeable 100% to revenue. The secretarial fee is subject to an annual adjustment to reflect movement in the UK Consumer Prices Index. The fee for this period from incorporation to 31 December 2005 was £52,000.

By agreement with the Manager, the total management and administrative expenses of the Company, inclusive of irrecoverable VAT but exclusive of transaction costs and expenses relating to the acquisition and disposal of investments and the Manager's performance fee, are capped at 3.5% of the net asset value at the end of the relevant financial period, calculated before deduction of management and administrative expenses in respect of that financial year. Consequently, the amount paid in management fees for the 70 weeks ended 31 December 2005 is shown after the rebate of £36,000 (excluding VAT) by the Manager, of which £5,000 was owed to the Manager at 31 December 2005.

The management agreement is terminable on twelve months written notice expiring on or after 16 February 2009. Should the Company terminate the management agreement before that date, the Manager would be entitled to receive fees which would otherwise have been due up until that date, or up until the date of the end of the relevant notice period.

In addition to the fees payable above, a performance related incentive fee may be payable to the Manager in respect of the period from 24 August 2004 to 31 December 2009 and for each subsequent year. Under the terms of the management agreement, if the adjusted net asset value since Admission exceeds the hurdle rate, the Manager is entitled to receive a performance fee equal to 20 % of the excess. The adjusted net asset value for this purpose is the net asset value of the Company at the relevant date plus any distribution made to Shareholders since the launch of the Company, and the hurdle rate is simple interest of 6.0% a year of the paid up share capital of the Company. If the performance of the Company falls short of the target in any period the shortfall must be made up in future periods before the Manager is entitled to receive any incentive fee in respect of the future periods.

In order to ensure that the Manager's staff are appropriately incentivised in relation to the portfolio, the directors have approved in principle a co-investment scheme which will require individuals nominated by the Manager to participate in investments in portfolio companies alongside the Company. All such investments would be made through a nominee and under terms previously agreed by the Board. The terms of the scheme, if implemented, will ensure that all investments are made on identical terms to those of the Company and no selection of investments will be allowed. Total investment by participants in the co-investment scheme will be set at 5% of the aggregate amount of ordinary shares subscribed for by the Company and the co-investing executives, except where the only securities to be acquired by the Company are ordinary shares or are securities quoted on AIM, in which case the co-investment percentage will be 1.5%. Any dilution of the Company's interests would therefore be minimal and, in the view of the directors, would be offset by the improved incentivisation of the Manager's staff and alignment of the interests of key individuals with those of Shareholders. Based on the performance of the Company's investments to date, the directors estimate that the total return to shareholders had these arrangements been in place at the launch of the Company, would have been reduced by approximately 0.05p per Ordinary share. As the portfolio increases in value, the dilution effect may increase.

The Board considers the continued appointment of the Manager on the agreed terms to be in the interests of the Shareholders because of the quality of the investment management service provided. In particular, the Board has been pleased to note the rate of investment during the first period and the quality of investment opportunities presented to and selected by the Manager.

Purchase of shares

A Special Resolution, numbered 10 in the notice of Annual General Meeting, will be put to Shareholders for their approval to give the Board the authority to purchase in the market an aggregate of 10% of Ordinary shares in issue (783,516 Ordinary shares) at 1 February 2006. This authority will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of passing of the Resolution, whichever is the earlier. This means, in effect, that the authority will have to be renewed at the next Annual General Meeting of the Company.

The purchase of Ordinary shares by the Company is intended to provide liquidity in the shares and enhance the net asset value for the remaining shareholders. Since any purchases will be made at a discount to net asset value at the time of purchase, the net asset value of the remaining Ordinary shares in issue will increase as the result of any purchase.

Purchases of Ordinary shares may be made within guidelines established from time to time by the Board, but only if it is considered that they would be to the advantage of the Company and its Shareholders taken as a whole. Purchases will be made in the market for cash only at prices below the prevailing Net Asset Value per Ordinary share. Under the Listing Rules of the UK Listing Authority, the maximum price that may be paid on the exercise of this authority is 105% of the average of the middle market quotations for the shares over the

five business days immediately preceding the date of purchase. The minimum price that may be paid is 10p per share. In making purchases, the Company will deal only with members of the London Stock Exchange. Shares that are purchased will be cancelled. Purchases of Ordinary shares by the Company will be made from distributable reserves and the purchase price will normally be paid out of cash balances held by the Company from time to time. Shares will not be purchased by the Company in the period of two months immediately preceding the notification of the Company's interim results and the two months immediately preceding the preliminary announcement of the annual results or, if shorter, the period from the end of the Company's relevant financial period up to and including the time of the relevant announcement.

Issue of Ordinary shares

A Resolution, numbered 11 in the notice of meeting, will be put to Shareholders at the Annual General Meeting for their approval to issue up to an aggregate nominal amount of £78,351 (equivalent to 783,516 Ordinary shares or 10% of the total issued Ordinary share capital at 1 February 2006). Further issues of new Ordinary shares may be made only at a premium to net asset value per share, thus ensuring that existing investors will not be disadvantaged. The proceeds of any issue may be used to purchase the Company's Ordinary shares in the market or to fund further investments in accordance with the Company's investment policy. This authority will expire either at the conclusion of the next Annual general Meeting of the Company or on the expiry of 15 months from the date of the passing of the Resolution, whichever is earlier.

When shares are to be allotted for cash, Section 89(1) of the Companies Act 1985 provides that existing Shareholders have pre-emption rights and that the new shares are offered first to them in proportion to their existing shareholdings. However, Shareholders can by Special Resolution authorise the directors to allot shares otherwise than by a pro rata issue to existing shareholders. Resolution 12 will, if passed, also give the directors power to allot for cash, Ordinary shares up to an aggregate nominal amount of £78,351 as if Section 89 (1) did not apply. This is the same amount of share capital that the directors are seeking the authority to allot pursuant to Resolution 11. This authority will also expire either at the conclusion of the next Annual General Meeting of the Company or at the end of 15 months from the passing of the relevant resolution, whichever is earlier.

Investment Policy

The Prospectus stated that the Company may invest in companies traded on AIM, but that it was not intended that more than 25% of the gross assets would be so invested. The Board have since adjusted this policy, in view of the development of the AIM market and the Manager's skills in that area, so that up to 30% of the gross assets may be invested in AIM. It is the Board's intention that over the long-term the proportion of the Company's assets invested in AIM shall remain at no more than 30%, but the directors wish to give the Manager a certain degree of flexibility in the management of the portfolio by allowing up to 40% to be invested in AIM. A resolution numbered 13 in the notice of meeting will be put to Shareholders at the Annual General Meeting for their approval to amend the investment policy of the company so that up to 40% of the Company's assets may be invested in AIM-quoted companies.

