

# 07

## Aberdeen Growth Opportunities VCT 2 PLC

Annual Report  
Year ended 31 December 2007



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## Financial Calendar

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15 May 2008 Annual General Meeting

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## Dividend Schedule

	Rate	XD date	Record date	Payment date
<b>Ordinary shares</b>				
Proposed final 2008	1.5p	16 April 2008	18 April 2008	20 May 2008
<b>S Ordinary shares</b>				
Proposed final 2008	1.25p	16 April 2008	18 April 2008	20 May 2008

# Ordinary Shares Financial Highlights

## Financial History

	31 December 2007	31 December 2006	31 December 2005 (restated)
Net asset value	£8,221,000	£8,789,000	£7,634,000
Net asset value per Ordinary share	104.9p	112.2p	97.4p
Total return (without initial tax relief) <sup>A</sup>	112.9p	114.2p	97.4p
Total return (with initial tax relief) <sup>B</sup>	152.9p	154.2p	137.4p
Share price <sup>C</sup>	82.0p	96.5p	100.0p
(Discount)/premium to net asset value	(21.8%)	(14.0%)	2.7%
Ordinary shares in issue	7,835,163	7,835,163	7,835,163

<sup>A</sup> Sum of net asset value per share and dividends paid to date.

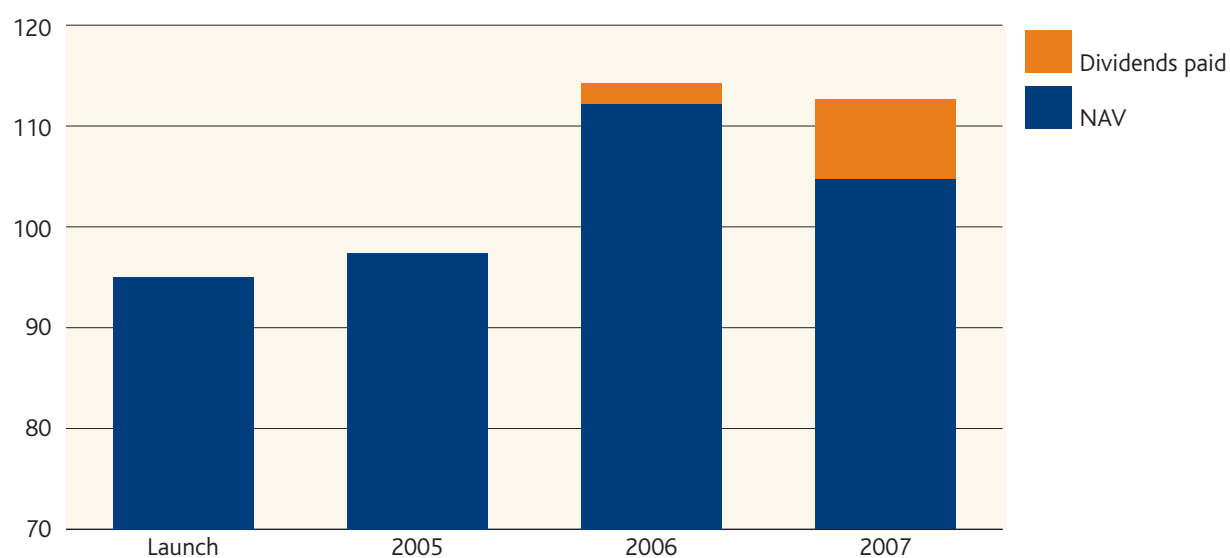
<sup>B</sup> Sum of net asset value per share, initial income tax relief at 40% and dividends paid to date.

<sup>C</sup> Source: Bloomberg.

## Dividends

Year ended November	Payment date	Revenue/capital	Interim/final	Rate (p)
2006	30 October 2006	Capital	Interim	2.0
	19 January 2007	Capital	Interim	3.5
	18 May 2007	Revenue	Final	0.5
2007	24 October 2007	Capital	Interim	2.0
<b>Total dividends paid</b>				<b>8.0</b>
2007 proposed	20 May 2008	Revenue	Final	1.5
<b>Total dividends paid or declared</b>				<b>9.5</b>

## NAV Performance (p)



The chart shows the net asset value total return (net asset value plus dividends paid) as at 31 December for the relevant year.

# S Ordinary Shares Financial Highlights

## Financial History

	31 December 2007
Net asset value	£4,831,000
Net asset value per S Ordinary share	97.2p
Total return (without initial tax relief) <sup>A</sup>	97.2p
Total return (with initial tax relief) <sup>B</sup>	127.4p
Share price <sup>C</sup>	100.0P
Premium to net asset value	2.9%
Ordinary shares in issue	4,972,459

<sup>A</sup> Sum of net asset value per share and dividends paid to date.

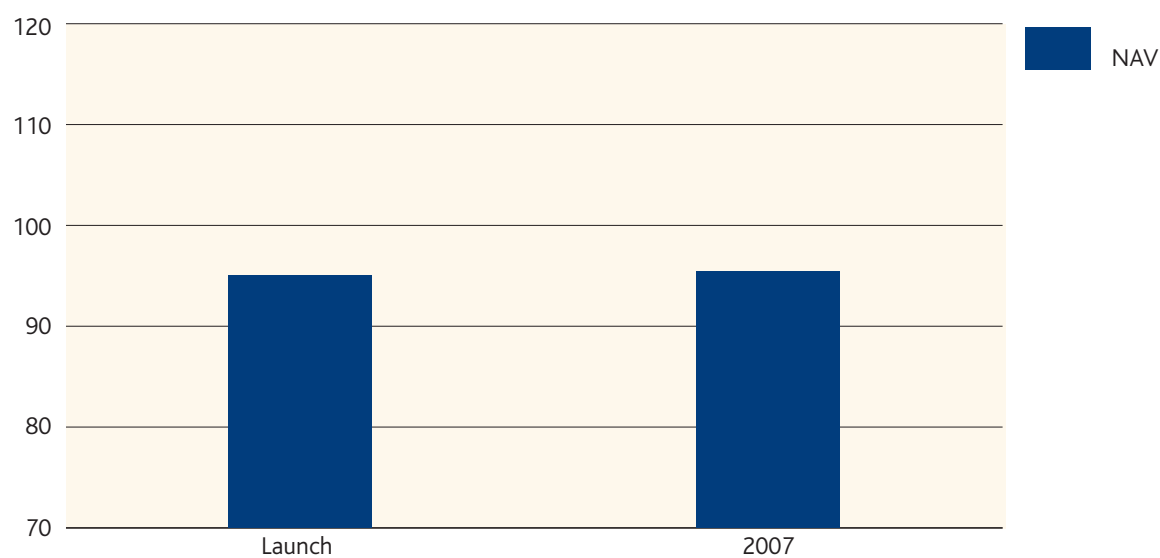
<sup>B</sup> Sum of net asset value per share, initial income tax relief at 30% and dividends paid to date.

<sup>C</sup> Source: Bloomberg.

## Dividends

Year ended November	Payment date	Revenue/Capital	Interim/final	Rate (p)
2007 proposed	20 May 2008	Revenue	Final	1.25
<b>Total dividends paid or declared</b>				<b>1.25</b>

## NAV Performance (p)



The chart shows the net asset value total return (net asset value plus dividends paid) as at 31 December for the relevant year.

# Chairman's Statement

I am pleased to report on a year of further consolidation and progress for your company. Among the highlights are:

- £5m raised in the S Share issue
- Qualifying threshold of 70% achieved in Ordinary Share Pool
- Total Return on Ordinary shares stable at 112.9p per share (pps) at year end, fractionally down 1.1% over the year
- NAV of Ordinary shares at year end of 104.9pps
- NAV of S Shares 97.2pps at year end up from 95.0p immediately after launch, an increase of 2.3%
- Strong level of new investment activity; 12 new private equity investments completed for Ordinary Share pool, 9 for S Share
- One successful exit from an unlisted company during the year generating a gain of 3.2p per Ordinary share
- Net realised gains from AIM stocks of 1.5p per Ordinary share for the year
- Dividends proposed of 1.5p per Ordinary share and 1.25p per S Share

## S Share Issue

The Company successfully raised £5 million in the S Share issue, increasing the size of the overall capital base by approximately 60% without a corresponding increase in costs. This means that the cost base will be defrayed over a larger fund size thereby improving the efficiency of the Company.

## VCT Qualifying Status

I am also pleased to report that during the year the Company achieved the 70% qualifying investment hurdle which it was required to do to maintain approval as a VCT. The Company must continue to exceed the threshold at all times in the future subject to certain exemptions in particular circumstances. The Manager is well placed through its regional network of offices to provide a suitable flow of quality investment opportunities to ensure that actual investment levels allow your company to significantly exceed this minimum level.

## Performance

The Total Return per Ordinary Share at 31 December 2007 was 112.9pps, a decrease of 1.1% over the equivalent figure at December 2006, while for the S Share pool it was 97.2pps compared with 95.0pps immediately after launch an increase of 2.3%. The full year position of the Ordinary Share pool has fallen back from the advance achieved at the half year due to the decline in the value of AIM stocks, which largely reflects the 13.7% decline in the FTSE AIM All Share index in the second half of the year.

The Net Asset Value (NAV) per Ordinary share at 31 December 2007, before payment of a dividend in respect of the year then ended, was 104.9p compared with 112.9p at 31 December 2006; however dividends totalling 6.0p had been paid during the year which effectively reduced the opening NAV by that amount.

The NAV per S Share at 31 December 2007 was 97.2p which has increased by 2.2p since deduction of the launch expenses.

The effect of paying the proposed dividends of 1.5p per share on the Original pool and 1.25p on the S Shares will be to reduce the NAV to 103.4p and 95.95p respectively.

The most important measure for a VCT is the total return being the long term record of revenue and capital gains dividend payments plus the current NAV. In the short term, the NAV on its own is a less important measure of the performance as the underlying investments are long-term in nature and not readily realisable.

## Dividend Policy

It was stated in the Company's Prospectus that in the early years dividends, if any, would be small until such times as capital realisations occurred. Due to the exceptional gains achieved in 2006, the Board declared dividends on the Ordinary shares totalling 6.0p which were paid during 2007. The Board is now recommending the payment of a final dividend of 1.5p per Ordinary share and 1.25p per S Share, both to be paid on 20 May 2008 to shareholders on the register on 18 April 2008.

The Board intends to pay regular dividends from realised gains and hopes that the level of payment will be increased over time but this cannot be guaranteed. All dividends are of course paid tax free to shareholders and a net dividend of 6.0p is equivalent to a yield of 10.0% to a higher rate taxpayer; if the initial tax relief of 40% is taken into account the effective annual yield rises to 16.7%. Since the Company's launch, Ordinary shareholders will have received 9.5p per share in tax free dividends after receipt of the final dividend.

## Investment Strategy

The strategy for both the Ordinary share pool and the S Share pool remains to build a 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 while maintaining VCT qualifying status. The Company does not currently utilise gearing in making its investments but the Board considers that it may be appropriate in due course to take advantage on a selective basis of its ability to borrow up to 10% of Net Asset Value in pursuit of the investment strategy.

## Chairman's Statement continued

### Valuation Process

Investments held by Aberdeen Growth Opportunities VCT 2 in unquoted companies are valued in accordance with the International Private Equity And Venture Capital Valuation Guidelines.

Investments quoted or traded on a recognised stock exchange including the Alternative Investment Market (AIM) are valued at their bid price.

### Dividend Re-investment

The Board suspended the operation of the dividend re-investment scheme following the changes made in recent Budgets to the VCT regulations insofar as the operation of such schemes might be affected by those changes. Once HMRC had clarified the situation, the Board examined the practicalities of introducing a dividend re-investment scheme for Shareholders who wished to increase their holdings in the Company and decided that Shareholders could gain access to the Company's shares on better terms in the current market through their own brokers. In addition, it is unlikely that there will be sufficient S Ordinary shares available in the market to enable the envisaged dividend reinvestment scheme to operate until after the end of the five year minimum holding period. Whilst there are generally no S Ordinary shares available at present, a limited number of Ordinary shares is currently available for purchase in the market. Shareholders acquiring shares in the market will not qualify for front-end tax relief but, provided the purchase is within the £200,000 a year limit, all dividends received, out of capital or income, are free of tax for a higher rate taxpayer.

