

06

Aberdeen Growth Opportunities VCT 2 PLC

Interim Report
Six months ended 30 June 2006



Investment Manager's Review

For the 6 months ended 30 June 2006

Net Asset Value

The Net Asset Value (NAV) per share at 30 June 2006 was 100.6p per share ("pps") compared with 97.4pps as at 31 December 2005 and 95.8pps on 30 June 2005. The increase in NAV over the six months of 3.3% compares with the FTSE AIM All-Share Index, which increased by 3.6% over the period.

Since launch, the NAV has increased by 5.6p equivalent to 5.9% of the Net Asset Value immediately after payment of the launch expenses. In the same period, the FTSE AIM All-Share index has risen by 0.2%. The increase in NAV ignores the benefit of the income tax recovered by shareholders on the amount invested.

Unquoted investments held by Aberdeen Growth Opportunities VCT 2 are valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which superseded the British Venture Capital Guidelines for reporting periods beginning after 1 January 2005.

Investments which are quoted or traded on the Alternative Investment Market (AIM) or a recognised stock exchange are valued at their bid prices, discounted where necessary to reflect any trading restrictions.

Co-investment

Aberdeen Growth Opportunities VCT 2 has co-invested with other funds managed by the Aberdeen Asset Management Group in a number of investments and is expected to continue to do so. The advantage of this arrangement is that, together, the funds are able to underwrite a wider range and size of transaction than would be the case on a stand-alone basis. In addition, following the agreement of all Aberdeen Asset Managers Growth Capital clients, the staff co-investment scheme made its first investment on 30 May 2006 and has co-invested alongside the Company in each investment made since then. Details of the scheme were contained in the Annual Report for 2005.

Dividends and returns to date

The board intends to pay to Ordinary Shareholders a capital dividend of 2p per share from gains generated to date subject to the approval of the Court of Session to the cancellation of the share premium account, application for which has already been made. As is usual with VCTs, the Company will also change its status for tax purposes in order to be able to distribute capital gains. The board has also decided to suspend the operation of the dividend reinvestment scheme until further notice, when it is clearer how the new VCT regulations will be applied to the management of reinvested funds.

Investment activity

During the six-months to 30 June 2006, one new unquoted and six new AIM investments were made at a total cost of £820,000. In addition, one AIM investment was realised in a share-for-share transaction with the proceeds re-invested in the acquiring company. A total of £955,000 was invested during the six month period, including amounts invested in existing investee companies, resulting in an investment portfolio consisting of thirty-one unquoted and AIM investments having a total cost of £4.1 million at 30 June 2006.

The following seven new investments, of which four are non-qualifying for VCT purposes, have been made since the publication of the Annual Report:

Unlisted Investment

Homelux Nenplas Limited (May 2006) - £199,000: Homelux Nenplas Limited is a manufacturer of tile trims and other wet room furnishing accessories. Its products are distributed through major DIY retail outlets and trade product distributors. (No website available)

AIM investments

Fairground Gaming Holdings plc (June 2006) - £74,000: Fairground has been formed with the intention of acting as a consolidator of companies in the online gaming industry. (www.fairgroundgaming.com)

Gold Frost plc (March 2006) - £100,000: Gold Frost designs, develops & distributes kosher food products. (No website available)

Hambledon Mining plc (March 2006) - £130,000: Hambledon is a mining and exploration company developing precious metal deposits in Kazakhstan. (www.hambledon-mining.com)

MTI Wireless Edge plc (March 2006) - £70,000: MTI is a developer and manufacturer of sophisticated antennas and antenna systems for fixed broadband wireless communications. (www.mtiwe.com)

Work Group plc (February 2006) - £150,000: Work Group is a leading UK recruitment services provider that helps employers to recruit and retain their staff more effectively. (www.workcomms.com)

Worthington Nicholls Group plc (June 2006) - £99,000: Worthington Nicholls installs and maintains air conditioning units in the hotel and retail markets. (www.worthington-nicholls.co.uk)

Portfolio developments

The fund has achieved its first exits from the unlisted portfolio; a profit has been realised from the sale of Travel Class to a major plc. Proceeds of £311,970 were received compared to the cost of investment of £125,000 resulting in a gain of £186,970, equivalent to approximately 2.4p per share. The sale of Original Shoe Company has also been completed for cost. The major shareholder accepted an offer for his shares following an approach from a privately owned competitor seeking to increase its geographic coverage. A yield greater than would have been earned in bank interest was paid over the life of the investment.

While it is very early in the development of the unlisted portfolio, there are signs of increasing maturity in some investments, and further realisations may be possible over the course of the remainder of the year.

The AIM portfolio has continued to be actively managed during the reporting period resulting in gains of £173,000 equivalent to around 2.2p per share.