Corporate Governance

The Statement of Corporate Governance is shown on pages 19 to 22.

Principal activity and status

The Company is an investment company within the meaning of Section 266 of the Companies Act 1985. Its affairs have been conducted in a manner to satisfy the conditions to enable it to obtain, and continue to obtain, approval as a venture capital trust under section 842AA of the Income and Corporation Taxes Act 1988. The Inland Revenue will grant section 842AA status, if requested, provided that the Company's affairs have been conducted in such a manner as to satisfy the conditions of that section of the Act.

Going concern

The directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements, as the Company has adequate financial resources to enable it to continue in operational existence for the foreseeable future.

Creditor payment policy

The Company's creditor payment policy is to agree terms of payment before business is transacted, to ensure suppliers are aware of these terms and to settle bills in accordance with them. The Company did not have any trade creditors at the period end.

Annual General Meeting

The Notice of Annual General Meeting, which will be held on 17 May 2006, is contained on pages 37 and 38.

Auditors

Ernst & Young LLP were appointed the Company's Auditors by the Board. They have expressed their willingness to continue in office and a resolution to re-appoint Ernst & Young LLP as Auditors will be proposed at the forthcoming Annual General Meeting, along with a resolution to authorise the directors to fix their remuneration.

123 St Vincent Street
Glasgow G2 5EA
27 February 2006

By order of the Board
Aberdeen Asset Management PLC
Secretaries

Directors' Remuneration Report

This report has been prepared in accordance with the requirements of Schedule 7A to the Companies Act 1985. An ordinary resolution numbered 2 for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The law requires the Company's Auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditors' opinion is included in their report on page 24.

Remuneration Committee

The Company has five non-executive Directors, four of whom are independent, and one alternate Director. The full Board performs the function of a remuneration committee. Biographical details are set out on pages 2 and 3 of the Annual Report. Having been advised by the Company Secretary that the current level of directors' fees is appropriate for a VCT, during the 70 weeks under review, the Board has not been provided with advice or services by any other person in respect of its consideration of the Directors' remuneration. The Directors expect, from time to time, to review the fees paid to the boards of directors of other venture capital trust companies.

Policy on Directors' Remuneration

The Board's policy is that the remuneration of the Directors, all of whom are non-executive, should reflect the experience of the Board as a whole, be fair and be comparable to that of other venture capital trusts with a similar capital structure and investment objectives. It is intended that this policy will continue for the financial year ending 31 December 2006 and subsequent years.

The Company's policy is for the Directors to be remunerated in the form of fees, payable quarterly in arrears, to the Director personally or to a third party specified by him. The fees for the Directors are determined within the limits set out in the Company's Articles of Association, which limit the aggregate of the fees payable to the Directors to £150,000 a year. The Company's policy is that fees payable to the Directors should reflect the time spent by them on the Company's affairs and should be sufficient to enable candidates of a high quality to be recruited. Non-executive Directors do not receive bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

The present level of fees is £15,000 for the Chairman and £12,000 for each Director per annum. The policy is to review these rates from time to time. The fees shown on this page relate to the 70 weeks ended 31 December 2005.

Directors' and officers' liability insurance cover is held by the Company in respect of the Directors. This insurance is neither a benefit in kind nor does it form part of the Directors' remuneration.

Directors' service contracts

None of the Directors has a contract of service or contract for services and a Director may resign by notice in writing to the Board at any time; there are no set notice periods. All Directors are appointed for an initial period of three years; this period may be varied by either party. The Articles of Association provide that, at the Annual General Meeting each year, one third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to one third) shall be subject to retirement by rotation. Directors, therefore, shall retire and be subject to re-election at the first Annual General Meeting following their appointment and, thereafter, shall be obliged to retire by rotation and offer themselves for re-election, at least every three years. Any Director who attains the age of 70 is subject to annual re-election. No compensation is payable for loss of office, save any arrears of fees which may be due.

Directors' emoluments for the year (audited)

The Directors who served in the 70 weeks ended 31 December 2005 received the following emoluments in the form of fees:

	Period ended 31 December 2005 £
Chairman of the Board:	
I D Cormack	20,000
Directors:	
M J Gilbert*	16,000
M Graham-Wood**	16,000
A Lapping	16,000
S Scott	16,000
Total	84,000

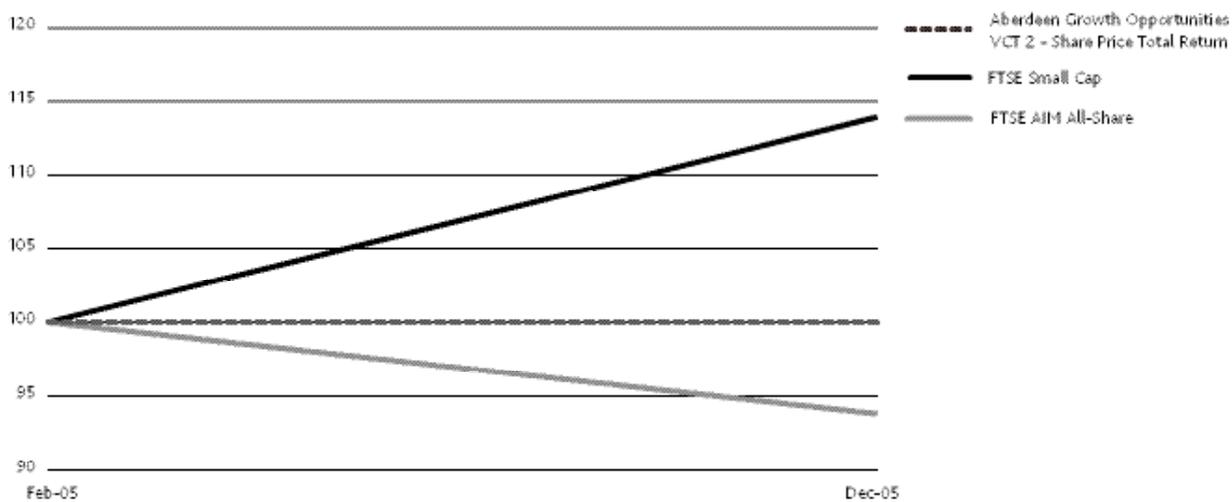
* Mr Gilbert's remuneration is paid to Aberdeen Asset Management PLC.

** Mr Graham-Wood's remuneration is paid to MGW Consulting Limited.

No Director has received any taxable expenses, compensation for loss of office or non-cash benefits for the 70 weeks ended 31 December 2005.

Share Price Total Return Performance (Re-based to 100 at 16 February 2005)

As at 31 December 2005



Source: Aberdeen Asset Management PLC/Factset

Please note that past performance is not necessarily a guide to future performance.