### Portfolio Developments

There was one successful exit from the Ordinary share pool unlisted portfolio during the course of the year resulting in a gain of £251,000, equivalent to 3.2p per share. Strong progress was made in the continued establishment of a diversified portfolio of private company investments with 12 new investments made by the Ordinary Share pool and 9 made by the S Shares. Pleasingly, early performance across this new portfolio of private company assets is generally very good, offering the prospect of future growth and profit potential if this can be sustained.

On the AIM portfolios, realised gains amounting to 1.5p per Ordinary share and 0.1p per S Share were also achieved over the year. Further details of all of these disposals are given later in this report.

The AIM Market performed well in the first half achieving an increase of 15% in the FTSE AIM All-share index. Since then, however, stocks markets have declined and the FTSE AIM All-share index has given up all of that increase to finish the year 0.5% below its starting point and since then has continued to decline as credit crises and fears of recession

have gripped the markets. For the full year, the Ordinary share AIM portfolio saw a reduction in value of 2.1% and the S Share pool a reduction of 11.4% compared to a reduction in the FTSE AIM All-share index of 0.5% over the year. This reflects the fact that the S Share pool began to invest at a point when markets became less stable and turned down.

In context, the bulk of the assets held by both the Ordinary Pool and the S Shares are in well managed, growing private companies which are not directly affected by short term quoted market pricing movements, and where performance remains encouraging overall. The Manager will continue to focus on the market for private equity transactions, seeking to invest in well priced and yielding assets in an attempt to drive future growth in the level of Total Return.

### Co-Investment Scheme of the Manager

A Co-Investment scheme which allows executive members of the Manager to invest alongside the Company was in operation during the year. The scheme operates through a nominee company which invests alongside the Company in each and every transaction made by the Company, including any follow-on investments.

The scheme more closely aligns the interests of the executives and the Company's shareholders while providing an incentive to enable the Manager to retain the existing skills and capacity of the Manager's investment team in a highly competitive market.

### The Future

There has been a strong flow of new unlisted investments made over the course of the year. The new investments are generally trading well and should form the basis of successful realisations in future periods although it is too early to predict the quantum and timing of those realisations. The Manager continues to be extremely selective in the choice of AIM investments; these are usually acquired with a shorter term investment horizon than unlisted holdings and will continue to be actively traded where early profits are available. These holdings should provide realised gains in due course.

There is a continual need to re-invest following the realisation of successful investments. The Company is well placed to achieve this given the Manager's extensive network and local relationships throughout the UK from which investments can be sourced.

### Ian Cormack

Chairman  
17 April 2008

# Analysis of Unlisted and AIM Portfolio

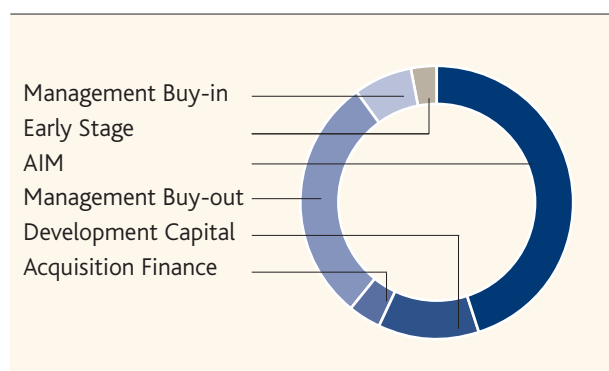
As at 31 December 2007

FT Industrial Sector	Ordinary Shares Valuation		S Ordinary Shares Valuation	
	£'000	%	£'000	%
<b>Unlisted</b>				
Support Services	1,446	20.2	330	22.0
Oil & Gas	805	11.2	345	23.0
Household Goods & Textiles	376	5.3		
Engineering & Machinery	285	4.0	171	11.4
Electronic & Electrical Equipment	224	3.2		
Telecommunication Services	211	3.0		
Chemicals	150	2.1	75	5.0
Transport	149	2.1	99	6.6
Software & Computer Services	122	1.7		
Construction & Building Materials	105	1.5		
Utilities (ex-electricity)	100	1.4		
Finance (general)	61	0.9	32	2.1
<b>Total Unlisted</b>	<b>4,034</b>	<b>56.6</b>	<b>1,052</b>	<b>70.1</b>
<b>AIM</b>				
Support Services	959	13.5	183	12.2
Software & Computer Services	492	6.9	54	3.6
Telecommunication Services	246	3.5	6	0.4
Media & Entertainment	224	3.2	89	5.9
Engineering & Machinery	212	3.0	73	4.9
Household Goods & Textiles	171	2.4	43	2.9
Mining	168	2.4		
Leisure & Hotels	166	2.3	2	0.1
Oil & Gas	124	1.7		
Electronic & Electrical Equipment	118	1.7		
Food Producers & Processors	84	1.2		
Health	78	1.1		
Speciality & Other Finance	41	0.5		
<b>Total AIM</b>	<b>3,083</b>	<b>43.4</b>	<b>450</b>	<b>29.9</b>
<b>Total Unlisted and AIM</b>	<b>7,117</b>	<b>100.0</b>	<b>1,502</b>	<b>100.0</b>

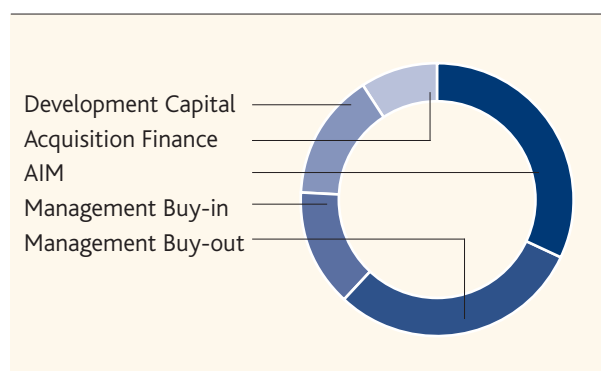
## Analysis of Unlisted and AIM Portfolio continued

Deal Type	Ordinary Shares Valuation			S Ordinary Shares Valuation		
	Number	£'000	%	Number	£'000	%
<b>Unlisted</b>						
Management Buy-out	9	2,182	30.7	4	451	30.0
Development Capital	6	890	12.5	2	249	16.6
Management Buy-in	3	590	8.3	3	253	16.8
Acquisition Finance	2	248	3.5	2	99	6.7
Early Stage	2	124	1.6			
<b>Total Unlisted</b>	<b>22</b>	<b>4,034</b>	<b>56.6</b>	<b>11</b>	<b>1,052</b>	<b>70.1</b>
<b>AIM</b>	<b>34</b>	<b>3,083</b>	<b>43.4</b>	<b>12</b>	<b>450</b>	<b>29.9</b>
<b>Total Unlisted and AIM</b>	<b>56</b>	<b>7,117</b>	<b>100</b>	<b>23</b>	<b>1,502</b>	<b>100.0</b>

### Ordinary Shares



### S Ordinary Shares



The pie charts illustrate deal type by valuation rather than cost and reflect only the invested portfolio excluding cash.



## Investment Manager's Review

### Investment Activity

During the year ended 31 December 2007, 12 new unlisted and 16 AIM investments were completed and a total of £6.1 million was invested of which £4.6 million was from the Original pool and £1.5 million was from the S Share pool. At the year end, the portfolio stood at 56 unlisted and AIM investments at a total cost of £9.0 million. Since 31 December 2007, two further new investments have been made at a cost of £300,000.

The following new investments have been completed during the year.

Investment	Date	Activity	Investment cost £'000		Website
			Ordinary Shares	S Ordinary Shares	
<b>Unlisted</b>					
Adler & Allan	Jun-07	Handling and disposal of liquid waste	150	75	www.adlerandallan.co.uk
Camwatch	Mar-07	Provider of CCTV monitoring and installation services	211		www.cctv-monitoring.net
Silkwater Holdings (trading as Cyclotech)	May-07	Provider of services to the energy sector	249	99	www.cyclotech.com
Darwen Group	Sep-07	Bus manufacturer and low emission technology group	149	100	www.elcb.co.uk
Energy Services Investment Company	Nov-07	Provider of services to the energy sector	248	99	
Funeral Services Partnership	Mar-07	Operator of funeral directors	298	124	
ID Support Services	Mar-07	CCTV security and air conditioning systems	204	50	www.id-group.co.uk
Lime Investments	Mar-07	Company set up to acquire branded premium-end or niche food and beverage businesses	199		
Martel Instruments	Jan-07	Manufacturer of compact, handheld printers and display devices	224		www.martelinstruments.com
MoneyPlus Group	Dec-07	Provider of debt management services to individuals	25	125	www.chiltern.uk.com
Stemininc (trading as MS Industrial Services)	Apr-07	Provider of industrial cleaning and waste management services to the oil and industrial sectors	184	84	www.msis.uk.com
Oliver Kay Holdings	Jan-07	Supplier of fresh produce to the on-trade catering industry in the UK	209		www.oliverkayproduce.co.uk
Riverdale Publishing	Apr-07	Publisher of greeting cards	174		www.riverdalepublishing.co.uk
Transys Holdings	Dec-07	Engineering Services to the rail industry	249	149	www.transysprojects.ltd.uk
Other			99	39	
<b>Total unlisted investment</b>			<b>2,872</b>	<b>944</b>	

## Investment Manager's Review continued

Investment	Date	Activity	Investment cost £'000		Website
			Ordinary Shares	S Ordinary Shares	
<b>AIM/PLUS</b>					
Avanti Communications	Apr-07	Provider of satellite telecommunications services in Europe using leased satellite capacity	69		www.avanti-communications.com
Bglobal	Apr-07	Provider of automatic meter reading and management of electricity and gas meters	52	25	www.bglobalmetering.com
Concateno	Jun-07	Provider of services for the testing of employees for drugs and alcohol	91	51	www.concateno.com
Craneware	Sep-07	Provider of billing and auditing software for use in the US healthcare market	150	49	www.craneware.com
DM	Apr-07	Provider of direct marketing group specialising in gathering consumer data for use in direct marketing campaigns	100	50	www.dmplc.com
Essentially Group	Jul-07	Provider of sports marketing, media management and professional services group	135	49	www.essentiallygroup.com
eXpansys	Apr-07	Seller of mobile and wireless technology products over the internet	100	25	www.expansys.com
Formation Group	Jun-07	Provider of wealth management and related professional services	50	50	www.formationgroupplc.com
Melorio	Oct-07	UK provider of onsite assessment and training within the construction industry	148	90	www.melorio.com
Mount Engineering	Jun-07	Manufacturer, stockist and distributor of engineering products for oil, gas, power, water and general industrial markets	172	49	www.mountengineering.com
Plastics Capital	Dec-07	Manufacturer of plastic components	197	50	www.plasticcapital.com
Pressure Technologies	Jun-07	Niche designer and manufacturer of high pressure seamless steel gas cylinders for global energy and defence market	148		www.pressuretechnologies.co.uk
Smart Identity	Sep-07	Software developer of identity management solutions	72		www.smartidentity.co.uk
St Helen's Capital	Jun-07	Provider of corporate advisory services.	26		www.sthelenscapital.com
Universe Group	Apr-07	Provider of managed services and payment solutions to the petrol retail sector	100		www.universe-group.co.uk
Worthington Nicholls Group	May-07	Provider of installation and maintenance of air conditioning units in the hotel and retail markets		47	www.worthington-nicholls.co.uk
Other			81	28	
<b>Total AIM/PLUS investment</b>			<b>1,691</b>	<b>563</b>	
<b>Total</b>			<b>4,563</b>	<b>1,507</b>	

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Aberdeen Growth Opportunities VCT 2 has co-invested with Aberdeen Development Capital, Aberdeen Growth VCT I, Aberdeen Growth Opportunities VCT, Talisman First Venture Capital Trust, Aberdeen Income and Growth VCT and Guinness Flight Venture Capital Trust in some or all of the above transactions and is expected to continue to do so with these as well as other clients of the Manager. The advantage 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

Following a number of successful realisations during 2006, one further realisation from the Original pool has occurred in the reporting period as shown in the table immediately following this review. During the reporting period 12 new substantial unlisted investments and 16 new AIM investments have been added in rebuilding the portfolio. We are pleased to note that these investments are generally trading in line with or ahead of their business plan since investment; however, it is likely to be some time before these investments reach a level of maturity which enables profitable exits to be negotiated.

The sale of the investment in EIG (Investments) was successfully completed in January 2007 approximately 15 months after first investing realising £502,000 during the reporting period compared to the cost of the investment of £251,000.

