

AiM VCT2 plc

Securities Note

Offer for Subscription
of up to 40,000,000
'C' Shares at a price of
£1 per share



Managed by
Bluehone Investors LLP

Contents

	Page No.
Risk Factors	2
Chairman's Letter	4
Part I Top Ten Investments	5
Part II AiM VCT2 plc	7
Part III VCTs – Taxation Considerations	17
Part IV Details of the 'C' Shares and Conversion	19
Part V Definitions	23
Part VI Terms and Conditions of the Dividend Reinvestment Scheme	25
Part VII Terms and Conditions of Subscription	27
Notes on how to complete the Subscription Form	30
Subscription Form	31
Directors, Manager and Advisers	

Offer Statistics

Offer Price per 'C' Share	£1
Estimated gross proceeds of the Offer (assuming it is fully subscribed and not increased)	£40 million
Minimum subscription per investor	£3,000 (and multiples of £1,000 thereafter)

Costs relating to the Offer

Offer costs as a percentage of gross proceeds	5%
Commission payable:	
Either	
Initial commission to financial intermediaries (included in the 5% Offer costs)	3%
Or	
Initial commission to financial intermediaries (included in the 5% Offer costs)	2.25%
<i>and</i>	
Annual commission (subject to maximum cumulative payment of 1.5% of the average quarterly net asset value of the 'C' shares attributable to financial intermediaries' clients' holdings)	0.375%

Expected Timetable

Offer closes	3 April 2006*
Definitive share certificates dispatched	Within ten Business Days of allotment
Dealings in 'C' Shares commence	Within three Business Days of the 'C' Share allotments
Conversion date	No later than twenty Business Days after 30 November 2009
Dealings in the new ordinary shares commence	No later than three Business Days after the conversion date

*Note: the Directors reserve the right to extend the closing date of the Offer and increase the number of 'C' Shares being offered pursuant to the Offer. The Offer may close earlier than the date stated above if it is fully subscribed by an earlier date.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document and what action you should take, you should consult a person authorised under the Financial Services and Markets Act 2000 (“FSMA”) who specialises in advising on the acquisition of shares and other securities.

This document, which comprises a securities note (“the Securities Note”) relating to ‘C’ Shares for the purposes of compliance with Articles 4(2) (c) and 4(2) (d) of Directive 2003/71/EC has been prepared in accordance with the Listing Rules and Prospectus Rules made under section 73A of FSMA and has been approved by the FSA in accordance with section 84 of FSMA. This document has been prepared for the purposes of complying with English law and the rules of the UKLA and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of jurisdictions outside England. In subscribing for ‘C’ Shares you will be treated as subscribing solely on the basis of the Prospectus.

Additional statutory and general information relating to the Company is contained in a registration document prepared in accordance with the Prospectus Rules (“the Registration Document”). This Securities Note, the Registration Document and a summary (“the Summary”) constitute a prospectus (“Prospectus”). You are advised to read the full Prospectus which has been filed with the Financial Services Authority in accordance with Rule 3.2 of the Prospectus Rules which is available from the locations listed in section 14 of Part II of this document and on the Company’s website (www.aimvct2.co.uk). ONLY THE COMBINED SECURITIES NOTE, REGISTRATION DOCUMENT AND SUMMARY COMPRISE, AND MAY BE RELIED UPON AS, A PROSPECTUS.

The Directors whose names are set out on pages 11 and 12 of this document, and the Company each accept responsibility for the information contained in the Prospectus. The Directors and Company declare, having taken all reasonable care to ensure that such is the case, the information contained in the Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

AiM VCT2 plc

(Incorporated in England and Wales under the Companies Act 1985 with Registered Number 04084875)

Offer for Subscription

of up to 40,000,000 ‘C’ Shares of 50p each (“‘C’ Shares”) at an offer price of £1 payable in full on subscription

Up to 40,000,000 ‘C’ Shares are being offered to the public under the Offer. There is no minimum aggregate subscription for the Offer. The subscription list for the Offer will open on 28 November 2005. A Subscription Form and the procedure for completion of it are set out on pages 30 and 31 and the terms and conditions of the Offer are set out in Part VII of this document.

Teather & Greenwood Limited is authorised and regulated by the Financial Services Authority. Persons receiving this document should note that, in connection with the Offer, Teather & Greenwood Limited is acting for AiM VCT2 plc and no one else and will not be responsible to any other person for providing the protections afforded to customers of Teather & Greenwood Limited nor for providing advice in relation to the Offer.

Application has been made to the UK Listing Authority for the ‘C’ Shares to be admitted to the Official List of the UK Listing Authority and for the ‘C’ Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities. It is expected that admission to the Official List will become effective and that dealings in the ‘C’ Shares will commence three days after the first allotment.

Your attention is drawn to pages 2 and 3 of this document which set out the risk factors associated with an investment in the Company. None of the ‘C’ Shares have been, nor will be, registered in the United States under the United States Securities Act of 1933, as amended, or under the securities laws of Canada, Australia, South Africa or Japan and they may not be offered or sold directly or indirectly within the United States, Canada, Australia, South Africa or Japan or to, if for the account or benefit of, US Persons or any national, citizen or resident of the United States, Canada, Australia, South Africa or Japan. This document does not constitute an offer to sell or issue, or the solicitation of an offer to buy or subscribe for, ‘C’ Shares in any jurisdiction in which such offer or solicitation is unlawful.

Risk Factors

The Directors draw the attention of potential investors to the following risk factors which are relevant to the Company, the 'C' Shares and VCTs generally. The profile of a typical investor for whom the Company is designed is an individual looking for exposure to AIM and OFEX traded companies and unquoted companies which anticipate a stock market quotation within 18 months of investment, whilst receiving tax-free income through a dividend stream. To receive the tax advantages attributable to VCTs, potential investors must be individuals over the age of 18.

Any decision to invest in the Company should be based on consideration of the Prospectus as a whole by the investor. **An investment in the Company is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment.**

- There is no certainty that the market price of the 'C' Shares and the ordinary shares will fully reflect their underlying net asset value or that any dividends will be paid. The value of an investment in the Company, and the income derived from it, may go down as well as up and an investor may not get back the amount invested.
- Although the 'C' Shares and the ordinary shares will be listed on the Official List and admitted to trading on the London Stock Exchange, it is likely that there may not be a liquid market in the 'C' Shares or the ordinary shares and that Shareholders may have difficulty in selling them. Any purchaser of existing ordinary shares or of 'C' Shares in the secondary market, as opposed to a subscriber for 'C' Shares pursuant to the Offer, will not qualify for income tax relief on the amount invested.
- Investors must hold their 'C' Shares for not less than three years to retain the income tax relief.
- There can be no guarantee that the Company will maintain full VCT status. If the Company ceases to maintain approval as a VCT before Qualifying Applicants have held their shares for three years, the income tax relief obtained will have to be repaid by Qualifying Applicants. Income tax relief will be lost on dividends paid during or after the period in which VCT status is lost and Qualifying Applicants will generally be liable to income tax on the aggregate amount of the dividend and the notional tax credit equal to 1/9th of the dividend. The notional tax credit will discharge the income tax liability of a basic rate tax payer. Qualifying Applicants who also pay tax at the higher rate can use the notional credit to offset against their higher rate tax liability.
- Any realised losses on a disposal of 'C' Shares and/or ordinary shares will not be allowable losses for the purposes of capital gains tax and will therefore not be available for set off against any capital gains.
- Where full approval as a VCT is not maintained, the Company will also lose its exemption from corporation tax on capital gains. If at any time VCT status is lost, dealings in the 'C' Shares and the ordinary shares will normally be suspended until such time as the Company has published proposals either to continue as an investment company or to be wound up. Further information concerning the loss of VCT status is set out in Part III of this document.
- The information in this document is based on existing legislation, including taxation legislation. The tax reliefs described are those currently available. The tax rules or their interpretation in relation to an investment in the Company and/or rates of tax may change during the life of the Company. The value of tax reliefs depends on the personal circumstances of holders of 'C' Shares or ordinary shares, who should consult their own tax advisers before making any investment.
- Investment in AIM-traded, OFEX-traded and unquoted companies, by its nature, involves a higher degree of risk than investment in companies traded on the main market. In particular, smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals. In addition, the market for shares in smaller companies is often less liquid than that for shares in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such stock and there may be constraints on the realisation of investments by reason of the need to maintain the VCT status of the Company. Full information for determining their value or the risks to which they are exposed may also not be available.
- The Company's investments may be difficult to realise. The fact that a share is traded on AIM does not guarantee its liquidity. The spread between the buying and selling price of such shares may be wide and thus the price used for valuation may not be achievable.

- The Company intends to provide a tender offer to 'C' Shareholders after 6 April 2009 to give them the opportunity to realise their investment. However, this is subject to the approval of all Shareholders at the relevant time. In addition, it may be difficult to realise the investments in the 'C' Share Pool attributable to those 'C' Shares which have been tendered and this may adversely affect the amount of proceeds received in such realisation (thereby reducing the price payable to tendering Shareholders) and the timing of the payment made to Shareholders who have tendered their 'C' Shares. In the absence of a tender offer being made available, 'C' Shareholders will only be able to realise their investment by selling their 'C' Shares in the secondary market.
- While the Company expects only a small proportion of its investments to be unquoted, such investments are inherently more difficult to value and such valuations are therefore uncertain.
- OFEX is not regulated by either the UKLA or the London Stock Exchange. AIM is not regulated by the UKLA.
- The past performance of the Company and other funds managed or advised by the Manager is not necessarily a guide to the future performance of the Company.
- There can be no guarantee that the Company's investment objectives will be achieved.
- Investment in the Company should be regarded as long-term in nature and is not suitable for all individuals. Potential investors should consult their professional advisers.

Chairman's Letter

Gordon Brough
Robert Catto
Jamie Matheson
Stephen Mitchell

AiM VCT2 plc
Exchange House
Primrose Street
London EC2A 2NY

25 November 2005

Dear Investor

Welcome to the prospectus for AiM VCT2. The Company was launched in December 2000 and its net assets now amount to approximately £37 million. It is our intention to raise up to a further £40 million (before expenses) which, if fully subscribed, will make the Company one of the largest VCTs investing in the AIM market. The funds, if raised in full, should enable us to increase the current number of investee holdings from 91 companies to around 150 companies.

'C' Share Offering

We are raising funds by way of a 'C' Share offer for the tax year 2005/06 to fund another phase of investment. The Offer will be open until 3 April 2006 unless fully subscribed beforehand. The funds raised under the Offer will be managed as a separate pool of assets until conversion of the 'C' shares into ordinary shares which will take place during December 2009. The use of the 'C' Share mechanism allows us to fix the price of the shares throughout the offer period and also ensures that there is no dilution in terms of NAV of existing ordinary shareholders' interests.

Investment Strategy and Track Record

The investment objective of the Company is to provide Shareholders with a tax efficient means of gaining long term capital growth and an attractive dividend stream primarily through investment in a diversified portfolio of AIM and OFEX traded companies and unquoted companies which anticipate a stock market quotation within 18 months of investment.

AiM VCT2 was launched on 2 December 2000 and has raised to date gross proceeds from subscribers amounting to £48.2 million. Approximately 5.1 million shares have been bought back by the Company since launch at a cost of approximately £4.0 million. Dividends paid out of net income and profitable realisations of investments have amounted to approximately £3.8 million in aggregate.

Experienced Managers

AiM VCT2 is managed by Bluehone Investors LLP, a new limited liability partnership incorporated in January 2005 to manage circa £230 million of investments in small UK listed and AIM companies, comprising the same management team who were formerly managing the investments while employed by F&C and ISIS. The Manager has been actively involved in the AIM market since its inception in 1995 and has invested in excess of £325 million in AIM companies spread across all business sectors and various stages of the economic cycle.

