

HARGREAVEHALE AIM VCT 2 plc

Annual Report and Accounts

Year ended 29 February 2012

CONTENTS

	Page
Financial Highlights and Investment Policy	3
Chairman's Statement	4
Board of Directors	6
Investment Manager's Report	7
Investment Portfolio Summary	9
Top Ten Investments	11
Directors' Report	14
Directors' Remuneration Report	18
Corporate Governance	20
Statement of Directors' Responsibilities	24
Independent Auditors' Report	25
Income Statement	27
Balance Sheet	28
Cash Flow Statement	29
Reconciliation of Movement in Shareholders' Funds	29
Notes to the Financial Statements	31
Glossary of Terms	43
Company Information	44
Notice of AGM	45

Investment Objective

The objective of the VCT is to achieve long term capital growth and to maximise tax free distributions to shareholders by investing in a diversified portfolio of small capitalised UK Companies primarily traded on AIM. At least 70% of the Company's funds must be invested in qualifying holdings within three years of raising the funds. The balance of the Company's funds will be invested in liquid assets (such as gilts, other fixed interest and bank deposits) and non-qualifying equity investments on an opportunistic basis to boost the Company's performance. The Company is managed as a Venture Capital Trust in order that shareholders in the Company may benefit from the tax relief available.

Shareholder Communication

The Company's daily share price can be found on various financial websites under the TIDM code "HHVT" or on our dedicated website at <http://www.hargreave-hale.co.uk/fund-management/venture-capital-trusts/hargreave-hale-aim-vct-2/share-price-and-nav/>.

FINANCIAL HIGHLIGHTS AND INVESTMENT POLICY

Ordinary Shares (as at 29 February):	2012	2011
Net asset value per share	96.80p	107.92p
Cumulative distributions paid per share since launch	21.00p	16.00p
Total return per share	117.80	123.92p
Discount to Net Asset Value (based on bid-market price at balance sheet date)	13.2%	8.7%
Annual Returns per share:		
Revenue return	(2.38)p	(3.57)p
Capital return	(3.64)p	12.84p
Combined Return	(6.02)p	9.27p
Dividends per share:		
Interim paid	2.0p	2.0p
Final proposed	3.0p	3.0p
Total dividend for year	5.0p	5.0p
Performance Benchmark:		
Total Return	124%	130.4%
FTSE AIM All-share Index	71.3%	80.3%
(results rebased to 100 at 6 April 2007)		

The Glossary of Terms can be found on page 43 of the report.

Investment Policy

a) Investment Objectives

The Company's objectives are:

- to invest in a diversified portfolio of small UK based companies on a high risk, medium term capital growth basis, primarily being companies which are traded on AIM and which have the opportunity for significant value appreciation;
- to invest in smaller companies which may not be readily accessible to private individuals and which also tend to be more risky;
- to maximise distributions to shareholders from capital gains and income generated from the Company's funds; and
- targeted investment in equities which are non-qualifying investments on an opportunistic basis to boost the performance of the Company's funds.

b) Asset Allocation

In order to achieve these objectives, "Qualifying Investments" (being investments which comprise qualifying holdings for a venture capital trust as defined in Chapter 4 Part 6 of the Income Tax Act 2007) will be made in AIM companies, but the Investment Manager will also consider private companies that meet the investment criteria summarised below. The Investment Manager will follow a stock specific, rather than sector specific, investment approach. Individual Qualifying Investments are likely to range from £0.1 million to £1 million. Investments in AIM traded Qualifying Investments will be in new shares issued by the investee company at the time of its flotation or in new shares issued by existing AIM companies (with a preference for secondary issues of existing AIM companies as they are likely to have an established track record and these issues are often priced at an attractive discount to market price).

Initially, whilst suitable Qualifying Investments are identified the net proceeds of any share offer will be invested in gilts, other fixed interest securities and bank deposits that are readily realisable and targeted investment in equities which are Non-Qualifying Investments on an opportunistic basis to boost the performance of the Company's funds. Such investments will be realised as suitable Qualifying Investments are identified and made. Whilst under VCT legislation the Company must have 70 percent. of its funds invested in Qualifying Investments within 3 years, it is intended to invest a significantly greater percentage as defined by the rules. The remaining funds will be retained in "Non-Qualifying Investments" (being investments made by the Companies which do not qualify as Qualifying Investments), including gilts, other fixed interest securities and bank deposits, to fund the annual running costs of the Company and to reduce the risk of the overall portfolio of each Company. The Investment Manager will be flexible in its approach, adapting the position of the Company's funds to reflect market conditions.

CHAIRMAN'S STATEMENT

Introduction

At 29 February 2012 the NAV was 96.8 pence which after adjusting for the dividends paid gives a total return since inception of 117.8 pence. The loss per ordinary share for the year was 6.02 pence per share (comprising revenue losses of 2.38 pence and capital losses of 3.64 pence). After allowing for the 2p interim dividend paid in November this reflects a recovery of 4.96 pence in NAV during the second half. During the financial year as a whole the FTSE AIM All Share Index fell by 11.2%. Whilst this index is the only sensible benchmark, it is not strictly comparable as it has a high proportion of large mining and commodities stocks in which a VCT cannot invest.

Investments

The Investment Manager, Hargreave Hale Limited, invested a further £1.01 million in 10 qualifying companies during the year. The Fair Value of qualifying investments at 29 February 2012 was £4.20 million invested in 26 AIM companies and 3 unquoted companies; this compared with an original cost of £3.30 million. The balance of the fund, £2.34 million was held in a mix of cash, fixed income and other non-qualifying equities; more detail can be found in the Investment Manager's Report on page 7.

Dividend

An interim dividend of 2 pence was paid on 15 November 2011 (2010 – 2 pence).

A final dividend of 3 pence is proposed (2011 – 3 pence) which, subject to shareholder approval at the AGM will be paid on 19 July 2012, to ordinary shareholders on the register on 15 June 2012.

Provided the underlying investment performance of the fund remains acceptable and the liquidity position allows, it remains our policy to target a 5% distribution yield referenced to the NAV of the Company.

Buybacks

In total, 10,150 Shares were purchased during the year at an average price of 85.15 pence per share.

As detailed in the recent prospectus the Board has agreed to target a reduced discount of 5% for future market purchases. It should be emphasised that this target is non-binding and dependent on circumstances including the funds liquidity from time to time and market conditions.

New Joint Offer for Subscription of Ordinary Shares

On the 29 February 2012 the Directors of Hargreave Hale AIM VCT 1 plc and Hargreave Hale AIM VCT 2 plc announced the launch of a new offer for subscription of new shares in both VCT's. The companies have also launched an Enhanced Share Buy Back for existing shareholders who have held their shares for at least 5 years.

Both the offers for subscription and the Enhanced Share Buy Back were approved by shareholders of the Company at a General Meeting on 26 March 2012.

The Enhanced Share Buy Back for the 2011/12 tax year resulted in 1,608,920 Ordinary shares being purchased by the Company for cancellation and 1,558,927 new Ordinary shares being issued by the Company under the terms of the Enhanced Share Buy Back. A maximum of 3,500,000 Ordinary Shares could be repurchased by the Company and so all applications have been accepted in full. The Company announced on 29 March 2012 the extension of the Tender Offer and associated Enhanced Share Buy Back until 31 August 2012.

Since its launch on 29 February 2012 the new joint offers for subscription has resulted in funds being received of £1.23 million and the issue of 1.25 million shares. The offer closes on 31 August 2012.

The funds raised and shares issued to date under the New Joint Offer are post year end events.

VCT Status

To maintain its VCT qualifying status we must invest at least 70% of the net funds raised in any one accounting period in qualifying investments within three years. I am pleased to report that at the year end we have achieved 89.02% and have satisfied all the relevant tests.

Outlook

During the past 12 months the previous steady recovery in the UK economy has almost ground to a halt. This is little surprise given the deep seated domestic problems of high personal and Government indebtedness which have been aggressively countered by loose monetary policy including continued quantitative easing. Against this background performance of the corporate sector, especially those enterprises with international exposure has proved remarkably resilient. With difficulties in the Eurozone still far from resolved, there are no guarantees that this relatively benign situation can persist. Until conditions improve we shall therefore continue to take a fairly cautious approach to new investment.

At the recent General Meeting shareholders agreed the change in our investment policy enabling the manager to invest in Marlborough Special Situations Fund. This fund has an outstanding record and has been managed by Giles Hargreave for 14 years. We believe it represents a valuable addition to our range of investment opportunities enabling ready access to a high quality portfolio of small companies when market conditions are judged to be right.

David Hurst-Brown
Chairman

Date: 6 June 2012

BOARD OF DIRECTORS

David Hurst-Brown FSI

David worked for over 25 years in the investment banking industry starting as an investment analyst with Rowe and Pitman and becoming a partner of the firm in 1985. Following takeovers by SG Warburg and Swiss Bank Corporation and the subsequent merger with Union Bank of Switzerland, David ultimately was an executive director in the corporate finance division of UBS Warburg. In this capacity, amongst his various duties, he was responsible for establishing a smaller companies business unit. He was a consultant to UBS from 1999 to 2002. David is presently a non executive director of Imagination Technologies Group Plc, Anite Plc and FFastfill Plc.

Giles Hargreave

Giles is the Chief Executive of Hargreave Hale Limited. After leaving Cambridge in 1969 Giles began his career as a trainee analyst with James Capel before moving to Management Agency and Music Plc as a private fund manager in 1974. In 1986 he founded Hargreave Investment Management, which was merged with Hargreave Hale & Co in 1988, Giles took over as the fund manager of the Marlborough Special Situations Fund. He also manages the Marlborough UK Micro Cap Growth Fund, the Marlborough Multi Cap Fund and the Marlborough UK Leading Companies Fund. Giles heads up Hargreave Hale's investment committee and chairs the weekly meetings in which the team reviews existing and potential investments.

Philip Cammerman

Philip has over 20 years experience in engineering and high-tech industries and has worked in both the UK and USA. He has spent the last 27 years in the venture capital industry, playing a major part in the development of the YFM Group into the most active investor in UK SME's. He retired from all YFM Group business in April 2008 following their disposal to GLE Capital. Philip has been responsible for a wide range of venture capital deals in a variety of industries including software, computer maintenance, engineering, printing, safety equipment, design and textiles. In addition to his directorship of Hargreave Hale AIM VCT 2 plc, Philip is a non executive director of Pressure Technologies plc and British Smaller Companies VCT plc.

INVESTMENT MANAGER'S REPORT

Market Commentary

Global stock markets experienced something of a rollercoaster ride in 2011, much like they did in 2010. Once again, the European Sovereign Debt crisis has been the dominant factor in determining the price of risk assets: driving them down in the Autumn as pressure built on several Sovereigns and, by extension, their associated financial sector. Coordinated efforts from developed nation's central banks that flooded the market with liquidity through lower interest rates and additional quantitative easing improved matters, but the most significant boost to sentiment came on 8 December 2011 when the European Central Bank announced its first 3 year €489bn long term refinancing operation. By providing unlimited cheap 3-year money, the European Central Bank immediately put to bed the threat of a systematic failure among the European financials. Some of the cheap loans were used to purchase peripheral Sovereign debt, bringing yields down to more sustainable levels, at least for the time being. A ring-fence had been created such that the Greek default, when it finally came to pass, was successfully contained.

Although the UK and European economies continue to flat line or contract, these events, along with improving economic data in the US, and optimism that the Chinese economy would experience a 'soft landing' gave a major boost to confidence, triggering a significant rally in risk assets through the second half of December and into the first quarter of 2012. The major indices were the first to benefit but the lift in sentiment filtered through to the small caps. Overall, FTSE All-Share slipped -2.0% in the 12 months to 29 February 2012 and FTSE AIM All-Share dropped -11.2% in the same period.

