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Aberdeen Growth Opportunities VCT 2 PLC

Interim Report
For the 44 weeks ended 30 June 2005



Aberdeen

Investment Manager's Review

For the 44 weeks ended 30 June 2005

Investment Activity

The Company was formed in August 2004 but until the allotment of shares in February, April and May 2005 there were no funds available for investment. The investments made to date have therefore been made in a relatively short time compared to the period covered by this report. A total of £7.7 million has been subscribed by shareholders. The first investments were made immediately following the first allotment and a total of three private equity and nine AIM investments have been made at a total cost of £1.6 million during the reporting period. Since 30 June 2005, one further private equity investment has been completed. The balance of funds raised has been invested in a range of bonds, unit trusts and cash to await investment in qualifying companies as required by VCT legislation.

The following investments have been made since launch:

Gladstone PLC (February 2005) - £125,000 Gladstone develops software for the leisure industry and in particular for gym membership applications. Aberdeen Growth Opportunities VCT and Talisman First VCT also invested on the admission of the company to AIM.

Travel Class Holdings Limited (February 2005) £125,000 Travel Class provides activity based holidays for schoolchildren. Aberdeen Development Capital, Aberdeen Growth Opportunities VCT and Aberdeen Growth VCT I also invested in the management buy-out.

Accuma Group PLC (March 2005) - £100,000 Accuma provides advice on debt solutions to individuals. Aberdeen Growth Opportunities VCT also invested in the AIM placing.

Software Radio Technology (UK) Limited (March 2005) £125,000 Software Radio Technology is a leading edge digital wireless communication development business. Aberdeen Growth Opportunities VCT and Aberdeen Growth VCT I also invested in a £6.2 million development capital round of funding.

Spectrum Interactive PLC (April 2005) £117,000 Spectrum Interactive operates payphones and provides internet access through terminals located in public areas. Aberdeen Growth Opportunities VCT, Aberdeen Growth VCT I and Murray VCT 4 also invested in the AIM placing.

Elevation Events PLC (May 2005) - £100,000 Elevation Events is building a group of events management, corporate hospitality and related niche businesses. Aberdeen Growth Opportunities VCT, Aberdeen Growth VCT I and Murray VCT 4 also invested to fund the first acquisition.

Original Shoe Company Limited (May 2005) £250,000 Original Shoe is a retailer of branded clothing and footwear mainly in Scotland. Aberdeen Development Capital, Aberdeen Growth Opportunities VCT, Aberdeen Growth VCT I, Murray VCT 4 and Talisman First VCT also invested to provide development capital to fund the geographic expansion of the business.

Talarius PLC (May 2005) £150,000 Talarius is building a group of businesses operating in the high street gaming sector. Aberdeen Growth VCT I, Murray VCT 4 and Talisman First VCT also invested in a round of funding to enable the AIM quoted company to complete an acquisition.

United Clearing PLC (May 2005) £98,000 United Clearing provides software solutions to mobile communications operators. Murray VCT 4 and Talisman First VCT also invested to provide development capital to this AIM quoted company.

Axeon PLC (June 2005) - £150,000 Axeon exploits semiconductor intellectual property focusing on the automotive industry. Aberdeen Growth Opportunities VCT, Aberdeen Growth VCT I and Murray VCT 4 also invested on the admission of the company to AIM.

Leisure & Gaming PLC (June 2005) £150,000 Leisure & Gaming is acquiring companies in the online gaming sector. Aberdeen Growth VCT I, Murray VCT 4 and Talisman First VCT also invested to fund an acquisition by this AIM quoted company.

System C Healthcare PLC (June 2005) £150,000 System C Healthcare provides information services and IT systems to the healthcare sector in England. Aberdeen Growth VCT 1 and Murray VCT 4 also invested in the AIM placing.

Kingsley Cards Limited (July 2005) - £200,000 Kingsley Cards designs, produces and distributes greeting cards. Aberdeen Growth Opportunities VCT, Aberdeen Growth VCT 1, Murray VCT 4 and West Yorkshire Pension Fund also invested to provide development capital to the business.

Portfolio Developments

In the Company's Prospectus it was anticipated that the portfolio of investments would consist of approximately 50% in private equity investments in relatively mature companies, 25% in earlier stage companies and 25% in AIM quoted investments. These proportions will vary from time to time and, at present, there is a larger number of AIM transactions becoming available to the Company and therefore there has been a higher proportion of investments in this category. The AIM portfolio will be actively traded and during the reporting period one AIM investment was realised resulting in a gain of £29,000 (29%) over cost. At the period end, the remaining AIM portfolio had achieved an uplift over cost of £45,000 (4%). The private equity investment portfolio was valued at cost at the period end and all of the companies were trading in line with expectations. These investments, by their nature, are less liquid and it will be some time before these companies have developed to the point where exits will be sought.