Deal Flow

The Directors are of the opinion that there should be adequate investment opportunities for the Company. The Manager at present invests in over 150 companies quoted on AIM. The Manager believes that its strong connection with existing Qualifying Companies will provide additional deal flow from which some other VCT managers may not benefit.

We look forward to welcoming new shareholders.

Yours sincerely

Gordon Brough
Chairman

Part I: Top Ten Investments

as at 31 October 2005

The following table summarises key information on the ten largest investments contained in the Company's existing portfolio as at 31 October 2005. This is for illustrative purposes only as subscribers to the Offer will not gain exposure to the existing portfolio until conversion.

1 Egdon Resources Limited Odiham

Market Capitalisation:	£39 million	Year ended 31 July	2004	2003
Cost:	£405,000		£m	£m
Valuation:	£2,107,000	Sales	–	–
Valuation Basis:	Middle market price	Loss before tax	0.2	0.2
		Retained loss	0.2	0.2
		Net assets	2.0	1.6

Egdon Resources Limited is an oil and gas exploration company which has a portfolio of on shore licences in the United Kingdom and France. All licences are adjacent to oil or gas producing fields and, following further analysis of existing seismic data and undertaking new seismic programmes, these licence areas show interesting potential for hydrocarbon finds. The company became quoted on AIM in December 2004 and raised additional capital of £5 million.

2 Vectura Chippenham

Market Capitalisation:	£90 million	Year ended 31 March	2005	2004
Cost:	£1,053,000		£m	£m
Valuation:	£1,836,000	Sales	4.5	2.9
Valuation Basis:	Middle market price	Loss before tax	8.8	9.0
		Retained loss	7.7	8.0
		Net assets	21.7	6.4

Vectura is a small, but rapidly growing drug formulation and drug delivery company. It specialises in the development of a range of inhaled drugs for the treatment of lung diseases and other diseases where optimised delivery via the lungs can provide significant benefits. Vectura's strategy is to license its lead products to pharmaceutical companies and it has established collaborations with Novartis, GSK and SkyePharma. The company floated on AIM in July 2004, raising additional capital of £20 million.

3 Supporta London

Market Capitalisation:	£41 million	Period ended 31 March	2005	2004
Cost:	£600,000		£m	£m
Valuation:	£1,208,000	Sales	20.5	9.9
Valuation Basis:	Middle market price	Loss before tax	0.9	1.2
		Retained loss	0.9	1.2
		Net assets	12.3	7.1

Supporta floated on AIM in 2001 and its initial strategy was to provide seed capital for new recruitment businesses. Post-float, it acquired a group of recruitment companies specialising in social care and general recruitment. Although this public sector focus has remained, expansion via acquisition now provides clients with a comprehensive solution through Supporta's two divisions Supporta Staffing and Supporta Services.

4 Tanfield Group Durham

Market Capitalisation:	£35 million	Year ended 31 December	2004	2003
Cost:	£600,000		£m	£m
Valuation:	£1,180,000	(15 month period)		
Valuation Basis:	Middle market price	Sales	11.7	2.9
		Loss before tax	6.0	7.0
		Retained loss	6.0	7.0
		Net assets	1.0	0.2

Tanfield Group is a small engineering group involved in systems assembly (integrating electrical, hydraulic, electronic and pneumatic subsystems into mechanical assemblies) and total solutions (development, prototype and manufacture) for customers such as Caterpillar, Rolls Royce and Huntleigh.

5 Torex Retail plc Witney

Market Capitalisation:	£327 million	Period ended 31 December	2004
Cost:	£450,000		£m
Valuation:	£1,140,000	Sales	67.9
Valuation Basis:	Middle market price	Profit before tax	7.7
		Retained profit	4.7
		Net assets	72.6

Torex Retail plc is a leading supplier of electronic point of sale solutions, services and productivity tools to high street, convenience and petroleum retailers, both in the UK and in Europe. In February 2004 Torex Retail plc was bought out of Torex plc and in March 2004 it floated on AIM. In August 2005 it acquired XN Checkout.

6 Straight Leeds

Market Capitalisation:	£23 million	Year ended 31 December	2004	2003
Cost:	£400,000		£m	£m
Valuation:	£1,033,000	Sales	12.8	10.2
Valuation Basis:	Middle market price	Profit before tax	0.7	0.5

Straight's activities principally comprise the supply of container solutions for source separated waste to local authorities, waste management companies, community sector organisations and private sector business, together with the supply of a comprehensive range of environmentally friendly home and garden products.

Retained profit	0.5	0.3
Net assets	2.6	2.3

7 Widney Birmingham

Market Capitalisation:	£22 million	Year ended 30 September	2004	2003
Cost:	£314,000		£m	£m
Valuation:	£1,013,000	Sales	16.9	16.9
Valuation Basis:	Middle market price	Profit before tax	1.2	1.2

Widney is an engineering company specialising in the design and manufacture of varied applications for the automotive industry. These applications include window systems for specialist vehicles, telescopic slides, metal press tools and cab assemblies for agricultural and construction equipment. Widney has grown by acquisition and its future strategy will concentrate on winning new business.

Retained profit	1.1	1.1
Net assets	3.1	3.1

8 Cambridge Sensors Cambridge

Cost:	£1,000,000	Year ended 30 April	2003	2002
Valuation:	£1,000,000		£m	£m
Valuation Basis:	Cost	Sales	0.1	0.5

Cambridge Sensors manufactures and supplies an advanced range of glucose strips used in electrochemical blood glucose monitoring systems for the diabetic market. 7 billion test strips are used worldwide. The funds raised in 2002 are being used to increase manufacturing capacity and provide working capital to support manufacturing scale up.

Loss before tax	0.5	–
Retained loss	0.5	–
Net assets	2.8	0.1

9 Avingtrans plc Nottingham

Market Capitalisation:	£21 million	Year ended 31 May	2005	2004
Cost:	£400,000		£m	£m
Valuation:	£974,000	Sales	24.3	5.5
Valuation Basis:	Middle market price	Profit before tax	2.0	0.1

Avingtrans plc designs, manufactures and supplies critical components and associated services to manufacturing throughout the UK, Germany and North America such as ballscrews, pole and support fabrication units and spindles. In 2004, Avingtrans acquired Stainless Metalcraft, a producer of fabricated and machined products to major suppliers of diagnostic imagery, financed through a placing of £4 million.

Retained profit	1.3	0.1
Net assets	10.2	4.8

10 Bond International Software Goring

Market Capitalisation:	£26 million	Year ended 31 December	2004	2003
Cost:	£350,000		£m	£m
Valuation:	£888,000	Sales	9.6	7.0
Valuation Basis:	Middle market price	Profit before tax	1.9	0.5

Bond International Software develops and provides staffing software support and consultancy services to the staffing and recruiting industries. The company has offices in the UK, USA, Canada, Australia and South Africa.

Retained profit	1.5	0.3
Net assets	8.5	3.1

Source: unaudited management accounting records

Part II: AiM VCT2 plc

The Company is seeking to raise up to £40 million by way of this offer for subscription. Up to 40,000,000 'C' Shares are being issued with a nominal value of 50 pence each at £1 per share (although the Directors reserve the right to increase the number of shares available under the Offer). The 'C' Shares will become ordinary shares on conversion which will be soon after the Company's year end on 30 November 2009.

1. Background

The purpose of the Offer is to increase the assets of the Company towards £80 million, making AiM VCT2 one of the largest AIM focused venture capital trusts. The Offer will expand the capital base of the Company and on Conversion allow it to broaden its spread of investments. The enlarged scale will allow the fixed running costs of the Company to be spread over a larger asset base therefore allowing economies of scale to provide potential for enhanced future dividends for both ordinary shares and 'C' Shares.

An issue of new shares has the potential to be dilutive on the net assets of the fully invested existing funds and, to avoid this, the proposed new funds will be raised through an issue of a separate class of shares ('C' Shares). The 'C' Shares will be issued at £1 per share and will be managed as a separate pool of assets until the 'C' Shares convert, which is expected to take place shortly after the Company's year end in 2009.

2. Change in Taxation Status of VCTs and tender offer

When AiM VCT2 plc was launched in 2001, investors benefited from initial tax reliefs which comprised the potential to roll over capital gains into a VCT with the benefit of deferring payment of up to 40% tax on those realised gains and income tax relief of 20% of the investment made in the Company. Since that time, the taxation environment has changed. Capital gains tax deferral relief has been withdrawn and has been replaced with a more generous income tax relief of 40%.

The Board of AiM VCT2 therefore believes that the initial shareholders in the Company were motivated primarily by the ability to shelter capital gains whereas investors in 'C' Shares will be seeking to shelter income tax. To maintain this income tax relief, a shareholder must hold the shares in a VCT for a minimum of three years or the income tax reclaimed becomes repayable to HM Revenue & Customs.

The Board of AiM VCT2 is of the opinion that investors motivated by income tax considerations could be potential sellers of shares after the three year period has expired, despite VCT investments being of a long term nature, whereas the shareholders who have sheltered capital gains tax remain longer term shareholders.

In order to seek to avoid potential conflicts in the shareholder base after the 'C' Shares have converted into ordinary shares, the Company expects to provide 'C' Shareholders with the opportunity of realising all or part of their shareholding by means of a tender offer after the expiry of the three year qualifying period but before the conversion date, subject to the approval of Ordinary and 'C' Shareholders at the relevant time.

3. Track Record

AiM VCT2 was launched in December 2000 and has raised to date gross proceeds from subscribers amounting to £48.2 million. Approximately 5.1 million shares have been bought back by the Company since launch at a cost of approximately £4.0 million. Dividends paid out of net income and profitable realisations of investments have amounted to approximately £3.8 million in aggregate.

3.1 Investment Performance

The investment performance of the Company can be measured by a combination of the net asset value of the Company, together with the dividends paid to shareholders. This performance is summarised in the table below.

The initial net asset value of the Company was 95 pence per share after the payment of the costs of the launch. Since that date, dividends of 9.0p per share have been paid and the net asset value per share at 23 November 2005 (being the latest practicable date prior to the publication of this document) was 85.85 pence per share. Over the same period, the FTSE AIM and FTSE SmallCap Indices fell by 31.06% and 2.96% respectively (*source: Datastream*).

Performance Record of the Ordinary Shares

	NAV per ordinary share (p)	Dividend paid (p)	Cumulative dividend paid (p)	Total value (p)
Launch	95.00	n/a	n/a	95.00
30 November 2001	95.00	2.20	2.20	97.20
30 November 2002	77.48	2.10	4.30	81.78
30 November 2003	88.59	1.20	5.50	94.09
30 November 2004	87.83	2.00	7.50	95.33
31 May 2005	85.87	1.50	9.00	94.87
23 November 2005	85.85	–	9.00	94.85

Sources: (i) NAV at launch and at 23 November 2005 – unaudited management accounts; (ii) NAVs and dividends as at 30 November 2001, 2002, 2003 and 2004 – audited accounts; (iii) NAV and dividends for the half year ended 31 May 2005 – unaudited interim accounts.

3.2 Investment Progress

AiM VCT2 was launched in December 2000 at the tail end of the technology bubble which caused the stock market to go through a period of turbulence. The Manager reacted to this situation by seeking to develop a portfolio of companies well diversified by number of holdings, spread across different sectors and in various stages of development. At 31 October 2005 the portfolio was fully invested across 91 companies with an average cost of investment of £409,000. By 31 October 2005, 13 investments had been sold entirely, 7 at a profit and 6 at a loss. In addition, partial sales of 22 companies had been made, 19 at a profit and 3 at a loss.

The nature of investments in AIM traded companies within the qualifying limit of £15 million gross assets set by VCT legislation is such that investors should anticipate a wide range of outcomes in terms of success and failure. The Board maintains a policy of retaining a well diversified portfolio so as to spread and reduce risk. The Manager takes a close interest in the development of portfolio companies and meets with their management team on a regular basis to monitor progress and ascertain the strategy for seeking capital growth and realisations from the portfolio.