Welcome as they are, it is not clear that the measures taken by the European Central Bank and the Eurozone states have successfully addressed the fundamental issue of intra-regional imbalances. The fiscal compact, as currently structured, runs the risk of reinforcing the contraction currently underway in the Southern European states. The political overlay remains highly uncertain and could yet muddy the waters. However, at the very least, a crisis was averted in the short-term and the can successfully kicked down the road, once again.

Played correctly, these market distortions can be made to work in your favour. Qualifying issuance has been generally solid: there was a reasonable supply of potential investments in the first half which then tailed off as we moved through August and into the winter: a combination of seasonal swings and periods of volatility associated with the unfolding European drama. Issuance picked up again in the later stages of the final quarter of the financial year. The VCT is well positioned against the HMRC defined investment test and ended the period at 89.02% invested according to the HMRC investment test through 29 qualifying investments. As such, we can bide our time during periods of relatively inactivity within the capital markets.

Equally, the fortunes of many of our investments are dependent on the emergence of new technologies or markets; they don't require significant growth in the domestic European economies. Sentiment and liquidity are more important in determining pricing. We have seen some evidence of lengthening sales cycles and changes to buying patterns, particularly if large contracts are at stake, but on the whole this has been limited to a small number of companies. Periods of great uncertainty can throw up good entry points into cyclical stocks, particularly for long-term investors such as this VCT.

Investment Report

Within the financial year ending 29 February 2012, the NAV dropped from 107.92 to 96.8 pence. Total dividends of 5 pence were distributed, bringing an overall loss of 6.12 pence (-5.67%). Total Returns since launch declined from 123.92 pence to 117.80 pence.

With no requirement to invest further into qualifying companies, our focus is more on the management of the portfolio: making new investments only when we feel the risk/reward looks particularly favourable and discarding those investments that haven't worked out. As such, we made ten qualifying investments and exited two. The ten investments made were Ideagen plc (previously Datum, content management and workflow software), Futura Medical plc (sexual healthcare pharmaceuticals), Indeed Online plc (online property conveyancing service), Corfe Energy Ltd, Brigantes Energy Ltd (oil and gas exploration), Microsaic Systems plc (mass spectrometry), Myclex Technologies Corporation plc (clean water technology), Porta Communications plc (marketing and communications), TLA Worldwide plc (US baseball agency) and Sphere Medical Holdings plc (medical monitoring equipment). We jettisoned Optare Plc

and Savile Group and sold Alterian Technology Ltd, acquired through its takeover of Mediasurface, after it became non-qualifying. Paragon Creative reversed into Marwyn Capital II Ltd and changed the name into Paragon Entertainment Ltd.

The qualifying portfolio stayed relatively stable through this turbulent year with net realised and unrealised gains totalling £53k, equivalent to 0.79 pence per share. 12 of the 29 investments increased in value, 14 lost ground and 3 marked time. At the close of the period, the VCT had aggregated unrealised profit of £0.9m within the qualifying portfolio. Lombard Risk was the most significant contributor to NAV appreciation within the year, 2.57 pence per share, following a surge of over 100% in its share price as the company experienced strong organic growth in an environment where its customer base faces mandatory requirements to comply with new regulations. We took the opportunity to lock in some gains and reduced our position by about 12%. Mexican Grill added 1.68 pence per share to the NAV after we marked the shares up by 37% following a £3.5m investment by Quilvest, a large global private equity firm and owner of the Yo! Sushi chain of restaurants. The additional capital and strengthened management team leaves Mexican Grill well positioned to continue with its expansion plans. Advanced Computer Software added 1.23 pence per share after advancing 38% on back of a string of good news and subsequent rerating of the stock. Electric Word was the biggest disappointment after two successive updates confirmed that trading remained difficult in its professional publishing division. The steady decline in the share price was equivalent to 1.33 pence per share off the NAV.

Trading of non-qualifying equity investments swung into losses this fiscal year amidst some difficult market conditions, particularly on AIM, and with liquidity draining out of the market at times. Net realised and unrealised loss totalled 4.07 pence per share over the year. We continued to pare back risk in this area and reduced exposure to non-qualifying equities to 6.5% in the final quarter. We have also shifted the emphasis to more liquid stocks, although we continue to run a number of non-qualifying small cap investments.

Portfolio Structure

The weighting of non-qualifying equity portfolio fell from 15.1% to 6.5% this year as a result of growth in the qualifying portfolio and as we reduced the exposure in anticipation of weaker equity markets. The value invested decreased from £0.94m to £0.42m.

Our cash position increased from £1.12m to £1.15m; £0.34m was distributed in dividends. As a percentage of net assets, the weighting to cash fell slightly from 18.2% to 17.6%. Fixed income investments decreased from £0.86m to £0.77m, a reduction from 13.9% to 11.8% of net assets. The Nationwide 3.75% 2011 was redeemed on 21 November 2011 and replaced by a smaller position in Petrobras 6.25% 2026.

Investment Test

The VCT finished the period at 89.02% invested, as measured by HMRC. We have made two subsequent qualifying investments in the current financial year: Angel Biotechnology plc, a contract manufacturer for advanced biologics and ReNeuron Group plc, a clinical stage stem cell research company already held within the portfolio.

For further information please contact:

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Company Secretary
Hargreave Hale AIM VCT 2 plc
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INVESTMENT PORTFOLIO SUMMARY

Ordinary Share Fund

As at 29 February 2012

	Book Cost	Valuation	Valuation
	£000	£000	%
Qualifying investments			
Mexican Grill Ltd (A Preference Shares)	277	379	7.03
Hardide plc	110	310	5.74
Adv Computer Software Group plc	100	297	5.51
AnimalCare Group plc	100	287	5.33
Lombard Risk Management plc	92	247	4.59
EKF Diagnostics Holdings plc	150	233	4.31
Intercede Group plc	96	212	3.94
Lidco Group plc	146	211	3.92
Fulcrum Utility Services Ltd	100	190	3.52
Mycelx Technologies Corporation plc	150	164	3.05
TLA Worldwide plc	150	150	2.78
Ideagen plc	100	147	2.73
Reneuron Group plc	75	143	2.64
Sphere Medical Holdings plc	150	127	2.35
Microsaic Systems plc	117	121	2.24
Electric Word plc	185	115	2.13
Futura Medical plc	75	113	2.10
In-Deed Online plc	117	106	1.97
Omega Diagnostics Group plc	144	105	1.95
Tristel plc	100	88	1.63
Paragon Entertainment Ltd	100	83	1.54
Corac Group plc	100	80	1.48
Plastics Capital plc	100	67	1.24
Porta Communications plc	100	63	1.16
Mexican Grill Ltd (Ordinary Shares)	31	42	0.78
Synchronica plc	100	28	0.52
Brigantes Energy Ltd	25	25	0.46
Corfe Energy Ltd	25	25	0.46
Photonstar LED Group plc	97	24	0.45
Image Scan Holdings plc	92	17	0.32
Total qualifying investments	3,304	4,199	77.87

INVESTMENT PORTFOLIO SUMMARY (continued)

	Book Cost £000	Valuation £000	Valuation %
Non-Qualifying investments			
UK Treasury Stock 2.25% 2014	294	311	5.77
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Total – UK gilts	294	311	5.77
Petrobras International Finance 6.25% 2026	148	156	2.89
Nationwide Building Society 7.971% 2049	145	151	2.80
Scottish Amicable Finance 8.5% 2049	154	151	2.80
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Total – Corporate bonds	447	458	8.49
Cohort plc	56	65	1.20
Egdon Resources plc	80	61	1.14
TMO Renewables Ltd	50	50	0.93
GW Pharmaceuticals plc	52	45	0.84
Prophotonix Ltd	40	43	0.80
Instem plc	35	33	0.61
Genargo Ltd	26	30	0.56
Skill Ports & Logistics Ltd	50	28	0.51
Westmount Energy Ltd	8	25	0.46
OMG plc	31	23	0.43
In-Deed Online plc	17	15	0.29
Mexican Grill Ltd (A Preference Shares)	3	3	0.06
Paragon Entertainment Ltd	1	1	0.02
Microsaic Systems plc	1	1	0.02
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Total – non-qualifying equities	450	423	7.87
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Total – non-qualifying investments	1,191	1,192	22.13
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Total investments	4,495	5,391	100.00
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The majority of investments held within the portfolio are listed and/or headquartered in the UK with the exception of the following:

MyCelx Technologies Corporation plc: UK listed but headquartered in Georgia, USA.

Genargo Ltd: Not listed but headquartered in Jersey.

Prophotonix Ltd: Listed in the UK, headquartered in New Hampshire, USA.

Skill Ports and Logistics Ltd: UK listed but headquartered in Guernsey.

Westmount Energy Ltd: UK listed but headquartered in Jersey.

Fulcrum Utility Services Ltd: UK listed but registered in Cayman Islands.

TOP TEN INVESTMENTS

As at 29 February 2012

Each of the AIM investments is valued by reference to the bid price.

Mexican Grill Ltd			2804p
Investment date	October 2009	Preliminary results for year ended	September 2011
Equity held	4.77%	Turnover (£'000)	4,095
Av Purchase Price	2059p	Profit before tax (£'000)	35
Cost (£'000)	311	Net assets (£'000)	1,899
Valuation (£'000)	424		

Mexican Grill, is a private company that operates eight fast casual California-Mexican restaurants that provide fresh, made to order cuisine for eat in or take-away. The eight sites are in London at Islington, Bankside (near Tate Modern), Market Place (near Oxford Circus), Canary Wharf, Leadenhall, Hammersmith, Westfield Stratford & Wimbledon, making it amongst the largest chains within its niche. Bar the most recent opening, each of the sites is profitable, most notably Canary Wharf & Westfield Stratford which is generating an annual return on capital in excess of 50%. The company is profitable as a whole and has a strong Balance Sheet following the recent £3.5m fundraising from Quilvest Private Equity.

Hardide plc			0.85p
Investment date	June 2009	Preliminary results for year ended	September 2011
Equity held	3.81%	Turnover (£'000)	1,947
Av Purchase Price	0.3p	Profit before tax (£'000)	(446)
Cost (£'000)	110	Cash balance (£'000)	292
Valuation (£'000)	310		

Hardide manufactures and applies tungsten carbide-based coatings to a wide range of engineering components. The patented technology is proven to offer cost savings through reduced downtime and extended part life. Customers include leading companies operating in oil and gas exploration and production, valve and pump manufacturing, general engineering and aerospace. The company recently raised £0.75m from new and existing investors at 0.6p.

Advanced Computer Software Group plc			50.5p
Investment date	July 2008	Unaudited results for 6 months to	August 2011
Equity held	0.17%	Turnover (£'m)	47.3
Av Purchase Price	17p	Profit before tax (£'m)	3.1
Cost (£'000)	100	Net Assets (£'m)	88.7
Valuation (£'000)	297		

Advanced Computer Software Group plc is a supplier of software and IT services to the healthcare and commercial sectors with a primary focus on delivering high quality products and services to enable first class delivery of care in the community. Advanced additionally delivers back-office systems for NHS trusts, local authorities and care providers and is further strengthening its position in the health checks and pharmacy services markets. Working with partners in the NHS, local government and the private sector, Advanced delivers IT in support of safe and efficient care delivery and greater information for both the commissioner and care provider. The company offers a range of integrated health and care solutions from patient-facing IT systems through to back-end operational systems and services. Advanced is also a leading supplier of software and IT services to the commercial sector, which represents 35% of the company's revenues.