Market Conditions

Interest rate increases imposed to control inflation, in particular in the housing market, have contributed to a significant downturn in retail sales which is affecting GDP growth. Interest rates were reduced by a quarter point in August, reversing the previous trend. However, the rate of inflation announced within days of that decision showed an unexpected increase and this has again introduced uncertainty to the market over the direction and timing of the next change. Oil prices have been at relatively high levels for some time as the impact of supply and demand imbalances has been felt in increased prices. Inflation forecasts for the medium term show no significant movement away from the Government's target. Manufacturing output is continuing to decline although the construction sector remains strong.

Net Asset Value

The Net Asset Value per share at 30 June 2005 was 95.8p compared with 95p immediately after launch. The increase reflects the uplift achieved in the AIM portfolio.

The unlisted companies in which Aberdeen Growth Opportunities VCT 2 is invested are valued in accordance with the British Venture Capital Association guidelines. Investments are normally valued at cost until they have been held for at least one year; thereafter investments are valued by reference to their underlying performance.

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

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.

Dividends

The Board does not intend to declare an interim dividend for the period ended 30 June 2005. Dividends will be paid tax-free to shareholders but the timing of capital dividends, which will depend on the achievement of realisations, cannot be reliably predicted.

Outlook

Deal flow is strong with a growing number of investment opportunities under consideration throughout the network of Aberdeen UK offices, ensuring a continual flow of opportunities in which the company can invest. The primary focus is to ensure that the Company builds a properly diversified portfolio of good quality assets which will deliver sustained long term performance. The Manager is confident that Aberdeen Growth Opportunities VCT 2 will achieve the minimum investment target of 70% to comply with the Venture Capital Trust legislation within the three year qualifying period which ends on 31 December 2007.

31 August 2005

Aberdeen Asset Managers Limited

Summary of Investment Changes

For the 44 weeks ended 30 June 2005

	Net proceeds of share issue		Net investment (disinvestment)	Appreciation/ (depreciation)	Valuation 30 June 2005	
	£'000	%	£'000	£'000	£'000	%
Listed investments						
Equities	–	–	156	–	156	2.1
Loan stocks	–	–	344	–	344	4.6
	–	–	500	–	500	6.7
AIM investments						
Equities	–	–	1,011	76	1,087	14.7
Listed investments						
Fixed income	–	–	4,218	7	4,225	57.0
Unit trusts	–	–	1,006	15	1,021	13.8
Total investments	–	–	6,735	98	6,833	92.2
Other net assets	7,352	100.0	(6,778)	–	574	7.8
Total assets	7,352	100.0	(43)	98	7,407	100.0

* After issue expenses of £378,581 which were equivalent to 5% of monies raised.

Investment Portfolio Summary

As at 30 June 2005

Investment	Nature of business	Bookcost 30/6/05 £'000	Valuation 30/6/05 £'000	% of total assets
Unlisted				
Original Shoe Company	Branded clothing and footwear retailer	250	250	3.3
Software Radio Technology (UK)	Digital wireless communication development business	125	125	1.7
Travel Class	Provider of activity based educational holidays for children	125	125	1.7
		500	500	6.7
AIM				
Axeon	Developer of semi conductor intellectual property rights	150	180	2.5
Leisure & Gaming	Online gaming	150	165	2.2
System C Healthcare	Provider of information services and IT systems to the healthcare sector	150	151	2.0
Talarius	Adult gaming centres	150	147	2.0
United Clearing	Provider of software based solutions to mobile communications operators	98	119	1.6
Spectrum Interactive	Provider of payphones and internet access throughout the UK.	117	112	1.5
Elevation Events Group	Integrated events management and corporate hospitality	100	108	1.5
Gladstone	Developer of specialist membership software for the leisure industry	125	105	1.4
		1,040	1,087	14.7
Listed fixed income				
	Bond – KFW 6.375% 7/12/05	905	906	12.2
	Bond – GE FRN 5.019% 4/5/07	901	901	12.2
	Bond – Cades 5.25% 7/12/06	705	708	9.6
	Bond – EIB 6.125% 7/12/05	704	704	9.5
	Bond – Barclays FRN 5.19% 12/3/12	601	600	8.0
	Bond – BNG 4.625% 7/12/06	404	406	5.5
		4,220	4,225	57.0
Listed unit trusts				
	Aberdeen International Fixed Interest	1,006	1,021	13.8
		1,006	1,021	13.8
Total		6,766	6,833	92.2

Statement of Total Return (unaudited)

(incorporating the Revenue Account of the Company) for the 44 weeks ended 30 June 2005

