Apollo 2 VCT

Annual Report and Accounts for the period ended 31 January 2007

Contents

Financial summary
For the period ended 31 January 2007

	31 January 2007
Net assets	£2,889,000
Net revenue loss after tax	£(24,000)
Revenue loss per share*	(4.2)p
Net asset value per share	93.4p
Total loss per share*	(5.9)p

Apollo VCT 2 plc ("Company" or "Fund") is a Venture Capital Trust ("VCT") and is managed by Octopus Investments Limited ("Octopus"). The Fund was launched in May 2006 together with Apollo VCT 1 plc. Both companies have identical constitutions, boards of directors and investment policies, and together launched an offer for subscription comprising 25,000,000 ordinary shares each, or 50,000,000 in aggregate (the "Offer"). The Offer closed on 5 April 2007 having raised £17.6 million in aggregate (£16.8 million net of expenses). The objective of the Fund is to invest in a diversified portfolio of UK smaller companies in order to generate income and capital growth over the long-term.

* based on a weighted average of 567,872 in issue in the period.

Chairman's statement

It gives me great pleasure to present the first annual report to shareholders in the Apollo VCT 2 plc.

Background

The Fund opened in May 2006 and had raised nearly £3.1 million by 31 January 2007. By 5 April 2007, the Fund had raised over £8.8 million. When combined with Apollo VCT 1, over £17.6 million was raised in the offer period, making it one of the largest VCTs launched last year.

Net Asset Value ('NAV')

The NAV per share at 31 January 2007 was 93.4p. As expected in the early stages of a VCT, expenses exceeded income leading to a decrease in the NAV.

Investment Portfolio

During the period under review, the Fund was actively seeking investors rather than looking to make investments. As such, no qualifying investments were held at the period end. However, Octopus has taken an active approach to managing the cash raised through the Offer prior to its investment in Qualifying Companies. The funds raised have been invested by Goldman Sachs International in a range of cash and cash equivalent assets.

Investment Process

The majority of companies in which the Fund will invest will operate in sectors where there is a high degree of predictability. Ideally, these companies will have contractual revenues from financially sound customers and will provide the opportunity for an exit within three to five years.

Before investing in a company, the fund managers at Octopus will conduct their own fundamental analysis. This will include a thorough review and analysis of the company's business plan, meetings with management teams, and a detailed evaluation of the company's financial projections including scenario analysis (i.e. different sales growth rates, margins and overheads). This analysis will focus on the level of revenue visibility within the business and the extent to which this revenue is contractually agreed.

Share Price and Buy-Back Facility

The Fund has a share buy-back facility, proposing to buy-back shares at no more than a 10% discount to the prevailing NAV. This should assist the marketability of the shares and help prevent the shares from trading at a wide discount to NAV. The Fund's mid market share price currently stands at 95p.

Shareholders should note that if they sell their shares within five years of the original purchase they forfeit any income tax relief obtained. If you need to sell your shares, please contact Octopus on 020 7710 2800.

VCT Qualifying Status

The Fund must be 70% invested in qualifying companies by 31 January 2010, and maintain this level on a day by day basis thereafter, in order to comply with VCT regulations. The Directors will monitor the Fund's progress towards meeting and maintaining HM Revenue and Customs' conditions for VCT approval and have retained PricewaterhouseCoopers LLP, one of the UK's leading firms of accountants, to advise in this area.

Outlook

Growth in the economy has now been above the UK's long-term trend rate for five straight quarters. All the momentum continues to come from the services sector, which now accounts for three-quarters of the UK economy.

Since Octopus has firmly established itself as one of the largest VCT managers in the UK, with eight existing VCTs, we are confident that we will be able to build a portfolio which will be well positioned to deliver attractive returns to shareholders in the medium-term.

Andrew Boyle
Chairman

23 May 2007

Investment manager's review

We are delighted that the Fund raised over £8.8 million, and £17.6 million when combined with Apollo VCT 1, by the time the fundraising period closed on 5 April 2007. As is usual for a VCT in a fundraising period, the Fund has yet to make its first investment.

Review of Investments

Although no qualifying investments were held at the period end, the Fund has taken an active approach to managing the cash raised through the Offer prior to its investment in Qualifying Companies. The funds raised have been invested by Goldman Sachs International in a range of cash and cash equivalent assets.

Personal Service

At Octopus, we pride ourselves not only on our team's track record but also on our personalised customer service. We believe in open communication and our regular updates are designed to keep you involved and informed.

Octopus, founded in 2000, is one of the UK's fastest growing fund management companies. The company is committed to bringing innovative, high-return products to the broadest possible market. Octopus currently manages more than £320 million on behalf of more than 10,000 investors. Octopus is one of the largest VCT managers in the UK and was recently voted 'Best VCT Provider of the Year 2007' in the Professional Adviser Awards (voted for by financial advisers).

If you have any questions about this review, or if it would help to speak to one of the fund managers, please do not hesitate to contact us on 020 7710 2800.

Simon Rogerson
Chief Executive
23 May 2007

Details of advisers

Investment Manager
Octopus Investments Limited
8 Angel Court
London
EC2R 7HP

Secretary and Registered Office
Neil Osmond
8 Angel Court
London
EC2R 7HP

Solicitors
Brown Rudnick Berlack Israels LLP
8 Clifford Street
London
W1S 2LQ

Auditor and Taxation Advisers
Grant Thornton UK LLP
1 Westminster Way
Oxford
OX2 0PZ

VCT Status Advisers
PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Stockbrokers
Brewin Dolphin Securities Limited
34 Lisbon Street
Leeds
LS1 4LX

Bankers
HSBC Bank Plc
31 Holborn
London
EC1N 2HR

Cash Managers
Goldman Sachs International
Christchurch Court
10-15 Newgate Street
London
EC1A 7HD

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

Registered in England & Wales
Company number 5770744

Directors' report

The Directors present their report and the audited financial statements for the period 5 April 2006 to 31 January 2007.

Activities and status
The principal activity of the Company is investing in UK smaller companies.

The Company is an investment company as defined in s266 of the Companies Act 1985, has been granted provisional approval as a VCT by HM Revenue & Customs, and has been listed on the Main Market of the London Stock Exchange since October 2006.

The Company was incorporated on 5 April 2006.