Animalcare Group plc			158p
Investment date	December 2007	Unaudited results for 6 months to	December 2011
Equity held	0.88%	Turnover (£'000)	5,400
Purchase Price	55p	Profit before tax (£'000)	1,090
Cost (£'000)	100	Net assets (£'000)	16,135
Valuation (£'000)	287		

Animalcare is a leading supplier of generic veterinary medicines and animal identification products to companion animal veterinary markets. It develops and sells goods and services to veterinary professionals principally for use in companion animals; operating directly in the UK and through distribution and development partners in key markets in Western Europe. Its principle product lines are licensed veterinary medicines and companion animal identification products and services.

Lombard Risk Management plc			10.75p
Investment date	September 2009	Unaudited results for 6 months to	September 2011
Equity held	1.09%	Turnover (£'000)	6,352
Purchase Price	4p	Profit before tax (£'000)	1,753
Cost (£'000)	92	Net assets (£'000)	4,287
Valuation (£'000)	247		

Lombard risk is a provider of collateral management and regulatory compliance solutions to financial organizations and large corporations, they currently serve over 300 financial businesses around the world. Clients include over 20 of the world's top 50 banks, as well as other investment firms, asset managers, hedge funds, fund administrators, and global corporations.

EKF Diagnostics Holdings plc			23.25p
Investment date	June 2010	Audited results for year ended	December 2011
Equity held	0.4%	Turnover (£'000)	21,658
Purchase Price	15p	Profit before tax (£'000)	(2,360)
Cost (£'000)	150	Net Assets (£'000)	37,427
Valuation (£'000)	233		

The EKF Group is a worldwide manufacturer of point of care equipment for the measurement of glucose, lactate, haemoglobin, hematocrit and glycated haemoglobin (HbA1c). The range of blood analysers are simple to use and designed to quickly deliver accurate results to aid the diagnosis of anaemia, diabetes and associated conditions. EKF analysers are used in more than 70 countries by healthcare professionals in blood banks, GP surgeries, diabetes clinics, pharmacies, hospitals, sports medicine and laboratories.

Intercede Group plc			73p
Investment date	May 2007	Unaudited results for 6 months to	September 2011
Equity held	0.6%	Turnover (£'000)	3,528
Av Purchase Price	33p	Profit before tax (£'000)	653
Cost (£'000)	96	Net assets (£'000)	5,911
Valuation (£'000)	212		

Intercede is the producer of the MyID® Identity and Credential Management System. MyID is the only IDCMS software product that enables organisations to easily and securely manage the identities of people and their associated identity credentials within a single, integrated, workflow driven platform. This includes enabling and managing: secure registration, biometric capture, application vetting and approval through to smart card personalisation, issuance and management.

Lidco Group plc			14.5p
Investment date	May 2009	Unaudited results for 6 months to	July 2011
Equity held	0.84%	Turnover (£'000)	3,215
Purchase Price	10p	Profit before tax (£'000)	(242)
Cost (£'000)	146	Net assets (£'000)	4,338
Valuation (£'000)	211		

LiDCO is a supplier of minimally invasive hemodynamic monitoring equipment and disposables to hospitals. These products are used primarily for the management of hospital patients requiring critical care or at major cardiovascular risk. LiDCO's computer-based technology significantly reduces the complications (particularly infections) and costs associated with major surgery. The technology was invented in the Department of Applied Physiology based at St Thomas' Hospital, London. LiDCO is based in the UK.

Fulcrum Utility Services Ltd			19p
Investment date	July 2010	Unaudited results for 6 months to	September 2011
Equity held	0.65%	Turnover (£'000)	19,600
Purchase Price	10p	Profit before tax (£'000)	(3,750)
Cost (£'000)	100	Net assets (£'000)	1,477
Valuation (£'000)	190		

Fulcrum Utility is an energy solutions company operating across mainland UK. Combining customer focus with extensive knowledge and experience in the utility industry, the company has a portfolio of products and services that provide an end to end multi utility and environmental service for all customer categories. As a gas transporter, Fulcrum designs, constructs, owns and operates distribution systems.

Mycelx Technologies Corporation			230p
Investment date	August 2011	Preliminary results for year ended	December 2011
Equity held	0.55%	Turnover (\$'000)	6,257
Purchase Price	210p	Profit before tax (\$'000)	(2,848)
Cost (£'000)	150	Net assets (\$'000)	17,577
Valuation (£'000)	164		

Mycelx is a newly AIM-listed, clean water technology company. It provides clean water solutions to the oil, gas and petrochemical industries, as well as marine, power, utilities and heavy manufacturing. Its patented polymer is capable of permanently removing free, emulsified and dissolved hydrocarbons in water.

Co-Investment

As at 29 February 2012, other funds managed by Hargreave Hale Limited were also invested in 10 of the following investments – Advanced Computer Software Group plc, Animalcare Group plc, Cohort plc, Egdon Resources plc, EKF Diagnostics Holdings plc, Electric Word plc, Genagro Ltd, In-Deed Online plc, OMG plc and Skill Ports & Logistics Ltd.

DIRECTORS' REPORT

For the year end 29 February 2012

The Directors present their report together with the audited financial statements of the Company for the year from 1 March 2011 to 29 February 2012.

The Company was incorporated and registered in England and Wales on 20 September 2006 under the Companies Act 1985, registered number 5941261.

Principal Activity and Status

The Company has been approved by HMRC under section 259 of the Income Taxes Act 2007, as a Venture Capital Trust. The shares of the Company were first admitted to the Official List of the UK Listing Authority and trading on the London Stock Exchange on 6 April 2007.

On 20 September 2007, the Company revoked its investment company status to facilitate the payment of dividends out of capital profits.

The Company's principal activity is to invest in a diversified portfolio of qualifying small capitalised UK based companies, primarily trading on AIM, with a view to maximise tax free dividend distributions to shareholders.

The Directors have managed and continue to manage the Company's affairs in such a manner as to comply with Section 259 of the Income Taxes Act 2007.

Business Review

A review of the Company's business during the year and consideration of its future development and prospects are contained in the Chairman's Statement and Investment Manager's Report. The financial position of the Company at 29 February 2012 was strong with no debt or gearing.

Key Performance Indicators

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives. The key performance indicators (KPIs) are established industry measures and are as follows:

- Net asset value
- Total return
- Discount to net asset value
- Earnings and Dividend per share

In addition to the above, the Board considers peer group comparative performance. Performance is also measured against the Company's closest benchmark, The FTSE AIM All-share Index. The performance measures for the year are included in the Financial Highlights on page 3.

Principal Risks and Uncertainties

The principal risks facing the Company relate to the Company's investment activities and include market price, interest rate and liquidity. An explanation of these risks and how they are managed is contained in note 17 to the accounts. Additional risks faced by the Company, together with the mitigation approach, area as follows:

- i. Discount volatility – venture capital trust shares tend to trade at discounts to their underlying net assets values, which can fluctuate considerably. To minimise the impact of such fluctuations, the Company set up a share buyback policy during the year where the Company purchases shares for cancellation.
- ii. Regulatory risk – the Company operates in a complex regulatory environment and faces a number of related risks. A breach of section 259 of the Income Taxes Act 2007 could result in the Company being subject to capital gains tax on the sale of its investments. The Board receives a half yearly compliance report prepared by PricewaterhouseCoopers LLP to monitor compliance with regulations.

Revenue and Dividends

The revenue loss after tax for the year amounted to £159,105 (2011 – £195,861 loss). An interim ordinary dividend of 2 pence per Ordinary share was paid on 15 November 2011 (2011 – 2 pence per share). The final dividend of 3 pence per share for the year ended 29 February 2012 is due to be paid on 19 July 2012.

Share Valuation

On 29 February 2012, the bid-market price and the net asset value per ordinary share were 84.00 pence and 96.80 pence respectively.

Management

Hargreave Hale Limited manages the Company's investments. The principal terms of the Company's agreement with Hargreave Hale Limited are set out in Note 3 to the Financial Statements.

The Investment Manager's remuneration was agreed at the time of the launch of the Company. On 15 December 2010 the Company entered into a deed of variation to increase the annual management fee payable to the Investment Manager from 0.9% to 1.3% per annum, starting from 1 October 2010 and coinciding with the termination of obligations with KIS on 29 September 2010. In exchange Hargreave Hale Limited has agreed to provide an indemnity to cap the annual running costs of the Company from 1 October 2010 at 3.5% per annum of the Net Asset Value (such costs excluding VAT, any Performance Incentive Fee and any trail commissions the payment of which is the responsibility of the Company) and cover any excess.

At a General Meeting held by the Company on 26 March 2012 the investment management fee payable to the Investment manager was increased to 1.5% per annum of the Net Asset Value. In the immediate future this will not give rise to any increased cost to the Company because the 3.5% cap on total costs (referred to above) is effective.

The initial appointment of the Investment Manager was for a period of three years and the appointment may be terminated by either party on giving one year's notice. The Directors review the Investment Manager's performance at each Board Meeting through review of the Investment Report.

Hargreave Hale Limited is to provide to the Company, administration services, custody services, company secretarial services and directorship of Giles Hargreave.

Capital Structure

The Company's capital structure is summarised in note 1 to the accounts.

Voting Rights in the Company's shares

Details of the voting rights in the Company's shares as at the date of this report are given in Note 2 to the Notice of AGM on page 47.

VCT Status Monitoring

The Company has retained PricewaterhouseCoopers LLP as advisors on, inter alia, compliance with legislative requirements. The Directors monitor the Company's VCT status through regular reports from PricewaterhouseCoopers LLP.

Substantial Holdings in the Company

At 29 February 2012, there were 4 holdings of 3% and over of the Company's ordinary share capital. These holdings related to Hargreave Hale Nominees Ltd with 10.73%, Frank Nominees Ltd with 3.93%, Dr Alasdair Baird with 3.57% and Mrs Patricia Davenport with 3.03%.

Directors

The present directors are listed below.

Directors' Interests

The beneficial interests of Directors of the Company in the share capital are shown below:

	Ordinary Shares	
	2012	2011
David Hurst-Brown	26,250	26,250
Giles Hargreave	143,085	143,085
Philip Cammerman	-	-

There have been the following changes to the beneficial interests of Directors between 29 February 2012 and the date of this report as a result of the new joint offers for subscription launched on 29 February 2012.

	Ordinary Shares	
	Date of this Report	29 February 2012
David Hurst-Brown	45,836	26,250
Giles Hargreave	141,487	143,085
Philip Cammerman	3,090	-

David Hurst-Brown

David Hurst-Brown committed to participating in the Enhanced Share Buy Back in respect of the 26,250 Hargreave Hale Aim VCT 2 plc ordinary shares held at the year end. Under the terms of the tender this resulted in the re-purchase and cancellation of these shares and the issue of 25,435 new ordinary shares.

In addition David committed to subscribe for a further £20,000 of Hargreave Hale AIM VCT 2 plc new ordinary shares which in accordance with the pricing formula set out in the prospectus resulted in 20,401 new shares being issued.

Giles Hargreave

Giles Hargreave committed to participating in the Enhanced Share Buy Back in respect of the 51,500 Hargreave Hale Aim VCT 2 plc ordinary shares held for over 5 years. Under the terms of the tender this resulted in the re-purchase and cancellation of these shares and the issue of 49,902 new ordinary shares.

Philip Cammerman

Philip Cammerman invested £3,000 in the Company resulting in 3,090 new ordinary shares being issued subject of the terms of the offer.

Share Buybacks

During the year, the Company repurchased 10,150 ordinary shares (nominal value £102) at a cost of £8,764. The shares repurchased represent 0.2% of ordinary shares in issue on 1 March 2011. All shares repurchased were cancelled.

The buyback scheme as detailed in the prospectus is offered to shareholders as a means to provide an opportunity for shareholders to sell their shares back to the company through the buyback scheme if an exit route is desired.