Company performance

The graph above compares the total return on an investment of £100 in the Ordinary shares since 16 February 2005, when the shares first traded on the London Stock Exchange, with the total Shareholder return over the same period on a notional investment of £100 made up of shares of the same kinds and number as those by reference to which the FTSE SmallCap and FTSE AIM All-Share indices are calculated. These indices were chosen for comparison purposes, as they are the most relevant to the Company's investment portfolio.

Approval

The Directors' Remuneration Report on pages 17 and 18 was approved by the Board of Directors on 31 January 2006 and signed on its behalf by:

27 February 2006

I D Cormack
Director

Statement of Corporate Governance

This statement describes how the principles and supporting principles identified in the Combined Code, published in July 2003, have been applied by the Company throughout the period ended 31 December 2005, except where disclosed below.

The exceptions to compliance with the Combined Code, which are explained more fully under the headings of "The Board" and "Directors' Remuneration" were as follows:

- a senior independent director has not been appointed;
- the Combined Code recommends that the Audit Committee and Management Engagement Committee should comprise independent non-executive directors. For the reasons set out below, Mr M J Gilbert is a member of the Nomination but not the Audit Committee or Management Engagement Committee as he is not regarded by the Board as independent; and
- the Chairman of the Board is the Chairman of each of the Board Committees.

The Board

The Board currently consists of five non-executive directors and one alternate director. All of the directors who held office during the year, with the exception of Mr Gilbert and his alternate, are considered to be independent of the Manager. Mr Gilbert is an employee of the Manager and as such is not considered independent.

Mr Cormack was independent of the Manager at the time of his appointment as a director and chairman in September 2004 and continues to be so, by virtue of his lack of connection with the Manager and of cross-directorships with his fellow directors.

The biographies of the directors appear on pages 2 and 3 of this annual report and indicate the range of the directors' investment, commercial and professional experience.

The Board sets the Company's values and objectives and ensures that its obligations to its Shareholders are met. It has formally adopted a schedule of matters which are required to be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues.

These matters include:

- the maintenance of clear investment objectives and risk management policies;
- the monitoring of the business activities of the Company;
- Companies Act requirements such as the approval of the interim and annual financial statements and approval and recommendation of the interim and final dividends;
- major changes relating to the Company's structure, including share buybacks and share issues;
- board appointments and related matters;
- appointment and removal of the Manager and the terms and conditions of the management and administration agreements;
- terms of reference and membership of Board Committees; and
- Stock Exchange, UK Listing Authority and Financial Services Authority matters, such as approval of all circulars, listing particulars and releases concerning matters decided by the Board.

There is an agreed procedure for directors to take independent professional advice, if necessary, at the Company's expense.

The directors have access to the advice and services of the corporate Company Secretary through its appointed representatives, who are responsible to the Board:

- for ensuring that Board procedures are complied with;
- under the direction of the chairman, for ensuring good information flows with the Board and its committees; and
- for advising on corporate governance matters.

An induction meeting will be arranged by the Manager on the appointment of any new director, covering details about the Company, the Manager, legal responsibilities and venture capital trust industry matters. Directors are provided on a regular basis with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting directors' responsibilities are advised to the Board as they arise.

The Chairman of the Company is a non-executive director. A senior non-executive director has not been appointed, as required by provision A3.3 of the Combined Code, as the Board considers that each of the directors has different qualities and areas of expertise on which they may lead. Consequently no individual has unfettered powers of decision. The Chairman is the chairman of each of the Board Committees as the Board considers he has the skills and experience relevant to those roles.

During the 70 weeks ended 31 December 2005 the Board held four quarterly board meetings and four ad hoc meetings to address specific matters. In addition, there was one meeting of each of the Audit Committee and Nomination Committee. Between meetings

Statement of Corporate Governance – continued

the Board maintains contact with the Manager. The primary focus of quarterly board meetings is a review of investment performance and related matters including asset allocation, peer group information and industry issues.

Directors have attended Board and Committee meetings during the 70 weeks to 31 December 2005 as follows:

Director	Nomination Committee	Audit Committee	Board meetings
Mr I D Cormack	1	1	7
Mr M J Gilbert*	1	–	4
Mr M Graham-Wood	1	1	8
Mr A Lapping	1	1	5
Mr S Scott	1	1	7

*Mr Gilbert is not a member of the Audit Committee.

To enable the Board to function effectively and allow Directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of Board meetings, this consists of a comprehensive set of papers, including the Manager's review and discussion documents regarding specific matters. Directors have made further enquiries where necessary.

The Board and Committees have undertaken their annual performance evaluation, using questionnaires and discussion to ensure that members have devoted sufficient time and contributed adequately to the work of the Board and its Committees.

External agencies

The Board has contractually delegated to external agencies, including the Manager and other service providers, certain services: the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the registration services and day to day accounting and company secretarial requirements. 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 reports from the Manager on a regular basis. In addition, ad hoc reports and information are supplied to the Board as requested.

Committees

Nomination Committee

A Nomination Committee has been established with written terms of reference and comprises the full Board. The Chairman of the Committee is the Chairman of the Company. One meeting was held during the period ended 31 December 2005. At its meeting in November 2005, the Nomination Committee recommended to the Board that, in view of the fact that Shareholders who participated in the offer for subscription have not yet had an opportunity to vote on the appointment of the Directors, each of the Directors be nominated for re-election at the May 2005 Annual General Meeting.

The Committee makes recommendations to the Board on the following matters:

- the identification and nomination of candidates to fill Board vacancies as and when they arise for the approval of the Board;
- succession planning;
- the re-appointment of any non-executive Director at the conclusion of their specified term of office;
- the re-election by Shareholders of any Director under the retirement by rotation provisions in the Company's Articles of Association;
- the continuation in office of any Director at any time; and
- the appointment of any Director to another office, such as Chairman of the Audit Committee, other than to the position of Chairman.

Audit Committee

An Audit Committee has been established with written terms of reference and comprising all of the independent directors. The Chairman of the Company is the Chairman of the Audit Committee. The Board is satisfied that the members of the Audit Committee have recent and relevant financial experience. One meeting was held during the period. The terms of reference of the Committee, which are available on request, are reviewed and re-assessed for their adequacy at each meeting.

The terms of reference of the Audit Committee include:

- the review of the effectiveness of the internal control environment of the Company including by receiving reports from internal and external auditors on a regular basis;
- the review of the interim and annual reports and financial statements;

- the review of the terms of appointment of the Auditors together with their remuneration as well as any non-audit services provided by the Auditors;
- the review of the scope and results of the audit and the independence and objectivity of the Auditors;
- the review of the auditors management letter and the management response; and
- meetings with representatives of the Manager.