VCT legislation demands that at least 70% of a VCT's assets must be invested in Qualifying Companies within a prescribed period of time. At 31 October 2005, 96.7% of the Company's investment portfolio was invested in qualifying holdings.

4. Investment Objectives

The investment objective of the Company is to provide Shareholders with a tax efficient means of gaining long term capital growth and an attractive dividend stream primarily through investment in a diversified portfolio of AIM or OFEX traded companies and unquoted companies which anticipate a stock market quotation within 18 months of investment.

Investment Process

The investment strategy for the 'C' Share Pool is to deliver absolute returns for 'C' Shareholders rather than a performance relative to the FTSE AIM Index. The Manager will therefore seek to invest in companies which are raising capital either to finance a growth business plan or strengthen their balance sheets. Investments will be made if the Manager believes that on successful delivery of the plan or on a restructuring of the company the value of the business can grow irrespective of the general performance of stock markets.

The Manager believes that profit growth is the key long-term driver of share prices and that there are four key drivers of profit growth for companies:

- operating in markets which display strong growth characteristics;
- providing products or services superior to those of their competitors;
- focused management teams with the vision and flair to take advantage of market opportunities and which are incentivised to achieve their goals; and
- having access to new capital raised to finance their growth plans.

Many of the companies joining AIM or seeking to raise further funds on AIM demonstrate a number of these characteristics and, as a result, investment in them at a fund raising stage can provide the opportunity for attractive capital growth. Investment will be considered in all VCT qualifying business sectors provided that the investee company can demonstrate the ability to achieve profit growth. This

investment policy should create a diversified portfolio consistent with the objective of achieving long-term capital growth whilst seeking to minimise investment risk.

The Company may invest in new shares issued as companies come to AIM for the first time and in secondary issues by existing AIM companies.

An analysis of Investments made by AiM VCT2 from inception to 31 October 2005 (*source: the Manager*) is set out below:

	No. of Companies	£m invested
AIM	88	£35.3m
OFEX	10	£3.5m
Unquoted	13	£7.7m
Total	111	£46.5m

Source: unaudited management accounting records

The Company will also consider investment in unquoted VCT Qualifying Companies, provided that these companies anticipate seeking a stock market quotation within 18 months of any proposed investment by the Company. Vectura is an example of such an investment, and is described under Top Ten Investments in Part I above.

Investment allocation

The Manager will ensure that investment opportunities are apportioned fairly and equitably among Bluehone's clients, including the Company. Allocations of AIM investment opportunities will generally be made *pro rata* up to an agreed normal investment unit for each client, subject to the availability of funds to make the investment and other portfolio considerations such as sector exposure. In addition, the Manager may also take into account the requirement to achieve or maintain a minimum of 70 per cent in qualifying investments in allocating investment opportunities between the Company and other clients managed by Bluehone from time to time.

The Company has no borrowing and no financial instruments will be used for hedging purposes.

Use of Funds

With net proceeds of approximately £38 million, assuming the Offer is fully subscribed, the C Share Pool will be invested as follows:

- Approximately 20% will remain in cash or be invested in government securities to generate interest income to enhance the dividend potential of the 'C' Shares. In addition, these Funds would be available to make share buy backs or the liquidation of 'C' Shareholders' interests prior to the conversion date of the 'C' Shares.
- The remaining 80% will be invested in VCT Qualifying Companies in accordance with the investment policy as stated above. It is anticipated that approximately 50 to 60 such investments will be made, spread over the first two and a half years, in AIM or OFEX traded companies and unquoted companies which anticipate a stock market quotation within 18 months of investment, with the intention of holding the investments for around three years as they mature and develop. Pending investment in Qualifying Companies, this portion of the proceeds of the Offer will be held in fixed interest securities with a view to preserving capital and generating income to facilitate dividend payments.

Dividend Policy

The dividend policy relating to the 'C' Share Pool will be to maximise distributions to investors. In the early period, the Board anticipates that any dividend stream will be payable mainly from the income from the investments in cash and government securities. In later years, such dividends are anticipated to be largely from profits generated from the disposal of investments in AIM companies.

5. The Offer

On 19 September 2005, by special resolution, the authorised share capital of the Company was increased by the creation of 45,000,000 'C' Shares and the Directors were authorised to issue up to 40 million 'C' Shares pursuant to the Offer for cash without pre-emption rights applying.

It is therefore proposed to raise up to £40,000,000 (before expenses) by means of the Offer. All the 'C' Shares under the Offer are created under the Act and will be marketed to the public. The Offer opens on 28 November 2005. Under the terms of the Offer, 40,000,000 'C' Shares with a nominal value of 50 pence each are being offered at £1 per 'C' Share, payable in full on

subscription. The 'C' shares will become ordinary shares on conversion which will be within 20 Business Days of 30 November 2009. These ordinary shares will be admitted to the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange's main market for listed securities. The ISIN code of the 'C' Shares is GB00BOPKQN91.

The Offer is not being underwritten. The net proceeds of the Offer will be invested in accordance with the investment policy set out above and will be managed and accounted for as a separate pool of assets until conversion of the 'C' Shares. The 'C' Shares will be listed on the Official List of the UK Listing Authority and will be admitted to trading on the London Stock Exchange's market for listed securities.

Directors and members and employees of Bluehone intend applying for a minimum of 70,000 'C' Shares under the Offer.

Tender offer

It is the current intention of the Company to provide 'C' Shareholders with the opportunity to realise their investment in 'C' Shares after 6 April 2009 by means of a tender offer, allowing all 'C' shareholders the opportunity to tender up to 100% of their holdings. This will be subject to the approval of Shareholders (including ordinary shareholders) which will be sought at an extraordinary general meeting at the relevant time. The proportion of the 'C' Share Pool owned by the tendering shareholders would be transferred to a separate pool of assets and sold in the market on a best execution basis and the funds raised distributed to tendering shareholders thereafter less a 5% liquidation fee. The liquidation fee would be for the benefit of all shareholders.

Reasons for the Offer

The Directors believe that the proposed fundraising will have the following advantages:

- **Diversity:** A further phase of investment will expand the capital base of the Company and allow an increased spread of risk both across a larger number of investments and the business cycle, benefiting all Shareholders following Conversion. If the Offer is fully subscribed, the combined pool of investments could increase to approximately 150 companies at Conversion.
- **Costs:** The fixed running costs of the Company will be spread over a larger asset base, thereby reducing the overall level of the running costs as a percentage of the Company's assets.
- **Liquidity:** Increasing the overall size of the Company may lead to increased liquidity in the Company's shares in the longer term.

Advantages of an issue of 'C' Shares

The Board believes that by raising additional capital for the Company in this manner, some of the potential disadvantages otherwise associated with raising additional share capital will be overcome. In particular, the use of 'C' Shares avoids the need to vary the Offer Price if the net asset value of the Company fluctuates during the course of the Offer. Furthermore, as a result of the Offer, any dilution of the net assets attributable to existing Shareholders will be avoided. It will also ensure that the number of ordinary shares to which 'C' Shareholders will in due course become entitled can accurately reflect the relative contribution of the net proceeds of the Offer to the enlarged net assets of the Company.

The conversion process and the rights attaching to the 'C' Shares are set out in Part IV.

6. The Manager

The Company's investment portfolio is managed by Bluehone Investors LLP, whose principals comprise Robert Mitchell, the individual primarily responsible for the Company's portfolio, Bill Brown and Stuart Rollason.

Bluehone was formed in January 2005 after the Board's announcement on 2 December 2004 that it had consented to F&C (the former investment manager) selling its interest in the Company's management to a new business being established by its three principals. Bluehone, which is authorised and regulated by the Financial Services Authority, is an investment boutique specialising in managing the equity investment portfolios of UK smaller companies and currently is responsible for managing in excess of £230 million including, in addition to the Company, The AiM VCT plc, Active Capital Trust plc and F&C Private Equity Trust plc C share pool.

The team of the Manager comprises fund managers Bill Brown, Robert Mitchell, Stuart Rollason and Sally Mills who recently joined from Electra Partners. Formerly at F&C and now at Bluehone, Bill Brown, Robert Mitchell and Stuart Rollason, assisted by Sally Mills, share the responsibility as fund managers principally responsible for Active Capital Trust plc, The AiM VCT plc, AiM VCT2 plc and F&C Private Equity Trust plc C share pool.

Bill Brown: Bill qualified as a Chartered Accountant in 1986 with KPMG, where he began his career in 1983. He worked in general practice and latterly in the corporate finance department, specialising in advising small companies on raising capital. In 1988 Bill moved to INVESCO where he worked in the venture capital department.

Bill joined Ivory & Sime plc in 1993 as part of its private equity business. He managed The AIM Trust plc from its launch in 1996 and 3PC Investment Trust PLC from its launch in 2001; in 2003 these two companies merged to form Active Capital Trust plc. From October 2000, prior to the completion of the merger with ISIS and F&C, Bill ran the smaller companies business of ISIS, responsible for seven fund managers and total assets of some £550 million. Bill serves on the London Stock Exchange's AIM Advisory Group.

Robert Mitchell: Robert began his career at Throgmorton Investment Management in 1987 as a small companies analyst and progressed to fund management of specialist pension funds. When Throgmorton merged with Framlington in 1992 Robert also took on balanced pension fund remits.

Robert joined Ivory & Sime plc in 1995 to help launch The AIM Trust plc and then assist in its management. Robert has been the lead investment manager for The AiM VCT plc and the Company since their respective launches in December 1998 and December 2000.

Stuart Rollason: Stuart gained a medical degree from Birmingham University in 1985 and practised as a hospital doctor for five years. In 1990, he entered research at Oxford University. In 1992, he was awarded a Wellcome Trust Vision Research Fellowship to support his research. In January 1996, he made a career change by joining Beeson Gregory as a research analyst specialising in biotechnology, pharmaceuticals and healthcare and subsequently performed similar roles at West LB Panmure and Nomura International.

Stuart joined Ivory & Sime plc in August 2000, moving eventually into a more generalist role, taking over the management of ISIS Institutional UK Smaller Companies Fund and the ISIS MPF UK Smaller Companies Fund in August 2003. In addition, in January 2004, he took over the management of the small cap sub portfolio of the Institutional UK Equity Fund.

Sally Mills: Sally joined Bluehone on 1 July 2005 to assist Robert Mitchell in managing the investment portfolios of the two venture capital trusts. Sally was previously employed by Electra Partners.

Information as at 31 October 2005 on the three investment trusts managed by Bluehone is set out below:

Name	Launch date	Gross assets	No. of shareholders
Active Capital Trust plc	May 2001	101	1,533
F&C Private Equity Trust plc C share pool	August 2005	49	141
The AiM VCT plc	December 1998	16	1,364
AiM VCT2 plc	December 2000	37	2,290

Source: the Manager

7. The Directors

The Directors have overall responsibility for the Company's affairs and operate within the Combined Code of Best Practice and the Turnbull guidelines for fully listed companies.

The Directors, all of whom are non-executive and independent of the Manager, together have relevant experience of similar investment funds, regulatory organisations, corporate governance of listed companies, the private equity industry and investee companies.

Gordon Brough (46) was a founding partner of the City Law Partnership which specialised in corporate work with particular emphasis on the fund management and life insurance sectors. The City Law Partnership merged with Maclay Murray & Spens where Gordon now heads the firm's Financial Services Group.

Robert Catto (58) is a senior fund manager at Williams de Broë and has over 30 years' experience in investing private clients' funds particularly in smaller quoted companies. His main focus is advising on and managing investments in AIM companies as well as pre-flotation funding on behalf of his client base. He is a director of Halkin Services Ltd.

Jamie Matheson (51) has over 30 years' experience in stockbroking. He is a director of Bell Lawrie and chairman of Brewin Dolphin Holdings plc, its parent company. He was previously responsible for the institutional and corporate broking activities of Bell Lawrie and was until recently a non-executive director of Scottish Radio Holdings plc.