The Chairman's Statement on page 3 includes a review of the Company's activities and future prospects. Further details are also provided within the Investment Manager's Review on page 4. The Directors have managed the affairs of the Company with the intention of maintaining its status as an approved VCT for the purposes of s842AA of the Income and Corporation Taxes Act 1988. The Company was not at any time up to the date of this report a close company within the meaning of s414 of the Act.

Dividends
During the accounting period no dividends were paid or have been proposed.

Directors
According to the register of Directors' Interests, the Directors of the Company during the period and their interests in the issued Ordinary Shares of 10p were as follows:

	31 January 2007	5 April 2006 or date of appointment
Mr A Boyle (Chairman)	-	-
Mr R Penlington	-	-
Mr S Brocklehurst	-	-
Mr M Cooper	-	-

Since 31 January 2007 and up to the date of this report, there have been the following changes in the Directors' share interests as a result of subscriptions by them under the Offer:

Mr A Boyle	26,375
Mr R Penlington	10,550
Mr S Brocklehurst	5,275
Mr M Cooper	5,012

The following changes in director appointments have been made during the accounting period and relate to the incorporation process:

SDG Registrars Limited was appointed as a director on 5 April 2006 and resigned the same day.
SDG Secretaries Limited was appointed as a director on 5 April 2006 and resigned the same day.
Neil Osmond was appointed as a director on 5 April 2006 and resigned on 16 May 2006.
Michael Edwards was appointed as a director on 5 April 2006 and resigned on 16 May 2006.
Mr A Boyle was appointed as a director on 16 May 2006.
Mr R Penlington was appointed as a director on 16 May 2006.
Mr S Brocklehurst was appointed as a director on 16 May 2006.
Mr M Cooper was appointed as a director on 16 May 2006.

All the Directors retire by rotation and being eligible offer themselves for re-election.

The Board has considered provision A.7.2 of the Combined Code 2003 and believes that each of the Directors continues to be effective and to demonstrate commitment to his role, the Board and the Company. The Board therefore has no hesitation in recommending each of them for re-election at the forthcoming Annual General Meeting. See "Management" below.

Financial risk management objectives and policies
As a VCT, the Company's objective is to provide shareholders with long term capital growth by investing its funds in a broad spread of quoted and unquoted UK companies which meet the relevant criteria for VCTs.

Further details of the Company's risk management policies are provided in note 17 to the financial statements.

Directors' report (continued)

Directors' and officers' liability insurance
The Company has, as permitted by s310(3) of the Companies Act 1985, maintained insurance cover on behalf of the Directors and Company Secretary indemnifying them against certain liabilities which may be incurred by them in relation to the Company.

Creditor payment policy
The Company's payment policy for the forthcoming financial year is to agree terms of payment before business is transacted and to settle accounts in accordance with those terms. The Company does not follow any code or standard with regard to creditor payment practice. At 31 January 2007 trade creditors totalled £17,075.

Management
Under the terms of an agreement effective 16 October 2006 the Company and Octopus Investments entered into a management agreement for an initial 5 year period which may be terminated by either party giving not less than 12 months notice. The Manager will provide investment management, accounting and administration services to the Company for a fee payable quarterly in advance on 1 February, 1 May, 1 August and 1 November, of an amount equal to 2.3% of the net asset value of the Company.

The principal terms of the Company's investment management agreement with Octopus are set out in Note 3 and 18 to the financial statements. Mr M Cooper is a Director of Octopus.

Purchase and cancellation of own shares
During the period 50,000 redeemable shares of 100p were issued and redeemed with each such redeemable share being reclassified as 10 ordinary shares of 10p each.

Offer for subscription
3,092,248 ordinary shares were allotted during the period to 31 January 2007 at a cash price of 100p per share which after issue costs resulted in the initial new assets being equal to 94.5p per share. During the period, 50,000 redeemable shares of 100p each were issued and redeemed.

International Financial Reporting Standards ('IFRS')
As the Company is not part of a group it is not mandatory for it to comply with IFRS. Additionally, the Company does not anticipate that it will voluntarily adopt IFRS.

Substantial shareholdings
So far as the Directors are aware, there were no individual shareholdings representing 3% or more of the Company's issued share capital at the date of this report.

Annual General Meeting
Notice convening the 2007 annual general meeting of the Company and a form of proxy in respect of that meeting can both be found at the end of this document. The items of special business set out in the Notice can be summarised as follows:

Resolution 8 – renewal of directors' authority to allot shares. Resolution 8, which will be proposed as an ordinary resolution, is to renew the general authority granted to the directors at the last annual general meeting to allot shares in the Company. If passed, this resolution will, among other things, authorise the directors to allot all the authorised but unissued shares (subject to rights of first refusal of existing shareholders). This authority will be effective until the earlier of the conclusion of the next annual general meeting or 15 months of passing the resolution (except insofar as commitments to allot shares have been entered before that date).

Resolution 9 – disapplication of pre-emption rights. Resolution 9, which is proposed as a special resolution, supplements the directors' authority to allot shares in the Company conferred by Resolution 8. This resolution authorises the directors to allot shares either on a *pro rata* pre-emption basis to existing shareholders for up to a maximum of all of the authorised and unissued share capital, and/or, to allot up to such number of shares equal to 10% of the issued share capital without pre-emption rights to any person. This authority will be effective until the earlier of the conclusion of the next annual general meeting or 15 months of passing the resolution (except insofar as commitments to allot shares have been entered before that date).

Resolution 10 – purchase of ordinary shares by the Company. Resolution 10, which is proposed as a special resolution, will, if passed, authorise the company to purchase in the market up to 1,327,238 ordinary shares (equal to 14.99% of the issued share capital) at a minimum price of 10 pence per share and a maximum price of 5% above the average of the middle market quotation for the previous five days. This authority will be effective until the earlier of the conclusion of the next annual general meeting or 15 months of passing the resolution (except insofar as commitments by the Company to purchase shares have been entered before that date). The Directors have no present intention of buying back any shares under the authority conferred by this resolution.

Directors' report (continued)

Independent auditor

Grant Thornton UK LLP were appointed on 10 May 2006 to fill a casual vacancy in accordance with s388(1) Companies Act 1985. A resolution to re-appoint Grant Thornton UK LLP as auditor and to authorise the Directors to fix their remuneration will be proposed at the forthcoming annual general meeting.