The AIM portfolio continued to be actively traded when the opportunity arose, recognising the more unstable conditions which prevailed in the second half of the year. Net gains of £123,000 were generated for the Original Pool and a gain of £7,000 for the S Share pool over the year. The FTSE AIM All-share index has declined over the year by 0.5%; the performance of the Company's portfolio is a decline of 2.1% on the Original Pool while the S Share pool saw a decline of 11.4% from the time it started investing.

In addition to the realised gains mentioned above details of which can be found in the table overleaf, unrealised losses compared to valuations at December 2006 totalling £179,000 arose on the original pool of investments. In the unlisted portfolio, unrealised gains on Homelux Nenplas (£61,000) and MoneyPlus Group (£80,000) reflecting improving prospects for those companies were offset by reductions in the value of Oled - T (£89,000) and Riverdale Publishing (£175,000), where trading had been disappointing and resulted in the company entering administration in late February 2008.

In the S Share pool, the most significant item was again Worthington Nicholls which fell in value by £43,000 more than the overall unrealised loss on the portfolio for the year. Notwithstanding the effect of the investment in Worthington Nicholls, the value of the S Share portfolio remains at cost.

Investments in the unlisted portfolio are generally trading well but, if there is any underperformance, particular attention is paid to those companies by the Manager to effect an improvement and protect the value of the investment.

### Outlook

The pipeline of new private company investments remains healthy, with significant merger and acquisition activity currently in evidence on the back of impending changes in Capital Gains Tax legislation, which is motivating some owners of private companies to sell their businesses now in order to reduce a potentially higher future tax liability. Conversely, opportunities to invest in the AIM market are presently reduced; recent volatility has seen fewer new IPOs in the early part of 2008 and we expect this trend to continue for the immediate future.

Overall, the level of new investment activity remains very positive with a significant number of new transactions in process across the Manager's network of UK offices. This activity will help further build the unlisted portfolio held by your company throughout 2008 and beyond.

## Investment Manager's Review continued

### Realisations during the financial year

	Date first invested	Complete/ partial Exit	Ordinary Share			S Share		
			Cost of shares disposed of £'000	Sales proceeds £'000	Realised gain/loss £'000	Cost of shares disposed of £'000	Sales proceeds £'000	Realised gain/loss £'000
<b>Unlisted</b>								
EIG (Investments)	2005	Complete	251	502	251			
			<b>251</b>	<b>502</b>	<b>251</b>			
<b>AIM</b>								
AT Communications	2005	Partial	121	137	16			
Avanti Screenmedia	2005	Complete	78	79	1			
Bglobal	2007	Complete	52	57	5	25	27	2
Eleco	2006	Complete	99	115	16			
Expansys	2007	Partial	68	82	14	17	20	3
Hambledon Mining	2006	Partial	21	46	25			
MTI Wireless Edge	2006	Complete	41	52	11			
Pressure Technologies	2007	Partial	53	70	17			
Velosi	2006	Complete	100	128	28			
Worthington Nicholls Group	2006	Partial	8	26	18			
Other			149	121	(28)	6	8	2
			<b>790</b>	<b>913</b>	<b>123</b>	<b>48</b>	<b>55</b>	<b>7</b>
<b>Total</b>			<b>1,041</b>	<b>1,415</b>	<b>374</b>	<b>48</b>	<b>55</b>	<b>7</b>

## Summary of Investment Changes

### Ordinary Shares

	Valuation		Net investment (disinvestment)	Appreciation (depreciation)	Valuation	
	31 December 2006				31 December 2007	
	£'000	%	£'000	£'000	£'000	%
<b>Unlisted investments</b>						
Equities	734	8.4	256	71	1,061	12.9
Preference	67	0.8	(35)	(1)	31	0.4
Loan stocks	916	10.4	2,149	(123)	2,942	35.8
	<b>1,717</b>	<b>19.6</b>	<b>2,370</b>	<b>(53)</b>	<b>4,034</b>	<b>49.1</b>
<b>AIM investments</b>						
Equities	2,369	27.0	778	(64)	3,083	37.5
<b>Listed investments</b>						
Fixed income	2,983	33.9	(2,399)	13	597	7.3
Unit trusts	1,040	11.8	(1,024)	(16)	–	–
<b>Total investments</b>	<b>8,109</b>	<b>92.3</b>	<b>(275)</b>	<b>(120)</b>	<b>7,714</b>	<b>93.9</b>
Other net assets	680	7.7	(173)	–	507	6.1
<b>Total assets</b>	<b>8,789</b>	<b>100.0</b>	<b>(448)</b>	<b>(120)</b>	<b>8,221</b>	<b>100.0</b>

### S Ordinary Shares

	Valuation		Net investment (disinvestment)	Appreciation (depreciation)	Valuation	
	31 December 2006				31 December 2007	
	£'000	%	£'000	£'000	£'000	%
<b>Unlisted investments</b>						
Equities	–	–	128	108	236	4.9
Preference	–	–	4	–	4	0.1
Loan stocks	–	–	812	–	812	16.8
	–	–	<b>944</b>	<b>108</b>	<b>1,052</b>	<b>21.8</b>
<b>AIM investments</b>						
Equities	–	–	508	(58)	450	9.3
<b>Listed investments</b>						
Fixed income	–	–	2,973	19	2,992	61.9
<b>Total investments</b>	–	–	<b>4,425</b>	<b>69</b>	<b>4,494</b>	<b>93.0</b>
Other net assets	–	–	337	–	337	7.0
<b>Total assets</b>	–	–	<b>4,762</b>	<b>69</b>	<b>4,831</b>	<b>100.0</b>

## Investment Portfolio Summary

Investment	Ordinary Share			S Ordinary Shares			% of equity held	% of equity held by other clients <sup>A</sup>
	Valuation	Cost	% of total assets	Valuation	Cost	% of total assets		
<b>Unlisted</b>								
Homelux Nenplas Limited Manufacturer of plastic tiling trims and related products	376	199	4.6	–	–	–	3.4	41.6
MoneyPlus Group Limited Debt management services to individuals	330	250	4.0	125	125	2.7	5.9	33.1
ID Support Services Holdings Limited Provider of CCTV security and air conditioning systems	329	204	4.0	80	50	1.8	2.7	29.4
Funeral Services Partnership Limited Operator of funeral directors	298	298	3.6	124	124	2.7	3.0	25.0
Silkwater Holdings Limited (trading as Cyclotech) Provider of services to the energy sector	296	249	3.6	118	99	2.5	4.8	14.0
Transys Holdings Limited Provider of engineering services to the rail industry	285	249	3.5	171	149	3.6	4.6	65.0
Energy Services Investment Company (ESIC) Limited Provider of services to the energy sector	248	248	3.0	99	99	2.1	13.3	68.2
Martel Instruments Holdings Limited Manufacturer of compact, handheld printers and display devices	224	224	2.7	–	–	–	3.2	30.2
Camwatch Limited Provider of CCTV monitoring and installation services	211	211	2.6	–	–	–	4.0	39.5
Oliver Kay Holdings Limited Supplier of fresh produce to the on-trade catering industry in the UK	209	209	2.5	–	–	–	1.3	18.7
Lime Investments Limited Company set up to acquire branded premium-end or niche food and beverage businesses	199	199	2.4	–	–	–	7.6	72.4
Stemic Limited (trading as MS Industrial Services) Provider of industrial cleaning and waste management services to the oil and industrial sectors	184	184	2.2	84	84	1.8	4.5	40.0
Adler & Allan Holdings Limited Provider of liquid waste handling and disposal services	150	150	1.8	75	75	1.7	1.0	38.6
Darwen Group plc Bus manufacturer and low emission technology group	149	149	1.8	100	100	2.2	7.0	15.1

Investment	Ordinary Share			S Ordinary Shares			% of equity held	% of equity held by other clients <sup>A</sup>
	Valuation	Cost	% of total assets	Valuation	Cost	% of total assets		
Essential Viewing Systems Limited Developer of video streaming software	122	162	1.5	–	–	–	9.5	39.9
Buildstore Limited Provider of services to self build homeowners	105	105	1.3	–	–	–	0.6	7.1
Enpure Holdings Limited Provider of process engineering and project management services	100	100	1.2	–	–	–	0.4	79.2
Countcar Limited Provider of tool, plant hire and hydraulic products to the oil and gas industry	77	6	1.0	43	3	–	2.0	24.6
Others	142	712	1.8	33	36	0.7		
	<b>4,034</b>	<b>4,108</b>	<b>49.1</b>	<b>1,052</b>	<b>944</b>	<b>21.8</b>		
<b>AIM/PLUS</b>								
Concateno plc Provider of services for the testing of employees for drugs and alcohol	212	176	2.6	43	50	0.9	0.4	1.1
Software Radio Technology PLC Provider of wireless technology products and services	210	138	2.6	–	–	–	0.4	2.2
Litcomp plc National supplier of medical reports in support of legal actions	185	100	2.3	–	–	–	–	4.9
Plastics Capital Plc Manufacturer of plastic components	171	197	2.1	44	50	0.9	0.9	2.0
Axeon plc Developer of semiconductor intellectual property specifically geared to the automotive industry	170	106	2.1	–	–	–	0.4	3.2
Hambledon Mining PLC Exploration and mining of precious metals in Kazakhstan	168	94	2.0	–	–	–	0.2	0.1
Craneware plc Provider of billing and auditing software for use in the US healthcare market	166	143	2.0	54	49	1.1	0.9	0.6
Mount Engineering plc Manufacturer, stockist and distributor of engineering products for oil, gas, power, water and general industrial markets	163	172	2.0	46	49	1.0	1.3	1.1
Amazing Holdings PLC Leisure and hotel developer	158	151	1.9	–	–	–	0.5	1.7

## Investment Portfolio Summary continued

Investment	Ordinary Share			S Ordinary Shares			% of equity held	% of equity held by other clients <sup>A</sup>
	Valuation	Cost	% of total assets	Valuation	Cost	% of total assets		
Melorio Plc UK provider of onsite assessment and training within the construction industry	155	148	1.9	94	90	1.9	0.8	0.3
Pressure Technologies PLC Niche designer and manufacturer of high pressure seamless steel gas cylinders for global energy and defence market	124	95	1.5	–	–	–	0.6	
Work Group PLC Provider of recruitment services	124	151	1.5	–	–	–	0.7	2.6
Essentially Group PLC Sports marketing, media management and professional services group	118	135	1.4	43	49	0.9	1.0	0.6
Datong PLC Producer of devices that enable government intelligence and defence agencies to covertly track vehicles and mobile phones	118	151	1.4	–	–	–	0.9	1.1
DM PLC Direct marketing group specialising in gathering consumer data for use in direct marketing campaigns	90	94	1.1	45	47	0.9	0.6	–
Universe Group PLC Provider of managed services and payment solutions to the petrol retail sector	89	100	1.1	–	–	–	1.2	1.4
Neutrahealth plc Manufacturer and distributor of nutraceutical products	78	89	0.9	–	–	–	0.6	1.3
Smart Identity plc Software developer of identity management solutions	74	72	0.9	–	–	–	9.6	17.1
System C Healthcare plc Information services and IT systems to the healthcare sector in England	65	150	0.8	–	–	–	0.3	1.0
Avanti Communications Group Plc Provides satellite telecommunications services in Europe using leased satellite capacity	60	69	0.7	–	–	–	0.1	1.3
Hasgrove plc Provider of communication services in public relations, public affairs, graphic design, advertising and on-line marketing	54	49	0.7	–	–	–	0.2	1.8
Imprint PLC Provider of recruitment services	50	152	0.6	–	–	–	0.1	0.4
Gold Frost Limited Producer of kosher food products	47	85	0.6	–	–	–	0.5	0.9



Investment	Ordinary Share			S Ordinary Shares			% of equity held	% of equity held by other clients <sup>A</sup>
	Valuation	Cost	% of total assets	Valuation	Cost	% of total assets		
Formation Group PLC Provider of wealth management and related professional services	46	50	0.6	46	50	1.0	0.2	0.2
St Helen's Capital PLC Provider of corporate advisory services	40	26	0.5	–	–	–	0.6	4.2
Individual Restaurant Company plc Restaurant operator	37	45	0.5	–	–	–	0.1	1.1
Worthington Nicholls Group PLC Installation and maintenance of air conditioning units in the hotel and retail markets	27	107	0.3	4	47	0.1	0.2	1.3
eXpansys PLC Seller of mobile and wireless technology products over the internet	25	31	0.3	–	–	–	0.1	0.2
Others	59	330	0.6	31	34	0.6		
	<b>3,083</b>	<b>3,406</b>	<b>37.5</b>	<b>450</b>	<b>515</b>	<b>9.3</b>		
<b>Listed fixed income investments</b>								
Treasury 5% 07/03/08	–	–	–	1,500	1,499	31.0		
Treasury 4% 07/03/09	597	588	7.3	1,492	1,474	30.9		
	<b>597</b>	<b>588</b>	<b>7.3</b>	<b>2,992</b>	<b>2,973</b>	<b>61.9</b>		
<b>Total</b>	<b>7,714</b>	<b>8,102</b>	<b>93.9</b>	<b>4,494</b>	<b>4,432</b>	<b>93.0</b>		

<sup>A</sup> Other clients of the Aberdeen Asset Management Group.