Steven Mitchell (56) is a partner in SMC which specialises in providing consultancy services for major insurance companies and investment houses. He is also chairman of Ward Mitchell Partnership Ltd and a director of The AiM VCT plc, Ward Mitchell Trustees Ltd, Ward Mitchell Holdings Ltd and three of its subsidiary companies.

The Board is considering the appointment of a further non-executive Director with accounting experience to strengthen the Board in this area. In the event that an appropriate candidate is identified an announcement of his or her appointment will be made in accordance with the Listing Rules.

8. Shareholder Benefits

8.1 Shareholder Friendly Policies

The Board of AiM VCT2 is committed to a policy of regular and open communication with Shareholders and this is expressed not only in the statutory accounts but also through bi-annual fact sheets and general meetings.

8.2 Shareholder choice

This has been achieved by offering Shareholders the ability to:

- increase their shareholdings through top-up offers;
- reinvest their dividends, enabling those whose personal objective is capital growth to achieve this in a tax efficient manner; and
- sell their shares through the operation of a buy-back policy.

It is intended to continue these policies, subject to the rules of the London Stock Exchange and other regulatory requirements, always having regard to the costs involved.

8.3 Dividends and Dividend Reinvestment

Generally a VCT must distribute by way of dividend such amount as ensures that it retains not more than 15 per cent of its income from shares and securities. Dividends will be paid to 'C' Shareholders prior to conversion on income received and accrued from the fixed interest portfolio and from any realised capital profits from the investments made with the proceeds from the Offer. The first dividend on the 'C' Shares, if payable, is expected to be paid as a final dividend in April 2007 (although this is not a profit forecast). The ordinary shares arising on conversion of the 'C' Shares will rank *pari passu* with ordinary shares already in issue, and as such will be entitled to receive dividends declared in respect of the periods thereafter but will not receive any dividend payable on the ordinary shares before conversion.

The Directors offer Shareholders the opportunity to reinvest their dividends by subscribing for new shares in the Company. Dividend reinvestment enables Shareholders to increase their shareholding without incurring dealing costs, issue costs or stamp duty. Shareholders are free to leave or join the scheme at any time at no cost. Shares acquired through dividend reinvestment should qualify for VCT tax reliefs that are applicable to new subscriptions for new shares and form part of each Shareholder's current, annual limit of £200,000 for investment in VCTs. Shareholders who intend to subscribe their maximum allowance in VCTs in the tax year should not participate in the dividend reinvestment scheme. Shareholders wishing to reinvest their dividends should tick the box on the Subscription Form. The terms and conditions of the Dividend Reinvestment Scheme are set out in Part VI.

The number of new shares issued shall be divided by the greater of (i) the net asset value per share of the Company or (ii) the mid price value per share as at the close of business on the previous day.

8.4 Buy-back policy

It is intended that the Company will make market purchases of its own shares from time to time, up to a maximum annual number of shares equivalent to 14.99% of the total number of issued shares. The Board intends to keep under review the basis on which the Company might buy back shares for cancellation..

8.5 NAV Announcements

The Board announces the Company's NAV on a daily basis. The Board believes that, by announcing the Company's financial results on a regular basis, it should help to provide a fairer market place for its shares.

9. Offer Details

9.1 Cost of the Offer

The expenses of the Offer (including irrecoverable VAT and sales commission of up to 3%) payable by the Company will be 5% of the gross proceeds. If the Offer is fully subscribed, the net proceeds will therefore be £38 million. The Manager has agreed to indemnify the Company in respect of any costs of the Offer which exceed 5% and will receive the amount, if any, by which actual costs of the Offer are less than 5%.

Commission will be paid to authorised financial intermediaries at a rate of either 3% or 2.25% on the value (at the Offer Price) of successful applications submitted through them. For those who elect to take an initial commission of 2.25%, the Company will pay an additional annual commission comprising 0.375% of the average quarterly net asset value of the 'C' Shares held by investors who submitted applications under the Offer through the intermediary ('C' Shares held in excess of those issued under the Offer are disregarded). The annual commission will be paid with effect from November 2006 to November 2009 subject to a maximum total commission of 3.75%, including the initial commission, and will cease to be payable if the shares are sold or the Company is wound up. Intermediaries must substantiate the interests of investors who hold their 'C' Shares through nominees to the satisfaction of the Manager.

9.2 Subscriptions

Applications will be accepted on a first come first served basis (provided cheques are not post-dated), subject always to the discretion of the Directors. Subscribers are encouraged to submit their Subscription Form early in order to be confident that their application will be successful. In the event of over-subscription, applications may be scaled down or subject to ballot.

The minimum application level under the Offer is £3,000 (3,000 'C' Shares) and in multiples of £1,000 (1,000 'C' Shares) thereafter. The maximum aggregate subscription which will be eligible for full tax relief is £200,000 (200,000 'C' Shares).

The Offer will close at 12 noon on 3 April 2006 (or any earlier date on which it is fully subscribed) save that the Directors reserve the right to extend the closing date of the Offer. A RIS announcement will be made as soon as practicable after each allotment of 'C' Shares.

10. Management and Administration Arrangements

10.1 Annual Management Fees

The Company and the Manager have entered into a management agreement that may be terminated by either party on 12 months' notice. The Manager is paid a fee at a rate of 2% per annum of the Company's net assets including the assets attributable to the 'C' Shares.

10.2 Performance Incentive

It is VCT industry practice to reward exceptional performance of an investment manager. Accordingly, the Manager may also become entitled to receive a performance fee from the Company.

The performance fee will be calculated by reference to distributions made to shareholders. No performance fee will be paid by the Company until cumulative distributions exceed a return equivalent to simple interest at a rate of 36% on the aggregate amount paid to the Company by way of subscription for 'C' shares pursuant to the Offer. No performance fee will be paid in respect of the Offer unless or until the hurdle for the Company's existing investment portfolio has also been achieved for the ordinary shares. Similarly no performance fee will be paid on the ordinary shares unless and until the performance hurdle for the 'C' Shares has also been achieved. A performance fee will be paid of 20% of the amount by which cumulative distributions exceed this hurdle rate.

In subsequent accounting periods, the Company will pay to the Manager a fee of 20% of the amount by which cumulative distributions for that accounting period (and all previous accounting periods) exceed an amount equal to simple interest at a rate of 7.2% per annum on the aggregate amount paid to the Company by way of subscription for 'C' Shares pursuant to the Offer less an amount equal to the aggregate of any performance fees previously paid.

10.3 Administration and Marketing

The Company has retained F&C Asset Management plc for Company Secretarial and Administration services. F&C Asset Management plc receives a quarterly secretarial and administration fee comprising an annual fee of £31,848 adjusted for movements in the Retail Prices Index and a variable fee of 0.125 per cent per annum to the extent the Company's net assets exceed £5 million. Following the Offer, the annual fee will be split *pro rata* between the ordinary and 'C' Share Pools and the variable fee will be applicable to the extent the Company's net assets exceed £5 million per pool. F&C is also a member of Bluehone. These fees will be subject to a maximum annual amount of £125,000 excluding VAT.

F&C will receive a fee of 1% of the aggregate value of successful applications for their services in marketing the Offer to investors, which is included within the 5% maximum for the expenses of the Offer. F&C is also a member of Bluehone.

10.4 Custody Arrangements

JP MorganChase Bank acts as custodian of the Company's quoted assets and, in that capacity is responsible for ensuring safe custody and dealing with settlement arrangements.

10.5 Annual Running Costs

Annual running costs, being the Directors' fees, professional fees and the costs incurred by the Company in the ordinary course of business (excluding any performance fees payable to the Manager and any irrecoverable VAT thereon), are capped at 3.5% of the Company's net assets, any excess being met by the Manager by way of a reduction in future management fees.

Prior to the Offer, annual running costs excluding VAT are expected to be 3.2 per cent in the year to 30 November 2005. The annualised costs for the subsequent period excluding VAT are expected to fall to approximately 2.5 per cent assuming full subscription of the Offer.

Expenses are charged through the revenue account except where incurred in connection with the maintenance or enhancement of the value of the Company's assets. Management fees are allocated 25% to the Company's revenue account and 75% to its capital account, in line with the expected split of long-term income and capital returns and in accordance with standard VCT practice.

11. Additional Information

11.1 Incorporation and administration

The Company was incorporated and registered in England and Wales on 3 October 2000 with limited liability as a public limited company under the Act with the name AiM VCT2 plc and with registered number 04084875. The Company operates under the Act and the regulations made thereunder.

11.2 Duration of the Company

At the Annual General Meeting held on 7 April 2005, Shareholders approved an amendment to the articles of association to extend the life of the Company. At the annual general meeting to be held in 2009 and thereafter at 3-yearly intervals, a proposal for the continuation of the Company in its then form will be put to Shareholders. The Board may seek Shareholder approval for the postponement of the continuation vote by one year at successive annual general meetings.

11.3 Annual accounts

The Company's annual report and accounts are made up to 30 November and are ordinarily sent to Shareholders in February. Shareholders also receive unaudited half-year accounts for the period to the end of May in each year.

The Company produces summary financial statements which contain sufficient information to enable Shareholders to gain a clear understanding of the Company's progress, but does not contain as much information as the full annual report & accounts. The summary financial statement comprises a Chairman's Statement, Manager's Review, Top Ten Investments, Portfolio Valuation, Profit and Loss Account, Balance Sheet, Summary Director's Report and Summary Auditor's Report. Shareholders will automatically be sent the summary financial statements unless the box to receive full accounts on the application form is completed.

11.4 Working Capital

The Company is of the opinion that it has sufficient working capital for its present requirements (that is, for at least 12 months following the date of this document).

11.5 Statement of capitalisation and indebtedness

The following table shows the capitalisation of the Company as at 31 May 2005, the date in respect of which interim financial information (unaudited) on the Company has been published.

	£'000
Shareholders' equity	
Share capital	4,424
Share premium	5,414
Other reserves*	(434)

*Excludes profit and loss reserve of £28.583 million.

There has been no material change in the capitalisation of the Company since 31 May 2005.

The following table shows the Company's gross indebtedness as at 31 October 2005

	£'000
Total current debt	
Guaranteed	–
Secured	–
Unguaranteed/secured	570
Total non-current debt	
Guaranteed	–
Secured	–
Unguaranteed/secured	–

As at 31 October 2005, the Company had net liquid assets (excluding its investment portfolio) of £608,000 as set out below:

	£'000
A. Cash	1,165
B. Cash equivalents	–
C. Trading securities	–
D Liquidity (A+B+C)	1,165
E. Current financial receivable	13
F. Current bank debt	–
G. Current position of non current debt	–
H. Other current financial debt	570
I. Current financial debt (F+G+H)	570
J. Net current financial indebtedness (I-E-D)	(608)
K. Non-current bank loans	–
L. Bonds issued	–
M. Other non-current loans	–
N. Non-current financial indebtedness (K+L+M)	–
O. Net financial indebtedness (J+N)	(608)

There is no indirect nor contingent indebtedness.

Source: unaudited management accounting records

12. Taxation and HM Revenue & Customs Approval

The Directors have managed and intend to continue to manage the Company's affairs in order that it complies with the legislation applicable to VCTs. In this regard, the Company has retained PricewaterhouseCoopers LLP to advise on its VCT status. HM Revenue & Customs has accepted that the Company has maintained all VCT tests for the period to 30 November 2004. The Company will continue to conduct its affairs so as to comply with Section 842AA ICTA for the year to 30 November 2005 and for subsequent periods. However, there can be no guarantee that VCT status will be maintained.

Any potential investor in doubt as to the tax reliefs associated with venture capital trusts should consult their independent financial adviser authorised under the FSMA.

13. Settlement and Dealings

13.1 Share certificates

Definitive share certificates together with certificates to claim income tax relief are expected to be despatched by post within ten Business Days of allotment. Such allotments, and the result of the Offer, will be notified to a RIS.