	44 weeks ended 30 June 2005		
	Revenue £'000	Capital £'000	Total £'000
Gains on investments	–	98	98
Income from investments	44	–	44
Other income	32	–	32
Investment management fees	(3)	(13)	(16)
Other expenses	(103)	–	(103)
Net return/(loss) on ordinary activities before taxation	(30)	85	55
Tax on ordinary activities	–	–	–
Return/(loss) attributable to equity shareholders	(30)	85	55
Return per Ordinary share (pence)			2.32

** The total column of this statement is the profit and loss account of the company.*

Balance Sheet (unaudited)

As at 30 June 2005

	As at 30 June 2005
Notes	£'000
Fixed assets	
Investments	6,833
Current assets	
Debtors	115
Cash and overnight deposits	668
	783
Creditors	
Amounts falling due within one year	209
Net current assets	574
	7,407
Capital and reserves	
Called up share capital	773
Share premium	2 6,579
Capital reserves	2 85
Revenue reserve	2 (30)
Equity shareholders' interest	7,407
Net asset value per ordinary share (pence)	95.8

31 August 2005

Ian Cormack
Director

Cash Flow Statement (unaudited)

For the 44 weeks ended 30 June 2005

	44 weeks ended 30 June 2005
	£'000
Operating activities	
Investment income received	14
Deposit interest received	30
Investment management fees paid	(5)
Secretarial fees paid	(7)
Cash paid to and on behalf of Directors	(22)
Other cash payments	(26)
Net cash outflow from operating activities	(16)
Taxation	
Corporation tax	–
Financial investment	
Purchase of investments	(7,854)
Sale of investments	1,049
Net cash outflow from financial investment	(6,805)
Equity dividends paid	–
Net cash outflow before financing	(6,821)
Financing	
Issue of Ordinary shares	7,731
Expenses of share issue	(242)
Net cash inflow from financing	7,489
Increase in cash	668

Notes to the Financial Statements

1. Accounting policies

Basis of Preparation

The accounts have been prepared in accordance with applicable accounting standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies'. The accounts are prepared under the historical cost convention, modified to include the revaluation of fixed asset investments.

The company had the option to prepare its financial statements in accordance with International Financial Reporting Standards ('IFRS'), as adopted by the International Accounting Standards Board ('IASB'). The Board has elected to adopt UK Generally Accepted Accounting Principles ('UK GAAP') and therefore to use the new Financial Reporting Standards issued as part of the programme to converge UK GAAP with IFRS.

Income

Dividends receivable on equity shares are treated as revenue for the period on an ex-dividend basis. Where no ex-dividend date is available dividends receivable on or before the period end are treated as revenue for the period. Provision is made for any dividends not expected to be received.

The fixed returns on debt securities and non-equity shares are recognised on a time apportionment basis so as to reflect the effective yield on the debt securities and shares.

Provision is made for any fixed income not expected to be received.

Interest receivable from cash and short term deposits and interest payable are accrued to the end of the period.

Expenses

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

- expenses which are incidental to the acquisition of an investment are included within the cost of the investment;
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment;
- expenses are charged to 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 capital reserves to reflect the Company's investment policy and prospective income and capital growth.

Taxation

Deferred taxation is provided for by the liability method on timing differences, except where there is a reasonable probability that such liability will not arise in the foreseeable future. The provision is calculated at the rate at which it is estimated that the tax will be payable.

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.

Investments

Investments are measured initially at cost and are recognised at trade date. For financial assets acquired, the cost is the fair value of the consideration. Subsequent to initial recognition investments are valued at fair value. For listed investments this is assumed to be bid market prices. Unlisted investments are valued by Directors at fair value, in line with the guidelines of the British Venture Capital Association.

	Share premium account	Capital reserves	Revenue reserve
	£'000	£'000	£'000
2. Movement in reserves			
At 26 August 2004	–	–	–
Issue of shares	6,958	–	–
Expense of share issue	(379)	–	–
Increase in unrealised appreciation	–	67	–
Investment management fees	–	(13)	–
Net gains on realisation of investments	–	31	–
Retained net revenue for period	–	–	(30)
	<hr/>	<hr/>	<hr/>
At 30 June 2005	6,579	85	(30)
	<hr/>	<hr/>	<hr/>

3. Return per Ordinary shares

The Return per Ordinary share has been calculated using the weighted average number of shares in issue during the period of 2,364,820. Between 26 August and 15 February 2005, only 2 Ordinary shares were in issue and therefore the weighted average number of shares and the returns per share are not directly comparable to the increase in net asset value per Ordinary share in the period.

The net asset value per Ordinary share has been calculated using the number of shares in issue at 30 June 2005 of 7,730,551.

Corporate Information

Directors	I D Cormack (Chairman) 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
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Bankers	J P Morgan Chase Bank
Solicitors	Dickson Minto
Stockbrokers	Charles Stanley
Auditors	Ernst & Young LLP
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