By order of the Board

Neil Osmond
Secretary
23 May 2007

Details of the directors

Andrew Boyle (Non-Executive Chairman – Aged 44) Andrew is the founder of London Capital Finance Limited, which raises capital for UK smaller companies of a similar size to those being targeted by Apollo. He began his career in 1985 when he graduated from Oxford University and joined the Capital Markets Division of Schroders. Between 1992 and 2000 Andrew worked closely with colleagues at Schroder Ventures, now called Permira. As General Manager of Schroders' Financial Markets Division in Tokyo, Andrew was responsible for fund placement, reporting and investor relations in Japan. In 2000 Schroders sold its investment banking business to Citigroup and Andrew became a Managing Director of Citigroup's Fixed Income (debt markets) Division. He was responsible for business with private banks and retail institutions until 2005. Andrew is an active investor in smaller companies. He is a partner in three Schroder Ventures funds and a shareholder of investment trusts specialising in venture capital.

Roger Penlington ACMA (Non-Executive Director – Aged 60) Roger qualified as a management accountant with Ford Motor Company Limited before moving into senior general management with Air Call plc and Avis Rent-a-Car Limited. He then founded the Heathrow Business Centre, which was sold to Thomas Cook Limited. In 1987, Roger joined HSBC Private Equity as an Investment Director responsible for sourcing, leading and managing venture capital investments. In 1995, he joined Guinness Mahon Development Capital as a Director, responsible for deals between £250,000 and £2 million. In May 1998, Roger was a member of the management team which acquired ProVen Private Equity from Guinness Mahon Group Limited. In addition to his relevant venture capital experience generally, Roger has two years specific VCT experience as a non-executive director of Eclipse VCT plc.

Stuart Brocklehurst (Non-Executive Director – Age 34) After studying Theology at St John's College, Oxford, Stuart went on to build a career in strategy development, business planning and change management within retail financial services. During a six-year period at Barclays PLC, Stuart was responsible for the e-commerce strategy of the UK's largest online bank. Stuart joined Visa International CEMEA in 2002 as Senior Vice President for Digital Commerce, responsible for driving forward smartcards, e-commerce, and other new services. Since then he has been responsible for the creation of the first electronic payment network in Iraq and a major corporate venture in Nigeria. Stuart remains an adviser to Visa International as well as being a director of Darwin Consulting, a partner of Quantum Information Partners and a member of the Commission for Standards in Quantum Information Processing. In addition, Stuart is currently an executive director of Carbon Search Limited and a member of the Advisory Board of London Quantum Networks Limited. Stuart has recently been elected a Fellow of the British Computing Society.

Matt Cooper (Non-Executive Director – Age 40) Matt is the Chairman of Octopus Investments Limited, the Investment Manager of the Octopus Protected VCT. Prior to joining Octopus, Matt was the Principal Managing Director of Capital One Bank (Europe) plc where he was responsible for all aspects of the company's strategic direction and day-to-day operations in Europe. He led the UK portion of the business from start-up to two million customers, generating revenues of over £275 million and employing over 2,000 people. Matt is a non-executive director of seven other VCTs managed by Octopus, and is also currently a non-executive director of a number of private companies.

Directors' remuneration report

Introduction

This report is submitted in accordance with the Directors' Remuneration Report Regulations 2002 in respect of the period ended 31 January 2007.

Consideration by the Directors of matters relating to Directors' remuneration

The Board as a whole considers Directors' remuneration and has not appointed a separate remuneration committee. The Board has not sought advice or services from any person in respect of its consideration of Directors' remuneration during the period (although the Directors are expected from time to time to review the fees paid to the boards of directors of other VCTs).

Statement of the Company's policy on Directors' remuneration

The Board consists entirely of non-executive Directors, who meet at least four times a year and on other occasions as necessary, to deal with the important aspects of the Company's affairs. Directors are appointed with the expectation that they will serve for a period of three years. Directors' appointments are reviewed formally every three years thereafter on their retirement by rotation by the Board as a whole. All Directors will retire at the forthcoming annual general meeting and thereafter one-third of all Directors will be subject to retirement by rotation at subsequent annual general meetings. Re-election will be recommended by the Board but dependent on shareholder vote.

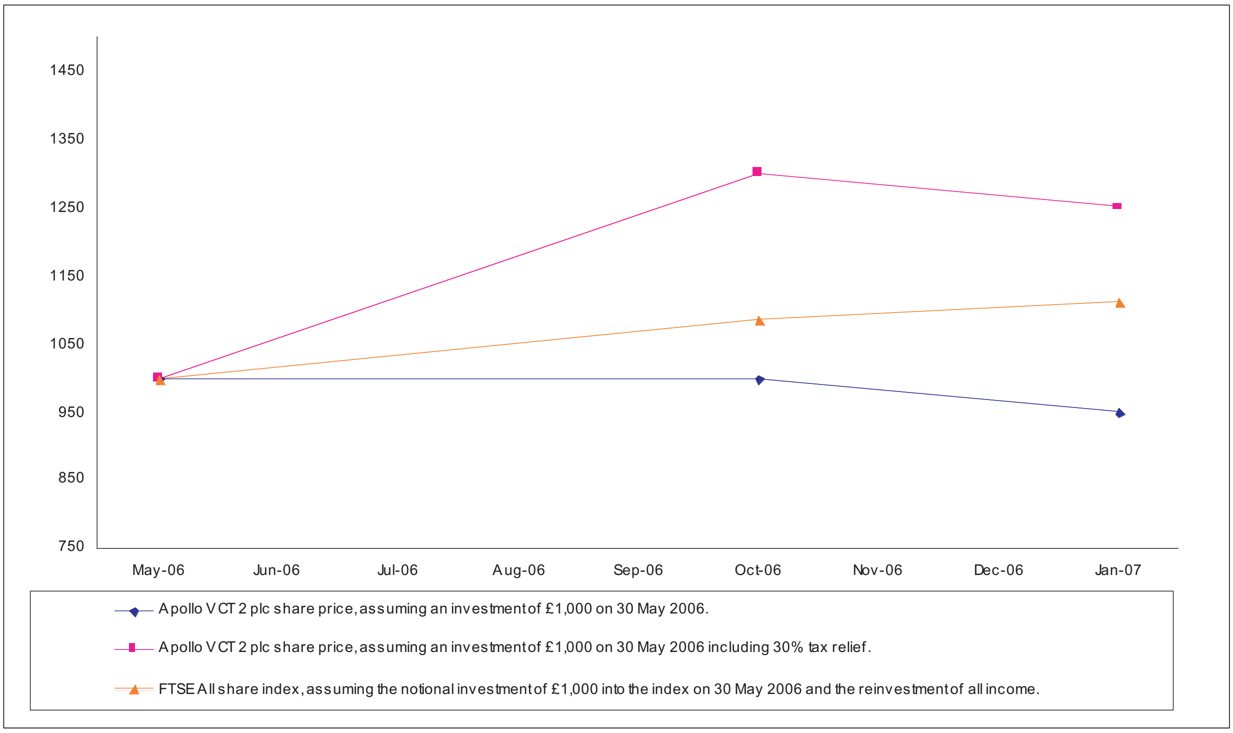
None of the Directors has a service contract. Each Director has a notice period of three months and a Director may resign by notice in writing to the Board at any time. None of the Directors are entitled to compensation payable upon early termination of their contract other than in respect of any unexpired notice period.