Joint Offer for Subscription

During the year the Company issued 596,121 1 pence ordinary shares (nominal value £5,961) in a joint offer for subscription which resulted in funds being received of £662,500 of which 5% (£33,125) was payable to Hargreave Hale Limited to cover the cost of additional shares allotted from commission re-invested of £16,718, initial commission of £11,843 and trail commission of £1,178, resulting in fees payable to Hargreave Hale Limited of £3,386. The joint offer for subscription of ordinary shares opened on 20 March 2010 and closed on 8 March 2011.

Top Up Offer of Ordinary Shares

During the year the Company issued 419,406 1 pence ordinary shares (nominal value £4,194) in a Top Up Offer for ordinary shares which resulted in funds being received of £451,500 of which 5% (£22,575) was payable to Hargreave Hale Limited to cover the cost of additional shares allotted from commission re-invested of £10,624, initial commission of £4,132 and trail commission of £1,323, resulting in fees payable to Hargreave Hale Limited of £6,496. The Top Up Offer for subscription of ordinary shares opened on 9 March 2011 and closed on 29 July 2011.

On the 29 February 2012 the Directors of Hargreave Hale AIM VCT 1 plc and Hargreave Hale AIM VCT 2 plc announced the launch of an offer for subscription of new shares in both VCT's. The companies also launched an Enhanced Share Buy Back for existing shareholders who have held their shares for at least 5 years.

Post Balance Sheet Events

Post Balance Sheet Events are disclosed in Note 19 on page 41 and 42 of the accounts.

Directors' and Officers' Liability Insurance

All directors and officers benefit from qualifying third party indemnity insurance cover.

Disclosable Interests

No Director is under contract of service with the Company and, other than as disclosed in Note 16, no contract existed during or at the end of the year in which any Director was materially interested and which was significant in relation to the Company's business.

Financial Instruments

The Company's financial instruments and principal risks are disclosed in Note 17 to the accounts.

Supplier Payment Policy

It is the Company's policy to obtain the best terms for all business and to abide by those agreed terms. It is the Company's policy to settle all investment transactions according to settlement periods operating for the relevant markets. The majority of transactions undertaken for services provided and goods received are payable on standard terms. The supplier payments due are usually settled within two weeks given the time needed to authorise the payments and attain the dual signatories. The average time recorded to pay creditors in the year was 8.6 days (2011 – 13.8 days).

Charitable and Political Donations

The Company made no charitable or political donations in the year (2011 - nil).

Auditors

A resolution proposing the reappointment of BDO LLP as auditors to the Company and authorising the Directors to determine their remuneration will be put at the forthcoming AGM.

The Directors who held office at the date of approval of this Director's Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information, and to establish that the Company's auditors are aware of that information.

Annual General Meeting

The Notice of AGM to be held on 16 July is set out on page 45.

At the AGM there is one non-routine item of business:

Resolution 8, if passed, will renew the Directors' authority to purchase (for cancellation) up to 14.99% of the issued ordinary share capital as at the date of this report.

By order of the Board

STUART BROOKES
Company Secretary

Registered office:
Hargreave Hale AIM VCT2 plc,
19 Cavendish Square,
London W1A 2AW

Date: 6 June 2012

DIRECTORS' REMUNERATION REPORT

For the year ended 29 February 2012

The Board presents this Report which has been prepared in accordance with the requirements of The Companies Act 2006 and Statutory Instrument 2008/410. An ordinary resolution for the approval of this report will be put to the shareholders at the AGM.

Your Company's auditors are required to audit certain disclosures provided in this Report. Where disclosures have been audited, they are indicated in this Report. The auditors' opinion is included in their report on pages 25 and 26.

Remuneration Responsibilities

The Board has resolved that a remuneration committee is not appropriate for a Company of this size and nature. Remuneration is part of the Board's responsibilities, to be addressed regularly.

The Board consists solely of non-executive Directors. All are considered independent with the exception of Mr Giles Hargreave who is Chief Executive of Hargreave Hale Limited and is not therefore independent.

Policy on Directors' Remuneration

The Company has no employees, so the Board's policy is that the remuneration of directors should be fair and reasonable in relation to the time committed and responsibilities of the Directors and in line with the remuneration paid by other listed venture capital trusts and investment trusts. The Board aims to review Directors' remuneration from time to time. There have been no increases since the fund was established.

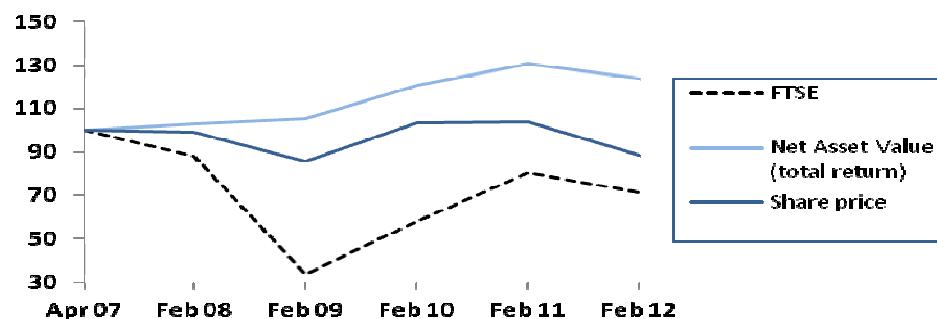
Fees for the Directors are determined by the Board within the limits stated in the Company's Articles of Association. The maximum permitted by the Company's Articles of Association is £200,000 per annum. The Directors are not eligible for bonuses, pension benefits, share options or other incentives or benefits.

Directors' Service Contracts

It is the Board's policy that none of the Directors has a service contract. Each of the Directors has entered into an agreement with the Company when appointed. David Hurst-Brown was appointed on 8 December 2006, Giles Hargreave who was appointed on 12 August 2009 when an agreement was made with Hargreave Hale Limited to provide the directorship service and Philip Cammerman was appointed on 28 September 2010. The terms of appointment provide that a Director shall retire and be subject to re-election at the first annual general meeting after appointment and at least every three years thereafter. In accordance with listing rule 15.2.13A Giles Hargreave shall retire and be subject to re-election on an annual basis as he is a Director of the VCT and the manager. Either party can terminate the agreement by giving to the other at least 3 months notice in writing.

Your Company's Performance

The Company was incorporated on 20 September 2006 and commenced trading on 6 April 2007. The performance chart below charts the Company's Ordinary share NAV (total return) and share price from Admission of shares to listing on 6 April 2007 to 29 February 2012 (rebased to 100 at 6 April 2007) compared to the total return of a notional investment in the FTSE AIM All-share Index over the same period. The graph has been plotted at intervals of 12 months. This index was chosen for comparison purposes as it represents a comparable broad equity market index for AIM quoted small companies (the target investment class for the VCT).



Directors' Emoluments for the Year (audited)

The Directors who served during the year received the following emoluments:

	2012	2011
	£	£
David Hurst-Brown (Chairman)	18,000	16,250
Giles Hargreave	15,000	15,000
Philip Cammerman	15,000	6,250
Sir Aubrey Brocklebank Bt (Chairman) * (resigned 28 September 2010)	-	15,000
	-----	-----
Total	48,000	52,500
	-----	-----

*The emoluments paid to Sir Aubrey Brocklebank Bt in the previous year include a payment of three months fees of £4,500 in lieu of notice.

The Directors fees have not increased in the year.

Approval

The Directors' Remuneration Report on pages 18 and 19 was approved by the Board of Directors on 6 June 2012.

Signed on behalf of the Board of Directors

David Hurst-Brown

Chairman

CORPORATE GOVERNANCE

Director's Statement of Compliance with the UK Corporate Governance Code on Corporate Governance ("the Code").

The Principles

The Board has put in place arrangements which it considers appropriate for a VCT to ensure proper corporate governance.

During the year under review, the Board considers that the Company has complied with the recommendations of the Code except as disclosed below.

The Board comprises three Directors, all of whom are non-executive and all of whom are considered independent of the Investment Manager with the exception of Mr Giles Hargreave. Mr Giles Hargreave is Chief Executive of Hargreave Hale Limited and is not therefore independent of the Investment Manager.

The Directors have a range of business, financial and asset management skills and experiences relevant to the direction and control of the Company. Brief biographical details of the members of the Board are shown on Page 6.

The Chairman is David Hurst-Brown, a non-executive Director, who has no conflicting relationships. Since all Directors are non-executive and day to day management responsibilities are sub-contracted to the Investment Manager and Administrator, the Company does not have a Chief Executive Officer, as the roles are already effectively separated.

The Administrator ensures the Directors have timely access to all relevant management, financial and regulatory information to enable informed decisions to be made. The Board meets on a regular basis at least four times each year and additional meetings are arranged as necessary. Regular contact is maintained between the Investment Manager and the Board outside of formal meetings.

Board meetings follow a formal agenda, which includes a review of investment portfolio with a report from the Investment Manager on the current investment position and outlook, strategic direction, performance against stock market indices and the Company's peer group, cash management, revenue forecasts for the financial year, marketing and shareholder relations, corporate governance and industry and other issues.

Due to the size of the Board, the Board has not set up separate nomination and remuneration committees (as required by Code B.2.1 and D2.1 respectively) on the grounds that the Board as a whole considers these matters. As all Directors are non-executives, the board has not appointed a senior independent non-executive director (Code A.4.1) as the Chairman performs the role.

Board Responsibilities

The Directors have adopted a formal schedule of matters reserved for the Board that cannot be delegated to a committee or to any other party. These reserved matters include approval of annual and half yearly reports and accounts, circulars and other shareholder communications, appointment and removal of Board members and Officers of the Company, changes to the Company's objectives and accounting policies, and the use of gearing for investment purposes.

The Directors have delegated to the Investment Manager responsibility for the day to day investment management decisions of the Company. The provision of administration and custodian services has been delegated to Hargreave Hale Limited.

Company Secretary

The Board has direct access to the Company Secretary who is responsible for ensuring that the Board procedures are followed. The Company Secretary is also responsible for ensuring the timely delivery of information and reports and that the statutory obligations of the Company are met.

Nomination Responsibilities

All nomination responsibilities are carried out by the Board. These responsibilities include reviewing the size, structure and skills of the Board and considering any changes necessary or new appointments. No Director has a contract of employment with the Company.

The Articles of Association require that each Director retires and stands for election at the Company's first AGM and then retires at an AGM every three years after appointment or (as the case may be) last reappointment, and may offer himself for re-election. No Director serves a term of more than three years before re-election.

Philip Cammerman is required to stand for election at this year's AGM. The Chairman confirms that the performance of all Directors continues to be effective and demonstrates commitment to their respective roles.

Giles Hargreave is required to stand for election at this year's AGM. The Chairman confirms that the performance of all Directors continues to be effective and demonstrates commitment to their respective roles.

The Articles of Association of the Company and the Directors' letter of appointment will be available at the AGM and can be inspected at the Registered Office of the Company.

Directors' Induction

On appointment to the Board Directors are fully briefed as to their responsibilities and are kept regularly informed of industry and regulatory developments.

The Board has formalised arrangements under which the Directors in the furtherance of their duties, may seek independent professional advice at the expense of the Company. The Company also maintains Directors and officer's liability insurance to cover legal expenses.

Directors' Remuneration

The board as a whole reviews Directors' remuneration on a regular basis. Details of the Company's policy on Directors' remuneration and of payments to Directors are given in the Directors' Remuneration Report on pages 18 and 19.

Accountability and Audit

The Directors' responsibilities for the Company's accounting records and financial statements are set out on page 24. The Auditors' Report appears on pages 25 and 26.