At each meeting, the Audit Committee examine the annual or interim report and financial statements, review the Company's internal controls and review the scope of the audit and the auditors' management report to the Board. A review of the auditors' independence is conducted annually.

The Company has in place a policy for controlling the provision of non-audit services by the Auditors, in order to safeguard their independence and objectivity. Non-audit work which might compromise independence is prohibited.

Management Engagement Committee

A Management Engagement Committee has been established comprising all of the independent Directors. The Chairman of the Committee is the Chairman of the Company. It annually reviews the management contract with Aberdeen Asset Managers Limited, details of which are shown on pages 14 and 15. The Committee met in December 2005 to consider the management contract.

Directors' remuneration

Where a venture capital trust has only non-executive Directors, the Combined Code principles relating to Directors' remuneration do not apply. The full Board therefore carries out the functions of a remuneration committee.

The remuneration of the Directors has been set in order to attract individuals of a calibre appropriate to the future development of the Company. The Company's policy on Directors' remuneration, together with details of the remuneration of each Director, is detailed in the Directors' Remuneration Report on pages 17 and 18.

Directors' terms of appointment

All non-executive Directors are appointed for an initial term of three years, subject to re-election and Companies Act provisions and, in accordance with the existing Articles of Association, stand for election at the first Annual General Meeting following their appointment. The Articles of Association state that Directors must offer themselves for re-election at least once every three years. Any Director who reaches the age of 70 is subject to annual re-election. In addition, Mr Gilbert is subject to annual re-election in view of his position as chief executive of Aberdeen Asset Management PLC, the parent company of the Manager.

Policy on tenure

The Board's policy on tenure is that Directors need not serve on the Board for a limited period of time only. The Board does not consider that the length of service of a Director is as important as the contribution he or she has to make and therefore the length of service will be determined on a case by case basis.

Communication with Shareholders

The Company places a great deal of importance on communication with its Shareholders. As required under the Combined Code, the Annual Report is posted to Shareholders at least twenty business days before the Annual General Meeting.

The Notice of Meeting sets out the business of the Annual General Meeting and the resolutions are explained more fully in the Directors' Remuneration Report on pages 17 and 18 and in the Directors' Report on pages 14 to 16. A separate resolution is proposed for each substantive issue.

The Annual General Meeting is an event at which all Shareholders are encouraged to attend and participate. Shareholders have the opportunity to put questions at the meeting and the results of proxy voting are relayed to Shareholders after each resolution has been voted on by a show of hands.

Shareholders also have direct access to the Company via the free Shareholder information telephone service run by the Manager, and the Company and the Manager respond to letters from Shareholders. In order to ensure that Directors develop an understanding of the views of Shareholders, correspondence between the Manager or the Chairman and Shareholders is copied to the Board. It is in the nature of a venture capital trust that there are generally no major Shareholders.

Accountability and audit

The Directors' Statement of Responsibilities in respect of the Financial Statements is on page 23 and the Statement of Going Concern is included in the Directors' Report on page 16. The Board is satisfied that the members of the Audit Committee have recent and relevant financial experience.

Internal control

The Board has overall responsibility for the Company's system of internal control and for reviewing its effectiveness. The Directors confirm that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company, which has been in place for the full period under review and up to the date of approval of the Financial Statements, and that this process is regularly reviewed by the Board and accords with the Turnbull guidance.

The Board has reviewed the effectiveness of the system of internal control and, in particular, it has reviewed the process for identifying and evaluating the significant risks affecting the Company and the policies and procedures by which these risks are managed.

The Directors have delegated the investment management of the Company's assets to the Manager within overall guidelines and this embraces implementation of the system of internal control, including financial, operational and compliance controls and risk management. Internal control systems are monitored and supported by the Internal Audit function of the Manager which undertakes periodic examination of business processes, including compliance with the terms of the management agreement, and ensures that recommendations to improve controls are implemented.

Risks are identified and documented through a risk management framework by each function within the Manager's activities. Risk is considered in the context of the Turnbull guidance and includes financial, regulatory, market, operational and reputational risk. This enables the internal audit risk assessment model to identify those functions for review. Any weaknesses identified are reported to the Company and timetables are agreed for implementing improvements to systems. The implementation of any remedial action required is monitored and feedback provided to the Board.

The key components designed to provide effective internal control for the period under review and up to the date of this report are:

- the Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its investment performance;
- the Board and Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board. The Manager's evaluation procedure and financial analysis of the companies concerned include detailed appraisal and due diligence;
- as a matter of course the compliance department of the Manager continually reviews the Manager's operations;
- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third party service providers; and
- the Board carries out an annual assessment of internal controls by considering reports from the Manager, including its internal audit and compliance functions and taking account of events since the relevant period end.

In addition, the Manager ensures that clearly documented contractual arrangements exist in respect of any activities that have been delegated to external professional organisations.

The Internal Audit function of the Manager reports annually to the Audit Committee of the Company and has direct access to the Directors at any time.

The internal control systems are designed to meet the Company's particular needs and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business goals and, by their nature, can provide reasonable but not absolute assurance against material misstatement or loss.

Exercise of voting powers

The Directors believe that the exercise of voting rights at company meetings lies at the heart of the regulation and promotion of corporate governance. The Board has therefore given discretionary voting powers to the Manager, Aberdeen Asset Managers Limited.

Statement of Directors' Responsibilities in Relation to the Financial Statements

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the net revenue of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are also responsible for ensuring that proper accounting records are maintained, which enable them to ensure that the financial statements comply with the Companies Act 1985, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

Independent Auditors' Report to the Members of Aberdeen Growth Opportunities VCT 2 PLC

We have audited the Company's financial statements for the period ended 31 December 2005 which comprise the Statement of Total Return, Balance Sheet, Cash Flow Statement and the related Notes 1 to 18. These financial statements have been prepared on the basis of the accounting policies set out therein. We have also audited the information in the Directors' Remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report including the financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards as set out in the Statement of Directors' Responsibilities in Relation to the Financial Statements. The directors are also responsible for the preparation of the Directors' Remuneration Report.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Company is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Financial History, Corporate Summary, Your Board, Analysis of Unlisted and AIM Portfolio, Chairman's Statement, Investment Manager's Report, Summary of Investment Changes during the Period, Investment Portfolio Summary, Largest Unlisted and AIM Investments, Directors' Report, the unaudited part of the Directors' Remuneration Report, Statement of Corporate Governance, Venture Capital Trusts, Tax Position of Individual Investors, Notice of Meeting and Corporate Information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2005 and of its net revenue for the period then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

27 February 2006

Ernst & Young LLP
Registered Auditor
Edinburgh

Statement of Total Return (incorporating the Revenue Account*)

For the period from 26 August 2004 to 31 December 2005

	Notes	70 weeks ended 31 December 2005		
		Revenue £'000	Capital £'000	Total £'000
Gains on investments	8	–	219	219
Income from investments	2	211	–	211
Other income	2	38	–	38
Investment management fees	3	(13)	(52)	(65)
Other expenses	4	(213)	–	(213)
Net return on ordinary activities before taxation		23	167	190
Tax on ordinary activities	5	(3)	3	–
Return attributable to equity shareholders		20	170	190
Ordinary dividends on equity shares	6	–	–	–
Transfer to reserves	13	20	170	190
Return per Ordinary share (pence)	7	0.4	3.9	4.3

* The revenue column of this statement is the profit and loss account of the Company.
The accompanying notes are an integral part of the financial statements.