The UK stock markets, including AIM, entered a period of instability around the middle of May 2006 resulting in a fall in the FTSE AIM index of around 11% between mid-May and the end of that month before a recovery was experienced in June. Despite the fall in the market, the net effect of market movements on the portfolio was minimal.

The table below shows details of all of the sales made by the Company during the reporting period. The gains shown below together with the gains reported in the 2005 Annual Report of £25,000 bring the total to £385,000, which are now available for distribution.

S Share Issue

The Board proposes an offer for subscription of up to 15 million S Ordinary Shares to raise up to £15 million before the deduction of expenses. The resolutions relating to the S Ordinary Share offer will be put to an Extraordinary General Meeting to be held on 4 October 2006 and, as a shareholder, you are encouraged to support the proposal which does not disadvantage existing shareholders in any way. The Directors believe that the S share issue offers an opportunity to shareholders to participate in future investments made by the fund while benefiting from the terms associated with a new VCT investment.

As a result, the Company will be run at a reduced cost per share and all shareholders will benefit from improved profitability and dividends. In addition, an increase in the size of the fund should improve the liquidity of the Company's shares in the secondary market.

The reason that a separate class of shares is being issued is that the rules governing the size of investment which a VCT can make were changed in the Budget of 2006. For funds raised after 6 April 2006, qualifying investments must be in companies with gross assets no greater than £7 million before investment and £8 million after investment. The original pool of funds raised will still be able to invest in companies with up to £15 million gross assets, although in practice many investments which the Fund has previously made would still qualify under the new rules. In future where an investment qualifies under the new rules, both pools will invest in proportion to their respective net asset values provided each has sufficient liquidity to do so.

Outlook

The outlook for new investments remains positive, with an increasing flow of both unquoted and AIM opportunities available for consideration by the Manager. The primary focus is to build, in a measured fashion, a diversified portfolio of good quality smaller company assets which will deliver sustained long term performance. Asset quality will not be sacrificed for short term growth in the qualifying investment portfolio.

Realisations during the reporting period

	Date first invested	Complete/partial exit	Cost of shares disposed of £'000	Sales proceeds £'000	Realised gain/(loss) £'000
Unlisted					
Original Shoe	2005	Complete	250	250	–
Travel Class	2005	Complete	125	312	187
Total unlisted			375	562	187
AIM					
Axeon	2005	Partial	40	55	15
Billing Services	2006	Partial	6	4	(2)
Datong Electronics	2005	Partial	12	13	1
Gold Frost	2006	Partial	14	16	2
Hambledon Mining	2006	Partial	25	47	22
Leisure & Gaming	2005	Partial	52	94	42
MTI Wireless Edge	2006	Partial	29	39	10
Neutrahealth	2005	Partial	31	39	8
Software Radio Holdings	2005	Partial	2	4	2
Spectrum Interactive	2005	Partial	19	14	(5)
Talarius	2005	Partial	22	42	20
United Clearing	2005	Complete	159	217	58
Total AIM			411	584	173
Total			786	1146	360
Uplift on December 2005 valuation					262

23 August 2006

Summary of Investment Changes

For the six months ended 30 June 2006

	Valuation		Net investment (disinvestment) £'000	Appreciation/ (depreciation) £'000	Valuation	
	31 December 2005 £'000	%			30 June 2006 £'000	%
Unlisted investments						
Equities	668	8.7	(285)	294	677	8.6
Preference	67	0.9	–	–	67	0.9
Loan stocks	1,363	17.9	(77)	(246)	1,040	13.2
	2,098	27.5	(362)	48	1,784	22.7
AIM investments						
Equities	2,033	26.6	171	196	2,400	30.5
Listed investments						
Fixed income	2,118	27.7	(1)	(1)	2,116	26.9
Unit trusts	1,020	13.4	–	–	1,020	12.9
Total investments	7,269	95.2	(192)	243	7,320	93.0
Other net assets	365	4.8	195	–	560	7.0
Total assets	7,634	100.0	3	243	7,880	100.0