Those successful Applicants who wish to take advantage of the ability to hold shares in uncertificated form, and who have access to a CREST account, may arrange with their CREST sponsor to convert their holdings into dematerialised form.

13.2 Dealing

Application has been made to the UK Listing Authority and the London Stock Exchange for the 'C' Shares to be issued pursuant to the Offer to be admitted to the Official List and to trading on the main market of the London Stock Exchange. The ordinary shares and 'C' Shares will be in registered form and will be transferable. The terms and conditions of the Offer are set out in Part VII of this Securities Note.

14. Availability of the Prospectus

Copies of this document may be obtained from:

F&C Asset Management plc

80 George Street
Edinburgh
EH2 3BU
Tel: 0845 799 2299

Bluehone Investors LLP

48/54 Moorgate
London
EC2R 6EJ
Tel: 020 7496 8929

Teather & Greenwood Limited

Beaufort House
15 St Botolph Street
London
EC3A 7QR
Tel: 020 7426 7707

Part III: VCTs – Taxation Considerations

A number of tax benefits are available to individuals, aged 18 or over, who invest in shares in a VCT. The tax benefits available to those individuals are different, depending on whether the individual subscribes for shares or acquires shares otherwise than by way of subscription. There is also a limit (the Qualifying Limit) on the amount which, in any tax year, an individual may invest in VCTs which will qualify for any tax benefits. The current limit is £200,000. Investments in ordinary shares in VCTs in excess of the Qualifying Limit will not be eligible for any tax benefits.

Set out below is a summary of the tax benefits available to Qualifying Applicants and Qualifying Purchasers.

(i) Qualifying Applicants (not Qualifying Purchasers)

The tax relief is available on aggregate investments in VCTs of up to £200,000 in any one tax year. Where advantage is taken of this relief, a Qualifying Applicant will be able to obtain total initial tax relief of up to 40 per cent of the amount of his investment depending on the total amount of income tax suffered by the investor.

Maximum effect of initial tax reliefs:

	No VCT tax relief	40% income tax relief
Initial investment	£100,000	£100,000
40% income tax relief	–	(£40,000)
Effective cost of the investment	£100,000	£60,000

Whereas the above relief is only available on subscription, for Qualifying Applicants and Qualifying Purchasers on investments up to a maximum of £200,000 in VCTs in any one tax year, dividends will be exempt from income tax and any profits on the disposal of the shares will be exempt from capital gains tax.

Relief from income tax up to the higher rate (currently 40 per cent) will be available on subscriptions for shares in a VCT made before 6 April 2006, subject to the Qualifying Limit (currently £200,000 in each tax year). The relief, which will be available in the year of subscription, cannot exceed the amount which reduces the income tax liability of the Qualifying Applicant in that year to nil. Relief may not be available if there is a loan linked with the investment.

Relief will not be available, or, where given, will be withdrawn, either in whole or in part, where there is any disposal (except on death) of the shares (or of an interest in them or right over them) before the end of the period of three years beginning with the date on which the shares were issued to the Qualifying Applicant.

To obtain relief, a Qualifying Applicant must subscribe for the shares in his own name, and not through a nominee, although the shares may subsequently be transferred into the name of a nominee. Where a Qualifying Applicant has acquired shares in the same VCT on more than one occasion, he, or she, will be treated as disposing of the shares which he or she acquires on an earlier date, in priority to those which he acquires on a later date. Where he, or she, has acquired shares on the same occasion, some of which qualify for relief and some of which do not, he or she, will be treated as disposing of the shares which do not qualify for relief in priority to those which qualify.

(ii) Qualifying Applicants and Qualifying Purchasers

Exemption from capital gains tax

Any gain or loss accruing to Qualifying Applicants or Qualifying Purchasers on a disposal of shares in a company which was a VCT at the time he, or she, acquired the shares, and remained a VCT throughout his, or her, period of ownership, will neither be a chargeable gain, nor an allowable loss, for the purposes of capital gains tax.

Exempt dividend income

Dividend income will be exempt from tax. No tax credits will be repayable in respect of dividends paid.

Procedure for obtaining reliefs available to Qualifying Applicants

VCTs will supply Qualifying Applicants with certificates enabling them to claim income tax relief. The certificate will specify details of the Shareholder, the date on which the shares were issued and the amount paid for the shares, and also will certify that the shares have been issued to a Qualifying Applicant, and that certain other conditions are met to the best of the VCT's knowledge and belief. The relief may not be available unless the Qualifying Applicant holds such a certificate.

The investor may use the certificate to claim income tax relief either by obtaining from HM Revenue & Customs an adjustment to his tax coding under the PAYE system or by waiting until the end of the tax year and using a Self Assessment Tax Return.

Dividends received in cash on shares acquired in VCTs up to the Qualifying Limit (currently £200,000 per tax year) need not be shown in the investor's Self Assessment Tax Return.

All dividends are paid gross to the Company and the Company pays all dividends to its shareholders gross.

Part IV: Details of the 'C' Shares and Conversion

The relevant provisions of the Articles are summarised below:

1. Definitions

The following definitions apply for the purposes of this Part of the document only:

“Articles” means the Articles of Association of the Company;

“Auditors” means KPMG Audit plc, the auditors of the Company;

“Business Day” means any day on which banks are generally open for business in London, other than a Saturday;

“Calculation Date” means the close of business on 30 November 2009;

“Conversion” means conversion of the 'C' Shares in accordance with paragraph 8 below;

“Conversion Date” means close of business on such Business Day as may be selected by the Directors falling not more than twenty Business Days after the Calculation Date;

“Conversion Ratio” means the ratio of the Net Asset Value per 'C' share divided by the Net Asset Value per ordinary share as at the Calculation Date;

“C' Shares” means shares of 50p each (unless the context otherwise requires) in the capital of the Company carrying the rights set out in paragraphs 3 to 8 (inclusive) below;

“deferred shares” means deferred shares of 10p each in the capital of the Company arising on Conversion;

“existing ordinary shares” means the ordinary shares in the capital of the Company in issue immediately prior to Conversion;

“Issue Date” means the day on which the Company first receives net proceeds of the Offer;

“Net Proceeds” means the net cash proceeds of the issue of the 'C' Shares (after deduction of those commissions and expenses relating thereto and payable by the Company);

“new ordinary shares” means the new ordinary shares, in registered form, arising on Conversion;

“ordinary shares” means ordinary shares of 10p each in the capital of the Company.

References to the Auditors confirming any matter shall be construed to mean confirmation of their opinion as to such matter whether qualified or not.

References to ordinary Shareholders and 'C' Shareholders and deferred shareholders shall be construed as references to holders for the time being of ordinary shares, 'C' shares and deferred shares respectively.

2. Rights to be paid dividends

The holders of the ordinary shares, the 'C' shares and the deferred shares shall, subject to the provisions of the Articles, have the following rights to be paid dividends:

- (i) the deferred shares (to the extent that any are in issue and extant) shall entitle the holders thereof to a non-cumulative dividend at a fixed rate of one per cent of the nominal amount thereof ("the Deferred Dividend") on the date six months after the Conversion Date payable to the holders thereof on the register of members on that date as holders of deferred shares but shall confer no other right, save as provided herein, on the holders thereof to share in the profits of the Company. The Deferred Dividend shall not accrue or become payable in any way until the date six months after the Conversion Date and shall then only be payable to those holders of deferred shares registered in the register of members of the Company as holders of deferred shares on that date. It should be noted that given the possible repurchase of the deferred shares as described below, it is not expected that any dividends will accrue or be paid on such shares;
- (ii) the 'C' Shareholders shall be entitled to receive in that capacity such dividends as the Directors may resolve to pay out of net assets attributable to the 'C' Shares and from income received and accrued which is attributable to the 'C' Shares;
- (iii) the existing ordinary shares shall confer the right to dividends declared in accordance with the Articles;
- (iv) the new ordinary shares shall rank *pari passu* with the existing ordinary shares for dividends and other distributions made or declared by reference to a record date falling after the financial period prior to Conversion; and
- (v) no dividend or other distribution shall be made or paid by the Company on any of its shares between the Calculation Date and the Conversion Date (both dates inclusive) and no dividend shall be declared with a record date falling between the Calculation Date and the Conversion Date (both dates inclusive).

3. Rights as to capital

The holders of the ordinary shares, the 'C' Shares and the deferred shares shall, subject to the provisions of the Articles, have the following rights as to capital:

- (i) the surplus capital and assets of the Company shall on a winding-up or on a return of capital (otherwise than on a purchase by the Company of any of its shares) prior to Conversion be applied amongst the ordinary shareholders *pro rata* according to the nominal capital paid up on their holdings of ordinary shares after having deducted therefrom any net assets attributable to 'C' Shareholders, which amount shall be applied amongst the 'C' Shareholders *pro rata* according to the nominal capital paid up on their holdings of 'C' Shares, and for the purposes of this paragraph 3(i) the Calculation Date shall be such date as the liquidator may determine; and
- (ii) the surplus capital and assets of the Company shall on a winding-up or on a return of capital (otherwise than on a purchase by the Company of any of its shares) after Conversion be applied as follows:
 - (a) first, if there are deferred shares in issue, in paying to the deferred shareholders 1p in respect of every 1,000,000 deferred shares (or part thereof) of which they are respectively the holders; and
 - (b) secondly, the surplus shall be divided amongst the ordinary shareholders *pro rata* according to the nominal capital paid up on their holdings of ordinary shares.

4. General meetings

The 'C' Shares shall carry the right to receive notice of and to attend and vote at any general meeting of the Company. The voting rights of holders of 'C' Shares will be the same as that applying to ordinary shareholders as set out in the Articles as if the 'C' Shares and existing ordinary shares were a single class. The deferred shares shall not carry any right to receive notice of or to attend or vote at any general meeting of the Company. The voting rights of the existing ordinary shares are not affected.

5. Deferred shares

The following shall apply to the deferred shares:

- (i) The 'C' Shares are issued on such terms that the deferred shares (but not the new ordinary shares arising on Conversion) may be repurchased by the Company in accordance with the terms set out herein;
- (ii) immediately upon Conversion, the Company shall repurchase all of the deferred shares which arise as a result of the Conversion for an aggregate consideration of 1p for every 1,000,000 deferred shares and the notice referred to in paragraph 8(ii) below shall be deemed to constitute notice to each 'C' Shareholder (and any person or persons having rights to acquire 'C' Shares on or after the Calculation Date) that the deferred shares shall be repurchased immediately upon Conversion for an aggregate consideration of 1p for each holding of 1,000,000 deferred shares. On repurchase, each deferred share shall be

treated as cancelled in accordance with section 160(4) of the Companies Act 1985 and the resulting authorised but unissued share capital shall ipso facto be reclassified and redesignated as ordinary share capital without further resolution or consent; and

- (iii) the Company shall not be obliged to (a) issue share certificates to the deferred shareholders in respect of the deferred shares; or (b) account to any deferred shareholder for the repurchase monies in respect of such shares.

6. Special rights

Without prejudice to the generality of the Articles, until Conversion it shall be a special right attaching both to the existing ordinary shares as a class and to the 'C' Shares as a class that save with the sanction or consent of such holders given in accordance with the Company's Articles:

- (i) no alteration shall be made to the Memorandum of Association or Articles of the Company;
- (ii) no allotment or issue will be made of any security convertible into or carrying a right to subscribe for any share capital of the Company; and
- (iii) no resolution of the Company shall be passed to wind up the Company.

7. Pre Conversion obligations

Until Conversion and without prejudice to its obligations under applicable laws, the Company shall:

- (i) procure that the Company's records, and bank and custody accounts shall be operated so that the assets attributable to the 'C' Shares are, at all times, separately identified and, in particular but without prejudice to the generality of the foregoing, the Company shall, without prejudice to any obligations pursuant to applicable laws, procure that separate cash accounts, broker settlement accounts and investment ledger accounts shall be created and maintained in the books of the Company for the assets attributable to the 'C' Shares;
- (ii) allocate to the assets attributable to the 'C' Shares such proportion of the income, expenses and liabilities of the Company incurred or accrued between the Issue Date and Calculation Date (both dates inclusive) as the Directors fairly consider to be attributable to the 'C' Shares; and
- (iii) give appropriate instructions to the Manager to manage the Company's assets so that such undertakings can be complied with by the Company.