Balance Sheet

As at 31 December 2005

	Notes	As at 31 December 2005 £'000
Fixed assets		
Investments	8	7,269
Current assets		
Debtors	10	62
Cash and overnight deposits		401
		463
Creditors		
Amounts falling due within one year	11	(98)
Net current assets		365
Total net assets		7,634
Capital and reserves		
Called up share capital	12	784
Share premium	13	6,660
Capital reserve - realised	13	(21)
Capital reserve - unrealised	13	191
Revenue reserve	13	20
Equity shareholders' interest		7,634
Net asset value per Ordinary share (pence)	14	97.4

The Financial Statements were approved by the Board of Directors on 7 February 2006 and were signed on its behalf by:

27 February 2006

I D Cormack
Chairman

The accompanying notes are an integral part of the financial statements.

Cash Flow Statement

For the period from 26 August 2004 to 31 December 2005

	Notes	70 weeks ended 31 December 2005	
		£'000	£'000
Operating activities			
Investment income received		174	
Deposit interest received		37	
Investment management fees paid		(61)	
Secretarial fees paid		(37)	
Cash paid to and on behalf of Directors		(48)	
Other cash payments		(44)	
Net cash inflow from operating activities	16		21
Taxation			
Corporation tax			–
Financial investment			
Purchase of investments		(10,396)	
Sale of investments		3,332	
Net cash outflow from financial investment			(7,064)
Equity dividends paid			–
Net cash outflow before financing			(7,043)
Financing			
Issue of redeemable preference shares		50	
Redemption of redeemable preference shares		(50)	
Issue of Ordinary shares		7,836	
Expense of share issue		(392)	
Net cash inflow from financing			7,444
Increase in cash	17		401

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements

For the period from 26 August 2004 to 31 December 2005

1. Accounting Policies

(a) Basis of preparation

The Financial Statements have been prepared in accordance with applicable accounting standards and with the Statement of Recommended Practice (the SORP) "Financial Statements of Investment Trust Companies" issued in January 2003. The financial statements are prepared under the historical cost convention, modified to include revaluation of fixed asset investments.

(b) Income

Dividends receivable on equity shares and unit trusts are treated as revenue for the period on an ex-dividend basis. Where no ex-dividend date is available, dividends receivable on or before the period end are treated as revenue for the period. Provision is made for any dividends not expected to be received. The fixed returns on debt securities and non-equity shares are recognised on a time apportionment basis so as to reflect the effective yield on the debt securities and shares. Provision is made for any fixed income not expected to be received. Interest receivable from cash and short term deposits and interest payable are accrued to the end of the period.

(c) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except as follows:

- expenses which are incidental to the acquisition of an investment are included within the cost of the investment;
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment; and
- expenses are charged to realised capital reserves where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. In this respect the investment management fee has been allocated 20% to revenue and 80% to realised capital reserves to reflect the Company's investment policy and prospective income and capital growth.

(d) Taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or right to pay less tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. 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 measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. The tax effect of different items of income/gain and expenditure/loss is allocated between capital reserves and revenue account on the same basis as the particular item to which it relates using the Company's effective rate of tax for the period.

(e) Investments

In valuing unlisted investments the Directors follow the criteria set out below. These procedures comply with the revised International Private Equity and Venture Capital Valuation Guidelines for the valuation of private equity and venture capital investments. Investments are valued at fair value, which represents the directors' view of the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. This does not assume that the underlying business is saleable at the reporting date or that its current shareholders have an intention to sell their holding in the near future.

1. Investments completed within the 12 months prior to the reporting date and those at an early stage in their development are normally valued at cost, except that adjustments are made when there has been a material change in the trading circumstances of the company or a substantial movement in relevant sector of the stock market.
2. Whenever practicable, recent investments will be valued by reference to a material arm's length transaction or a quoted price.
3. Mature companies are valued by applying a multiple to their fully taxed prospective earnings to determine the enterprise value of the company.
 - 3.1 To obtain a valuation of the total ordinary share capital held by management and the institutional investors, the value of third party debt, institutional loan stock, debentures and preference share capital is deducted from the enterprise value. The effect of any performance related mechanisms is taken into account when determining the value of the ordinary share capital.

3.2 Preference shares, debentures and loan stocks are valued at cost. When a redemption premium has accrued, this will only be valued if there is a reasonable prospect of it being paid. Preference shares which carry a right to convert into ordinary share capital are valued at the higher of the cost basis and the price/earnings basis, both described above.

4. All unlisted investments are valued individually by Aberdeen Asset Managers Private Equity Division's Portfolio Management Team. The resultant valuations are subject to detailed scrutiny and approval by the Directors of the Company.

In accordance with normal market practice, investments listed on the Alternative Investment Market or a recognised stock exchange are valued at their bid-market price, discounted where necessary to reflect any trading restrictions.

	70 weeks ended 31 December 2005
	£'000
2. Income	
<i>Income from investments:</i>	
UK dividends	6
UK unfranked investment income	205
	<hr/> 211
<i>Other income:</i>	
Deposit interest	38
	<hr/> 249
Total income	249
<i>Total income comprises:</i>	
Dividends	48
Interest	201
	<hr/> 249

	70 weeks ended 31 December 2005		
	Revenue	Capital	Total
	£'000	£'000	£'000
3. Investment management fees			
Investment management fees	13	50	63
Less: Fees already charged through unit trusts	(2)	(6)	(8)
	<hr/> 11	<hr/> 44	<hr/> 55
Net investment management fees charged	11	44	55
Irrecoverable VAT	2	8	10
	<hr/> 13	<hr/> 52	<hr/> 65

Details of the fee basis are contained in the Directors' Report on pages 14 and 15.