Investment Portfolio Summary

As at 30 June 2006

	Bookcost £'000	Valuation £'000	% of total assets	% of equity held by fund	% of equity held by other clients*
Unlisted investments					
Bond Aviation Solutions					
Commercial pilot training services	250	350	4.4	4.0	36.0
EIG (Investments)					
Insurance business focussed mainly on niche risk areas in motor insurance	250	250	3.2	0.1	1.3
MoneyPlus					
Manages agreements and repayment plans for credit card holders	225	225	2.9	4.5	26.4
Styles & Wood Holdings					
Independent provider of storefitouts to the UK retail sector	200	200	2.5	0.8	45.6
Homelux Nenplas					
Extruder of plastic tiling trims and related products	199	199	2.5	3.4	41.6
Oled-T					
Developer of flat panel display technologies	167	167	2.2	3.9	14.7
Essential Viewing Systems					
Developer of an advanced delivery technology for video over mobile telephones	150	150	1.9	9.5	39.9
Vibration Technology					
Seismic survey for energy exploration	150	150	1.9	1.3	8.8
Riverdale Publishing					
Publisher of greeting cards	1	93	1.2	5.9	59.1
Kingsley Cards					
Greetings card distributor	200	0	0.0	2.5	25.0
Total unlisted	1,792	1,784	22.7		
AIM					
Software Radio Technology					
Digital wireless communication development business	140	264	3.4	0.7	3.5
Hambledon Mining					
Exploration and mining of precious metals in Kazakhstan	105	181	2.3	0.3	0.1
AT Communications Group					
Leading communications integrator	140	163	2.1	0.6	1.3
Litcomp					
National supplier of medical reports in the support of legal actions	100	160	2.0	0.0	5.4
Neutrahealth					
Provider of BioCare products to health practitioners and specialist retailers	117	153	1.9	0.8	2.0

Investment Portfolio Summary – continued

	Bookcost £'000	Valuation £'000	% of total assets	% of equity held by fund	% of equity held by other clients*
Work Group					
Provider of recruitment services	150	153	1.9	0.8	2.9
Amazing Holdings					
Leisure and hotel developer	150	130	1.6	0.5	1.8
Imprint					
Provider of a result and search service	151	125	1.6	0.1	0.4
Datong Electronics					
Producer of tracker devices to track vehicles and mobile phones	151	122	1.5	0.9	1.1
Axeon					
Developer of semi conductor intellectual property rights	111	120	1.5	0.8	7.2
Leisure & Gaming					
Online gaming operator	85	119	1.5	0.2	0.7
Gold Frost					
Designer, developer and distributor of kosher food products	86	108	1.4	0.5	0.9
Talarius					
High street gaming	60	104	1.3	0.1	0.8
Avanti Screenmedia					
Provider of screens and media advertising	101	103	1.3	0.2	2.1
Worthington Nicholls Group					
Installer and maintainer of air conditioning units in the hotel and retail markets	99	99	1.3	0.3	1.5
Fairground Gaming Holdings					
An investment company in the on-line gaming sector	74	74	1.0	0.3	1.4
Billing Services					
Provider of billing services for the telecommunications industry	123	72	0.9	0.1	0.3
System C Healthcare					
Provider of information services and IT systems to the healthcare sector	150	69	0.9	0.3	1.0
MTI Wireless Edge					
Developer and manufacturer of sophisticated antennas for broadband	41	42	0.5	0.2	0.3
Spectrum Interactive					
Provider of payphones and internet access throughout the UK	98	20	0.4	0.3	1.3
Elevation Events Group					
Integrated events management and corporate hospitality	100	19	0.2	1.7	8.9
Total AIM	2,332	2,400	30.5		

	Bookcost £'000	Valuation £'000	% of total assets	% of equity held by fund	% of equity held by other clients*
Listed fixed income investments					
Bond - GE FRN 04/05/07	900	900	11.5	–	–
Bond - Barclays FRN 12/03/12	601	601	7.5	–	–
Bond - BNG 4.625% 07/12/06	405	405	5.2	–	–
Bond - Cades 5.25% 07/12/06	210	210	2.7	–	–
Total listed fixed income	2,116	2,116	26.9	–	–
Unit trusts					
Aberdeen international fixed interest	1,006	1,020	12.9	–	–
Total unit trusts	1,006	1,020	12.9	–	–
Total investments	7,246	7,320	93.0		

* Other clients of the Aberdeen Asset Management Group

Income Statement

For the six months ended 30 June 2006

	Six months ended 30 June 2006 (unaudited)		
	Revenue £'000	Capital £'000	Total £'000
Gains on investments	–	243	243
Income from investments	152	–	152
Other income	4	–	4
Investment management fees	(14)	(56)	(70)
Other expenses	(83)	–	(83)
Profit on ordinary activities before taxation	59	187	246
Tax on ordinary activities	(10)	10	–
Profit on ordinary activities after taxation	49	197	246
Earnings per Ordinary share (pence)	0.6	2.5	3.1

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

	Six months ended 30 June 2006 £'000	44 weeks ended 30 June 2005 £'000	70 weeks ended 31 December 2005 £'000
Opening Shareholders' funds	7,634	–	–
Total profit for year	246	55	190
Net proceeds of issue of shares	–	7,352	7,444
Closing Shareholders' funds	7,880	7,407	7,634

44 weeks ended 30 June 2005 (unaudited)			70 weeks ended 31 December 2005 (audited)		
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
–	98	98	–	219	219
44	–	44	211	–	211
32	–	32	38	–	38
(3)	(13)	(16)	(13)	(52)	(65)
(103)	–	(103)	(213)	–	(213)
(30)	85	55	23	167	190
–	–	–	(3)	3	–
(30)	85	55	20	170	190
(1.3)	3.6	2.3	0.4	3.9	4.3