## Largest Unlisted and AIM Investments

### Transys Holdings Limited



<b>Cost (£'000)</b>	398	<b>Year ended<sup>A</sup></b>		
<b>Valuation (£'000)</b>	456		<b>£'000</b>	<b>£'000</b>
<b>Basis of valuation</b>	Earnings	<b>Sales</b>		
<b>Equity held</b>	4.6%	<b>Retained profit/(loss)</b>		
<b>Income received (£'000)</b>	Nil	<b>Net assets</b>		
<b>First invested</b>	December 2007			

Provider of engineering services to the rail industry

#### Other AAMPE Clients invested

Aberdeen Development Capital, Aberdeen Growth VCT I, Aberdeen Growth Opportunities VCT, Aberdeen Income and Growth VCT, Aberdeen City Council Pension Fund

### MoneyPlus Group Limited



<b>Cost (£'000)</b>	375	<b>Year ended</b>	<b>31 Oct 2006</b>	
<b>Valuation (£'000)</b>	455		<b>£'000</b>	<b>£'000</b>
<b>Basis of valuation</b>	Market value assessment	<b>Sales</b>	4,489	
<b>Equity held</b>	5.9%	<b>Profit/(loss) before tax</b>	79	
<b>Income received (£'000)</b>	20	<b>Retained profit/(loss)</b>	61	
<b>First invested</b>	November 2005	<b>Net assets</b>	654	

Provider of debt management services to individuals

#### Other AAMPE Clients invested

Aberdeen Income and Growth VCT, Aberdeen Growth VCT I, Aberdeen Growth Opportunities VCT

### Funeral Services Partnership Limited



<b>Cost (£'000)</b>	422	<b>Year ended<sup>A</sup></b>		
<b>Valuation (£'000)</b>	422		<b>£'000</b>	<b>£'000</b>
<b>Basis of valuation</b>	Cost	<b>Sales</b>		
<b>Equity held</b>	3.0%	<b>Profit/(loss) before tax</b>		
<b>Income received (£'000)</b>	Nil	<b>Retained profit/(loss)</b>		
<b>First invested</b>	March 2007	<b>Net assets</b>		

Operator of funeral directors

#### Other AAMPE Clients invested

Aberdeen Income and Growth VCT, Aberdeen Growth VCT I, Aberdeen Growth Opportunities VCT, Guinness Flight VCT, Talisman First Venture Capital Trust, Laminvest

### Silkwater Holdings Limited (Cyclotech)



<b>Cost (£'000)</b>	348	<b>Year ended<sup>A</sup></b>		
<b>Valuation (£'000)</b>	414		<b>£'000</b>	<b>£'000</b>
<b>Basis of valuation</b>	Earnings	<b>Sales</b>		
<b>Equity held</b>	4.8%	<b>Profit/(loss) before tax</b>		
<b>Income received (£'000)</b>	Nil	<b>Retained profit/(loss)</b>		
<b>First invested</b>	May 2007	<b>Net assets</b>		

Provider of services to the energy sector

#### Other AAMPE Clients invested

Aberdeen Growth VCT I, Aberdeen Growth Opportunities VCT, Aberdeen Income and Growth VCT, Talisman First Venture Capital Trust

### ID Support Services Limited



<b>Cost (£'000)</b>	254	<b>Year ended<sup>A</sup></b>		
<b>Valuation (£'000)</b>	409		<b>£'000</b>	<b>£'000</b>
<b>Basis of valuation</b>	Earnings	<b>Sales</b>		
<b>Equity held</b>	2.7%	<b>Retained profit/(loss)</b>		
<b>Income received (£'000)</b>	Nil	<b>Net assets</b>		
<b>First invested</b>	March 2007			

CCTV security and air conditioning systems


#### Other AAMPE Clients invested

Aberdeen Income and Growth VCT, Aberdeen Growth VCT I, Aberdeen Growth Opportunities VCT, Talisman First Venture Capital Trust, Yorkshire Investors 3, Laminvest

### Homelux Nenplas Limited

	<b>Cost (£'000)</b>	199	<b>Year ended</b>	<b>31 May 2007</b>	
	<b>Valuation (£'000)</b>	376		<b>£'000</b>	<b>£'000</b>
<b>HOMELUX NENPLAS</b>	<b>Basis of valuation</b>	Earnings	<b>Sales<sup>c</sup></b>	N/A	
	<b>Equity held</b>	3.4%	<b>Profit/(loss) before tax</b>	1,134	
	<b>Income received (£'000)</b>	27	<b>Retained profit/(loss)</b>	901	
	<b>First invested</b>	May 2006	<b>Net assets</b>	1,390	
	Manufacturer of plastic tiling trims and related products				
<b>Other AAMPE Clients invested</b>	Aberdeen Development Capital, Aberdeen Growth VCT I, Aberdeen Growth Opportunities VCT, Aberdeen Income and Growth VCT, Talisman First Venture Capital Trust, Laminvest				


### Energy Services Investment Company (ESIC) Limited

	<b>Cost (£'000)</b>	347	<b>Year ended<sup>a</sup></b>		
	<b>Valuation (£'000)</b>	347		<b>£'000</b>	<b>£'000</b>
	<b>Basis of valuation</b>	Cost	<b>Sales</b>		
	<b>Equity held</b>	13.3%	<b>Profit/(loss) before tax</b>		
	<b>Income received</b>	Nil	<b>Retained profit/(loss)</b>		
	<b>First invested</b>	November 2007	<b>Net assets</b>		
	Provider of services to the energy Sector				
<b>Other AAMPE Clients invested</b>	Aberdeen Income and Growth VCT, Aberdeen Growth VCT I, Aberdeen Growth Opportunities VCT				


### Steminic Limited (MS Industrial Services)

	<b>Cost (£'000)</b>	268	<b>Year ended<sup>a</sup></b>		
	<b>Valuation (£'000)</b>	268		<b>£'000</b>	<b>£'000</b>
	<b>Basis of valuation</b>	Cost	<b>Sales</b>		
	<b>Equity held</b>	4.5%	<b>Profit/(loss) before tax</b>		
	<b>Income received</b>	Nil	<b>Retained profit/(loss)</b>		
	<b>First invested</b>	April 2007	<b>Net assets</b>		
	Provider of industrial cleaning and waste management services to the oil and industrial sectors				
<b>Other AAMPE Clients invested</b>	Aberdeen Income and Growth VCT, Aberdeen Growth VCT I, Aberdeen Growth Opportunities VCT, Talisman First Venture Capital Trust.				

### Concateno Plc

	<b>Cost (£'000)</b>	226	<b>Year ended</b>	<b>31 Dec 2006</b>	<b>31 Mar 2006<sup>b</sup></b>
	<b>Valuation (£'000)</b>	255		<b>£'000</b>	<b>£'000</b>
	<b>Basis of valuation</b>	Bid Price	<b>Sales</b>	721	Nil
	<b>Equity held</b>	0.4%	<b>Profit/(loss) before tax</b>	(843)	(645)
	<b>Income received</b>	Nil	<b>Retained profit/(loss)</b>	(670)	(645)
	<b>First invested</b>	October 2006	<b>Net assets</b>	5,684	3,973
	Provider of services for the testing of employees for drugs and alcohol				
<b>Other AAMPE Clients invested</b>	Aberdeen Growth VCT I, Aberdeen Growth Opportunities VCT, Aberdeen Income and Growth VCT, Talisman First Venture Capital Trust				

### Melorio PLC

	<b>Cost (£'000)</b>	238	<b>Year ended<sup>a</sup></b>		
	<b>Valuation (£'000)</b>	249		<b>£'000</b>	<b>£'000</b>
	<b>Basis of valuation</b>	Bid price	<b>Sales</b>		
	<b>Equity held</b>	0.8%	<b>Profit/(loss) before tax</b>		
	<b>Income received</b>	Nil	<b>Retained profit/(loss)</b>		
	<b>First invested</b>	October 2007	<b>Net assets</b>		
	Provider of onsite assessment and training within the construction industry				
<b>Other AAMPE Clients invested</b>	Aberdeen Income and Growth VCT, Aberdeen Growth VCT I, Aberdeen Growth Opportunities VCT, Talisman First Venture Capital Trust				

<sup>a</sup> These companies have not yet produced their first report and accounts

<sup>b</sup> First year end 31st March 2006 with future results reported on 31st December

<sup>c</sup> This company does not reveal its turnover as permitted under the provisions of the Companies Act relating to medium-sized companies.

## Your Board

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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:** 61

**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:** 52

**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 Chaucer Holdings PLC. He is also a director of Aberdeen Asian Smaller Companies Investment Trust PLC, Aberdeen Asia-Pacific Income Fund Inc, Aberdeen Asia-Pacific Income Investment Company Limited, Aberdeen Development Capital PLC, Aberdeen Football Club plc, Aberdeen Global Income Fund Inc, Aberdeen Growth Opportunities VCT PLC, Aberdeen Growth VCT I PLC and Primary Health Properties PLC.

**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:** Mr Nixon is alternate director for Mr Gilbert on Aberdeen Growth Opportunities VCT PLC and Aberdeen Growth VCT I PLC.

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

**Age:** 50

**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

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**Andrew Lapping**, Independent non-executive Director

**Age:** 44

**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:** 44

**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:** 42

**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 debut 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

# Directors' Report

The Directors submit their Annual Report together with the Financial Statements of the Company for the year ended 31 December 2007.

## Results and dividends

The revenue attributable to Ordinary Shareholders for the year amounted to £141,000 (2006 - £78,000). The net loss attributable to Ordinary Shareholders for the year was £98,000 compared with a total return of £1,312,000 in 2006. The net asset value per Ordinary share at 31 December 2007 was 104.9p (2006 - 112.2p). Having paid an interim dividend for the year of 2.0p in October 2007, the Directors propose a final dividend for the year of 1.5 p per Ordinary share, payable on 20 May 2008 to Ordinary Shareholders on the register at the close of business on 18 April 2008.

The revenue attributable to S Ordinary Shareholders for the year amounted to £77,000 (2006 - N/A). The total return attributable to S Ordinary Shareholders for the year was £107,000 (2006 - N/A). The net asset value per S Ordinary share at 31 December 2007 was 97.2p (2006 - N/A). The Directors propose a final dividend for the year of 1.25p per S Ordinary share, payable on 20 May 2008 to S Ordinary Shareholders on the register at the close of business on 18 April 2008.

## Business review

A review of the Company's activities is given in the Chairman's Statement on pages 3 and 4 and in the Investment Manager's Review on pages 7 to 10.

A summary of the business objectives, the Board's strategy for achieving them, the risks faced and the key performance indicators is given below.

## Investment objective and policy

The Company aims to achieve long term capital appreciation and generate maintainable levels of income for shareholders.

The Company intends to achieve its objective by:

- investing the majority of its funds in a diversified portfolio of shares and securities of smaller, unquoted UK companies and in AIM companies which meet the criteria for VCT qualifying investments with strong growth potential
- investing in line with VCT regulations, no more than £1 million in any company in one year and no more than 15% of the total investments by cost in one company at the time of investment
- maintaining a qualifying investment level of at least 70% according to VCT regulations
- borrowing up to 15% of net asset value on a selective basis in pursuit of investment strategy
- retaining the services of a Manager who can provide the breadth and depth of resources to achieve the investment objective.