	70 weeks ended 31 December 2005		
	Revenue	Capital	Total
	£'000	£'000	£'000
4. Other expenses			
Secretarial fees	52	–	52
Directors' remuneration	84	–	84
Fees to auditors - audit services	10	–	10
Fees to auditors - tax services	3	–	3
Irrecoverable VAT	22	–	22
Miscellaneous expenses	42	–	42
	<hr/> 213	<hr/> –	<hr/> 213

Notes to the Financial Statements – continued

	70 weeks ended 31 December 2005		
	Revenue £'000	Capital £'000	Total £'000
5. Tax on ordinary activities			
Corporation tax	(3)	3	–
Charge for year	(3)	3	–

The tax assessed for the period is lower than the standard rate of corporation tax (30 per cent). The differences are explained below:

	70 weeks ended 31 December 2005 £'000
Return on ordinary activities before tax	23
Revenue return on ordinary activities multiplied by standard rate of corporation tax	7
Smaller Companies relief	(4)
	3

The Company has not recognised a deferred tax asset of £10,214 arising as a result of having unutilised management expenses. It is unlikely that the Company will obtain relief for these in the future, so no deferred tax asset has been recognised.

	70 weeks ended 31 December 2005 £'000
6. Dividends	
Nil	–
	–

	70 weeks ended 31 December 2005 £'000
7. Return per Ordinary share	
<i>The returns per share have been based on the following figures:</i>	
Weighted average number of Ordinary shares	4,395,996
Revenue return	£ 20,000
Capital return	£170,000

	70 weeks ended 31 December 2005			
	Listed £'000	Unit trusts £'000	Unlisted and AIM £'000	Total £'000
8. Investments				
<i>Movements during the period:</i>				
Purchases	5,121	1,006	4,266	10,393
Sales proceeds	(2,995)	–	(337)	(3,332)
Realised gains	3	–	25	28
Amortisation of book cost	(11)	–	–	(11)
Cost at 31 December 2005	2,118	1,006	3,954	7,078
Unrealised gain	–	14	177	191
Valuation at 31 December 2005	2,118	1,020	4,131	7,269

	31 December 2005 £'000
The portfolio valuation	
<i>Held at market valuation:</i>	
Listed fixed income	2,118
UK authorised unit trusts	1,020
AIM quoted equities	2,033
	<hr/>
	5,171
<i>Unlisted at Directors' valuation:</i>	
Unquoted equities	668
Unquoted fixed income	1,430
	<hr/>
	2,098
	<hr/>
Total	7,269
	<hr/>
Realised gains based on historical basis	28
Amount of gain recognised as unrealised in previous year	–
	<hr/>
Realised gain based on carrying value carried forward	28
Net movement in unrealised appreciation	191
	<hr/>
Gains on investments	219
	<hr/>

9. Participating and significant interests

The principal activity of the Company is to select and hold a portfolio of investments in unlisted and AIM securities. Although the Company will, in some cases, be represented on the board of the investee company, it will not take a controlling interest or become involved in its management. The size and structure of the companies with unlisted and AIM securities may result in certain holdings in the portfolio representing a participating interest without there being any partnership, joint venture or management consortium agreement.

At 31 December 2005, the Company held no shares amounting to 20% or more of the equity capital of any of the unlisted or AIM undertakings. The Company does hold shares or units amounting to more than 3% or more of the nominal value of the allotted shares or units of any class in certain investee companies.

Details of equity percentages held are shown in the Investment Portfolio Summary on page 10.

Notes to the Financial Statements – continued

	31 December 2005
	£'000
10. Debtors	
Prepayments and accrued income	57
Amounts due from Manager	5
	<hr/> 62 <hr/>

	31 December 2005
	£'000
11. Creditors	
Accruals	98
	<hr/> 98 <hr/>

	31 December 2005	31 December 2005
	Number	£'000
12. Share capital		
<i>At 31 December the authorised share capital comprised: allotted, issued and fully paid:</i>		
Ordinary shares of 10p each issued during the period	7,835,163	784
<i>Unissued: unclassified shares of 10p each</i>	32,164,837	3,216
	<hr/> 40,000,000 <hr/>	<hr/> 4,000 <hr/>

The movement during the period in the number of shares in issue is shown in the Directors' Report on page 14.

	Share premium account	Capital reserve realised	Capital reserve unrealised	Revenue reserve
	£'000	£'000	£'000	£'000
13. Reserves				
Gains on sales of investments	–	28	–	–
Increase in unrealised appreciation	–	–	191	–
Investment management fees	–	(52)	–	–
Issue of shares	7,052	–	–	–
Expense of share issue	(392)	–	–	–
Tax effect of capital items	–	3	–	–
Retained net revenue for period	–	–	–	20
At 31 December 2005	<hr/> 6,660 <hr/>	<hr/> (21) <hr/>	<hr/> 191 <hr/>	<hr/> 20 <hr/>

14. Net asset value per Ordinary share

The net asset value per share and the net asset value attributable to the ordinary shares at the period end calculated in accordance with the Articles of Association were as follows:

	31 December 2005	31 December 2005
	Net asset value per share	Net asset value attributable
	p	£'000
Ordinary shares	<hr/> 97.4 <hr/>	<hr/> 7,634 <hr/>

The movements during the period of the assets attributable to the Ordinary shares are shown in note 15. The number of issued shares used in the above calculation is set out in note 12.

	70 weeks ended 31 December 2005
	£'000
15. Reconciliation of movements in shareholders' funds	
Opening shareholders' funds	–
<i>Movements during the period</i>	
Total recognised gains for period	190
Net proceeds of issue of shares	7,444
Closing shareholders' funds	7,634

	70 weeks ended 31 December 2005
	£'000
16. Reconciliation of revenue return before finance costs and taxation to net cash inflow from operating activities	
Revenue return before finance costs and taxation	23
Investment management fees charged to capital	(52)
Increase in accrued income	(52)
Increase in prepayments	(5)
Increase in other debtors	(5)
Increase in accruals	98
Amortisation of fixed income investment book cost	11
Accrued interest on purchase	3
Net cash inflow from operating activities	21

	Cash flows £'000	At 31 December 2005 £'000
17. Analysis of changes in net funds		
Cash and overnight deposits	401	401

18. Derivatives and other financial instruments

The Company's financial instruments comprise securities and other investments, cash balances and debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, and debtors for accrued income. The Company may not enter into derivative transactions in the form of forward foreign currency contracts, futures and options without the written permission of the Directors. No derivative transactions were entered into during the period.

The main risks the Company faces from its financial instruments are (i) market price risk, being the risk that the value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rates, (ii) interest rate risk, and (iii) liquidity risk. In line with the Company's investment objective, the portfolio comprises only sterling currency securities and therefore has no direct exposure to foreign currency risk.

The Manager's policies for managing these risks are summarised below and have been applied throughout the period. The numerical disclosures below exclude short-term debtors and creditors.