Balance Sheet

As at 30 June 2006

		30 June 2006 (unaudited)	30 June 2005 (unaudited)	31 December 2005 (audited)
	Notes	£'000	£'000	£'000
Fixed assets				
Investments		7,320	6,833	7,269
Current assets				
Debtors		230	115	62
Cash and overnight deposits		445	668	401
		675	783	463
Creditors: amounts falling due within one year		(115)	(209)	(98)
Net current assets		560	574	365
Total net assets		7,880	7,407	7,634
Capital and reserves				
Called up share capital		784	773	784
Share premium	2	6,660	6,579	6,660
Capital reserves – realised	2	293	18	(21)
Capital reserves – unrealised	2	74	67	191
Revenue reserve	2	69	(30)	20
Net assets attributable to Ordinary Shareholders		7,880	7,407	7,634
Net asset value per ordinary share (pence)		100.6	95.8	97.4

The Financial Statements were approved by the Board of Directors on 23 August 2006 and were signed on its behalf by:

31 August 2006

I D Cormack
Chairman

Cash Flow Statement

For the six months ended 30 June 2006

	Six months to 30 June 2006 (unaudited)		44 weeks ended 30 June 2005 (unaudited)		70 weeks ended 31 December 2005 (audited)	
	£'000	£'000	£'000	£'000	£'000	£'000
Operating activities						
Investment income received	87		14		174	
Deposit interest received	4		30		37	
Investment management fees paid	(47)		(5)		(61)	
Secretarial fees paid	(31)		(7)		(37)	
Cash paid to and on behalf of Directors	(14)		(22)		(48)	
Other cash payments	(48)		(26)		(44)	
Net cash (outflow)/inflow from operating activities		(49)		(16)		21
Taxation						
Corporation tax		–		–		–
Financial investment						
Purchase of investments	(1,037)		(7,854)		(10,396)	
Sale of investments	1,130		1,049		3,332	
Net cash inflow/(outflow) from financial investment		93		(6,805)		(7,064)
Equity dividends paid		–		–		–
Net cash inflow/(outflow) before financing		44		(6,821)		(7,043)
Financing						
Issue of redeemable preference shares	–		–		50	
Redemption of redeemable preference shares	–		–		(50)	
Issue of Ordinary shares	–		7,731		7,836	
Expense of share issue	–		(242)		(392)	
Net cash inflow from financing		–		7,489		7,444
Increase in cash		44		668		401

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

Notes to the Financial Statements

1. Accounting policies

The financial information for the six months ended 30 June 2006 and the 44 weeks ended 30 June 2005 comprises non-statutory accounts within the meaning of section 240 of the Companies Act 1985. The financial information contained in this report has been prepared on the basis of the accounting policies set out in the Annual Report and Financial Statements for the 70 weeks ended 31 December 2005.

The results for the 70 weeks ended 31 December 2005 are extracted from the full accounts for that period, which received an unqualified report from the Auditors and have been filed with the Registrar of Companies.

	Share premium account	Capital reserves realised	Capital reserves unrealised	Revenue reserve
	£'000	£'000	£'000	£'000
2. Movement in reserves				
As at 31 December 2005	6,660	(21)	191	20
Gains on sales of investments	–	360	–	–
Decrease in unrealised appreciation	–	–	(117)	–
Investment management fees	–	(56)	–	–
Tax effect of capital items	–	10	–	–
Profit on Ordinary activities after taxation	–	–	–	49
At 30 June 2006	6,660	293	74	69

3. Return per Ordinary shares

The returns per share have been based on the following figures:

	Six months ended 30 June 2006
Weighted average number of Ordinary shares	7,835,163
Revenue Return	£49,000
Capital Return	£197,000

Corporate Information

Directors	I D Cormack (Chairman) M J Gilbert W R Nixon (as alternate to M J Gilbert) M Graham-Wood A C Lapping S Scott
Manager	Aberdeen Asset Managers Limited 123 St Vincent Street Glasgow G2 5EA Customer Services Department 0845 300 2830
Secretary	Aberdeen Asset Management PLC 123 St Vincent Street Glasgow G2 5EA
Point of Contact	The Chairman and/or the Company Secretary At the registered office of the Company Email: company.secretary@invtrusts.co.uk
Registered office	123 St Vincent Street Glasgow G2 5EA Registered in Scotland - Company Number SC272568
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU Shareholder Helpline 0870 162 3100
Bankers	J P Morgan Chase Bank
Solicitors	Dickson Minto
Stockbrokers	Teather & Greenwood Limited
Auditors	Ernst & Young LLP
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