8. Conversion

The 'C' Shares shall be sub-divided and converted into new ordinary shares and deferred shares on the Conversion Date in accordance with the following provisions:

- (i) The Directors shall procure that within twenty Business Days of the Calculation Date:
 - (a) the Conversion Ratio as at the Calculation Date and the numbers of ordinary shares and deferred shares to which each 'C' Shareholder shall be entitled on Conversion shall be calculated; and
 - (b) the Auditors shall be requested to confirm that such calculations as have been made by the Company have, in their opinion, been performed in accordance with the Articles and are arithmetically accurate whereupon such calculations shall become final and binding on the Company.
- (ii) The Directors shall procure that, as soon as practicable following such confirmation and in any event within twenty Business Days of the Calculation Date, a notice is sent to each 'C' Shareholder advising such 'C' Shareholder of the Conversion Date, the Conversion Ratio and the numbers of new ordinary shares and deferred shares to which that 'C' Shareholder will be entitled on Conversion.
- (iii) On Conversion each 'C' Share shall automatically sub-divide into five 'C' Shares of 10p each and such 'C' Shares of 10p each shall automatically convert into such number of ordinary shares and deferred shares as shall be necessary to ensure that, upon such Conversion being completed:
 - (a) the aggregate number of ordinary shares into which the same number of 'C' Shares of 10p each are converted equals the number of 'C' Shares in issue on the Calculation Date multiplied by the Conversion Ratio (rounded down to the nearest whole new ordinary share); and
 - (b) each 'C' Share of 10p which does not so convert into a new ordinary share shall convert into one deferred share.

- (iv) The new ordinary shares and deferred shares arising upon Conversion shall be divided amongst the former 'C' Shareholders pro rata according to their respective former holdings of 'C' Shares (provided always that the Directors may deal in such manner as they think fit with fractional entitlements to new ordinary shares and deferred shares arising upon Conversion including, without prejudice to the generality of the foregoing, selling any such shares representing such fractional entitlements and retaining the proceeds for the benefit of the Company).
- (v) Forthwith upon Conversion, the share certificates relating to the 'C' Shares shall be cancelled and the Company shall issue to each former 'C' Shareholder new certificates in respect of the new ordinary shares which have arisen upon Conversion to which he or she is entitled. Share certificates in respect of the deferred shares will not be issued.
- (vi) Forthwith upon Conversion, the rights attaching to the 'C' Shares under the Articles shall lapse and those attaching to the deferred shares shall lapse upon the repurchase of the deferred shares whereupon each deferred share comprised in the authorised but unissued capital of the Company shall be redesignated as an ordinary share without further resolution or consent.
- (vii) The Directors may make such adjustments to the terms and timing of Conversion as they in their discretion consider are fair and reasonable having regard to the interests of all Shareholders.

Prospective investors should consult their independent professional advisors on their position regarding the Conversion of the 'C' Shares.

An example of the Conversion of 'C' Shares

Assuming the Offer is fully subscribed, at launch the net asset value of the 'C' Share Pool will be £38,000,000 and there will be 40,000,000 'C' Shares in issue; i.e. a net asset value of 95.00p per 'C' Share. As an example, on 31 October 2005 the net asset value of the ordinary share fund was £36,710,874 and there were 43,644,382 ordinary shares in issue; i.e. a net asset value of 84.11p per ordinary share. On this basis the conversion ratio would have been calculated as follows:

$$95.00 \div 84.11 = 1.129473$$

As an example, an investor with 10,000 'C' Shares prior to Conversion would have received 11,294 new ordinary shares (the number of new ordinary shares issued being rounded down to the nearest whole new ordinary share).

Part V: Definitions

In this document, the following words and expressions have the following meanings:

“Act”	the Companies Act 1985 (as amended)
“Admission”	admission of the ‘C’ Shares allotted under the Offer to the Official List and to trading on the London Stock Exchange becoming effective
“AIM”	the AIM Market of the London Stock Exchange
“Articles”	the articles of association of the Company
“AiM VCT2” or the “Company”	AiM VCT2 plc
“Business Day”	means any day on which banks are generally open for business in London, other than a Saturday;
“ ‘C’ Shares”	convertible shares of 50 pence each in the capital of the Company to be issued pursuant to the Offer
“ ‘C’ Share Pool”	the separate pool of assets of the Company attributable to the ‘C’ Shares
“ ‘C’ Shareholders”	the holders of ‘C’ Shares
“Capita Registrars”	a trading division of Capita IRG Plc
“CREST”	the computerised settlement system to facilitate the transfer of title to securities in uncertified form operated by CRESTCo Limited
“Directors” or “Board”	the directors of the Company
“F&C”	F&C Asset Management plc
“fixed interest securities”	principally fixed interest government stocks and other fixed interest stocks or cash deposits
“FSA”	the Financial Services Authority
“FSMA”	Financial Services and Markets Act 2000
“ICTA”	Income and Corporation Taxes Act 1988
“Listing Rules”	the listing rules made by the UK Listing Authority under section 73(A) FSMA
“London Stock Exchange”	London Stock Exchange plc
“Manager” or “Bluehone”	Bluehone Investors LLP
“NAV” or “net asset value”	the net asset value of the Company calculated in accordance with the Company’s accounting policy and Articles
“Offer Price”	£1 per ‘C’ Share
“Offer”	the offer for subscription described in this document
“OFEX”	OFEX plc, a company authorised by the Financial Services Authority
“Official List”	the Official List maintained by the UKLA
“ordinary shares”	ordinary shares of 10 pence each in the capital of the Company

“Private Investor” or “Qualifying Applicant”	an individual, aged 18 or over, who subscribes for ‘C’ Shares within the Qualifying Limit
“Prospectus”	this Securities Note, the Registration Document and the Summary
“Prospectus Rules”	the prospectus rules made by the UK Listing Authority under section 73(A) FSMA
“Qualifying Company”	an unquoted (including AIM-traded) company carrying on a qualifying trade wholly or mainly in the UK satisfying the conditions in Schedule 28B to ICTA
“Qualifying Holding”	shares in, or securities of, a Qualifying Company held by a VCT which meets the requirements described in Schedule 28B ICTA
“Qualifying Limit”	the investor’s subscription limit of £200,000 per tax year
“Qualifying Purchaser”	an individual, aged 18 or over, who purchases ordinary shares (or ‘C’ Shares) within the Qualifying Limit, otherwise than by way of subscription
“Receiving Agent”	Capita Registrars, Corporate Actions, PO Box 166, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TH
“Registration Document”	the Registration Document that together with the Securities Note and the Summary Note constitute the Prospectus
“RIS”	Regulatory Information Service
“Scheme Administrator”	Capita IRG Plc, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
“Securities Note”	this Securities Note that together with the Registration Document and the Summary Note constitute the Prospectus
“shares”	ordinary shares and/or ‘C’ Shares
“Shareholders”	holders of Shares
“Subscription”	means the offer made by a Qualifying Applicant by completing a Subscription Form
“Subscription Form”	the subscription form for use in respect of the Offer set out at the end of this document
“Summary”	the Summary that, together with the Registration Document and this Securities Note, constitutes the Prospectus
“UK Listing Authority” or “UKLA”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA
“VAT”	value added tax
“venture capital trust” or “VCT”	a venture capital trust as defined in section 842AA ICTA

The information in the Prospectus that has been sourced from third parties has been accurately reproduced and as far as the Company is aware and is able to ascertain from information published by these third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Part VI: Terms and Conditions of the Dividend Reinvestment Scheme (the “Scheme”)

1. In these Scheme terms and conditions, capitalised terms shall have, unless the context otherwise permits, the meanings defined in this document.
2. The Company shall administer the investment of the monies held within the Scheme (being dividends paid on Shares held by, or on behalf of, subscribers participating in the Scheme) in the subscription of further Shares. The Scheme Administrator shall not have the discretion to vary such investments and subscribers may not instruct the Company or the Scheme Administrator to make any other investments. Subscribers who are Shareholders may only join the Scheme in respect of the Shares if all dividends on the Shares registered in their name are mandated to the Scheme. The number of Shares held by any such subscriber which are mandated to the Scheme shall be altered immediately following any change to the number of Shares in respect of which such Shareholder is the registered holder as entered onto the share register of the Company from time to time.
3.
 - (a) On or as soon as practicable after a Reinvestment Day, the monies held within the Scheme shall be applied on behalf of that subscriber in the subscription for the maximum number of new Shares as can be acquired with those funds;
 - (b) the number of new Shares issued to a subscriber pursuant to condition 3(a) above shall be calculated by dividing the aggregate value of the dividends paid on the Shares together with any cash residue brought forward to which that subscriber is entitled by the greater of (i) the net asset value per Share of the Company (as determined by F&C Asset Management plc) and (ii) the nominal value per Share and (iii) the mid price value per Share as at the close of business on the Business Day preceding the date of issue of such Shares; and
 - (c) any balance of cash remaining after the subscription shall be held by the Company and on behalf of the subscriber to whom it relates and added to the cash available in respect of that subscriber for the subscription of Shares on the next Reinvestment Day. No interest shall accrue or be payable in favour of any subscriber on any such cash balances.
4. The Scheme Administrator shall immediately after the subscription of Shares in accordance with condition 3 hereof take all necessary steps to ensure that the subscribers are entered onto the share register of the Company as the registered holders of the Shares issued to them in accordance with condition 3(b) above, and that share certificates in respect of such Shares are issued and delivered to the subscribers at their own risk, as soon as is reasonably practicable (unless such Shares are to be uncertified). Shareholders will receive with their share certificates (if any) a statement detailing:
 - (a) the dividend available for reinvestment;
 - (b) the price per Share subscribed and the date of issue;
 - (c) the number of Shares issued and the total cost; and
 - (d) the cash to be carried forward for investment on the next Reinvestment Day.
5. All costs and expenses incurred by the Scheme Administrator in administering the Scheme will be borne by the Company.
6. Each subscriber warrants to the Scheme Administrator and the Company that:
 - (a) during the continuance of his or her participation in the Scheme he or she will remain the sole beneficial owner of the Shares mandated to the Scheme free from encumbrances or security interests;
 - (b) all information set out in the Subscription Form is correct and to the extent any of the information changes he or she will notify the changes to the Scheme Administrator; and
 - (c) during the continuance of his or her participation in the Scheme he or she will comply with the provisions of condition 7 below.
7. The right to participate in the Scheme will not be available to any person who is a citizen, resident or national of, or has a registered address in, any jurisdiction outside the United Kingdom. No such person receiving a copy of the Scheme documents may treat them as offering such a right unless an offer could properly be made without such compliance. It is the responsibility of any subscriber wishing to participate in the Scheme to be satisfied as to the full observance of the laws of the relevant jurisdiction(s) in connection therewith, including obtaining any governmental or other consents which may be required and observing any other formalities needing to be observed in any such jurisdiction(s).