Performance Appraisal

The Directors recognise the importance of the Code (Code B.6) in terms of evaluating the performance of the Board as a whole and the individual Directors. As the Directors of the Company are non-executive their role is to ensure that the company is managed by the Investment Manager and Administrator to the best of their ability and make changes to the management if they are not acting in the best interests of the shareholders. The Directors' role is to review the performance of the management and ensure this is the case. The Directors' performance is reviewed on an ongoing basis by the Board on attendance to Board meetings, input at the Board meetings and ability to continue in their role as a non-executive director of the Company. This is formalised in the retirement process as detailed in the Articles of Association where each director retires every 3 years and stands for re-election by the shareholders at the AGM.

During the year the Company introduced an Annual Board Evaluation Questionnaire for each Director to complete covering performance appraisal of the Board, the Chairman and Directors'. The questionnaires were completed during the year and on review the Board is satisfied with the results and finds that the Board, Chairman and Directors are suitably qualified to undertake their responsibilities and perform their duties in respect of managing the Company.

Audit Committee

Formation of an audit committee was approved at the Board Meeting on 8 February 2011. The Committee consists of two members appointed by the Board, these members are Philip Cammerman (Chairman) and David Hurst-Brown. The Terms of Reference for the Committee setting out roles and responsibilities (Code C.3.2) were approved at the Board Meeting on 8 February 2011. The responsibilities of the Committee are as follows:-

- To review, and challenge where necessary, the actions and judgements of management in relation to the company's financial statements, interim reports, preliminary announcements and related formal statements before submission to, and approval by, the board, and before clearance by the auditors. Particular attention should be paid to:
 - Critical accounting policies and practices, and any changes in them;
 - The clarity of disclosures;
 - Compliance with accounting standards; and
 - Compliance with stock exchange and other legal requirements
- To review effectiveness of the systems for internal financial control;
- To monitor the integrity of the company's internal financial controls;
- To review the effectiveness of payment authorisation controls;
- To monitor the integrity of safe custody arrangements;
- To consider annually whether there is a need for an internal audit function where no such function exists;
- To oversee the company's relations with the external auditor;
- To consider, and make recommendations on the appointment, reappointment and removal of the external auditor;
- To assess the effectiveness and independence of the external auditors annually;
- To consider recommendations raised by the external auditors in their management letters; and

- To consider other topics, as defined by the board.

Capital Structure

The Company's capital structure is summarised in note 1 to the accounts.

Internal Financial and Non-Financial Controls

The Directors acknowledge that they are responsible for the Company's systems of internal financial and non-financial controls, which have been in place throughout the year. The controls are operating effectively and continue to be in place up to the date of this report.

The effectiveness of the Company's operations are reviewed annually by the Board and accords with the guidance set out in the Turnbull Report. In particular, it has reviewed the process for identifying and evaluating the significant risks affecting the Company and the policies and procedures by which these risks are managed.

A detailed risk map has been prepared which identifies the significant risks faced by the Company and the key controls to manage these risks. This ensures that consideration is given regularly to the nature and extent of the risks facing the Company and that they are being actively monitored. Where changes in risk have been identified during the year they also provide a mechanism to assess whether further action is required to manage the risks identified.

Since Investment management, custody of assets and all administrative services are provided by a third party, the Company's system of internal control also includes the monitoring of services provided by the third party, including the operational controls maintained by them, to ensure they meet the Company's objectives.

Since appointment of Hargreave Hale Limited as Administrators the method of controlling company payments has changed. All Directors and the Company Secretary are authorised signatories, with cheques to be signed by two independent signatories. These being David Hurst-Brown, Philip Cammerman and either Giles Hargreave or Stuart Brookes to ensure payments are authorised by two independent persons as Giles and Stuart are not independent.

The control systems have been designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage, rather than eliminate, risk of failure to achieve business objectives.

Internal Audit Function

The Company does not have an internal audit function. All of the Company's Management functions (investment management, custody and administration) are performed by Hargreave Hale Limited and are segregated by department and location. The internal controls of Hargreave Hale Limited are reviewed and approved by the Board. It is therefore felt that there is no need for the Company to have an internal audit function, however, this will be reviewed annually.

Auditors' Non-Audit Service

During the year no fees were paid for non-audit services (2011 - £nil).

Attendance at Board Meetings

All the Directors are considered to have a good attendance record at Board meetings of the Company. The following table sets out the number of formal Board meetings held during the year under review and the number of meetings attended by each Director.

	Ordinary Business	
	No of Board Meetings	
	Held	Attended
David Hurst-Brown (Chairman)	3	3
Giles Hargreave	3	3
Philip Cammerman	3	3

	Fundraising and Share Allotments	
	No of Board Meetings	
	Held	Attended
David Hurst-Brown (Chairman)	8	8
Giles Hargreave	8	3
Philip Cammerman	8	8

Attendance at Audit Committee Meetings

	No of Audit Meetings	
	Held	Attended
Philip Cammerman (Chairman)	2	2
David Hurst-Brown	2	2

Relations with Shareholders

Shareholder relations are given high priority by the Board. The prime medium by which the Company communicates with shareholders is through the interim and Annual Report and Accounts, which aim to provide shareholders with a full understanding of the Company's activities and its results. This information is supplemented by the weekly calculation of the net asset value of the Company's ordinary shares, which is published via the Stock Exchange and on our website at <http://www.hargreave-hale.co.uk/fund-management/venture-capital-trusts/hargreave-hale-aim-vct-2/share-price-and-nav/>. Shareholders have the opportunity to communicate directly with the Board at the AGM. All shareholders are encouraged to attend the AGM.

Going Concern

After making enquires, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Approved on behalf of the Board of Directors

David Hurst-Brown

Chairman

Date: 6 June 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In respect of the financial statements

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 the directors are required to prepare the financial statements and have elected to prepare the company's financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss for 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 accounting estimates that are reasonable and prudent;
- prepare a directors' report and directors' remuneration report which comply with the requirements of the Companies Act 2006.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

Directors' responsibility statement pursuant to DTR4

The directors confirm to the best of their knowledge:

- The financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice and give a true and fair view of the assets, liabilities, financial position and profit and loss of the company.
- The annual report includes a fair review of the development and performance of the business and the financial position of the company, together with a description of the principal risks and uncertainties that it faces.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

INDEPENDENT AUDITORS' REPORT

To the members of Hargreave Hale AIM VCT2 plc

We have audited the financial statements of Hargreave Hale AIM VCT2 Plc for the year ended 29 February 2012 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Reconciliation of Movement in Shareholders' Funds and the related notes. The financial reporting framework that has been applied in the preparation of the company's financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practise).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 29 February 2012 and of the company's loss for the year then ended;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 20 to 23 of the annual report with respect to internal control and risk management systems in relation to financial reporting processes and on page 15 in respect of share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 23, in relation to going concern;
- the part of the corporate governance statement relating to the company's compliance with the seven provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Neil Fung-On (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

Date: 6 June 2012

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

INCOME STATEMENT

For the year ended 29 February 2012

	Note	Revenue £000	Ordinary Shares Capital £000	Total £000
Net loss on investments held at fair value through profit or loss	7	-	(207)	(207)
Income	2	65	-	65
		-----	-----	-----
		65	(207)	(142)
		-----	-----	-----
Management fee	3	(12)	(36)	(48)
Other expenses	4	(212)	-	(212)
		-----	-----	-----
		(224)	(36)	(260)
		-----	-----	-----
(Loss)/Profit on ordinary activities before taxation		(159)	(243)	(402)
Taxation	5	-	-	-
		-----	-----	-----
(Loss) after taxation		(159)	(243)	(402)
		-----	-----	-----
(Loss) per share	6	(2.38)p	(3.64)p	(6.02)p
		-----	-----	-----

INCOME STATEMENT

For the year ended 28 February 2011

	Note	Revenue £000	Ordinary Shares Capital £000	Total £000
Net gain on investments held at fair value through profit or loss	7	-	738	738
Income	2	67	-	67
		-----	-----	-----
		67	738	805
		-----	-----	-----
Management fee	3	(11)	(32)	(43)
Other expenses	4	(252)	-	(252)
		-----	-----	-----
		(263)	(32)	(295)
		-----	-----	-----
(Loss)/Profit on ordinary activities before taxation		(196)	706	510
Taxation	5	-	-	-
		-----	-----	-----
(Loss)/Profit after taxation		(196)	706	510
		-----	-----	-----
(Loss)/Profit per share	6	(3.57)p	12.84p	9.27p
		-----	-----	-----

The total column of these statements is the income statement of the Company. All revenue and capital items in the above statement derive from continuing operations. There are no recognised gains or losses other than the profit for the year.

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

BALANCE SHEET
As at 29 February 2012

Company registration number: 5941261
 (in England and Wales)

	Note	2012 Ordinary	2011 Ordinary
		£000	£000
Fixed assets			
Investments at fair value through profit or loss	7	5,391	5,078
Current assets			
Debtors	9	23	23
Cash at bank	12	1,148	1,121
		-----	-----
		1,171	1,144
Creditors: amounts falling due within one year	10	(69)	(68)
		-----	-----
Net current assets		1,102	1,076
		-----	-----
Net assets		6,493	6,154
		-----	-----
Capital and Reserves			
Called up share capital	11	67	57
Special reserve		3,629	3,975
Capital reserve – realised		(46)	366
Capital reserve – unrealised		896	727
Revenue reserve		(406)	(247)
Share Premium		2,351	1,275
Capital redemption reserve		2	1
		-----	-----
Equity shareholders' funds		6,493	6,154
		-----	-----
Net asset value per share	13	96.80p	107.92p

These financial statements were approved and authorised for issue by the Board of Directors on 6 June 2012 and signed on its behalf by

David Hurst-Brown
 Chairman

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

CASH FLOW STATEMENT

For the year ending 29 February 2012

	Note	2012 Ordinary £000	2011 Ordinary £000
Net cash (outflow)/inflow from operating activities	15	(194)	(168)
Net financial investment	15	(520)	110
Dividends paid	18	(337)	(222)
		-----	-----
Cash (outflow)/inflow before management of liquid resources		(1,051)	(280)
Financing	15	1,078	1,261
		-----	-----
Increase in cash	12	27	981
		-----	-----

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

For the year ending 29 February 2012

Ordinary Shares	Share Capital £000	Capital Redemption Reserve £000	Capital Reserve Realised £000	Capital Reserve Unrealised £000	Special Reserve £000	Share Premium £000	Capital Revenue Reserve £000	Total £000
At 1 March 2011	57	1	366	727	3,975	1,275	(247)	6,154
Share buybacks	(1)	1			(9)			(9)
Subscriptions	11					1,076		1,087
Equity dividends paid (Note 18)					(337)			(337)
Realised loss on investments			(376)				(376)	
Unrealised gains on investments				169				169
Management fee charged to capital			(36)					(36)
Revenue loss after taxation for the period							(159)	(159)
Total loss after taxation			(412)	169			(159)	(402)
At 29 February 2012	67	2	(46)	896	3,629	2,351	(406)	6,493
	-----	-----	-----	-----	-----	-----	-----	-----

Reserves available for distribution are capital reserve realised, special reserve and revenue reserve.