The Company manages and minimises investment risk by:

- diversifying across a large number of companies
- diversifying across a range of economic sectors
- actively and closely monitoring the progress of investee companies
- seeking to appoint a non-executive director to the board of each private investee company, provided from the Manager's investment management team or from its pool of experienced independent directors
- co-investing with other funds run by the Manager, in larger deals which tend to carry less risk
- not investing in hostile public to private transactions
- retaining the services of a Manager who can provide the breadth and depth of resources required to meet the criteria stated above

Other risks are managed as follows:

- VCT qualifying risk is minimised by retaining the services of a Manager with the resources to provide sufficient flow of investment opportunities and integrated administrative and management systems to ensure continuing compliance with regulations.
- risks of political change, exchange controls, taxation or other regulations that might affect investee companies are monitored and taken account of before investments are made and in determining valuations of unlisted investments.

## Statement of compliance with investment policy

That the Company is adhering to its stated investment policy and managing the risks arising from it can be seen in various tables and charts throughout the Annual Report and from figures provided in the Chairman's Statement on pages 3 and 4.

The management of the investment portfolio has been delegated to Aberdeen Asset Managers Limited, which also provides administrative and financial management services and, through its parent company, company secretarial services to the Company. The Board is comfortable with the depth and breadth of the Manager's resources and its network of offices, which both supply new deals and enable Aberdeen to monitor the geographically widespread portfolio companies effectively.

The Investment Portfolio Summary shows the number of investments in each portfolio and gives an indication of the degree of co-investing with other Aberdeen clients. The tabular Analyses of Unlisted and AIM Portfolio and Deal Type show that the portfolio is diversified across a variety of economic sectors and deal types. The level of qualifying investments is monitored by the Manager on a daily basis and reported to the Board quarterly.

## Key performance indicators

At each board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives. The key performance indicators are as follows:

- Net asset value total return
- Dividends per share

A historical record of these measures is shown on pages 1 and 2.

In addition, the Board considers peer group comparative performance. The Company has continued its membership of the Association of Investment Companies (AIC) and it is hoped that the AIC's monthly performance statistics will provide a useful standard measure of comparative performance in future.

## Principal risks and uncertainties

The principal risks facing the Company relate to its investment activities and include market price, interest rate, liquidity and credit. An explanation of these risks and how they are managed is contained in Note 18 to the financial statements on pages 43 and 44. Additional risks faced by the Company, and the mitigation approach adopted by the Board, are as follows:

- Investment objective: The board's aim is to maximise absolute returns to shareholders while managing risk by ensuring an appropriate diversification of investments.
- Investment policy: inappropriate stock selection leading to underperformance in absolute and relative terms is a risk which the Manager mitigates by operating within investment guidelines and regularly monitoring performance against the peer group.
- Discount volatility: due to lack of liquidity in the secondary market, venture capital trust shares tend to trade at discounts to net asset values which the Board seeks to manage by making purchases of shares in the market from time to time.
- Regulatory risk: the Company operates in a complex regulatory environment and faces a number of related risks. A breach of section 842AA of the Income and Corporation Taxes Act 1988 could result in the Company being subject to capital gains tax on the sale of its investments. A breach of the VCT Regulations could result in the loss of VCT status and consequent loss of tax reliefs currently available to shareholders. Serious breach of other regulations, such as the UKLA Listing rules and the Companies Act 1985 could lead to suspension from the Stock Exchange and reputational damage. The board receives quarterly reports from the Manager in order to monitor compliance with regulations.

The Board considers all risks and the measures in place to manage them and monitors their management twice each year.

## Directors

The Directors who held office during the year are shown on pages 18 and 19 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 and so Mr Lapping and Mr Scott, whose biographies appear on page 19, retire by rotation at this time and, being eligible, offer themselves for re-election. As a non-independent director, Mr Gilbert offers himself for re-election annually. Resolutions 4 to 6 to this effect will be proposed at the Annual General Meeting.

At its meeting in January 2008 the Nomination Committee recommended to the Board that Mr Lapping, Mr Scott and Mr M J Gilbert should be nominated for re-election at the Annual General Meeting for the following reasons:

- Mr Lapping, who has been a Director since 2004, brings to the board many years of experience at a senior level in private equity and AIM investment.
- Mr Scott, who has been a director since 2004, has an in-depth knowledge of the private equity sector and fund management.
- Mr Gilbert, who has been a director since 2004, provides the Board with a wide range of skills and experience and a particular knowledge of the investment industry.

Mr M J Gilbert is a director of Aberdeen Asset Management PLC and his alternate, Mr W R Nixon, 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 2007		31 December 2006
	Ordinary shares of 10p	S shares of 10p	Ordinary shares of 10p
I D Cormack	100,000	20,000	100,000
M J Gilbert	50,000	nil	50,000
W R Nixon (as alternate for M J Gilbert)	20,500	10,000	20,500
M Graham Wood	10,000	10,000	10,000
A Lapping	25,000	nil	25,000
S Scott	15,000	7,000	15,000
<b>Total</b>	<b>220,500</b>	<b>47,000</b>	<b>220,500</b>

Unless otherwise stated, all holdings are beneficial. As at 29 February 2008, 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 accounting and administrative services and, through its parent Company, Aberdeen Asset Management PLC, company secretarial services.

For the year ended 31 December 2007, 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. 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 37; and
- (b) a secretarial fee of £64,000 a year, which is chargeable 100% to revenue. The secretarial fee (as shown in note 4 on page 38) is subject to an annual adjustment to reflect movement in the UK Consumer Prices Index.

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 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 year ended 31 December 2007 is shown after the rebate of £28,807 (excluding VAT) by the Manager,

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.

The Board has introduced a performance fee element to the Manager's fee in relation to the Ordinary share portfolio only with effect from 1 January 2008. In respect of each six month period the Company will pay the Manager a fee equal to 20% of the increase in the net asset value of the Ordinary shares between 30 June and 31 December in each year,

adjusted for the payment of dividends and the buy back of shares during the period since the last performance fee was paid. A high watermark arrangement will operate such that the performance fee will become payable if and only if the adjusted net asset value of the Ordinary shares at the period end is higher than that at every previous period end since 31 December 2007.

In order to ensure that the Manager's staff are appropriately incentivised in relation to the portfolio, the manager operates a co-investment scheme which requires nominated individuals to participate in investments in portfolio companies alongside the Company. All such investments are made through a nominee and under terms previously agreed by the Board. The terms of the scheme ensure that all investments are made on identical terms to those of the Company and no selection of investments is allowed. The total investment by participants in the co-investment scheme is 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%. The Directors believe that the scheme provides a useful incentive to the manager's staff and therefore more closely aligns the interests of key individuals with those of Shareholders.

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 including the quality of investment opportunities presented to and selected by the Manager and the rate of early profitable realisations.

### Issue of Ordinary shares

A Resolution, numbered 9 in the notice of meeting, will be put to Shareholders at the Annual General Meeting for their approval to issue Ordinary Shares up to an aggregate nominal amount of £78,351 (equivalent to 783,510 Ordinary shares or 10% of the total issued Ordinary share capital at 15 February 2008) and S Ordinary Shares up to an aggregate nominal amount of £49,724 (equivalent to 497,240 S Ordinary shares or 10% of the S Ordinary share capital). Further issues of new Ordinary shares or S 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 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 10 will, if passed, also give the directors power to allot for cash, Ordinary shares up to an aggregate nominal amount of £78,351 and S Ordinary shares up to an aggregate nominal amount of £49,724 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 9. 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.

### Purchase of shares

During the year ended 31 December 2007, no shares were bought back for cancellation.

A Special Resolution, numbered 11 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 the Ordinary shares in issue (783,516 Ordinary shares) and 10% of the S Ordinary shares in issue (497,245 S Ordinary shares) at 15 February 2008. 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 in 2009.

Purchases of 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 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 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.

The purchase of shares by the Company is intended to help 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.

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.

### Corporate Governance

The Statement of Corporate Governance is shown on pages 26 to 29.

### Principal activity and status

The Company's affairs have been conducted in a manner that will enable it to satisfy and maintain the conditions of approval as a venture capital trust under section 842AA of the Income and Corporation Taxes Act 1988. HM Revenue & Customs 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. Provisional approval was last granted in respect of the year ended 31 December 2006.

### 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, is on pages 48 and 49. The meeting will be held on 15 May 2008 in the Manager's Glasgow office.

### Auditors

So far as the Directors are aware, there is no relevant audit information (as defined by section 234 ZA of the Companies Act 1985) of which the Company's auditors are unaware, and each of the directors has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Ernst & Young LLP resigned as auditors on 22 August 2007. Deloitte & Touche LLP were appointed as auditors on 3 October 2007. A resolution to reappoint Deloitte & Touche LLP as auditors will be proposed at the forthcoming Annual General Meeting.

149 St Vincent Street  
Glasgow G2 5EA  
17 April 2008

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 31.

## 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 18 and 19 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 year 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 2008 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 year ended 31 December 2007.

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)

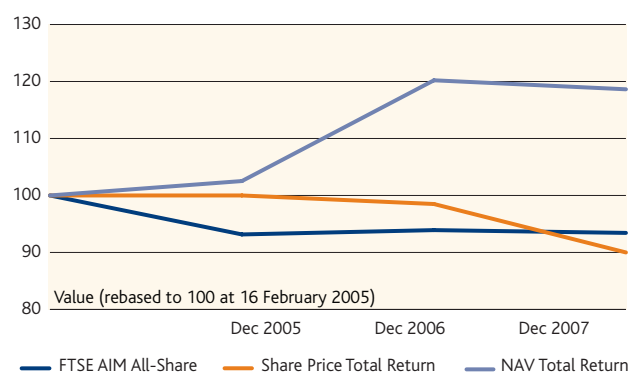
The Directors who served in the year ended 31 December 2007 received the following emoluments in the form of fees:

	Year ended 31 December 2007	Year ended 31 December 2006
<b>Chairman of the Board:</b>		
I D Cormack	15,000	15,000
<b>Directors:</b>		
M J Gilbert	12,000	12,000
M Graham-Wood	12,000	12,000
A Lapping	12,000	12,000
S Scott	12,000	12,000
	<b>63,000</b>	<b>63,000</b>

Mr Gilbert's remuneration is paid to Aberdeen Asset Management PLC. Mr Graham-Wood's remuneration has been paid to Noble & Co Limited since 1 January 2007.

No Director has received any taxable expenses, compensation for loss of office or non-cash benefits for the year ended 31 December 2007.

### Ordinary Share Price Total Return Performance (Re-based to 100 at 16 February 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 AIM All-Share indices are calculated. This index was chosen for comparison purposes, as it is the most relevant to the Company's investment portfolio.

### Approval

The Directors' Remuneration Report on pages 24 and 25 was approved by the Board of Directors and signed on its behalf by:

**I D Cormack**  
Director  
17 April 2008

# Statement of Corporate Governance

This statement describes how the principles and supporting principles identified in the Combined Code, published in July 2006, have been applied by the Company throughout the year ended 31 December 2007, 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 (Combined Code A.3.3);
- 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 (Combined Code B.2.1).

## 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 and his alternate are employees of the Manager and as such are 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 18 and 19 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
- 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
- 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 year ended 31 December 2007 the Board held four quarterly board meetings and three ad hoc meetings to address specific matters. In addition, there were three meetings of the Audit Committee and one each of the Management Engagement Committee and Nomination Committee. Between meetings 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 year to 31 December 2007 as follows:

Director	Management			
	Engagement Committee	Nomination Committee	Audit Committee	Board meetings
I D Cormack	1	1	2	6
M J Gilbert*	0	1	0	6
M Graham- Wood	1	1	2	6
A Lapping	1	1	2	5
S Scott	1	1	2	4

\*Mr Gilbert is not a member of the Audit Committee or the Management Engagement 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 2007. At its meeting in February 2008, the Nomination Committee recommended to the Board the nominations for re-election of Mr Gilbert, Mr Lapping and Mr Graham-Wood at the May 2008 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
- 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
- meetings with representatives of the Manager.

At each meeting, the Audit Committee examines the annual or interim report and financial statements, reviews the Company's internal controls and reviews the scope of the audit and the auditors' management report to the Board. No significant weaknesses in the control environment were identified.

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 21 and 22. The Committee met in February 2008 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.

## Statement of Corporate Governance continued

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 24 and 25.

### 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 24 and 25 and in the Directors' Report on pages 20 to 23. A separate resolution is proposed for each substantive issue.

Shareholders are encouraged to attend and participate in the Annual General Meeting. Shareholders have the opportunity to put questions at the meeting and the results of proxy voting are relayed to them 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.