8. The Shareholder acknowledges that neither the Scheme Administrator nor the Company is providing a discretionary management service. Neither the Scheme Administrator nor the Company shall be responsible for any loss or damage to subscribers as a result of their participation in the Scheme unless due to the negligence or default of the Scheme Administrator or the Manager (respectively), its servants or agents.
9. The subscriber may at any time by notice of not less than 14 days to the Scheme Administrator terminate his or her participation in this Scheme and withdraw any monies held by the Scheme Administrator for the Company and on his or her behalf in relation thereto. If a subscriber who is a Shareholder shall at any time cease to hold any Shares in the Company, he or she shall be deemed to have served such a notice in respect of his or her participation in the Scheme. If such notice is served or deemed to have been served, the Scheme Administrator shall pay all of the monies held by the Company on the subscriber's behalf to the subscriber at the address set out in the Subscription Form, subject to any deductions which the Scheme Administrator may be entitled or bound to make hereunder.
10. If a subscriber withdraws from the Scheme and a cash balance remains of less than £1 that balance will not be repaid, but will be donated to a recognised registered charity.
11. The Company and the Scheme Administrator shall be entitled, at any time and from time to time, to suspend the operation of the Scheme and/or to terminate the Scheme without notice to the subscribers. In the event of termination, the Scheme Administrator shall, subject to condition 10 above, pay to each subscriber all of the monies held by the Company on his behalf.
12. All notices and instructions to be given to the Scheme Administrator shall be in writing and delivered or posted to Capita IRG Plc, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
13. The Company shall be entitled to instruct the Scheme Administrator to amend the Scheme terms and conditions on giving one month's notice in writing to all participating subscribers. If such amendments have arisen as a result of any change in statutory or other regulatory requirements, notice of such amendment will not be given to subscribers unless in the Scheme Administrator's opinion the change materially affects the interests of subscribers. Amendments to the Scheme Terms and Conditions which are of a format, minor or technical nature or made to correct manifest error and which do not adversely affect the interests of subscribers may be effected without notice.
14. By completing and delivering the Subscription Form, the subscriber:
 - (a) agrees to provide the Company with any information which it may request in connection with such application and to comply with legislation relating to venture capital trusts or other relevant legislation (as the same may be amended from time to time); and
 - (b) declares that a loan has not been made to the subscriber or any associate, which would not have been made or not have been made on the same terms but for the subscriber offering to subscribe for, or acquiring, 'C' Shares and that the 'C' Shares are being acquired for bona fide commercial purposes and not as part of a scheme or arrangement the main purpose of which is the avoidance of tax.
15. Subscriptions for venture capital trust shares only attract tax reliefs in the tax year 2005/06 (and subsequent years under current legislation) if subscriptions to all venture capital trusts do not exceed £200,000 (including subscriptions pursuant to dividend reinvestment schemes). Investors are responsible for ascertaining their own tax status and liabilities and neither the Scheme Administrator nor the Company can accept any liability in the event they do not receive any venture capital trust tax reliefs.
16. Since dividends on Shares acquired in excess of £200,000 in the tax year 2005/06 (and subsequent years under current legislation) will not be exempt from income tax in the same way as Shares acquired within this limit, subscribers will generally be liable to tax on such dividends. The Company will nevertheless invest the whole of such dividends unless the Scheme Administrator is notified to the contrary in writing at least 14 days before a Reinvestment Day.
17. The Company shall not be required to issue 'C' Shares hereunder if the Directors so decide.
18. These Scheme terms and conditions shall be governed by, and construed in accordance with, English law and each subscriber submits to the jurisdiction of the English courts and agrees that nothing shall limit the right of the Company to bring any action, suit or proceeding arising out of or in connection with the Scheme in any other manner permitted by law or in any court of competent jurisdiction.

Shareholders in any doubt about their tax position should consult their independent professional adviser.

Part VII: Terms and Conditions of Subscription

Save where the context otherwise requires, words and expressions defined in the Securities Note dated 25 November 2005 published by the Company have the same meanings when used in the Subscription Form and terms and conditions and explanatory notes in relation thereto.

The sections headed "Notes on how to complete the Subscription Form" as set out form part of these terms and conditions of Subscription.

- (a) The contract created by the acceptance of a Subscription will be conditional on the Admission of 'C' Shares conditionally allotted pursuant to the Subscription becoming effective.
- (b)
 - (i) The right is reserved by the Company to present all cheques and banker's drafts for payment on receipt and to retain share certificates and subscription monies, pending clearance of successful Qualifying Applicants' cheques and banker's drafts. The Company may treat Subscriptions as valid and binding even if not made in all respects in accordance with the prescribed instructions and the Company may, at its discretion, accept a Subscription in respect of which payment is not received by the Company prior to the closing of the Offer. If any Subscription is not accepted in full or any contract created by acceptance does not become unconditional, the Subscription monies or, as the case may be, the balance thereof will be returned (without interest) by returning each relevant Qualifying Applicant's cheque or banker's draft or by crossed cheque in favour of the Qualifying Applicant, through the post at the risk of the person(s) entitled thereto.
 - (ii) The right is reserved to change the basis of allocation under the Offer at the discretion of the Directors after consultation with Teather & Greenwood Limited ("Teather & Greenwood"), Bluehone Investors LLP ("Bluehone") and F&C Asset Management plc ("F&C"), and to reject in whole or in part and scale down and/or ballot any Subscription or any part thereof. Subscriptions which are not accompanied by cheques available for immediate presentation or by other valid payment means will be dealt with at the Directors' discretion. If any dispute arises as to the date or time at or on which a Subscription is received, the Directors' determination shall be final and binding.
 - (iii) The right is reserved for the Company to scale down or increase (subject to a maximum of 2,000,000 'C' Shares) the number of 'C' Shares available for subscription under the Offer at any time prior to the closing of the Offer.
 - (iv) The Company reserves the right to allot and arrange for the listing of 'C' Shares under the Offer prior to the stated closing date. The Company may accept multiple applications.
- (c) By completing and delivering a Subscription Form, you as the Applicant (and, if you sign a Subscription Form on behalf of somebody else, that person, except as referred to in paragraph (c) (xx) below):
 - (i) offer to subscribe for the number of 'C' Shares specified in your Subscription Form (or such lesser number for which your Subscription is accepted) at 100 pence per 'C' Share on the terms of and subject to the Prospectus, including these terms and conditions, and subject to the memorandum and articles of association of the Company;
 - (ii) agree that, in consideration of the Company agreeing to process your Subscription, your Subscription will not be revoked until after the closing date of the Offer and that this paragraph shall constitute a collateral contract between you and the Company which will become binding upon despatch by post to, or (in the case of delivery by hand) on receipt by, the Receiving Agent of your Subscription Form, subject to your statutory right of withdrawal in the event of the publication of a supplementary prospectus by the Company;
 - (iii) agree and warrant that your cheque or banker's draft may be presented for payment on receipt and will be honoured on first presentation and agree that if it is not so honoured you will not be entitled to the 'C' Shares applied for or to enjoy or receive any rights or distributions in respect of such 'C' Shares until you make payment in cleared funds for such 'C' Shares and such payment is accepted by the Company in its absolute discretion (which acceptance shall be on the basis that you indemnify it, Teather & Greenwood, Bluehone, F&C, and the Receiving Agent against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and you agree that, at any time prior to the unconditional acceptance by the Company of such late payment, the Company may (without prejudice to its other rights) avoid the agreement to subscribe for such 'C' Shares and may issue or allot such 'C' Shares to some other person, in which case you will not be entitled to any payment in respect of such 'C' Shares, other than the refund to you, at your risk, of the proceeds (if any) of the cheque or banker's draft accompanying your Subscription Form without interest;

- (iv) agree that in respect of those 'C' Shares for which your Subscription Form has been received and is not rejected, your Subscription may be accepted at the election of the Company either by notification to the UK Listing Authority of the basis of allocation or by notification of acceptance thereof to the Receiving Agent;
- (v) agree that the Receiving Agent may hold any monies in respect of your Subscription together with other monies received in respect of all Subscriptions on trust for the payment of the Offer Price in respect of 'C' Shares you have subscribed for or failing such payment to be returned to you without interest and that any interest earned in respect of such monies will be paid to the Company;
- (vi) agree that any monies refundable to you may be retained by the Receiving Agent pending clearance of your remittance and any verification of identity which is, or which the Company or the Receiving Agent may consider to be, required for the purposes of the Money Laundering Regulations 2003 and that such monies will not bear interest;
- (vii) authorise the Receiving Agent to send share certificate(s) in respect of the 'C' Shares for which your Subscription is accepted and/or a crossed cheque for any monies returnable by post without interest to your address set out in the Subscription Form and to procure that your name is placed on the register of members of the Company in respect of such 'C' Shares;
- (viii) agree that all Subscriptions, acceptances of Subscriptions and contracts resulting therefrom shall be governed by English law, and that you submit to the jurisdiction of the English Courts and agree that nothing shall limit the right of the Company or Teather & Greenwood or F&C to bring any action, suit or proceeding arising out of or in connection with any such Subscriptions, acceptances of Subscriptions and contracts in any other manner permitted by law or in any court of competent jurisdiction;
- (ix) confirm that, in making such Subscription, you are not relying on any information or representation in relation to the Company other than the information contained in the Prospectus or any part thereof and accordingly you agree that no person responsible solely or jointly for the Prospectus or any part thereof or involved in preparation thereof shall have any liability for any such information or representation;
- (x) irrevocably authorise the Receiving Agent and/or Teather & Greenwood and/or Bluehone and/or F&C or any person authorised by either of them, as your agent, to do all things necessary to effect registration of any 'C' Shares subscribed by or issued to you into your name and authorise any representative of the Receiving Agent or Teather & Greenwood or Bluehone or F&C to execute any document required therefor;
- (xi) agree that, having had the opportunity to read the Prospectus, you shall be deemed to have had notice of all information and statements concerning the Company and the 'C' Shares contained therein;
- (xii) confirm that you have reviewed the restrictions contained in paragraphs (d) and (e) below and warrant that you are not a "US Person" as defined in the Securities Act of 1933, as amended, nor a resident of Canada and that you are not applying for any Shares with a view to their offer, sale or delivery to, or for the benefit of, any US Person or a resident of Canada;
- (xiii) agree that all documents and cheques sent by post to, by or on behalf of the Company or the Receiving Agent will be sent at your risk;
- (xiv) agree on request by the Company or Teather & Greenwood or Bluehone or F&C or the Receiving Agent on behalf of the Company, to disclose promptly in writing to the Company any information which the Company or Teather & Greenwood or F&C or the Receiving Agent may reasonably request in connection with your Subscription including, without limitation, satisfactory evidence of identity to ensure compliance with the Money Laundering Regulations 2003 and authorise the Company, Teather & Greenwood, Bluehone and F&C and the Receiving Agent to disclose any information relating to your Subscription as they consider appropriate;
- (xv) agree that Teather & Greenwood, Bluehone and F&C will neither treat you as its customer by virtue of your Subscription being accepted nor owe you any duties or responsibilities concerning the price of the 'C' Shares or the suitability for you of 'C' Shares or be responsible to you for providing the protections afforded to its customers;
- (xvi) declare that the Subscription Form has been completed to the best of your knowledge;
- (xvii) undertake that you will notify the Company if you are not, or cease to be, either a Qualifying Applicant or beneficially entitled to the 'C' Shares;
- (xviii) declare that a loan has not been made to you or any associate, which would not have been made, or would not have been made on the same terms, but for you offering to subscribe for, or acquiring, 'C' Shares and that the 'C' Shares are being acquired for bona fide commercial purposes and not as part of a scheme or arrangement the main purpose of which, or one of the main purposes of which, is the avoidance of tax;

- (xix) declare that you are aged 18 or over; and
 - (xx) warrant that, if you sign the Subscription Form on behalf of somebody else, you have due authority to do so on behalf of that other person, and such person will also be bound accordingly and will be deemed also to have given the confirmations, warranties, undertakings and authorities contained herein and undertake to enclose your power of attorney or a copy thereof duly certified by a solicitor or bank with the Subscription Form.
- (d) No person receiving a copy of the Prospectus (or any part thereof) or a Subscription Form in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use such Subscription Form unless in the relevant territory, such an invitation or offer could lawfully be made to him or such Subscription Form could lawfully be used without contravention of any regulation or other legal requirements. It is the responsibility of any person outside the UK wishing to make a Subscription to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
- (e) The 'C' Shares have not been nor will be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States of America, its territories or possessions or other areas subject to its jurisdiction (the "USA"). In addition, the Company has not been and will not be registered under the United States Investment Advisers Act of 1940, as amended. No Subscription will be accepted if it bears an address or post mark in the USA.
- (f) Dealings prior to the issue of certificates for 'C' Shares will be at the risk of applicants. A person so dealing must recognise the risk that a Subscription may not have been accepted to the extent anticipated or at all.
- (g) Authorised financial intermediaries who, acting on behalf of their clients, return valid Subscription Forms bearing their stamp and FSA number will be paid commission of 3 per cent or, if the intermediary so elects by ticking the box provided, 2.25 per cent initial commission payable on the amount paid in respect of the 'C' Shares allocated for each such Subscription Form. Intermediaries electing for 2.25 per cent initial commission will in addition be paid an annual trail commission of 0.375 per cent of the average quarterly net asset value attributable to their clients' holdings at the end of the preceding financial year up to a maximum cumulative trail commission of 1.5 per cent. Authorised financial intermediaries may agree to waive part or all of their commission in respect of an application. If this is the case, then such application will be treated as an application to apply for the number of 'C' Shares stated in box 1 of the Subscription Form together with a number of additional 'C' Shares equivalent to the amount of commission (at the rate of 3%) waived at £1 per 'C' Share, which waived commission will be applied in paying for such 'C' Shares and which additional 'C' Shares will be treated as a pro rata application in respect of the current tax year. No commission will be paid in respect of such additional 'C' Shares. Financial intermediaries should keep a record of Subscription Forms submitted bearing their stamp to substantiate any claim for introductory commission. Claims for introductory commission must be made and substantiated on subscription.