The Chairman can receive fees of £8,750 per annum. The Directors can receive fees of £6,750 per annum. The Company's Articles of Association limit the total fees payable to the Directors to £75,000 per annum.

The Company's policy is that the fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors and should be sufficient to enable candidates of high calibre to be recruited. The policy is for the Chairman of the Board to be paid higher fees than the other Directors in recognition of the Chairman's more onerous role. The policy is to review these rates from time to time, although such review will not necessarily result in any changes to the rates.

Company performance

The graph below compares the total return (assuming all income is reinvested) to ordinary shareholders in the Company over the period from May 2006 to January 2007 with the total return from a notional investment in the FTSE All Share index. This index is considered to be the most appropriate broad equity market index for comparative purposes. However, the Directors wish to point out that VCTs are not able to make qualifying investments in companies quoted on the Main Market in their observance of the VCT rules.



Directors' emoluments

Amount of each Director's emoluments (information subject to audit)

	Period ended 31 January 2007 £
Mr A Boyle (Chairman)	5,833
Mr R Penlington	4,500
Mr S Brocklehurst	4,500
Mr M Cooper	4,500
	19,333

The Company's policy is for the Directors to be remunerated in the form of fees, payable quarterly in arrears, to the Directors personally. The fees are not specifically related to the Directors' performance, either individually or collectively. There are no long-term incentive schemes, share option schemes or pension schemes in place. No other remuneration or compensation was paid or payable by the Company during the period to any of the current Directors.

By Order of the Board

Neil Osmond
Secretary
23 May 2007

Shareholder information

The Company

The Company is a VCT. The investment manager is Octopus Investments Limited. The Company was launched in May 2006 and raised over £8 million through an offer for subscription, and nearly £18 million when aggregated with Apollo VCT 1. The objective of the Company is to invest in a broad range of UK smaller companies in order to generate income and capital growth over the long-term.

Venture Capital Trusts

VCTs were introduced in the Finance Act 1995 to provide a means for private individuals to invest in unlisted companies in the UK. Subsequent Finance Acts have introduced changes to VCT legislation. The tax benefits currently available to eligible new investors in VCTs include:

- up-front income tax relief of 30%
- exemption from income tax on dividends paid
- exemption from capital gains tax on disposals of shares in VCTs

The Company has been provisionally approved as a VCT by HM Revenue & Customs. In order to maintain its approval the Company must comply with certain requirements on a continuing basis. Within three years from the date of provisional approval at least 70% of the Company's investments must comprise "qualifying holdings" of which at least 30% must be in eligible ordinary shares. A "qualifying holding" consists of up to £1 million invested in any one year in new shares or securities in an unquoted company (including companies listed on AIM) which is carrying on a qualifying trade and whose gross assets do not exceed £7 million at the time of investment. The Company will continue to ensure its compliance with these qualification requirements.

Financial Calendar

The Company's financial calendar is as follows:

17 July 2007	-	Annual General Meeting
30 September 2007	-	Half-yearly report for six months to 31 July 2007 published
May 2008	-	Annual report and financial statements for year to 31 January 2008 published

The Company will comply with the Transparency Directive and make announcements as may be required from time to time, having regard to the nature of the Company, its business and its financial reporting calendar. Any such announcements made may contain financial and numerical information.

Share Price and Buyback Facility

The Company's share price is currently quoted at 95p, and as is normal with a VCT in its early stages, there have been very few transactions. We will be asking shareholders at the annual general meeting to renew the Board's power to purchase shares in the market for cancellation. The Company has a share buyback facility, proposing to buyback shares at no more than a 10% discount to the prevailing NAV. This should assist the marketability of the shares and help prevent the shares from trading at a wide discount to NAV.

Shareholders should note that if they sell their shares within five years of original purchase from the Company they forfeit any tax relief obtained. If you do need to sell your shares, for whatever reason, please contact Octopus Investments on 020 7710 2800.

The Company's share price is published daily in the Financial Times. The Company's FTSE classification is 'Investment Companies'.

Corporate governance

The Company is committed to maintaining high standards in corporate governance. The Directors consider that the Company has, throughout the period under review, complied with the provisions set out in section 1 of the 2003 Combined Code on Corporate Governance with the exceptions set out in the Compliance Statement on Page 15.

Board of Directors

During the financial period in question, the Company had a board of four non-executive Directors, three of whom are considered to be independent of Octopus Investments. Mr M Cooper is not considered to be independent due to his role as a director of the Company's investment manager, Octopus. The Board aims to meet regularly on a quarterly basis, and on other occasions as required, to review the investment performance and monitor compliance with the investment policy laid down by the Board. However, as the Company was still within its fundraising period on 31 January 2007, there were no such investments to monitor. The Board has a formal schedule of matters specifically reserved for its decision and the agreement between the Company and the Manager sets out the matters over which the Manager has authority and limits beyond which Board approval must be sought.

The Manager has authority over the management of the investment portfolio, the organisation of custodial services, accounting, secretarial and administrative services. The main issues reserved for the board include:

- the consideration and approval of future developments or changes to the investment policy, including risk and asset allocation;
- consideration of corporate strategy;
- approval of the appropriate dividend to be paid to the shareholders;
- the appointment, evaluation, removal and remuneration of the Manager;
- the performance of the Company, including monitoring of the discount of the net asset value and the share price; and
- monitoring shareholder profile and considering shareholder communications.

During the period the following were held:

2 Full board meetings

All Directors attended all the meetings with the exception of Mr S Brocklehurst who was unable to attend one of the meetings.