The Company's web pages are hosted on Aberdeen's website, and can be visited at [www.agovct2.co.uk](http://www.agovct2.co.uk) from where annual and interim reports, Stock Exchange announcements and other information can be viewed, printed or downloaded. Access to further information about the Manager can be gained from a visit to [www.aberdeen-asset.com/vct](http://www.aberdeen-asset.com/vct).

### Accountability and audit

The Directors' Statement of Responsibilities in respect of the Financial Statements is on page 30 and the Statement of Going Concern is included in the Directors' Report on page 23. The Board is satisfied that the members of the Audit Committee have recent and relevant financial experience. The Independent Auditors Report is on page 31. The auditors Deloitte & Touche LLP, rotate the partner responsible for the Company's audit every five years. Details of the amounts paid to the Auditors during the year for audit and other services are set out in note 4 to the Financial Statements.

### 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.

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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.

### Socially responsible investment policy

The Directors are aware of their duty to act in the interests of the Company. They acknowledge that there are risks associated with investment in companies which fail to conduct business in a socially responsible manner and they therefore ensure that they take regular account of the social environment and ethical factors that might affect the performance or value of the Company's investments.

### 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

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The directors are responsible for preparing the Annual Report, Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the net return of the company for that period. In preparing these financial statements, the directors are required to:

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

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



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

We have audited the financial statements of Aberdeen Growth Opportunities VCT 2 PLC for the year ended 31 December 2007 which comprise the Income Statement, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds, the Cash Flow Statement and the related notes 1 to 18. These financial statements have been prepared under 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' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and the Investment Manager's Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, 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 regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 Combined 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 the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. 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 further information outside the Annual Report.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended;
- 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; and
- the information given in the Directors' Report is consistent with the financial statements.

## Deloitte & Touche LLP

Chartered Accountants and Registered Auditors  
Glasgow, United Kingdom  
17 April 2008

# Income Statement

For the year ended 31 December 2007

	Notes	Ordinary shares			S Ordinary shares			Total		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	8	–	(120)	(120)	–	69	69	–	(51)	(51)
Income from investments	2	334	–	334	145	–	145	479	–	479
Other income	2	28	–	28	27	–	27	55	–	55
Investment management fees	3	(37)	(148)	(185)	(14)	(56)	(70)	(51)	(204)	(255)
Other expenses	4	(155)	–	(155)	(64)	–	(64)	(219)	–	(219)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>170</b>	<b>(268)</b>	<b>(98)</b>	<b>94</b>	<b>13</b>	<b>107</b>	<b>264</b>	<b>(255)</b>	<b>9</b>
Tax on ordinary activities	5	(29)	29	–	(17)	17	–	(46)	46	–
<b>Profit/(loss) on ordinary activities after taxation</b>		<b>141</b>	<b>(239)</b>	<b>(98)</b>	<b>77</b>	<b>30</b>	<b>107</b>	<b>218</b>	<b>(209)</b>	<b>9</b>
<b>Earnings per share (pence)</b>		<b>1.8</b>	<b>(3.1)</b>	<b>(1.3)</b>	<b>1.8</b>	<b>0.7</b>	<b>2.5</b>	<b>3.6</b>	<b>(2.4)</b>	<b>1.2</b>

A Statement of Total Recognised Gains and Losses has not been prepared, as all gains and losses are recognised in the Income Statement.

All items in the above statement are derived from continuing operations. The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits.

The total column of this statement is the Profit and Loss Account of the Company.

## Reconciliation of movements in Shareholders' Funds

For the year ended 31 December 2007

	Ordinary Shares £'000	S Ordinary Shares £'000	Total £'000
Opening Shareholders' funds	8,789	–	8,789
<b>Movements in the year</b>			
Total (loss)/profit for year	(98)	107	9
Net proceeds of issue of shares	–	4,724	4,724
Dividends paid – revenue	(39)	–	(39)
Dividends paid – capital	(431)	–	(431)
<b>Closing Shareholders' funds</b>	<b>8,221</b>	<b>4,831</b>	<b>13,052</b>

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

# Income Statement

For the year ended 31 December 2006

	Notes	Ordinary shares			S Ordinary shares			Total		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	8	–	1,304	1,304	–	–	–	–	1,304	1,304
Income from investments	2	309	–	309	–	–	–	309	–	309
Other income	2	17	–	17	–	–	–	17	–	17
Investment management fees	3	(21)	(84)	(105)	–	–	–	(21)	(84)	(105)
Other expenses	4	(213)	–	(213)	–	–	–	(213)	–	(213)
<b>Profit on ordinary activities before taxation</b>		<b>92</b>	<b>1,220</b>	<b>1,312</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>92</b>	<b>1,220</b>	<b>1,312</b>
Tax on ordinary activities	5	(14)	14	–	–	–	–	(14)	14	–
<b>Profit on ordinary activities after taxation</b>		<b>78</b>	<b>1,234</b>	<b>1,312</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>78</b>	<b>1,234</b>	<b>1,312</b>
<b>Earnings per share (pence)</b>		<b>1.0</b>	<b>15.7</b>	<b>16.7</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1.0</b>	<b>15.7</b>	<b>16.7</b>

A Statement of Total Recognised Gains and Losses has not been prepared, as all gains and losses are recognised in the Income Statement.

All items in the above statement are derived from continuing operations. The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits.

The total column of this Statement is the Profit and Loss Account of the Company.

## Reconciliation of movements in Shareholders' Funds

For the year ended 31 December 2006

	Ordinary Shares £'000	S Ordinary Shares £'000	Total £'000
Opening Shareholders' funds	7,634	–	7,634
<b>Movements in the period</b>			
Total profit for year	1,312	–	1,312
Dividends paid – capital	(157)	–	(157)
<b>Closing Shareholders' funds</b>	<b>8,789</b>	<b>–</b>	<b>8,789</b>

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

# Balance Sheet

As at 31 December 2007

	Notes	31 December 2007			31 December 2006		
		Ordinary shares £'000	S Ordinary shares £'000	Total £'000	Ordinary shares £'000	S Ordinary shares £'000	Total £'000
<b>Fixed assets</b>							
Investments at fair value through profit or loss	8	7,714	4,494	12,208	8,109	–	8,109
<b>Current assets</b>							
Debtors	10	152	72	224	263	–	263
Cash and overnight deposits		444	307	751	503	–	503
		596	379	975	766	–	766
<b>Creditors:</b> amounts falling due within one year	11	(89)	(42)	(131)	(86)	–	(86)
<b>Net current assets</b>		507	337	844	680	–	680
<b>Total net assets</b>		<b>8,221</b>	<b>4,831</b>	<b>13,052</b>	<b>8,789</b>	<b>–</b>	<b>8,789</b>
<b>Capital and reserves</b>							
Called up share capital	12	784	497	1,281	784	–	784
Share premium	13	–	4,227	4,227	–	–	–
Distributable reserve	13	6,660	–	6,660	6,660	–	6,660
Capital reserves – realised	13	965	(32)	933	1,121	–	1,121
Capital reserves – unrealised	13	(388)	62	(326)	126	–	126
Revenue reserve	13	200	77	277	98	–	98
<b>Net assets attributable to Ordinary Shareholders</b>		<b>8,221</b>	<b>4,831</b>	<b>13,052</b>	<b>8,789</b>	<b>–</b>	<b>8,789</b>
<b>Net asset value per ordinary share (pence)</b>	14	<b>104.9</b>	<b>97.2</b>		<b>112.2</b>	<b>–</b>	

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

17 April 2008

**I D Cormack**  
Chairman

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

# Cash Flow Statement

For the year ended 31 December 2007

	Notes	Year ended 31 December 2007			Year ended 31 December 2006		
		Ordinary shares £'000	S Ordinary shares £'000	Total £'000	Ordinary shares £'000	S Ordinary shares £'000	Total £'000
<b>Operating activities</b>							
Investment income received		297	56	353	245	–	245
Deposit interest received		36	25	61	15	–	15
Investment management fees paid		(183)	(51)	(234)	(81)	–	(81)
Secretarial fees paid		(48)	(13)	(61)	(61)	–	(61)
Cash paid to and on behalf of Directors		(39)	(12)	(51)	(93)	–	(93)
Other cash payments		(63)	(18)	(81)	(93)	–	(93)
<b>Net cash inflow/(outflow) from operating activities</b>	15	–	(13)	(13)	(68)	–	(68)
<b>Taxation</b>							
Corporation tax		–	–	–	–	–	–
<b>Financial investment</b>							
Purchase of investments		(6,407)	(4,459)	(10,866)	(3,288)	–	(3,288)
Sale of investments		6,818	55	6,873	3,615	–	3,615
<b>Net cash inflow/(outflow) from financial investment</b>		411	(4,404)	(3,993)	327	–	327
<b>Equity dividends paid</b>		(470)	–	(470)	(157)	–	(157)
<b>Net cash (outflow)/inflow before financing</b>		(59)	(4,417)	(4,476)	102	–	102
<b>Financing</b>							
Issue of ordinary shares		–	4,972	4,972	–	–	–
Expense of share issue		–	(248)	(248)	–	–	–
<b>Net cash inflow from financing</b>		–	4,724	4,724	–	–	–
<b>(Decrease)/increase in cash</b>	16	<b>(59)</b>	<b>307</b>	<b>248</b>	<b>102</b>	<b>–</b>	<b>102</b>

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

# Notes to the Financial Statements

For the year ended 31 December 2007

## 1 Accounting Policies - UK Generally Accepted Accounting Practice

### (a) Basis of preparation

The Financial Statements have been prepared under the historical cost convention, modified to include the revaluation of investments, and in accordance with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' (the SORP) issued in 2005.

### (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 year 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 interest rate 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 year.

### (c) Expenses

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

- expenses which are incidental to the acquisition and disposal of an investment are charged to capital.
- 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.
- share issue costs are charged to the share premium account.
- expenses are allocated between the Original pool or the S Share pool depending on the nature of the expense.

### (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 recognised at their trade date and are valued at fair value, which represent 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.

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

1. For Investments completed within the 12 months prior to the reporting date and those at an early stage in their development, fair value is determined using the Price of Recent Investment Method, except that adjustments are made when there has been a material change in the trading circumstances of the company or a substantial movement in the relevant sector of the stock market.
2. Whenever practical, 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 stock are valued using the Price of Recent Investment Method. 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 Price of Recent Investment Method basis and the price/earnings basis, both described above.
4. Where there is evidence of impairment, a provision may be taken against the previous valuation of the investment.
5. In the absence of evidence of a deterioration, or strong defensible evidence of an increase in value, the fair value is determined to be that reported at the previous balance sheet date.
6. All unlisted investments are valued individually by Aberdeen Private Equity's Portfolio Management Team. The resultant valuations are subject to detailed scrutiny and approval by the Directors of the Company.
7. 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.

**(f) Gains and losses on investments**

When the Company revalues its investments during the year, any gains or losses arising are credited/charged to the income statement.

	Year ended 31 December 2007			Year ended 31 December 2006
	Ordinary shares £'000	S Ordinary shares £'000	Total £'000	Ordinary shares £'000
<b>2 Income</b>				
<b>Income from investments:</b>				
UK dividends	15	1	16	16
UK unfranked investment income	319	144	463	293
	<b>334</b>	<b>145</b>	<b>479</b>	<b>309</b>
<b>Other income:</b>				
Deposit interest	28	27	55	17
<b>Total income</b>	<b>362</b>	<b>172</b>	<b>534</b>	<b>326</b>
<b>Total income comprises:</b>				
Dividends	41	1	42	95
Interest	321	171	492	231
	<b>362</b>	<b>172</b>	<b>534</b>	<b>326</b>

	Year ended 31 December 2007								
	Ordinary Shares			S Ordinary Shares			Total		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>3 Investment management fees</b>									
Investment management fees	33	131	164	12	48	60	45	179	224
Less: Fees already charged through Unit Trusts	(1)	(5)	(6)	–	–	–	(1)	(5)	(6)
Net investment management fees charged	32	126	158	12	48	60	44	174	218
Irrecoverable VAT	5	22	27	2	8	10	7	30	37
	<b>37</b>	<b>148</b>	<b>185</b>	<b>14</b>	<b>56</b>	<b>70</b>	<b>51</b>	<b>204</b>	<b>255</b>

## Notes to the Financial Statements continued

	Year ended 31 December 2006		
	Ordinary Shares		
	Revenue	Capital	Total
	£'000	£'000	£'000
<b>3 Investment management fees (continued)</b>			
Investment management fees	21	82	103
Less: Fees already charged through Unit Trusts	(3)	(10)	(13)
Net investment management fees charged	18	72	90
Irrecoverable VAT	3	12	15
	<b>21</b>	<b>84</b>	<b>105</b>

Details of the fee basis are contained in the Director's Report on page 22.