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

For the year ending 28 February 2011

Ordinary Shares	Capital		Capital		Capital		Share	Revenue	Total
	Share Capital £000	Redemption Reserve £000	Reserve Realised £000	Unrealised £000	Special Reserve £000	Premium £000			
At 1 March 2010	45	1	81	306	4,223	-	(51)	4,605	
Share buybacks	-	-	-	-	(26)	-	-	-	(26)
Subscriptions	12	-	-	-	-	1,275	-	-	1,287
Equity dividends paid	-	-	-	-	(222)	-	-	-	(222)
(Note 18)									
Realised profits on investments	-	-	317	-	-	-	-	-	317
Unrealised gains on investments	-	-	-	421	-	-	-	-	421
Management fee charged to capital	-	-	(32)	-	-	-	-	-	(32)
Revenue loss after taxation for the period	-	-	-	-	-	-	(196)	(196)	
Total profit after taxation			285	421			(196)	510	
At 28 February 2011	57	1	366	727	3,975	1,275	(247)	6,154	
	-----	-----	-----	-----	-----	-----	-----	-----	-----

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below:

Basis of preparation

The financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments, and in accordance with UK GAAP and with the Statement of Recommended Practice (SORP) for "Financial Statements of Investment Trust Companies" issued in January 2009.

Investments

Listed investments and investments traded on AIM are stated at closing bid market prices. Investments are recognised and derecognised at trade date where a purchase or sale is under a contract whose terms require delivery within the time frame established by the market concerned, and are measured initially at fair value. Subsequent to initial recognition, investments are valued at fair value which is deemed to be bid market prices.

Gains and losses arising from changes in fair value (realised and unrealised) are included in the net profit or loss for the period as a capital item in the Income Statement and are ultimately recognised in the unrealised capital reserve or realised capital reserve (as appropriate).

Determining fair value

Where the classification of a financial instrument requires it to be stated at fair value, this is determined by reference to the quoted bid price in an active market wherever possible. Where no such active market exists for the particular asset or liability, the Company uses a valuation technique to arrive at the fair value, including the use of prices obtained in recent arms length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants. The fair value of such assets or liabilities will be reviewed on a 6 monthly basis and more frequently if events occur that could have a material impact on the investment. All inputs are market observable (with the exception of level 3 financial instruments note 7).

Income

Equity dividends are taken into account on the ex-dividend date, net of any associated tax credit. Fixed returns on non-equity shares and debt 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. All other income, including deposit interest receivable, is recognised on an accruals basis.

Expenditure

All expenditure is accounted for on an accruals basis. 75% of investment management fees are allocated to the capital reserve – realised and 25% to the revenue account in line with the Board's expected long term split of investment returns in the form of capital gains to the capital column of the Income statement. All other expenditure is charged to the revenue account.

Capital Reserves

Realised profits and losses on the disposal of investments, losses realised on investments considered to be permanently impaired and 75% of Investment Management fees are accounted for in the Capital Reserve – realised.

Increases and decreases in the valuation of investments held at the year end are accounted for in the Capital Reserve – unrealised.

1. Accounting Policies (continued)

Taxation

The tax effect of expenditure 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 year. Any liability to corporation tax is based on net revenue for the year.

Dividends

Only dividends paid during the year are deducted from revenue or capital reserves. Dividends which are declared subsequent to the balance sheet date will not be shown as a liability in the balance sheet.

Functional Currency

In accordance with FRS 23: 'The Effects of Changes in Foreign Currency', the Company is required to nominate a functional currency, being the currency in which the Company predominantly operates. The Board has determined that sterling is the Company's functional currency. Sterling is also the currency in which these accounts are presented.

Repurchase of shares to hold in Treasury

The cost of repurchasing shares into Treasury, including the related stamp duty and transaction costs is charged to capital reserves and dealt with in The Reconciliation of Movements in Shareholder's Funds. Share repurchase transactions are accounted for on a trade date basis. Where shares held in Treasury are subsequently cancelled, the nominal value of those shares is transferred out of share capital and into capital redemption reserve.

Should shares held in Treasury be reissued, the sale proceeds will be treated as a realised profit up to the amount of the purchase price of those shares and will be transferred to capital reserves. The excess of the sale proceeds over the purchase price will be transferred to share premium.

Capital Structure

Share Capital

Ordinary shares are classed as equity. The ordinary shares in issue have a nominal value of one pence and carry one vote each. Substantial holdings in the Company are disclosed in the Directors report on page 14.

Reserves

A description of each of the reserves follows:

Special Reserve

Distributable reserve used to pay dividends and re-purchase shares under the buy back facility.

Capital Reserve Realised

Gains and losses on realisation of investments.

Capital Reserve Unrealised

Unrealised gains and losses on investments.

Revenue Reserve

Net revenue profits and losses of the Company.

Share Premium

This reserve represents the difference between the issue price of shares and the nominal value of shares at the date of issue, net of related issue costs.

Capital Redemption Reserve

This reserve is used for the cancellation of shares bought back under the buy back facility.

2. Income

	2012 £000	2011 £000
Income from listed investments:		
UK dividends	17	24
Unfranked investment income	40	39
	-----	-----
	57	63
Other income:		
Deposit interest	8	4
	-----	-----
Total income	65	67
	-----	-----

3. Management Fees

Ordinary Shares	2012 Revenue £000	2012 Capital £000	2012 Total £000	2011 Revenue £000	2011 Capital £000	2011 Total £000
	12	36	48	11	32	43
Management fees	-----	-----	-----	-----	-----	-----
	12	36	48	11	32	43
	-----	-----	-----	-----	-----	-----

The Company's Investment Manager is Hargreave Hale Limited. The Investment Management Agreement terminates on a 12 calendar months' notice, subject to earlier termination in certain circumstances. No notice had been given by the Investment Manager or by the Board to terminate the agreement as at the date of approval of these accounts.

The Investment Manager receives an investment fee of 1.3 percent. per annum of the net asset value of the Company, calculated and payable quarterly in arrears. At a General Meeting of the Company on 26 March 2012 an increase in the investment management fee from 1.3 percent. per annum to 1.5 percent. per annum was approved. At 29 February 2012, £17,203 (2011 – £13,460) was owed in respect of management fees.

A performance related incentive fee will be payable at the rate of 20 percent. of any dividends paid to shareholders in excess of 6p per ordinary share per annum, provided that the net asset value per share is at least 95p. A payment will be made after 29 February 2012 provided cumulative distributions in the preceding three accounting periods exceed 18p per ordinary share. Thereafter, a performance related incentive fee will be payable annually provided the hurdles have been exceeded, with any cumulative shortfalls below 6p per ordinary share having to be made up in subsequent years before the incentive fee becomes payable. No performance related incentive fee is payable as at 29 February 2012.

4. Other Expenses

	2012 £000	2011 £000
General expenses		
Administration Fee (HH)	35	35
Management Fee (KIS)	-	35
Legal & Professional	15	22
Other expenses	97	95
Directors' fees	51	53
Auditors' remuneration		
- for audit services	14	12
	-----	-----
	212	252
	-----	-----

The maximum aggregate Directors' emoluments authorised by the Articles of Association are £200,000 per annum.

5. Tax on ordinary activities

The tax charge for the year is based on the standard rate of UK Corporation Tax of 28%.

	2012	2011
	Total	Total
	£000	£000
Profit/(loss) on ordinary activities before taxation	(402)	510
-----	-----	-----
UK Corporation Tax 26.16% (2011 – 28%)	(105)	143
Effect of non taxable gains/losses on investments	54	(207)
Effect of non taxable UK dividend income	(5)	(7)
Effect of prior year losses utilised	-	-
Effect of current year losses carried forward	56	71
-----	-----	-----
Current tax charge	-	-
-----	-----	-----

Tax losses carried forward at the balance sheet date were £622,456 (2011 - £409,770).

There is no taxation charge in relation to capital gains or losses. No asset or liability has been recognised in relation to capital gains or losses on revaluing investments. The Company is exempt from such tax as a result of its intention to maintain its status as a Venture Capital Trust.

6. Earnings per share

	2012	2012	2012	2011	2011	2011	2011
	Revenue	Capital	Total	Revenue	Capital	Capital	Total
	pence	pence	pence	pence	pence	pence	pence
(Loss)/Return per ordinary share: -	(2.38)	(3.64)	(6.02)	(3.57)p	12.84p	9.27p	9.27p
basic	-----	-----	-----	-----	-----	-----	-----

Revenue loss per ordinary share based on a net revenue loss on ordinary activities after taxation of £159,105 (2011 - £195,861) and on 6,676,930 (2011 – 5,494,893) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

Capital return per ordinary share based on a net capital loss of £243,238 (2011 – gain of £705,354) for the year and on 6,676,930 (2011 – 5,494,893) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

7. Investments

	AIM Quoted Investments		Unquoted Investments		Listed Investments		Total Investments	
	2012	2011	2012	2011	2012	2011	2012	2011
	£000	£000	£000	£000	£000	£000	£000	£000
Investments	4,068	3,836	554	383	769	859	5,391	5,078
Movement in year:	-----	-----	-----	-----	-----	-----	-----	-----
Opening Valuation	3,837	3,264	383	359	858	827	5,078	4,450
Purchases at cost	2,097	2,105	53	50	148	299	2,298	2,454
Sales - proceeds	(1,528)	(2,268)	-	(29)	(250)	(267)	(1,778)	(2,564)
- realised gains	(371)	300	-	3	(5)	14	(376)	317
Movements unrealised	33	435	118	-	18	(14)	169	421
Closing valuation	4,068	3,836	554	383	769	859	5,391	5,078
Closing book cost	3,318	3,142	436	383	741	848	4,495	4,373
Closing unrealised	750	695	118	-	28	10	896	705
Realised (loss)/gain on sales	(371)	300	-	3	(5)	14	(376)	317
Unrealised gain/(loss) on investments	33	435	118	-	18	(14)	169	421
(Loss)/gain on investments	(338)	735	118	3	13	-	(207)	738

7. Investments (Continued)

Fair value measurement hierarchy

FRS 29 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

- (a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into one of the three levels.

Level 3: the fair value of financial instruments that are not traded in an active market (for example investments in unquoted companies) is determined by using valuation techniques such as earnings multiples. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Level 3 financial instruments are valued using the most recent transactions based on arms length basis. In addition we consider discounted cash flow analysis based on the most recent companies management accounts and anticipated future performance.

Mexican Grill Limited (unquoted)

The fair value of the Investment has been based on the most recent transactions based on arms length basis.

For measurement against the company's peer group we use the EV/EBITDA as a measure of performance. Although we would like to highlight that the peer group is of limited use as a comparator, with the two closest to Mexican Grill Limited in terms of size and maturity, commanded much higher multiples in their early stages of expansion.

TMO Renewables Limited (unquoted)

The fair value of the Investment has been based on the most recent transactions based on arms length basis. The investment was made on 12 January 2011.

Brigantes Energy Limited (unquoted)

The fair value of the Investment has been based on the most recent transactions based on arms length basis. The investment was made on 31 March 2011.

Corfe Energy (unquoted)

The fair value of the Investment has been based on the most recent transactions based on arms length basis. The investment was made on 31 March 2011.

Genargo Limited (unquoted)

The Company has issued an unaudited shareholder update which is based on an independent third party land valuation. The Group NAV per share is as shown below:

NAV	31-Dec-2011	30-Jun-2011	31-Dec-2010
\$	0.74	0.89	0.90
BRL	1.38	1.38	1.49
£	0.48	0.55	0.58

The underlying NAV in Brazilian Real (BRL) has not changed since June 11. We have however seen the creation of a Joint Venture (JV). It is therefore appropriate to apply a minority discount of 15%. In the public markets similar discounts are applied, for example Ocean Wilson. The Genargo team have more control than the 49% shareholding suggest. The loan is convertible into Agrifirma shares. Consequently a lesser discount should be applied. 10% would be appropriate which should be further reduced by 30% to 7% based on the fact that the JV represents approximately 70% of the Group's assets. The balances of the Genargo assets are a basket of

7. Investments (Continued)

currencies and other assets which they have direct control over.