1 Audit Committee meetings

All members attended the meeting with the exception of Mr S Brocklehurst who was unable to attend.

Additional meetings were held as required during the period to address specific issues including share allotment and issues.

A brief biography of each Director is given at page 9.

The Company's Articles of Association require that all Directors retire at the first annual general meeting. In subsequent years, one-third of Directors should retire by rotation each year and seek re-election at the annual general meeting and that Directors appointed by the board should seek re-appointment at the next annual general meeting. All Directors are required to submit themselves for re-election at least every three years. This practice was followed during the period under review.

Directors may take secretarial and other independent professional advice at the Company's expense where necessary in the performance of their duties. As all the Directors are non-executive, it is not considered appropriate to identify a member of the Board as the senior non-executive Director. Given the size of the Board further appraisal of the performance of the Board, its committees and its Directors individually, has not been undertaken in the period.

The Board has appointed two committees to make recommendations to the Board in specific areas:

Audit Committee:
Mr R Penlington (Chairman)
Mr S Brocklehurst
Mr A Boyle

The audit committee, chaired by Mr Penlington, consists of three independent Directors. The audit committee believes Mr Penlington possesses appropriate and relevant financial experience. The committee deals with matters relating to audit, financial reporting and internal control systems. It is responsible for monitoring the effectiveness of the external audit process and making recommendations to the Board as to the appointment and remuneration of the external auditor. The committee shall meet twice per year and has had during the period direct access to Grant Thornton UK LLP, the Company's auditor. The audit committee has reviewed the non audit services provided by the external auditor and does not believe they are sufficient to influence their independence or objectivity.

The audit committee has considered the whistle blowing procedures in place should Octopus employees have concerns they wish to communicate to the audit committee.

The terms of reference of the committee and the responsibility delegated to it has been formally documented and approved by the Board and can be viewed by shareholders at the Company's registered office. The audit committee has discharged its responsibilities through: review of the draft financial statements and interim results; review of accounting policies; review of systems of internal control and their effectiveness; and review of the independence and objectivity of the external auditor. The audit committee has not considered it necessary to develop a formal policy on the engagement of the external auditor to supply non audit services as all such services are approved by a non-executive Director.

Nomination Committee:
Mr S Brocklehurst (Chairman)
Mr R Penlington
Mr A Boyle

The nomination committee considers the selection and appointment of Directors and makes recommendations to the board as to the level of Directors' fees. It has not yet been necessary for the Committee to meet and so terms of reference will be agreed if and when appropriate. The Board does not have a separate remuneration committee as the Company has no employees or executive Directors. Detailed information relating to the remuneration of Directors is given in the Directors' remuneration report.

Internal control

The Directors have overall responsibility for keeping under review the effectiveness of the Company's systems of internal controls. The purpose of these controls is to ensure that proper accounting records are maintained, the Company's assets are safeguarded and the financial information used within the business and for publication is accurate and reliable; such a system can only provide reasonable and not absolute assurance against material misstatement or loss. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve the business objectives. The Board regularly reviews financial results and investment performance with the investment manager.

Octopus is engaged to carry out the accounting function and retains physical custody of the documents of title relating to investments. Quoted investments are held in CREST. Octopus regularly reconciles the client asset register with the physical documents. Secretarial matters are delegated to Neil Osmond.

The Directors confirm that they have established a continuing process throughout the period and up to the date of this report for identifying, evaluating and managing the significant potential risks faced by the Company and have reviewed the effectiveness of the internal control systems. As part of this process an annual review of the internal control systems is carried out in accordance with the Revised Guidance for Directors on the Combined Code issued in October 2005, previously Turnbull guidelines for internal control. The Board does not consider it necessary to maintain a separate internal audit function.

Financial risk management objectives and policies

The Company is exposed to risks arising from the Company's operational and investment activities. Further detail can be found in note 17 to the financial statements.

Risk management

The Company will invest its funds primarily UK smaller companies, which by their nature entail a higher degree of risk than investments in larger listed companies. The Directors aim to limit this risk through careful selection of a spread of investments.

Octopus carries out management of liquid funds in accordance with the policy guidelines laid down and regularly reviewed by the Board. In general the guidelines require that uninvested cash will be held in money market securities. The Company has no borrowing facilities nor has it entered into derivative transactions.

Directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Going concern

After making the necessary enquiries, the Directors confirm that they are satisfied that the Company has adequate resources to continue in business for the foreseeable future. The Directors believe that it is appropriate to continue to apply the going concern basis in preparing the financial statements.

Relations with shareholders

Shareholders have the opportunity to meet the Board at the annual general meeting. In addition to the formal business of the meeting, the Board is available to answer any questions shareholders may have.

The Board is also happy to respond to any written queries made by shareholders during the course of the period and can be contacted at 8 Angel Court, London, EC2R 7HP. Alternatively, the team at Octopus is happy to answer any questions shareholders may have and can be contacted on 020 7710 2800.

Compliance statement

The Listing Rules require the Board to report on compliance with the forty-eight Combined Code provisions throughout the accounting period. The preamble to the Combined Code does, however, acknowledge that some provisions may have less relevance for investment companies. With the exception of the limited items outlined below, the Company has complied throughout the accounting period to 31 January 2007 with the provisions set out in Section 1 of the Combined Code.

1. The non-executive directors do not have service contracts, whereas the recommendation is for fixed term renewable contracts.
2. New directors do not receive a full, formal and tailored induction on joining the Board. Such matters are addressed on an individual basis as they arise.
3. Due to the size of the Board and the nature of the Company's business, a formal performance evaluation of the Board, its committees, the individual directors and the Chairman has not been undertaken. Specific performance issues are dealt with as they arise.
4. The Company does not have a remuneration committee as all the Directors are non-executive and it is not considered appropriate.
5. The Company does not conduct a formal review as to whether there is a need for an internal audit function. The Directors do not consider that an internal audit would be an appropriate control for a venture capital trust.
6. The Company has no major shareholders so shareholders are not given the opportunity to meet any new non-executive directors at a specific meeting other than the annual general meeting.
7. The Company does not have a chief executive officer or senior independent director. The Board does not consider this necessary for the size of the Company.
8. As the Company was still in its fund-raising period on 31 January 2007, had not yet made any investments and had shortened its financial accounting period during the period, the Board met only twice rather than the minimum quarterly meetings it proposed to set for the subsequent period.