	Year ended 31 December 2007								
	Ordinary Shares			S Ordinary Shares			Total		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>4 Other expenses</b>									
Secretarial fees	46	–	46	18	–	18	64	–	64
Directors' remuneration	46	–	46	17	–	17	63	–	63
Audit remuneration - audit services	7	–	7	4	–	4	11	–	11
- tax services	2	–	2	1	–	1	3	–	3
Irrecoverable VAT	16	–	16	6	–	6	22	–	22
Miscellaneous expenses	38	–	38	18	–	18	56	–	56
	<b>155</b>	<b>–</b>	<b>155</b>	<b>64</b>	<b>–</b>	<b>64</b>	<b>219</b>	<b>–</b>	<b>219</b>

	Year ended 31 December 2006		
	Ordinary Shares		
	Revenue	Capital	Total
	£'000	£'000	£'000
Secretarial fees	61	–	61
Directors' remuneration	63	–	63
Audit remuneration - audit services	14	–	14
- tax services	4	–	4
Irrecoverable VAT	23	–	23
Miscellaneous expenses	48	–	48
	<b>213</b>	<b>–</b>	<b>213</b>

	Year ended 31 December 2007								
	Ordinary Shares			S Ordinary Shares			Total		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>5 Tax on ordinary activities</b>									
Corporation tax	(29)	29	–	(17)	17	–	(46)	46	–
<b>Charge for year</b>	<b>(29)</b>	<b>29</b>	<b>–</b>	<b>(17)</b>	<b>17</b>	<b>–</b>	<b>(46)</b>	<b>46</b>	<b>–</b>

	Year ended 31 December 2006		
	Ordinary Shares		
	Revenue	Capital	Total
	£'000	£'000	£'000
Corporation tax	(14)	14	–
<b>Charge for year</b>	<b>(14)</b>	<b>14</b>	<b>–</b>



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

	Year ended 31 December 2007			Year ended 31 December 2006
	Ordinary Shares £'000	S Ordinary shares £'000	Total £'000	Ordinary Shares £'000
Return on ordinary activities before tax	170	94	264	92
Revenue return on ordinary activities multiplied by standard rate of corporation tax	51	28	79	28
Effect of UK income not subject to taxation	(5)	(1)	(6)	(5)
Smaller Companies relief	(17)	(10)	(27)	(9)
	<b>29</b>	<b>17</b>	<b>46</b>	<b>14</b>

The Company has not recognised a deferred tax asset of £nil (2006 £2,523) arising as a result of having unutilised management expenses.

6 Dividends	Year ended 31 December 2007			Year ended 31 December 2006
	Ordinary Shares £'000	S Ordinary shares £'000	Total £'000	Ordinary Shares £'000
<b>Revenue dividends</b>				
Interim revenue dividend for the year ended 31 December 2006 of 0.5p (2006: Nil) paid on 4 May 2007	39	–	39	–
	<b>39</b>	<b>–</b>	<b>39</b>	<b>–</b>
<b>Capital dividends</b>				
2nd Interim capital dividend for the year ended 31 December 2006 of 3.5p (2006:Nil) paid on 19 January 2007	274	–	274	–
Interim capital dividend for the year ended 31 December 2007 of 2.0p (2006: 2.0p) paid on 24 October 2007	157	–	157	157
	<b>431</b>	<b>–</b>	<b>431</b>	<b>157</b>

We set out below the total revenue dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of Section 842AA of the Income and Corporation Taxes Act 1988 are considered.

Revenue dividends				
Revenue available for distribution by way of dividends for the year	<b>141</b>	<b>77</b>	<b>218</b>	<b>78</b>
<b>Final revenue dividend proposed for the year ended 31 December 2007 of 1.5p (2006 - 0.5p) payable on 20 May 2008</b>	<b>118</b>	<b>–</b>	<b>118</b>	<b>39</b>
<b>Final revenue dividend proposed for the year ended 31 December 2007 of 1.25p (2006 - N/A) payable on 20 May 2008</b>	<b>–</b>	<b>62</b>	<b>62</b>	<b>–</b>

## Notes to the Financial Statements continued

7 Return per ordinary share	Year ended 31 December 2007			Year ended 31 December 2006
	Ordinary Shares	S Ordinary shares	Total	Ordinary Shares
The returns per share have been based on the following figures:				
Weighted average number of ordinary shares	7,835,163	4,343,413	12,178,576	7,835,163
Revenue return	£141,000	£77,000	£218,000	£78,000
Capital return	£(239,000)	£30,000	£(209,000)	£1,234,000
<b>Total return</b>	<b>£(98,000)</b>	<b>£107,000</b>	<b>£9,000</b>	<b>£1,312,000</b>

8 Investments	Year ended 31 December 2007											
	Ordinary Shares				S Ordinary Shares				Total			
	Listed	Trusts	& AIM	Total	Listed	Trusts	& AIM	Total	Listed	Trusts	& AIM	Total
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Movements during the year:												
Valuation at												
1 January 2007	2,983	1,040	4,086	8,109	–	–	–	–	2,983	1,040	4,086	8,109
Unrealised gain/(loss)	2	(34)	(94)	(126)	–	–	–	–	2	(34)	(94)	(126)
Cost at beginning of year	2,985	1,006	3,992	7,983	–	–	–	–	2,985	1,006	3,992	7,983
Purchases	1,980	–	4,563	6,543	2,952	–	1,507	4,459	4,932	–	6,070	11,002
Sales proceeds	(4,379)	(1,024)	(1,415)	(6,818)	–	–	(55)	(55)	(4,379)	(1,024)	(1,470)	(6,873)
Realised gains	2	18	374	394	–	–	7	7	2	18	381	401
Amortisation of book cost	–	–	–	–	21	–	–	21	21	–	–	21
Cost at												
31 December 2007	588	–	7,514	8,102	2,973	–	1,459	4,432	3,561	–	8,973	12,534
Unrealised gain/(loss)	9	–	(397)	(388)	19	–	43	62	28	–	(354)	(326)
<b>Valuation at 31 December 2007</b>	<b>597</b>	<b>–</b>	<b>7,117</b>	<b>7,714</b>	<b>2,992</b>	<b>–</b>	<b>1,502</b>	<b>4,494</b>	<b>3,589</b>	<b>–</b>	<b>8,619</b>	<b>12,208</b>

	Year ended 31 December 2006			
	Ordinary Shares			
	Listed	Trusts	& AIM	Total
	£'000	£'000	£'000	£'000
Movements during the year:				
Valuation at 1 January 2006				
	2,118	1,020	4,131	7,269
Unrealised gain/(loss)	–	(14)	(177)	(191)
Cost at beginning of year	<b>2,118</b>	<b>1,006</b>	<b>3,954</b>	<b>7,078</b>
Purchases	<b>1,483</b>	–	<b>1,669</b>	<b>3,152</b>
Sales proceeds	<b>(615)</b>	–	<b>(3,000)</b>	<b>(3,615)</b>
Realised gains	–	–	<b>1,369</b>	<b>1,369</b>
Amortisation of book cost	<b>(1)</b>	–	–	<b>(1)</b>
Cost at 31 December 2006	<b>2,985</b>	<b>1,006</b>	<b>3,992</b>	<b>7,983</b>
Unrealised (loss/gain)	<b>(2)</b>	<b>34</b>	<b>94</b>	<b>126</b>
<b>Valuation at 31 December 2006</b>	<b>2,983</b>	<b>1,040</b>	<b>4,086</b>	<b>8,109</b>

	Year ended 31 December 2007			Year ended 31 December 2006
	Ordinary Shares	S Ordinary shares	Total	Ordinary Shares
<b>The portfolio valuation</b>				
<b>Held at market valuation:</b>				
Listed Fixed Income	597	2,992	3,589	2,983
UK Authorised Unit trusts	–	–	–	1,040
AIM quoted equities	3,083	450	3,533	2,369
	3,680	3,442	7,122	6,392
<b>Unlisted at Directors' valuation:</b>				
Unquoted equities	1,061	236	1,297	734
Unquoted fixed income	2,973	816	3,789	983
	4,034	1,052	5,086	1,717
<b>Total</b>	<b>7,714</b>	<b>4,494</b>	<b>12,208</b>	<b>8,109</b>
Realised gains on historical basis	394	7	401	1,369
Net movement in unrealised appreciation/(depreciation)	(514)	62	(452)	(65)
	<b>(120)</b>	<b>69</b>	<b>(51)</b>	<b>1,304</b>

## 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 2007, 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 pages 12 to 15.

	31 December 2007			31 December 2006
	Ordinary shares	S Ordinary shares	Total	Total
<b>10 Debtors</b>				
Prepayments and accrued income	152	72	224	127
Other debtors	–	–	–	136
	<b>152</b>	<b>72</b>	<b>224</b>	<b>263</b>

	31 December 2007			31 December 2006
	Ordinary shares £'000	S Ordinary shares £'000	Total £'000	Total £'000
<b>11 Creditors</b>				
Accruals	89	42	131	86
	<b>89</b>	<b>42</b>	<b>131</b>	<b>86</b>

## Notes to the Financial Statements continued

12 Share capital	31 December 2007				31 December 2006			
	Ordinary shares		S Ordinary shares		Ordinary shares		S Ordinary shares	
	Number	£'000	Number	£'000	Number	£'000	Number	£'000
At 31 December the authorised share capital comprised: allotted, issued and fully paid:								
Ordinary shares of 10p each	7,835,163	784	–	–	7,835,163	784	–	–
Balance brought forward	7,835,163	784			7,835,163	784		
Issued during the period	–	–	4,972,459	497	–	–	–	–
Unissued:								
S Ordinary shares of 10p each	–	–	25,027,541	2,503	–	–	30,000,000	3,000
Unissued:								
unclassified shares of 10p each	52,164,837	5,216	–	–	52,164,837	5,216	–	–
	<b>60,000,000</b>	<b>6,000</b>	<b>30,000,000</b>	<b>3,000</b>	<b>60,000,000</b>	<b>6,000</b>	<b>30,000,000</b>	<b>3,000</b>

13 Reserves	Share premium account £'000	Distributable reserve £'000	Capital reserve realised £000	Capital reserve unrealised £'000	Revenue reserve £'000
<b>Ordinary Shares</b>					
At 1 January 2007	–	6,660	1,121	126	98
Gains on sales of investments	–	–	394	–	–
Decrease in unrealised appreciation	–	–	–	(514)	–
Investment management fees	–	–	(148)	–	–
Dividends paid	–	–	(431)	–	(39)
Tax effect of capital items	–	–	29	–	–
Retained net revenue for period	–	–	–	–	141
<b>At 31 December 2007</b>	<b>–</b>	<b>6,660</b>	<b>965</b>	<b>(388)</b>	<b>200</b>
<b>S Ordinary Shares</b>					
At 1 January 2007	–	–	–	–	–
Issue of shares	4,475	–	–	–	–
Expense of share issue	(248)	–	–	–	–
Gains on sales of investments	–	–	7	–	–
Decrease in unrealised appreciation	–	–	–	62	–
Investment management fees	–	–	(56)	–	–
Tax effect of capital items	–	–	17	–	–
Retained net revenue for period	–	–	–	–	77
<b>At 31 December 2007</b>	<b>4,227</b>	<b>–</b>	<b>(32)</b>	<b>62</b>	<b>77</b>

### 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 2007				31 December 2006	
	Ordinary shares		S Ordinary shares		Ordinary shares	
	Net asset value per share p	Net asset value attributable £'000	Net asset value per share p	Net asset value attributable £'000	Net asset value per share p	Net asset value attributable £'000
<b>Ordinary shares</b>	<b>104.9</b>	<b>8,221</b>	<b>97.2</b>	<b>4,831</b>	<b>112.2</b>	<b>8,789</b>

The number of issued shares used in the above calculation is set out in note 12.