The base price should therefore be 45p in sterling terms and BRL 1.2834 at the 31 December. The reference currency should be changed from \$ to BRL for calculating daily valuations. The rationale for this is that 70% of the assets are actually in BRL.

Investments	2012	2012	2012	2011	2011	2011
	Level 1	Level 3	Total	Level 1	Level 3	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Investments	4,837	554	5,391	4,695	383	5,078
	-----	-----	-----	-----	-----	-----

Reconciliation of Level 3 Investments

	2012	2011
	£'000	£'000
Balance Brought Forward	383	359
Acquisitions	53	50
Sale Proceeds	-	(29)
Realised Gains/Losses	-	3
Movements Unrealised	118	-
Balance Carried Forward	554	383
	-----	-----

8. Significant Interests

At the year end the Company held 3% or more of the issued share capital of the following investments:

Hardide	3.81%
Mexican Grill	4.77%

9. Debtors

	2012	2011
	£000	£000
Prepayments and accrued income	23	23
	-----	-----

10. Creditors: amounts falling due within one year

	2012	2011
	£000	£000
Trade Creditors	13	12
Accruals and deferred income	56	56
	-----	-----
	69	68
	-----	-----

11. Called up share capital

	2012	2011
	£000	£000
Allotted, called-up and fully paid: 6,708,062 (2011 – 5,702,685) ordinary shares of 1p each	67	57
	-----	-----

During the year 10,150 ordinary shares were purchased at a cost of £8,764, of which all shares were cancelled.

Joint Offer for Subscription

During the year, the Company issued 596,121 ordinary shares (nominal value £5,961) in a joint offer for subscription which resulted in funds being received of £662,500 of which 5% (£33,125) was payable to Hargreave Hale Limited to cover the cost of additional shares allotted from commission re-invested of £16,718, initial commission of £11,843 and trail commission of £1,178, resulting in fees payable to Hargreave

Hale Limited of £3,386. The joint offer for subscription of ordinary shares opened on 20 March 2010 and closed on 8 March 2011.

Top Up Offer of Ordinary Shares

During the year, the Company issued 419,406 ordinary shares (nominal value £4,194) in a Top Up Offer for subscription which resulted in funds being received of £451,500 of which 5% (£22,575) was payable to Hargreave Hale Limited to cover the cost of additional shares allotted from commission re-invested of £10,624, initial commission of £4,132 and trail commission of £1,323, resulting in fees payable to Hargreave Hale Limited of £6,496. The Top Up Offer for subscription of ordinary shares opened on 9 March 2011 and closed on 29 July 2011.

Income entitlement

The revenue earnings of the company are available for distribution to holders of Ordinary shares by way of interim, final and special dividends (if any) as may from time to time be declared by the Directors.

Capital entitlement

The capital reserve – realised and special reserve of the company are available for distribution to holders of Ordinary shares by way of interim, final and special dividends (if any) as may from time to time be declared by the Directors.

On a winding up of the Company, after settling the liabilities of the Company, holders of Ordinary shares would be entitled to receive a rateable proportion of any surplus assets depending on the amounts paid up or credited as paid up on their shares.

Voting entitlement

Each Ordinary shareholder is entitled to one vote on a show of hands, and on a poll to one vote for each Ordinary share held. Notices of Meetings and Proxy Forms set out the deadlines for valid exercise of voting rights and, other than with regard to Directors not being permitted to vote on matters upon which they have an interest, there are no restrictions on the voting rights of Ordinary shareholders.

Transfers

There are no restrictions on transfers except dealings by Directors, Persons Discharging Managerial Responsibilities and their connected persons which may constitute insider dealing or is prohibited by the rules of the UKLA.

The company is not aware of any agreements with or between shareholders which restrict the transfer of Ordinary shares, or which would take effect or alter or terminate in the event of a change of control of the Company.

11. Analysis of changes in net funds

	At 1 March 2011	Cash Flows	At 29 February 2012
	£000	£000	£000
Cash at bank	1,121	27	1,148
	-----	-----	-----
At 1 March 2010	Cash Flows	At 28 February 2011	
£000	£000	£000	£000
Cash at bank	140	981	1,121
	-----	-----	-----

12. Net asset value per ordinary share

The net asset value per ordinary share and the net asset values attributable at the year end were as follows:

	Net asset value per share		Net assets attributable	
	2012	2011	2012	2011
	pence	pence	£000	£000
Ordinary shares - Basic	96.80	107.92	6,493	6,154
	-----	-----	-----	-----

13. Net asset value per ordinary share (Continued)

Net asset value per share is based on net assets at the year end and on 6,708,062 (2011 – 5,702,685) ordinary shares being the number of shares in issue at year end.

14. Contingencies, guarantees and financial commitments

There were no contingencies, guarantees or financial commitments of the Company at the year end (2011 - nil).

15. Notes to the Cash Flow Statement

(a) Reconciliation of operating profit to operating cash flows

	2012 £000	2011 £000
Total (Loss)/profit on ordinary activities before taxation	(402)	510
Realised (gains)/losses on investments	376	(317)
Unrealised (profit) on investments	(169)	(421)
Decrease in debtors	-	40
Increase in creditors	1	20
	-----	-----
Net cash (outflow) from operating activities	(194)	(168)
	-----	-----

(b) Analysis of cash flow for headings netted in cash flow statement

	2012 £000	2011 £000
Net financial investment:		
Purchase of investments	(2,298)	(2,454)
Sale of investments	1,778	2,564
	-----	-----
	(520)	110
	-----	-----
	2012 £000	2011 £000
Financing:		
Share Buybacks	(9)	(26)
Issue of Share Capital	1,087	1,287
	-----	-----
	1,078	1,261
	-----	-----

16. Related party transactions

Hargreave Hale Limited

Mr G Hargreave, a director of the Company, is the Chief Executive Officer of Hargreave Hale Limited and has an interest in excess of 7% in that company. As such, Hargreave Hale Limited is considered to be a related party to the Company. Hargreave Hale Limited acts as Investment Manager, Administrator, Custodian and provides Directorship and Company Secretarial Services to the Company. All of the functions performed by Hargreave Hale Limited are segregated by department and location and are independent of each other.

Hargreave Hale Limited in its capacity as Investment Manager of the fund receives annual fees of 1.3% per annum of the net asset value of the Company, calculated and payable quarterly in arrears. Fees for the year are £48,450 (2011 - £43,590) as detailed in note 3. Hargreave Hale is responsible for Administration, Company Secretary, Directorship and Custodian services and received fees of £77,000 (2011 - £77,000) in relation to these services. Of those fees, £23,620 (2011 - £19,877) was still owed at the year end.

At a General Meeting held by the Company on 26 March 2012 the investment management fee payable to the Investment manager was increased to 1.5% per annum of the Net Asset Value.

Hargreave Hale Limited has agreed to indemnify the Company against annual running costs (such costs excluding VAT, any Performance Incentive Fee and any trail commissions the payment of which is the responsibility of the Company) exceeding 3.5% of its net assets (pro rata from 1 October 2010). Fees of

16. Related party transactions (Continued)

£15,685 were waved by Hargreave Hale Limited between 1 October 2010 and 28 February 2011. Fees of £39,477 were waved between 1 March 2011 and 29 February 2012 under the indemnity.

In relation to the joint offers for subscription made by the Company and Hargreave Hale AIM VCT 1 Plc pursuant to prospectus' dated 19 March 2010 and 9 March 2011, Hargreave Hale Limited agreed as agent of those companies to use its reasonable endeavours to procure subscribers under the offers. Hargreave Hale Limited will receive 5 percent. of the aggregate value of accepted applications for ordinary shares in relation to each company. Out of this fee, Hargreave Hale Limited will pay all other costs and expenses of or incidental to the offer. At the 29 February 2012, Hargreave Hale AIM VCT 2 plc paid commissions to Hargreave Hale Limited amounting to £9,882 after deducting cost of additional shares, initial commission and trail commission due to shareholders and IFA's of £45,818.

17. Financial instruments

a) Risk Management Policies and Procedures

The investment objective of the Company is to achieve long term capital growth and to maximise tax free distributions to shareholders by investing in a diversified portfolio of small capitalised UK companies primarily trading on AIM. At least 70% of the Company's funds have been invested in qualifying holdings during the year. The balance of the Company's fund will be invested in liquid assets (such as gilts, other fixed interest securities and bank deposits). The Company is managed as a Venture Capital Trust ("VCT") in order that shareholders in the Company may benefit from the tax relief available.

This strategy exposes the Company to certain risks which are summarised below.

The structure in place to manage these risks is set out in the Corporate Governance report on page 20 to 22 of the annual report and accounts. The Board meets quarterly to review accounts and monitor all risks.

A detailed review of the investment portfolio is contained in the Chairman's statement and Manager's report on pages 4 and 7 respectively.

The investments at year end comprise two types of financial instrument. The basis of valuation is set out below:

1. Equity – fair value through the profit and loss account.
2. UK gilts and Corporate Bonds – fair value through the profit and loss account.

Other financial assets comprise cash at bank of £1,148,000 (2011 - £1,121,000) which is classified as 'loans and receivables measured at amortised cost'. Financial liabilities consist of trade creditors and accruals of £69,000 (2011 - £68,000) which are classified as 'financial liabilities measured at amortised cost'.

b) Market Risk

Market price risk arises from any fluctuations in the value of investments held by the company. Adherence to investment policies mitigates the risk of excessive exposure to any particular type of security or issuer. In particular no more than 15% of the investment portfolio is invested in any one equity. However by its nature the investments are in small companies traded on the AIM market therefore they carry a higher concentration of risk than large capitalisation investment portfolios.

Market risk is monitored by the Board on a quarterly basis and on an ongoing basis through the Investment Manager.

The following table summarises exposure to price risk by asset class at year end date:

		2012	2011
		£000	£000
Equity	Fair value	4,622	4,220
Gilts/Bonds	Fair value	769	858
		-----	-----
		5,391	5,078
		-----	-----

A 10% increase or decrease in the investment portfolio would have a £539,100 (2011 - £507,800) impact on the profit and loss account.

17. Financial instruments (continued)

c) Currency Risk

The Company is exposed to currency risk when disposing of investments in foreign currencies between the date the transaction was entered into and settlement. These transactions are kept as low as possible in order to minimise the impact of exposure.

d) Interest Rate Risk

The Company is fully funded through equity and has no debt therefore interest rate risk is not considered a material risk.

The Company's financial assets and liabilities are denominated in Sterling as follows:

	29 February 2012			
	Fixed	Variable	Non-Interest	Total
	Rate	Rate	Bearing	
	£000	£000	£000	£000
Investments	769	-	4,622	5,391
Cash and cash Equivalents	-	1,148	-	1,148
Other currents assets and current liabilities (net)	-	-	(46)	(46)
Net assets	769	1,148	4,576	6,493
	-----	-----	-----	-----
28 February 2011				
	Fixed	Variable	Non-Interest	Total
	Rate	Rate	Bearing	
	£000	£000	£000	£000
	858	-	4,220	5,078
Cash and cash Equivalents	-	1,121	-	1,121
Other currents assets and current liabilities (net)	-	-	(45)	(45)
Net assets	858	1,121	4,175	6,154
	-----	-----	-----	-----

Interest rate risk exposure relates to UK Gilts and Corporate bonds with fixed determinable payments and cash and cash equivalents (bank deposits) where interest income is primary linked to bank base rates. Interest rate risk exposure on debt instruments is reflected in the market risk and since these securities are valued at fair value no additional disclosure is made in this respect. Movements in interest rates on cash and cash equivalents are not considered a material risk.

e) Liquidity Risk

Liquidity risk is the risk that the company is unable to meet obligations as they fall due. As the Company has no debt or other financial liabilities liquidity risk is not considered material. As at 29 February 2012 the Company held £1,148,000 on bank deposit.

f) Credit Risk

Credit risk relates to the risk of default by a counterparty. No assets are past due date for payment or impaired.