Report of the independent auditor to the members of Apollo VCT 2 plc

We have audited the financial statements of Apollo VCT 2 plc for the period ended 31 January 2007 which comprise the income statement, the reconciliation of movements in shareholders' funds, the balance sheet, the cash flow statement and notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the Company financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements; the information given in the Director's Report includes the specific information presented in the operating and financial review that is cross referenced from the business review section of the Chairman's and Investment Manager's Reports. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the financial summary, the Chairman's statement, details of Directors, shareholder information, investment manager's review, Directors' report, the unaudited part of the Directors' remuneration report and the corporate governance statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 January 2007 and of its result for the period then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given the Directors' Report is consistent with the financial statements for the period ended 31 January 2007.

Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
Oxford

Income Statement
for the period ended 31 January 2007

		Period ended 31 January 2007		
	Notes	**Revenue £'000**	**Capital £'000**	**Total £'000**
Income	**2**	23	-	23
Investment management fees	**3**	(3)	(9)	(12)
Other expenses	**4**	(44)	-	(44)
Loss on ordinary activities before tax		(24)	(9)	(33)
Tax on ordinary activities	**6**	-	-	-
Loss on ordinary activities after tax		(24)	(9)	(33)
Loss per share and diluted loss per share	**7**	(4.2)p	(1.7)p	(5.9)p

- the total column of this statement is the profit and loss account of the Company
- all revenue and capital items in the above statement derive from continuing operations
- the accompanying notes are an integral part of the financial statements
- the Company has only one class of business and derives its income from investments made in shares and securities and from bank and money market funds.

Reconciliation of movements in shareholders' funds

	Period ended 31 January 2007 £'000
Shareholders' funds at start of period	-
Total losses recognised in period	(33)
Issue of redeemable non-voting preference shares	50
Redemption of redeemable non-voting preference shares	(50)
Net proceeds of share issue	2,922
Shareholders' funds at 31 January 2007	2,889

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

Balance Sheet
as at 31 January 2007

	Notes	31 January 2007 £000's
Current assets		
Investments	**8**	2,814
Debtors	**9**	106
Cash at bank		15
		2,935
Creditors: amounts falling due within one year	**10**	(46)
Net current assets		2,889
Net assets		2,889
Called up equity share capital	**11**	309
Share premium	**12**	2,613
Capital reserve - realised	**12**	(9)
Revenue reserve	**12**	(24)
Total equity shareholders' funds		2,889
Net asset value per share	**13**	93.4p

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

The statements were approved by the Directors on 23 May 2007 and are signed on their behalf by:

Andrew Boyle
Chairman

Cash Flow Statement

for the period ended 31 January 2007

	Notes	31 January 2007 £000's
Net cash inflow from operating activities	**14**	(93)
Net cash inflow from financial investment		(93)
Management of liquid resources :		
Increase in cash funds	**16**	(2,814)
Financing :		
Issue of own shares		3,076
Share issue expenses		(154)
Total financing		108
Increase in cash resources	**15**	15

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

Notes to the Financial Statements

1. Accounting policies

Basis of accounting

The Company is an investment company as defined in s266 of the Companies Act 1985. The financial statements have been prepared under the historical cost convention, modified to include the revaluation of fixed asset investments, and in accordance with applicable accounting standards in the UK and with the Statement of Recommended Practice "Financial statements and investment trust companies" issued in January 2003 and revised in December 2005.

Investments

The Company will look to invest in financial assets with a view to profiting from their total return through income and capital growth. These investments will be managed and their performance evaluated on a fair value basis in accordance with a documented investment strategy. Accordingly as permitted by FRS 26, the investments and loan notes will be designated as fair value through profit and loss ("FVTPL"). Unrealised gains or losses on valuation will be recognised through the profit and loss account.

Investments in AIM-quoted companies will be stated at bid price.

In the case of unquoted investments, fair value is established by using measurements of value such as price of recent investment, earnings multiple and net assets; where no reliable fair value can be estimated using such techniques, unquoted investments are carried at cost subject to provision for impairment where necessary.

Current asset investments

Current asset investments comprise money market deposits and are shown at amortised cost.

Income

Investment income includes income tax withheld at source. Dividend income is shown net of any related tax credit.

Dividends receivable are brought into account on the ex-dividend date. Fixed returns on debt and money market securities are recognised on a time apportionment basis so as to reflect the effective yield, provided there is no reasonable doubt that payment will be received in due course.

Expenses

All expenses are accounted for on an accruals basis. Expenses are charged wholly to revenue with the exception of the investment management fee, which has been charged 25% to the revenue account and 75% to the realised capital reserve to reflect, in the Directors' opinion, the expected long term split of returns in the form of income and capital gains respectively from the investment portfolio.

Taxation

Corporation tax payable is provided on taxable profits at the current rate. The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue on the same basis as the particular item to which it relates, using the Company's effective rate of tax for the accounting period.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except otherwise required by FRS 19.

Capital reserve – realised

The following are accounted for in this reserve:

a) gains and losses on the realisation of investments;
b) realised exchange differences of a capital nature;
c) expenses and finance costs, together with the related taxation effect, charges to this reserve in accordance with the above policies;
d) realised gains and losses on transactions undertaken to hedge an exposure of a capital nature.

Capital reserve – unrealised

The following are accounted for in this reserve:

a) increases and decreases in the valuation of investments held at the period end;
b) unrealised exchange differences of a capital nature;
c) unrealised gains and losses on transactions undertaken to hedge an exposure of a capital nature.

Cash and liquid resources

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year (other than cash), government securities and investments in money market managed funds.

2. Income

	10 months to 31 January 2007 £000's
Bank interest	1
Money market securities	22
Total income	23

3. Management fees

	10 months to 31 January 2007	
	Revenue £000's	**Capital £000's**
Investment management fee	3	9

Octopus provides investment management, accounting and administration services to the Company under a management agreement which runs for a period of five years with effect from 16 October 2006 and may be terminated at any time thereafter by not less than twelve months' notice given by either party.

4. Other expenses

	10 months to 31 January 2007 £000's
Accounting and administrative services	2
Directors' remuneration	19
Auditors' remuneration – audit services	8
– non-audit services	-
Legal and professional expenses	10
Other expenses	5
	44

5. Directors' Remuneration

	10 months to 31 January 2007 £000's
Directors' emoluments	
A Boyle (Chairman)	7
R Penlingtom	4
S Brocklehurst	4
M Cooper	4
	19

None of the Directors received any other remuneration or benefit during the period. The Company has no employees other than non-executive Directors. The average number of non-executive Directors in the period was 4.