Notes on how to complete the Subscription Form

Please complete all relevant parts of the Subscription Form in accordance with the instructions in these notes.

1	Insert (in figures) in Box 1 the number of 'C' Shares for which you wish to apply. Each 'C' Share costs £1.00. Your Subscription under the Offer must be for a minimum of 3,000 'C' Shares (or £3,000) and above that minimum in multiples of 1,000 shares (or £1,000) i.e:												
	<table border="0"> <tr> <td>No. of 'C' Shares</td> <td style="text-align: center;">3,000</td> <td style="text-align: center;">4,000</td> <td style="text-align: center;">5,000</td> <td style="text-align: center;">10,000</td> <td style="text-align: center;">100,000</td> </tr> <tr> <td>Cost</td> <td style="text-align: center;">£3,000</td> <td style="text-align: center;">£4,000</td> <td style="text-align: center;">£5,000</td> <td style="text-align: center;">£10,000</td> <td style="text-align: center;">£100,000</td> </tr> </table>	No. of 'C' Shares	3,000	4,000	5,000	10,000	100,000	Cost	£3,000	£4,000	£5,000	£10,000	£100,000
No. of 'C' Shares	3,000	4,000	5,000	10,000	100,000								
Cost	£3,000	£4,000	£5,000	£10,000	£100,000								

2 Insert (in figures) in Box 2 the amount you are paying. This is the amount of 'C' Shares shown in Box 1 multiplied by £1.00.

Pin a cheque or banker's draft to the Subscription Form for the exact amount shown in Box 2. Your cheque or banker's draft must be made payable to "Capita IRG Plc re AiM VCT2 plc" and crossed "A/C Payee only". Your payment must relate solely to this Subscription. Cheques may be presented for payment on receipt.

Applications under the Offer will be processed upon receipt. Applications accompanied by a post dated cheque will not be processed until the cheque can be presented and will not be treated as being received by the Receiving Agent until that date.

Your cheque or banker's draft must be drawn in sterling on an account with a United Kingdom or European Union regulated credit institution, and which is in the sole or joint name of the Applicant and must bear the appropriate sort code in the top right-hand corner.

The right is reserved to reject any Subscription in respect of which the Applicant's cheque or banker's draft has not been cleared on first presentation. Any monies returned will be sent by cheque crossed "A/C Payee only" in favour of the Applicant without interest.

Money Laundering Regulations 2003 Important Note for Subscriptions of £9,000 (approximately €13,000) or more:

If Subscriptions for £9,000 or more by an individual are accompanied by a cheque or banker's draft drawn by someone other than the Applicant named in Box 3 (for example, a building society cheque), then the following additional documents must be enclosed with the Subscription Form or will be requested from the Applicant: (i) a certified copy of the Applicant's passport or driving licence (bearing a photograph and signature of the individual) and (ii) a recent (dated within 3 months preceding the date of application) original gas, electricity or water utility bill or a recent (dated within 3 months preceding the date of application) original bank account, building society account statement or most recent original mortgage statement showing the address of the Applicant. Original documents will be returned by post at the Applicant's own risk. Please note that if the above requirements are not fulfilled and suitable evidence of identity cannot be obtained, your Subscription will not be accepted.

A copy passport or driving licence should be certified by a solicitor or bank. Do not send an original passport or driving licence with the Subscription Form.

- 3** Insert in Box 3 your full name, full address, daytime telephone number, National Insurance number and date of birth.
- 4** Sign and date Box 4.
- 5 & 6** Intermediaries who are entitled to receive commission should complete Boxes 5 & 6, giving their contact name and address and their FSA No. Please note the intermediaries' obligation to discuss with their clients the Risk Factors found on pages 2 and 3 of this document.
- Introductory commission will be paid to authorised financial intermediaries at a rate of either 3 per cent, or 2.25 per cent (with additional annual trail commission) on the funds invested.
- 7** If the introductory commission of 3 per cent is selected, authorised financial intermediaries can waive this commission and invest it in additional 'C' Shares. The percentage of shares, to which the waiver applies, should be stated in Box 7. If all the commission is to be waived, 'ALL' should be stated in the box.
- If the introductory commission of 2.25 per cent is selected, authorised financial intermediaries will receive the annual trail commission. The introductory commission of 2.25 per cent can either be received, or waived and reinvested in additional 'C' Shares. The appropriate box should be ticked to indicate your choice.
- 8** Tick Box 8 if you would like to participate in the Dividend Reinvestment Scheme. In order to participate, any shares held in a nominee account must be removed from that account and held beneficially by the Shareholder in their own name by the record date of any dividend that is to be reinvested through the Scheme.
- 9** Dividends that are not reinvested will be paid by cheque sent to the Shareholder's registered address. Alternatively, dividends paid in cash may be paid directly into bank or building society accounts. In order to facilitate this, please complete the mandate form on the back of the Subscription Form. Do not complete the mandate form if you wish to participate in the Dividend Reinvestment Scheme.

Once the Subscription Form has been received:

1. The Receiving Agent will send acknowledgement of receipt of this Subscription Form.
2. Successful Applicants will receive a welcome letter from the Chairman of AiM VCT2 together with a share certificate and income tax relief certificates approximately 10 Business Days after allotment. Allotments are expected to take place each Friday during the period of the Offer.

1 Subscription Form

If you are in any doubt about the action you should take you are recommended to consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

IMPORTANT: before completing this form please read the accompanying notes. **PLEASE USE BLOCK CAPITALS.**

Make your cheque or bankers' draft out to "Capita IRG Plc re AiM VCT2 plc" and cross it with the words "A/C payee only". Return this form by post or by hand (during normal business hours) to Capita Registrars, Corporate Actions, PO Box 166, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH **to arrive by no later than 12 noon on 3 April 2006.** If you post your Subscription Form you are recommended to use first class post and to allow four days for delivery.

1 I wish to subscribe for (minimum 3,000, multiples of 1,000 thereafter)

at £1.00 each, or such lesser number of 'C' Shares for which this Subscription may be accepted, on the terms and conditions set out in Part VII of the Securities Note dated 25 November 2005.

2 The amount I am paying for the 'C' Shares is (this should be the number of 'C' Shares for which you are applying multiplied by £1.00 – minimum of £3,000). If your application is for more than £9,000, please refer to box 2 of the Notes on how to complete the Subscription Form.

£

3

Title and Full Name:	
Address:	
Post Code:	Daytime Telephone No:
Date of Birth:	National Insurance No.:

By signing this form I HEREBY DECLARE THAT I have read the terms and conditions of Subscription contained in Part VII of the Securities Note dated 25 November 2005 and agree to be bound by them. I understand this is a LONG TERM investment and have read the RISK FACTORS.

4 Signature

Date

5 & 6

All intermediaries MUST advise their clients of the Risk Factors set out on pages 2 and 3	
IFA Contact Details	Commission Payment Details (to be used if commission is to be paid to a Network or other third party)
Firm Name:	Name:
Contact:	Contact:
FSA Number:	Address:
Address:	
Post Code:	Post Code:
Telephone No:	
Fax No:	

7

Commission options (CHOOSE ONE ONLY)

Insert percentage of the 3% initial commission you wish to be waived and reinvested in additional 'C' Shares %

OR to receive the initial commission at a rate of 2.25% and annual trail commission, place an 'X' in this box

OR to waive & reinvest the 2.25% initial commission and receive the annual trail commission, place an 'X' in this box

If no commission option is chosen you will automatically receive 3% initial commission

FOR USE OF RECEIVING AGENT ONLY

IND ID: _____ IFA ID: _____



2 Account Notings

Please complete any relevant sections.

8

Dividend Reinvestment Scheme

Tick the box if you would like to participate in the Dividend Reinvestment Scheme.

9

Dividend Mandate

All dividends on any shares held in AiM VCT2 plc may be paid directly into bank and building society accounts. In order to facilitate this, please complete the mandate instruction form below.

Dividends paid directly into your account will be paid in cleared funds on the dividend payment date. Your bank or building society statement will identify details of the dividends as well as the dates and amounts paid.

Please forward, until further notice, all dividends that may from time to time become due on any Shares now standing, or which may hereafter stand, in my name in the register of members of AiM VCT2 plc to:	
Bank or Building Society reference number and details:	
(1)	Sort Code Number <input type="text"/> <input type="text"/> <input type="text"/>
(2)	<input type="text"/> Name of Bank or Building Society
	<input type="text"/> Title of Branch
	<input type="text"/> Address of the Branch
	<input type="text"/>
	<input type="text"/>
(3)	Account Number <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> Please quote all digits including zeros
(4)	Signature <input type="text"/>
(5)	Date <input type="text"/> <input type="text"/> <input type="text"/>

AiM VCT2 plc and Capita IRG cannot accept responsibility if any details provided by you are incorrect.

ANNUAL REPORT AND ACCOUNTS: If you would like to receive a copy of the full Annual Report and Accounts when published, please tick this box

DATA PROTECTION ACT: Bluehone and F&C will use the information you give for administration, research and statistical purposes. Information provided by you will be held in confidence by Bluehone and F&C and will not be passed on to any other product or service companies. Your details may be used by Bluehone and F&C to send you information on other products and services they offer. If you would prefer not to receive such information, please tick this box.

- For assistance on the completion of this Subscription Form, please contact Capita Registrars weekdays between 9.00 a.m. and 5:30 p.m. on 0870 162 3121 (or +44 20 8639 2157 if calling from outside the UK) or the F&C Asset Management investor relations helpline on 0845 799 2299. No investment advice can be given.

Directors, Manager and Advisers

Directors

Gordon Haig Brough
Robert James Wilson Catto
Jamie Graham Matheson
Steven Mitchell

all of
Exchange House
Primrose Street
London
EC2A 2NY
which is the registered office of the Company
Telephone: 020 7628 8000

Administrator, Secretary and Marketing Adviser

F&C Asset Management plc
80 George Street
Edinburgh
EH2 3BU

Solicitors to the Company

Norton Rose
Kempson House
Camomile Street
London EC3A 7AN

Auditors

KPMG Audit Plc
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Sponsor and Broker

Teather & Greenwood Limited
Beaufort House
15 St Botolph Street
London EC3A 7QR
Telephone: 020 7426 9000

Investment Manager

Bluehone Investors LLP
48/54 Moorgate
London
EC2R 6EJ
Telephone: 020 7496 8929

VCT Status Adviser

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Registrar

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Receiving Agent

Capita Registrars
Corporate Actions
PO Box 166
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TH