15 Reconciliation of revenue return before finance costs and taxation to net cash inflow from operating activities	Year ended 31 December 2007		Year ended 31 December 2006
	Ordinary Shares	S Ordinary shares	Ordinary shares
	£'000	£'000	£'000
Net return before taxation	(98)	107	1,312
Losses/(gains) on investments	120	(69)	(1,304)
Increase in accrued income	(29)	(70)	(67)
Decrease/(increase) in prepayments	4	(2)	(3)
(Decrease)/increase in amounts due from manager	–	–	5
Increase/(decrease) in accruals	3	42	(12)
Amortisation of fixed income investment book cost	–	(21)	1
<b>Net cash inflow/(outflow) from operating activities</b>	<b>–</b>	<b>(13)</b>	<b>(68)</b>

16 Analysis of changes in net funds	Ordinary Shares			S Ordinary Shares		
	At 1 January 2007 £'000	Cash flows £'000	At 31 December 2007 £'000	At 1 January 2007 £'000	Cash flows £'000	At 31 December 2007 £'000
	<b>Cash and overnight deposits</b>	<b>503</b>	<b>(59)</b>	<b>444</b>	<b>–</b>	<b>307</b>

	Ordinary Shares		
	At 1 January 2006 £'000	Cash flows £'000	At 31 December 2006 £'000
	<b>Cash and overnight deposits</b>	<b>401</b>	<b>102</b>

17 Capital commitments	At 31 December 2007		At 31 December 2006
	Ordinary Shares	S Ordinary shares	Ordinary shares
	£'000	£'000	£'000
Conditional capital commitments on unlisted investments	249	132	136

### 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, which are included in the balance sheet at fair value.

## Notes to the Financial Statements continued

### 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 20. 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 (including sector concentration and deal type analysis) is set out in the Analysis of Unlisted and AIM Portfolio, Investment Manager's Review, Summary of Investment Changes, Investment Portfolio Summary and Largest Unlisted and AIM Investments on pages 5 to 17.

### Interest rate risk

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

Ordinary Shares At 31 December 2007	Fixed Interest £'000	Floating rate £'000	Non interest bearing £'000
<b>Sterling</b>			
Listed Fixed Income	597	–	–
Unlisted and AIM	2,973	–	4,144
Cash	–	444	–
	<b>3,570</b>	<b>444</b>	<b>4,144</b>

Ordinary Shares At 31 December 2006	Fixed Interest £'000	Floating rate £'000	Non interest bearing £'000
<b>Sterling</b>			
Listed Fixed Income	1,483	1,500	–
UK Authorised Unit trusts	–	–	1,040
Unlisted and AIM	982	–	3,104
Cash	–	503	–
	<b>2,465</b>	<b>2,003</b>	<b>4,144</b>

The listed fixed interest assets have a weighted average life of 1.2 years (2006: 1.2 years) and weighted average interest rate of 5.7% (2006: 5.0%).

The unlisted fixed interest assets have a weighted average life of 4.6 years (2006: 5.3 years) and weighted average interest rate of 10.1% (2006: 11.5%). 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.

It is the Directors' opinion that the carrying amounts of these financial assets represent the maximum credit risk exposure at the balance sheet date.

The interest rate which determines the interest received on cash balances is the bank base rate.

S Ordinary Shares At 31 December 2007	Fixed Interest £'000	Floating rate £'000	Non interest bearing £'000
<b>Sterling</b>			
Listed Fixed Income	2,992	–	–
Unlisted and AIM	816	–	686
Cash	–	307	–
	<b>3,808</b>	<b>307</b>	<b>686</b>

The listed fixed interest assets have a weighted average life of 0.7 years (2006: n/a) and weighted average interest rate of 5.6% (2006: n/a).

The unlisted fixed interest assets have a weighted average life of 4.9 years (2006: n/a) and weighted average interest rate of 9.7% (2006: n/a). 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.

It is the Directors' opinion that the carrying amounts of these financial assets represent the maximum credit risk exposure at the balance sheet date.

The interest rate which determines the interest received on cash balances is the bank base rate.

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**Liquidity risk**

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

Credit risk and interest rate risk are minimised by acquiring high quality government treasury stocks or other bonds which have a relatively short time to maturity (see Investment Portfolio Summary on page 15).

The company, generally, does not hold significant cash balances and any cash held is with reputable banks with high quality external credit ratings.

**Price risk sensitivity**

The following details the Company's sensitivity to a 10% increase and decrease in the market prices, with 10% being management's assessment of a reasonably possible change in market prices.

At 31 December 2007, if market prices had been 10% higher with all other variables held constant, the increase in net assets attributable to Ordinary shareholders for the year would have been £368,000 (2006: £639,000). This is due to the increase in fair value of financial assets at fair value through profit or loss.

At 31 December 2007, if market prices had been 10% higher with all other variables held constant, the increase in net assets attributable to S Ordinary shareholders for the year would have been £344,000 (2006: N/A). This is due to the increase in fair value of financial assets at fair value through profit or loss.

At 31 December 2007, if market prices had been 10% lower with all other variables held constant, the decrease in net assets attributable to Ordinary shareholders for the year would have been £368,000 (2006: £639,000). This is due to the decrease in fair value of financial assets at fair value through profit or loss.

At 31 December 2007, if market prices had been 10% lower with all other variables held constant, the decrease in net assets attributable to S Ordinary shareholders for the year would have been £344,000 (2006: N/A). This is due to the decrease in fair value of financial assets at fair value through profit or loss.

# Venture Capital Trusts

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

- A VCT's income must be derived wholly or mainly from shares or securities;
- No holding in any company can represent more than 15% by value of a VCT's investments;
- The shares making up a VCT's ordinary share capital 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, 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 of 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 ever since continuously held by the VCT.

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 total in a qualifying trading company in any one year towards the 70% qualifying trading company requirement, provided that the gross assets of the company do not exceed £15 million prior to the investment or £16 million following the investment. For VCTs raised after 5 April 2006 these limits are reduced to £7 million before investment and £8 million after investment.

For funds raised after 5 April 2007, for an investment to qualify for VCT purposes, it must have no more than 50 full-time employees at the date of the issue of securities and no more than £2 million may be invested by venture capital schemes in the 12 month period up to and including the date of investment.



# Tax Position of Individual Investors

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

## 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 2007/2008 will be entitled to claim income tax relief of up to 30 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 five years. Relief is limited to the amount which reduces the investor's income tax liability to nil.

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.

## 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 HM Revenue & Customs or by waiting until the end of the tax year and using his tax return to claim relief.

## 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 (increased to five years for investments after 5 April 2006) 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 HM Revenue & Customs. 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

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**This document is important and requires your immediate attention. If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent adviser authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all of your shares in Aberdeen Growth Opportunities VCT 2 PLC, please forward this document, together with the accompanying documents, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.**

Notice is hereby given that the fourth Annual General Meeting of Aberdeen Growth Opportunities VCT 2 PLC will be held on Thursday 15 May 2008 at 10.30 a.m. at 149 St Vincent Street, Glasgow G2 5NW, 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 year ended 31 December 2007.
- 2 To approve the Directors' Remuneration Report
- 3 To approve the payment of a final dividend of 1.5p to Ordinary Shareholders and a final dividend of 1.25p to S Ordinary Shareholders
- 4 To re-elect Mr M J Gilbert as a Director.
- 5 To re-elect Mr A Lapping as a Director.
- 6 To re-elect Mr S Scott as a Director.
- 7 To re-appoint Deloitte & Touche LLP as Auditors.
- 8 To authorise the Directors to fix the remuneration of the Auditors.

## Special Business

9. 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 15 February 2008) and £49,724 (representing 10% of the S Ordinary share capital in issue on 15 February 2008) 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.

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

THAT, subject to passing of Resolution numbered 9 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 9 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 and S Ordinary shares up to an aggregate nominal amount of £49,724.

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

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 shares hereby authorised to be purchased is 783,516 Ordinary representing 10% of the Company's issued Ordinary share capital as at 15 February 2008; and 497,245 representing 10% of the issued S Ordinary share capital at that date;
- (b) the minimum price which may be paid for a share shall be 10p per share;
- (c) the maximum price (exclusive of expenses) which may be paid for share shall be not more than the lower of (i) Net Asset Value per share and (ii) 105 per cent of the average of the middle market quotations for shares 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 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 shares which will or may be completed wholly or partly after such expiry.

149 St Vincent Street  
Glasgow G2 5NW  
17 April 2008

By order of the Board  
ABERDEEN ASSET MANAGEMENT PLC  
Secretaries

#### Notes:

1. As a member you are entitled to appoint a proxy or proxies to exercise your rights to attend, speak and vote at the Meeting. A proxy need not be a member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares.
2. To be valid, any proxy form or other instrument of proxy and any power of attorney or other authority, if any, under which they are signed or a notarially certified copy of that power of attorney or authority should be sent to **Capita Registrars, Proxy Department, PO Box 25, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4BR** so as to arrive not less than forty eight hours before the time fixed for the Meeting.
3. The return of a completed proxy form or other instrument of proxy will not prevent your attending the Meeting and voting in person if you wish to do so.
4. In accordance with Regulation 41 of the Uncertified Securities Regulations 2001, to have the right to attend and vote at the Meeting, a member must first have his or her name entered in the Company's register of members by not later than forty eight hours before the time fixed for the Meeting (or, in the event that the Meeting is adjourned, forty eight hours before the time of the adjourned Meeting). Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the Meeting.
5. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a Nominated Person) may, under an agreement between them and the member by whom they were nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, they may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.
6. Except as provided above, members who have general queries about the Meeting should write to the Company Secretary or the Registrar at the appropriate address, as shown under Corporate Information at the end of the annual report. You may not use any electronic address provided whether in this notice of meeting or in any related documents, including the annual report and proxy form, to communicate with the Company for any purpose other than those expressly stated.
7. No Director has a service contract with the Company but copies of Directors' letters of appointment will be available for inspection for at least 15 minutes prior to the Meeting and during the Meeting.

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

The biographies of the Directors are detailed on pages 18 and 19. The Directors' Remuneration Report, referred to in Resolution 2, is on pages 25 and 26. Details of resolutions 3 to 10 are shown in the Directors' Report as follows:

Resolution 3	page 20	results and dividends
Resolutions 4 to 6	page 21	directors
Resolutions 7 and 8	page 23	auditors
Resolutions 9 and 10	page 22	issue of new shares
Resolution 11	page 23	purchase of shares

Registered in Scotland – Company number SC272568

# Corporate Summary

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## Company profile

Aberdeen Growth Opportunities VCT 2 is a venture capital trust and a constituent of the FTSE All-Share Index. It was incorporated on 26 August 2004, and has two classes of share, Ordinary 10p and S Ordinary 10p.

## Investment objective

The Company aims to achieve long term capital appreciation and generate maintainable levels of income for shareholders.

## Benchmark

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

## Capital structure

The Company's issued share capital, as at 31 December 2006, consisted of 7,835,163 Ordinary shares of 10p each and 4,972,459 S Ordinary shares of 10p each.

## Net assets and Net Asset Value per share

At 31 December 2007, the Company had net assets of £13,052,000, a net asset value per Ordinary share of 104.9p and a net asset value per S Ordinary share of 97.2p.

## 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 AGM 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.

## 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 page 22 for details of the management and secretarial fees payable.

## Share Classes

There are two classes of share, Ordinary and S Ordinary. Each class of share owns a separate pool of assets, but expenses are shared. Each class of share is entitled to receive dividends, returns of capital or proceeds of winding up arising from its own portfolio, and they both carry the same rights to attend and vote at general meetings of the Company.

## Share dealing

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

# Corporate Information

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## Directors

I D Cormack (Chairman)  
M J Gilbert  
M Graham-Wood  
A Lapping  
W R 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  
Sutherland House  
149 St Vincent Street  
Glasgow G2 5NW

## Points of Contact

The Chairman and/or the Company Secretary at:  
Sutherland House  
149 St Vincent Street  
Glasgow G2 5NW

## Registered Office

Sutherland House  
149 St Vincent Street  
Glasgow G2 5NW  
Registered in Scotland  
Company Number SC272568

## Registrars

Capita Registrars  
Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield  
West Yorkshire HD8 0LA

Shareholder Helpline 0871 664 0300  
Calls cost 10p per minute plus network extras.

## Bankers

J P Morgan Chase Bank

## Stockbrokers

Teather & Greenwood Limited

## Auditors

Deloitte & Touche LLP

## Website

[www.agovct2.co.uk](http://www.agovct2.co.uk)





**Aberdeen Asset Managers Limited**

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Aberdeen AB10 1YG

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Tel 0141 306 7400 Fax 0141 306 7401

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