6. Tax on ordinary activities

Factors affecting the tax charge for the current period:

The current tax charge for the period differs from the standard rate of corporation tax in the UK of 19%. The differences are explained below.

Current tax reconciliation:	**31 January 2007** **£'000**
Loss on ordinary activities before tax	(24)
Current tax at 19%	(5)
Unutilised tax losses	5
Total current tax charge	–

Due to the Company's status as a Venture Capital Trust, and its intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided any deferred tax on any capital gains arising on the revaluation of investments

7. Loss per share

The revenue loss per share is based on loss from ordinary activities of £(23,969) and on 567,872 shares, being the weighted average number of shares in issue during the period.

The total loss per share is based on loss from ordinary activities of £(33,286) and on 567,872 shares, being the weighted average number of shares in issue during the period.

There are no dilutive capital instruments in issue and, therefore, no diluted return per share figures are relevant.

8. Current asset investments

	31 January 2007 **£'000**
Money market securities at cost	
OEICs	280
Money market funds	2,534
Valuation as at 31 January 2007	2,814

9. Debtors

	31 January 2007 **£'000**
Other debtors	103
Prepayments and accrued income	3
Total debtors	106

10. Creditors: amounts falling due within one year

	31 January 2007 **£'000**
Accruals	29
Trade creditors	17
Total creditors: amounts falling due within one year	46

11. Share capital

	31 January 2007 **£'000**
Authorised:	
Equity – 100,000,000 ordinary shares of 10p	10,000
Allotted and fully paid up:	
Equity – 3,092,248 ordinary shares of 10p	309

On incorporation 50,000 redeemable preference shares of 100p each were issued but were subsequently redeemed on flotation of the Company. On redemption these shares were redesignated and redenominated as 500,000 10p ordinary shares.

During the period ended 31 January 2007, the Company issued 3,092,248 ordinary shares of 10p each at 94.5p for cash. The Company repurchased nil ordinary shares for cancellation.

12. Reserves

	Share premium £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000
Premium on issue of ordinary shares	2,767	-	-	-
Share issue expenses	(154)	-	-	-
Management fee capitalised net of associated taxation	-	(9)	-	-
Revenue return on ordinary activities after tax	-	-	-	(24)
At 31 January 2007	2,613	(9)	-	(24)

13. Net asset value per share

The calculation of net asset value per share as at 31 January 2007 is based on net assets of £2,889,837 divided by the 3,092,248 ordinary shares in issue at that date.

14. Reconciliation of net revenue before taxation to cash flow from operating activities

	31 January 2007 £'000
Loss on ordinary activities before tax	(33)
Increase in debtors	(106)
Increase in creditors	46
Net cash inflow from operating activities	(93)

15. Reconciliation of net cash flow to movement in net funds

	31 January 2007 £'000
Increase in cash in period	15
Movement in liquid resources	2,814
Opening net funds	-
Closing net funds	2,829

16. Analysis of changes in net funds

	Cashflows £'000	At 31 January 2007 £'000
Cash at bank	15	15
Current asset investments	2,814	2,814
	2,829	2,829

17. Financial instruments

Management of risk

As a Venture Capital Trust, the Company's objective is to provide shareholders with an attractive income and capital return by investing in accordance with the Company's investment strategy.

The Company's financial instruments may comprise:
– shares and securities in UK companies
– cash, liquid resources and short term debtors and creditors that arise from the Company's operations.

The main risks arising from the Company's financial instruments are market price risk, liquidity risk and interest rate risk. There is no exposure to foreign currency risk.

Market price risk

Market price risk arises mainly from the uncertainty about future prices of financial instruments used in the Company's operations. It represents the potential loss the Company might suffer through holding market positions by way of price movements. The potential risk is continuously monitored by the investment manager and reported on a regular basis to the Board.

Liquidity risk

The funds raised since incorporation are to be used to fund the Company's primary objective of investing in venture capital opportunities which accord with its investment strategy. None of these funds had been utilised in this investment process at 31 January 2007 and the remaining funds were primarily represented by cash and liquid resources shown as current asset investments in the balance sheet.

Interest rate risk

The Company finances its operations through share capital raised and retained profits including realised capital profits. At the period end and throughout the period, the Company had no liabilities that were subject to interest rate risk and had no borrowing facilities. The Company's financial assets are invested in short term money market securities.

Fair values of financial assets and liabilities

There was no material difference between the fair values of financial assets and liabilities and their book values at the balance sheet date.

18. Related party transactions

Matt Cooper, a non-executive Director of the Fund, is a Director of Octopus. The Fund has employed Octopus throughout the period as investment managers. The Fund has paid Octopus £12,423 (including £1,850 of irrecoverable VAT) in the period as a management fee and there is £6,757 outstanding at the balance sheet date. The management fee is payable quarterly in advance and is based on 2.0% of the net asset value calculated at annual intervals as at 31 January. Octopus also provides accounting and administrative services to the Company, payable quarterly in advance for a fee of 0.3% of the net asset value calculated at annual intervals as at 31 January. During the period £1,863 (including £276 of irrecoverable VAT) was paid to Octopus and there is £1,013 outstanding at the balance sheet date, for the accounting and administrative services.

No performance related incentive fee will be payable over the first five years. Thereafter, Octopus will be entitled to an annual performance related incentive fee. This will be measured by reference to the net asset value of the company from the start of the sixth accounting period. If the NAV rises by more than the hurdle rate (set as the HSBC Bank plc base rate) over the 12-month period, Octopus will be entitled to 20% of the excess.

Notice of Annual General Meeting

NOTICE is hereby given that the first Annual General Meeting of Apollo VCT 2 plc will be held at 2pm on 17 July 2007 at the offices of Octopus Investments Limited, 8 Angel Court, London EC2R 7HP for the following purposes:

ORDINARY BUSINESS

1. To receive the Report of the Directors and Accounts for the period ended 31 January 2007.
2. To approve the Directors' remuneration report for the period ended 31 January 2007.
3. To re-elect Mr A Boyle as a Director of the Company.
4. To re-elect Mr R Penlington as a Director of the Company.
5. To re-elect Mr S Brocklehurst as a Director of the Company.
6. To re-elect Mr M Cooper as a Director of the Company.
7. To re-appoint Grant Thornton UK LLP as auditor and to authorise the Directors to agree their remuneration.