Market price risk

The Company's investment portfolio is exposed to market price fluctuations, which are monitored by the manager in pursuance of the investment objective as set out on page 1. Adherence to investment guidelines and to investment and borrowing policies set out in the management agreement mitigates the risk of excessive exposure to any particular type of security or issuer. These powers and guidelines include the requirement to invest in a minimum of 30 companies across a range of industrial and service sectors at varying stages of development, to closely monitor the progress of these companies and to appoint a non executive director to the board of each company. Further information on the investment portfolio is set out in the Investment Manager's Report on pages 7 and 8.

Interest rate risk

The interest rate risk profile of financial assets at the balance sheet date was as follows:

At 31 December 2005	Fixed Interest £'000	Floating rate £'000	Non interest bearing £'000
Sterling			
Listed fixed income	617	1,501	–
UK authorised unit trusts	–	–	1,020
Unlisted and AIM	1,430	–	2,701
Cash	–	401	–
	2,047	1,902	3,721

The listed fixed interest assets have a weighted average life of 2.6 years and weighted average interest rate of 5.0%.

The unlisted fixed interest assets have a weighted average life of 6.3 years and weighted average interest rate of 10.1% per annum. The non-interest bearing assets represents the equity and unit trust element of the portfolio. All assets and liabilities of the fund are included in the balance sheet at fair value.

The interest rate which determines the interest received on the floating rate listed fixed income is the 3 months sterling LIBOR rate. The interest rate which determines the interest received on cash balances is the bank base rate.

Liquidity risk

Due to their nature, unlisted investments may not be readily realisable and, therefore, a portfolio of listed assets is held to offset this liquidity risk.

Venture Capital Trusts

Venture Capital Trusts (VCTs) are companies broadly similar to investment trusts and need to have been approved by the HM Revenue and Customs. The conditions for approval are:

- A VCT's income must be derived wholly or mainly from shares or securities;
- The amount invested in any company can not represent more than 15% by value of a VCT's investments;
- The VCT's ordinary shares must be traded on the London Stock Exchange and listed on the Official List of the UK Listing Authority;
- A VCT must not retain more than 15% of its income derived from shares or securities.

Within the accounting period beginning not more than three years after application, the following requirements must be met:

- At least 70% by value of a VCT's investments must be in shares, or loans of at least five years duration, in "qualifying holdings"; and
- At least 30% by value of a VCT's qualifying holdings must be in ordinary shares.

Qualifying holdings

Qualifying holdings are defined as holdings of shares or securities (including loans with terms of at least five years duration) in unquoted companies (including companies whose shares are traded on the Alternative Investment Market) which exist wholly for the purpose of carrying on one or more qualifying trades wholly or mainly in the United Kingdom. The holding must consist of shares or securities which were first issued to and have been continuously held by the VCT ever since.

A qualifying trade is any other than:

- dealing in land, commodities, futures, shares or other financial instruments;
- dealing in goods other than in the course of an ordinary trade of wholesale or retail distribution;
- banking, insurance or other financial activities;
- leasing or receiving royalties or license fees with certain exceptions;
- providing legal or accountancy services;
- property development;
- farming or market gardening;
- holding, managing or occupying woodlands, any other forestry activities or timber production;
- operating or managing hotels or comparable establishments, or managing property used as an hotel or comparable establishment;
- operating or managing nursing homes or residential care homes, or managing property used as a nursing home or residential care home; and
- providing ancillary services to any of the above by a related party.

VCTs may count an investment of up to £1 million in any one year in total in a qualifying trading company towards the 70% qualifying holding requirement, provided that the gross assets of the company do not exceed £15 million prior to the investment or £16 million following the investment.

Investments in qualifying companies held by VCTs at a time when such companies become quoted on the London Stock Exchange may be treated as qualifying investments for up to a further five years.

Tax Position of Individual Investors

This section highlights the tax reliefs available to individual investors and the methods for claiming such tax reliefs.

1. Tax reliefs for individual investors resident in the UK

Investors must be individuals aged 18 or over to qualify for the tax reliefs below. Tax reliefs will only be given to the extent that an individual's total investments in venture capital trusts (VCTs) in any tax year do not exceed the qualifying limit, which is currently £200,000.

Relief from income tax

An investor subscribing for new ordinary shares in a VCT during the tax year 2005/2006 will be entitled to claim income tax relief of up to 40 per cent on amounts subscribed up to a maximum of £200,000. This relief must be repaid should the shares be sold or otherwise disposed of within three years. Relief is limited to the amount which reduces the investor's income tax liability to nil. At present, relief of up to 40 per cent applies only to tax year 2005/6.

An investor who subscribes for or acquires up to a maximum of £200,000 of ordinary shares in any given tax year will not be liable to UK income tax on dividends paid by a VCT, which may include capital gains realised by the VCT.

Relief from capital gains tax

A disposal by an investor of ordinary shares (whether acquired by subscription for new shares or subsequent acquisition) in a VCT will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. This relief is limited to disposals of ordinary shares acquired within the limit of £200,000 for any tax year.

On the death of an investor or a spouse who has acquired VCT shares within marriage, no deferred capital gains tax or income tax will become payable by either the investor, their spouse or anyone inheriting the VCT shares.

Shares acquired other than by subscription (i.e. existing shares)

An investor who acquires up to a maximum of £200,000 in value of ordinary shares in a VCT in any year will be exempt from income tax on dividends from the VCT, which may include realised capital gains from investments made by the VCT, and capital gains on disposal of the VCT. The permitted maximum of £200,000 is the total of VCT shares subscribed for and acquired in the tax year.

A loss on disposal of shares within the permitted maximum is not an allowable loss.

2. Obtaining tax reliefs

Claims for income tax relief on amounts subscribed for new ordinary shares

A venture capital trust will give each investor a certificate which the investor uses to claim income tax relief, either immediately by obtaining an adjustment to his tax coding from the Inland Revenue or by waiting until the end of the tax year and using his tax return to claim relief.

3. Investors who are not resident in the UK

Such investors should seek their own professional advice as to the consequences of making an investment in a venture capital trust as they may be subject to tax in other jurisdictions as well as in the UK.

This is a summary only of the law concerning the tax position of individual investors in VCTs. Any potential investor in doubt as to the taxation consequences of investment in a venture capital trust should consult a professional adviser.

Risk warnings

Past performance is not necessarily a guide to future performance. You should be aware that share values and income from them may go down as well as up and that you may not get back the amount you originally invested. Existing tax levels and reliefs may change and the value of reliefs depends on personal circumstances; in particular, reliefs may be lost on ceasing to be a UK resident. An investment in a VCT carries a higher risk than other forms of investment. A VCT's shares, although listed, are likely to be illiquid. Prospective investors should regard an investment in a VCT as a long term investment, particularly as regards a VCT's investment objective and policy and the three year period for which shareholders must hold their shares in order to retain their income tax reliefs. The investments made by VCTs will normally be in companies whose securities are not publicly traded or freely marketable and may, therefore, be difficult to realise and investments in such companies are substantially riskier than those in larger companies.