17. Financial instruments (continued)

An asset is considered to be impaired in the case of investments if the investee company makes continued losses or defaults on any payment.

The maximum credit risk exposure equates to the carrying value of assets at the balance sheet date:

	2012	2011
	£000	£000
Investments – UK Gilts and Corporate Bonds	769	858
Cash & cash equivalents	1,148	1,121
Other current (liabilities)/assets (net)	(46)	(45)
	-----	-----
	1,871	1,934
	-----	-----

Cash balances were held on deposit with RBS at 29 February 2012.

g) Fair value of financial assets and financial liabilities

Equity investments and UK gilts are held at fair value. No investments are held for trading purposes only.

h) Capital Management Policies and Procedures

The current policy is to fund investments through equity. No future change to this policy is envisaged. As a PLC, the Company is required to hold a minimum £50,000 share capital.

The Company's capital is summarised in Note 11 to these accounts. The Company has no debt and is fully funded by equity.

18. Dividends

	2012	2011
	Ord	Ord
	£000	£000
Paid per share:		
Final dividend of 2 pence for the year ended 28 February 2010	-	111
Paid per share:		
Final dividend of 3 pence for the year ended 28 February 2011	202	-
Paid per share:		
Interim dividend of 2 pence for year ended 29 February 2012	135	-
Paid per share:		
Interim dividend of 2 pence for year ended 28 February 2011	-	111
	-----	-----
	337	222
	-----	-----
Proposed per share:		
Final dividend of 3 pence for the year ended 29 February 2012	233	-
	-----	-----
Proposed per share:		
Final dividend of 3 pence for the year ended 28 February 2011	-	202
	-----	-----

19. Post Balance Sheet Events

The Directors of the Company and Hargreave Hale AIM VCT 2 plc announced on the 29 February 2012 the launch of offers for subscription for new shares in both VCT's. The Companies also launched an Enhanced Share Buy Back for existing shareholders who have held their shares for at least 5 years.

On 5 April 2012 the Company announced the results of the Enhanced Share Buy Back, 1,608,920 Ordinary Shares were purchased by the Company with the sale proceeds used to subscribe for new Ordinary Shares under the terms of the Enhanced Share Buy Back. The most recently announced unaudited Net Asset Value per Ordinary Shares as at the Calculation Date (5.00 p.m. on 2 April 2012) was 95.92p, and accordingly the price paid for Ordinary Shares under the Enhanced Share Buyback was 95.92p per Ordinary Share. The purchase price for new

19. Post Balance Sheet Events (Continued)

Ordinary Shares was 100.97p per Ordinary Share and participating Shareholders received 967 new Ordinary Shares for every 1,000 Ordinary Shares sold under the Enhanced Share Buyback, including the 2% rebate of the amount subscribed with proceeds from the Tender Offer. A total of 1,558,927 new Ordinary Shares have been allotted and issued pursuant to the Enhanced Share Buyback.

Both the offers for subscription and the Enhanced Share Buy Back were approved by shareholders of the Company at a General Meeting on 26 March 2012.

The Enhanced Share Buy Back for the 2011/12 tax year resulted in 1,608,920 Ordinary shares being purchased by the Company for cancellation and 1,558,927 new Ordinary shares being issued by the Company under the terms of the Enhanced Share Buy Back. A maximum of 3,500,000 Ordinary Shares could be repurchased by the Company and so all applications have been accepted in full. The Company announced on 29 March 2012 the extension of the Tender Offer and associated Enhanced Share Buy Back until 31 August 2012.

Since its launch on 29 February 2012 the new joint offers for subscription has resulted in funds being received of £1.23 million and the issue of 1.25 million shares. The offer closes on 31 August 2012.

GLOSSARY OF TERMS

Discount

The amount by which the bid-market price per share of a venture capital trust is lower than the net asset value per share. The discount is normally expressed as a percentage of the net asset value per share.

EBITDA

This is the earnings before interest, taxes, depreciation and amortisation. An approximate measure of a company's operating cash flow based on data from the company's income statement.

Enterprise Value (EV)

This is how much a company would cost, if you were to buy it outright—free and clear. You would have to pay the price per share times the number of shares plus you would have to pay off the debt of the company, but you could subtract the cash and marketable securities owned by the company, since you would now own it, which would reduce the effective price of the company. Note that sometimes, preferred stock is added to net debt because it is much like a debt instrument.

Market Capitalisation

The amount obtained by multiplying the stock market price of an ordinary share by the number of ordinary shares in issue.

Net Assets

Also called equity shareholders' funds. The amount due to the ordinary shareholders.

Net Asset Value

The net asset value is the value of the total assets less liabilities. Liabilities for this purpose include current and long term liabilities. The net asset value per share is calculated by dividing the net asset value by the number of ordinary shares in issue.

Shareholders' Fund

Also called equity shareholders' fund. The amount due to the ordinary shareholders.

Total Expense Ratio

Total expenses incurred (excluding interest but including any irrecoverable VAT and any expenses charged to capital reserve) divided by Shareholders' funds.

Total Return

The total return per share is the value of the total assets plus total dividend distributions made to date less liabilities (current and long term liabilities) divided by the number of ordinary shares in issue. This allows performance comparisons to be made between venture capital trusts with different dividend policies.

Company Information

Secretary and Registered Office

Stuart Brookes
19 Cavendish Square
London
W1A 2AW

Manager

Hargreave Hale Limited
Accurist House
44 Baker Street
LONDON
W1U 7AL

Registrars

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6ZL

Solicitors

Howard Kennedy
19 Cavendish Square
London
W1A 2AW

Auditors

BDO LLP
55 Baker Street
London
W1U 7EU

VCT Status Adviser

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Brokers

Singer Capital Markets Limited
One Hanover Street
London
W1S 1YZ

Company Registration Number

05941261 in England and Wales

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of Hargreave Hale AIM VCT 2 plc ("the Company") will be held at 19 Cavendish Square, London W1A 2AW on 16 July 2012 at a 11am for the purposes of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 6 will be proposed as ordinary resolutions and 7 and 8 as special resolutions:

Ordinary Business

1. To receive and, if thought fit, to accept the Reports of the Directors and Auditor and the audited financial statements for the year ended 29 February 2012;
2. To receive and approve the Directors Remuneration Report for the year ended 29 February 2012;
3. To reappoint BDO LLP as Auditors to the company and to authorise the Directors to determine their remuneration;
4. To re-elect Giles Hargreave as a Director of the Company;
5. To approve a final dividend of 3 pence per ordinary share in respect of the year ended 29 February 2012.

Special Business

Ordinary Resolution

6. THAT, in substitution for existing authorities to the extent unused, the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot ordinary shares of 1p ("Ordinary Shares") each in the capital of the Company and to grant rights to subscribe for or convert any security into Ordinary Shares in the Company ("Rights") up to an aggregate nominal value of £30,000, this authority to expire on the earlier of the conclusion of the Company's next annual general meeting in 2013 and the expiry of 15 months from the passing of this resolution (unless previously revoked, varied or extended by the Company in general meeting), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require Ordinary Shares to be allotted or Rights to be granted after such expiry.

Special Resolutions

7. THAT, in substitution for any existing power under Section 570 of the Act, but without prejudice to the exercise of any such power prior to the date hereof, the Directors be and are hereby empowered during the period commencing on the passing of this resolution and expiring on the conclusion of the Company's next annual general meeting in 2013 or on the expiry of 15 months from the date of the passing of this resolution, whichever is the earlier (unless previously revoked, varied or renewed by the Company in general meeting pursuant to Section 570 of the Act), to allot equity securities (as defined in Section 560(1) and 560(2) of the Act) for cash pursuant to the authority given in accordance with Section 551 of the Act, pursuant to resolution (6) above, or by way of sale of treasury shares, as if Section 561 of the Act did not apply to any such allotment or sale, but so that this authority shall allow the Company to make offers or agreements before the expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired.
8. THAT in substitution for any existing authority but without prejudice to the exercise of any such power prior to the date hereof, the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of Section 163(3) of the Act) of Ordinary Shares on such terms and in such manner as the Directors may determine (either for cancellation or for the retention as treasury shares for future re-issue, transfer or cancellation) provided that:
 - a) the maximum aggregate number of Ordinary Shares authorised to be purchased is such number thereof being 14.99% of the issued share capital;
 - b) the maximum price which may be paid for an Ordinary Share is an amount equal to the maximum amount permitted to be paid in accordance with the rules of the UK Listing Authority in force as at the date of purchase;
 - c) the minimum price which may be paid for an Ordinary Share is its respective nominal value;
 - d) this authority shall expire at the conclusion of the Company's next annual general meeting in 2013 or on the expiry of 15 months following the passing of the resolution, whichever is the earlier (unless previously revoked, varied or renewed by the Company in general meeting); and
 - e) the Company may make a contract or contracts to purchase Ordinary Shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

By order of the Board

Stuart Brookes
Company Secretary

Registered Office:
19 Cavendish Square
London W1A 2AW

Date: 6 June 2012

A member entitled to attend and vote at this meeting may appoint a proxy to attend and vote instead of him or her. A proxy need not also be a member of the Company. To be effective, forms of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarically certified copy or a copy certified in accordance with the Powers of Attorney Act 1941 of that power or authority must be lodged with the Company's Registrar, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Lodgement of the form of proxy will not preclude a Shareholder from attending the meeting and voting in person.

The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with Section 146 of the 2006 Act ("nominated persons"). Nominated persons may have a right under an agreement with the member who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

The Company, pursuant to Regulation 41 of the Uncertified Securities Regulations 2001 specifies that only those Shareholders registered in the register of members of the Company as at 6.00pm on 13 July 2012 or, in the event that the meeting is adjourned, on the register of members at 6.00pm on the day 2 days prior to the reconvened meeting, shall be entitled to attend or vote at the aforesaid annual general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant registrar of securities after 6.00pm on 13 July 2012 (or in the event that the meeting is adjourned, as at 6.00pm two days prior to the adjourned meeting) shall be disregarded in determining the rights of any person to attend or vote at the meeting notwithstanding any provisions in any enactment, the Articles of Association of the Company or any other instrument to the contrary.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual (www.euroclear.com/CREST). CREST personal members or other CREST sponsored members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take appropriate action on their behalf. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST proxy instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by Equiniti, the Company's Registrar (ID RA19), not later than 48 hours before the time appointed for the Annual General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Equiniti is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and where applicable their CREST sponsors or voting service provider(s) should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST proxy instructions. It is the responsibility of the CREST member concerned to take (or if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST proxy instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertified Securities Regulations 2001.

Pursuant to section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.

In accordance with section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website <http://www.hargreave-hale.co.uk/fund-management/venture-capital-trusts/hargreave-hale-aim-vct-2/factsheets-and-reports/>.

Shareholders (and any proxy or representatives they appoint) agree, by attending the meeting, that they are expressly requesting that they are willing to receive any communications (including communications relating to the Company's securities) made at the meeting.

You may not use any electronic address provided either in this Notice of Meeting or any related documents (included in the Form of Proxy) to communicate with the Company for any purpose other than those expressly stated.

Note:

1. The following documents will be available for inspection at the registered office of the Company during usual business hours on a weekday (except Saturdays, Sundays and Public Holidays) until the date of the meeting and at the place of the meeting for a period of 15 minutes up to and during the meeting;
 - a) The Articles of Association
2. As at 1 June 2012 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 7,774,293 ordinary shares, carrying one vote each. Therefore the total voting rights in the Company are 7,774,293.