SPECIAL BUSINESS

To consider and if thought fit pass Resolution 8 as an Ordinary Resolution and Resolutions 9 and 10 as Special Resolutions

8. THAT the Directors be generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities up to an aggregate nominal amount of the authorised but as yet unissued share capital of the Company from time to time provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company or 15 months following the passing of this Resolution 8, whichever is the first to occur, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to such offer or agreement notwithstanding that the authority conferred hereby has expired, and the expression "relevant securities" and reference to the allotment of relevant securities shall bear the same respective meanings as in Section 80 of the Act.
9. THAT conditional upon the passing of Resolution 8 above, the Directors be and they are hereby empowered pursuant to Section 95 of the Act to allot equity securities wholly for cash pursuant to the authority conferred by Resolution 8 as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities in connection with or pursuant to either, (i) an offer by way of rights, open offer or other pre-emptive offer to the holders of shares in the Company and other persons entitled to participate therein in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlement or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange, and/or, (ii) an offer of up to an aggregate nominal value of 10% of the issued share capital of the Company at any one time as at the date of such allotment, and in either case such power shall expire at the conclusion of the next Annual General Meeting of the Company or 15 months following the passing of this Resolution 9, whichever is the first to occur, save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer or agreement notwithstanding that the power conferred hereby has expired, and the expression "equity securities" and references to the allotment of equity securities shall bear the same respective meanings as in Section 94 of the Act.

10. THAT the Company generally and unconditionally authorised, pursuant to Section 166 of the Act, to make market purchases (as defined in Section 163 of the Act) of up to 1,327,238 ordinary shares in the capital of the Company (being 14.99% of the present issued share capital) on such terms and in such manner as the Directors of the Company may from time to time determine, provided that the amount paid for each share (exclusive of expenses) shall not be more than 5% above the average of the middle market quotation for the Company's Ordinary Shares as derived from the Daily Official List of London Stock Exchange plc for the 5 business days before the purchase is made, and in any event not less than 50 pence per Ordinary Share; and the authority herein contained shall expire at the conclusion of the next Annual General Meeting of the Company or 15 months following the passing of this Resolution 10, whichever is the first to occur, provided that the Company may, before such expiry, make a contract to purchase its own shares which would or might be executed wholly or partly after such expiry, and the Company may make a purchase of its own shares in pursuant of such contract as if the authority hereby conferred had not expired.

By order of the Board
Neil Osmond
Company Secretary
Registered Office:
8 Angel Court
London
EC2R 7HP

23 May 2007

NOTES:

(i) A member entitled to vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his or her behalf. A proxy need not be a member of the Company.

(ii) A form of proxy is enclosed. To be effective, the instrument appointing a proxy (together with the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority) must be deposited at or posted to the office of the registrars of Apollo VCT 2 plc at **Proxy Processing Centre, Telford Road, Bicester OX26 4LD** so as to be received not less than 48 hours before the time fixed for the Meeting. Completion and return of the form of proxy will not preclude a member from attending or voting at the Meeting in person if he or she so wishes.

(iii) Members who hold their shares in uncertificated form must be entered in the Fund's register of Members 48 hours before the Meeting to be entitled to attend or vote at the Meeting. Such shareholders may only cast votes in respect of Ordinary Shares held by them at such time.

Copies of the letters of appointment of each of the Directors, and the register of directors' interests in shares of the Company under section 325 of the Companies Act 1985, will be available for inspection at the registered offer of the Company during usual business hours on any week day (Saturdays and public holidays excepted) from the date of this notice until the date of the Annual General Meeting and at the place of the Annual General Meeting from at least 15 minutes prior to and until the conclusion of the Annual General Meeting.

Perivan Financial Print 209511

Proxy Form

Apollo VCT 2 plc

Annual General Meeting – 17 July 2007

I/We ....
(BLOCK CAPITALS PLEASE)

of ....

being a member of Apollo VCT 2 plc, hereby appoint...

of...

or failing him/her the Chairman of the meeting to be my/our proxy and vote for me/us on my/our behalf at the annual general meeting of the Company to be held on 17 July 2007, notice of which was sent to shareholders with the directors' report and the accounts for the period ended 31 January 2007, and at any adjournment thereof. The proxy will vote as indicated below in respect of the resolutions set out in the notice of meeting:

Resolution number		FOR	AGAINST	WITHHELD
1.	To receive, consider and adopt the financial statements for the period ended 31 January 2007	☐	☐	☐
2.	To approve the Directors' Remuneration Report	☐	☐	☐
3.	To re-elect Mr A Boyle as a director	☐	☐	☐
4.	To re-elect Mr R Penlington as a director	☐	☐	☐
5.	To re-elect Mr S Brocklehurst as a director	☐	☐	☐
6.	To re-elect Mr M Cooper as a director	☐	☐	☐
7.	To re-appoint Grant Thornton UK LLP as auditor and authorise the directors to agree their remuneration	☐	☐	☐
8.	To authorise the directors to allot shares under section 80 (Ordinary Resolution)	☐	☐	☐
9.	To disapply Section 89(1) of the Companies Act 1985 and allot shares on a non rights issue basis (Special Resolution)	☐	☐	☐
10.	To authorise the directors to make market purchases of its own shares (Special Resolution	☐	☐	☐

Signed: .... Dated: 2007

NOTES

1. A member wishing to appoint a person other than the Chairman of the meeting as proxy should insert the name and address of such person in the space provided.
2. Use of the proxy form does not preclude a member from attending and voting in person.
3. Where this form of proxy is executed by a corporation it must be either under its seal or under the hand of an officer or attorney duly authorised.
4. If the proxy form is signed and returned without any indication as to how the proxy shall vote, the proxy will exercise his/her discretion as to whether and how he/she votes.
5. To be valid, the proxy form must be received by the Registrars of Apollo VCT 2 plc at **Proxy Processing Centre, Telford Road, Bicester OX26 4LD** no later than 48 hours before the commencement of the meeting.

Third fold and tuck in

BUSINESS REPLY SERVICE
Licence No. RRHB-RSXJ-GKCY

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Proxy Processing Centre
Telford Road
BICESTER
OX26 4LD

First fold

Second fold

OCTOPUS
INVESTMENTS