The tax reliefs are dependent on the VCT obtaining unconditional approval from the Inland Revenue. Reliefs will be given during a period when provisional approval only is in force, but if provisional approval is withdrawn all tax reliefs will be cancelled with retrospective effect. If unconditional approval is withdrawn, any tax reliefs are no longer available and substantial tax liabilities can be expected to be incurred by shareholders and the VCT.

Potential investors are strongly urged to seek independent professional advice when considering investment in a VCT.

Notice of Meeting

The second Annual General Meeting of Aberdeen Growth Opportunities VCT 2 PLC will be held on Monday 22 May 2006 at 11.15 a.m. at One Bow Churchyard, London EC4M 9HH, to transact the following business:

Ordinary Business

To consider and, if thought fit, pass the following as Ordinary Resolutions:

1. To receive the Directors' Report and audited financial statements for the seventy weeks ended 31 December 2005.
2. To approve the Directors' Remuneration Report
3. To re-elect Mr I D Cormack as a Director.
4. To re-elect Mr M J Gilbert as a Director.
5. To re-elect Mr M Graham-Wood as a Director.
6. To re-elect Mr A Lapping as a Director.
7. To re-elect Mr S Scott as a Director.
8. To re-appoint Ernst & Young LLP as Auditors.
9. To authorise the Directors to fix the remuneration of the Auditors.

Special Business

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

10. THAT the Company be and is hereby generally and, subject as here and after appears, unconditionally authorised in accordance with Section 166 of the Companies Act 1985 ("the Act") to make market purchases (within the meaning of Section 163(3) of the Act) of Ordinary shares of 10p each in the capital of the Company:

provided always that:

- (a) the maximum number of Ordinary shares hereby authorised to be purchased is 783,516 representing 10% of the Company's issued Ordinary share capital as at 1 February 2006;
 - (b) the minimum price which may be paid for an Ordinary share shall be 10p per share;
 - (c) the maximum price (exclusive of expenses) which may be paid for an Ordinary share shall be not more than the lower of (i) Net Asset Value per Ordinary share and (ii) 105 per cent of the average of the middle market quotations for an Ordinary share taken from, and calculated by reference to, the Daily Official List of the London Stock Exchange for the five business days immediately preceding the date on which the Ordinary share is purchased; and
 - (d) unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, on the expiry of fifteen months from the passing of this Resolution, save that the Company may before such expiry enter into a contract to purchase Ordinary shares which will or may be completed wholly or partly after such expiry.
11. To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution:

THAT the Directors be and are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £78,351 (representing 10% of the total Ordinary share capital in issue on 1 February 2006) during the period expiring (unless previously revoked, varied, or extended by the Company in general meeting) on the date of the next Annual General Meeting or on the expiry of fifteen months from the passing of this Resolution, whichever is the first to occur, save that the Company may make offers or agreements before such expiry which would or might require relevant securities to be allotted after such expiry.

Notice of Meeting – continued

12. To consider and, if thought fit, pass the following Resolution as a Special Resolution:

THAT, subject to passing of Resolution numbered 11 set out above, the Directors be and are hereby empowered, pursuant to Section 95 of the Companies Act 1985 ("the Act"), to allot equity securities (as defined in Section 94 of the Act) pursuant to the authority given in accordance with Section 80 of the Act by the said Resolution numbered 11 as if Section 89(1) of the Act did not apply to such allotment, provided that this power shall be limited to allotments:

- (a) during the period expiring on the earlier of the date of the next Annual General Meeting of the Company or on the expiry of fifteen months from the passing of this Resolution, whichever is the first to occur, but so that this power shall enable the Company to make offers or agreements which would or might require equity securities to be allotted after the expiry of this power; and
- (b) of Ordinary shares up to an aggregate nominal amount of £78,351.

13. To consider and, if thought fit, pass the following as an Ordinary Resolution:

THAT the investment policy be amended so that up to 40% of gross assets may be invested in companies quoted on AIM.

123 St Vincent Street
Glasgow G2 5EA
27 February 2006

By order of the Board
Aberdeen Asset Management PLC
Secretaries

Notes:

1. No Director has any contract of service with the Company.
2. The Company, pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, has specified that only those Shareholders on the register of members of the Company as at 11.15 a.m. on 20 May 2006 shall be entitled to attend or vote at the aforesaid general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after 11.15 a.m. on 20 May 2006 shall be disregarded when determining the rights of any person to attend or vote at the meeting.
3. A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and on a poll to vote instead of him/her.
4. A proxy need not be a member. Appointment of a proxy need not preclude a member from attending and voting at the meeting should he/she subsequently decide to do so.
5. Instruments of proxy and the power of attorney or other authority should be sent to the Registrar of the Company, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham Kent BR3 4TU, so as to arrive not less than forty-eight hours before the time fixed for the meeting.
6. The Register of Directors' Interests is kept by the Company in accordance with Section 325 of the Companies Act 1985 and will be open for inspection at the meeting.

A reply-paid form of proxy for your use is enclosed.

* The biographies of the Directors are detailed on pages 2 and 3.
The Directors' Remuneration Report, referred to in Resolution 2, is on page 17 and 18.

Details of resolutions 3 to 12 are shown in the Directors' Report as follows:

Resolutions 3 to 7	Page 14	Directors
Resolutions 8 and 9	Page 16	Auditors
Resolution 10	Page 15	Purchase of shares
Resolutions 11 and 12	Page 16	Issue of shares
Resolution 13	Pages 5 and 16	Investment policy

Registered in Scotland - Company Number SC272568

Corporate Information

Directors

I D Cormack (Chairman)
M J Gilbert
M Graham-Wood
A Lapping
B Nixon (as alternate to M J Gilbert)
S Scott

Manager

Aberdeen Asset Managers Limited
Customer Services Department 0845 300 2830
(open Monday to Friday, 9 am to 5 pm)
email: vcts@aberdeen-asset.com

Secretary

Aberdeen Asset Management PLC
123 St Vincent Street
Glasgow G2 5EA

Points of Contact

The Chairman and/or the Company Secretary at:
At 123 St Vincent Street, Glasgow, G2 5EA

Registered Office

123 St Vincent Street
Glasgow G2 5EA
Registered in Scotland
Company Number SC272568

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Shareholder Helpline 0870 162 3100

Bankers

J P Morgan Chase Bank

Stockbrokers

Teather & Greenwood Limited

Auditors

Ernst & Young LLP

Website

www.aberdeen-asset.com

Aberdeen Asset Managers Limited

10 Queen's Terrace

Aberdeen AB10 1YG

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Glasgow G2 5EA

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Authorised and Regulated by The Financial Services Authority
Members of the Aberdeen Asset Management Group of Companies

