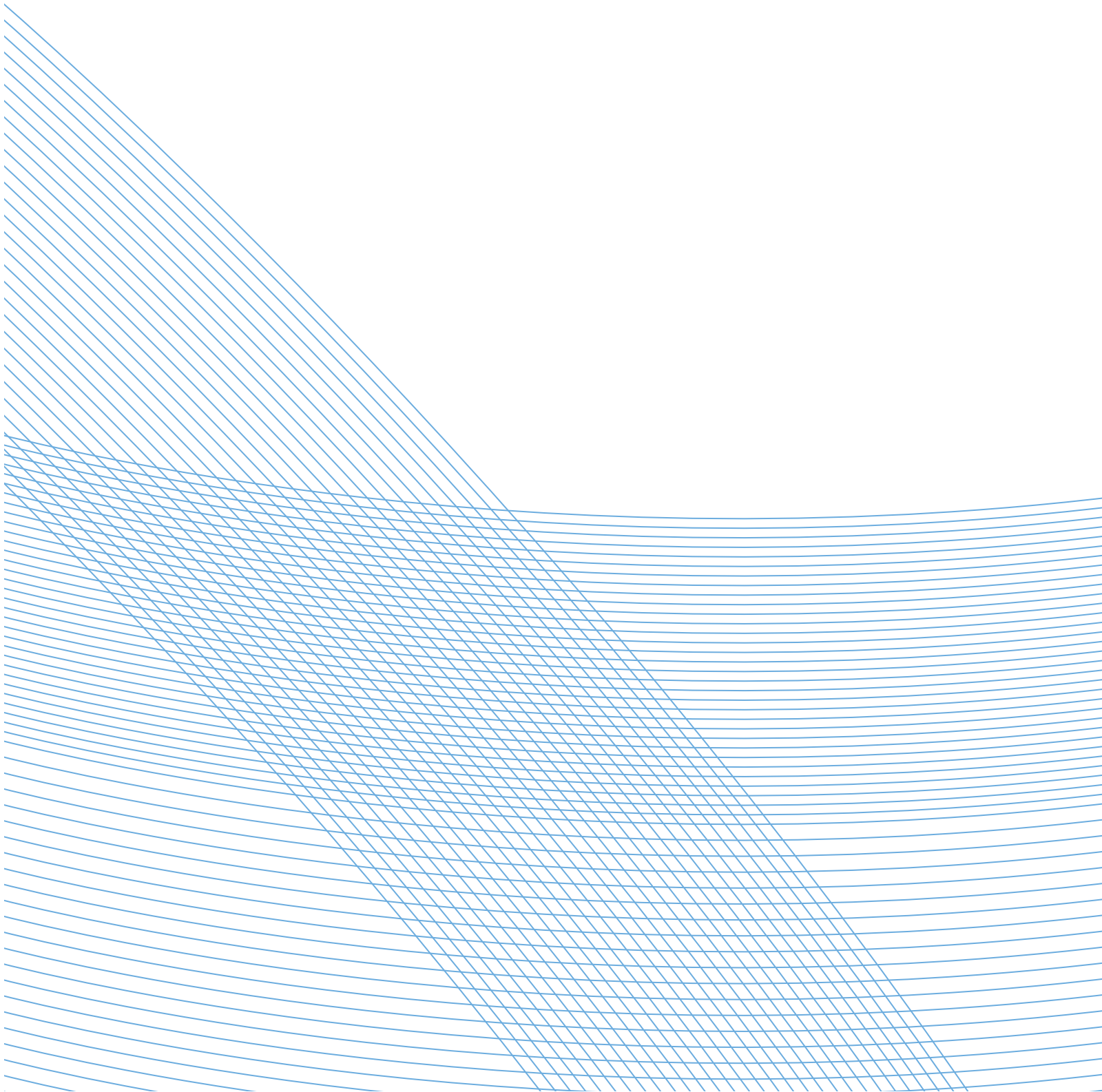


HARGREAVEHALE AIM VCT 2 plc

Unaudited Interim Results for the six month
period ending 31 August 2012



Chairman's Statement

Introduction

In the first half of the financial year the NAV fell from 96.80 pence to 91.50 pence, a fall of 2.4% after adding back the 3 pence dividend distribution in July. During the same period the FTSE All-share index and FTSE AIM All Share Index fell by 2.34% and 17.55% respectively. Whilst the latter index is the only sensible benchmark, it is not wholly comparable as it is has a high proportion of large mining and commodities stocks in which a VCT cannot invest.

Results

At 31 August 2012 the NAV was 91.50 pence which, after adjusting for the dividends paid, gives a total return since inception of 115.50 pence. The loss per ordinary share based on the weighted average number of shares for the six month period was 2.19 pence per share (comprising revenue losses of 1.13 pence and capital losses of 1.06 pence).

Investments

The Investment Manager, Hargreave Hale Limited, invested a further £0.29 million in 4 qualifying companies during the period. The Fair Value of qualifying investments at 31 August 2012 was £4.35 million invested in 27 AIM companies and 3 unquoted companies (Mexican Grill Ltd, Corfe Energy Ltd and Brigantes Energy Ltd), the balance was held in non-qualifying AIM stocks, Gilts and the Marlborough Special Situations Fund.

At 31st August the VCT was 89.74% invested as measured by HMRC.

Dividend

A final dividend for the year ended 29 February 2012 of 3 pence was paid on 19 July 2012.

An interim dividend of 2 pence will be paid on 30 November 2012, with an Ex date of 31 October 2012 and record date of 2 November 2012. A final dividend will be considered at the year end.

Buybacks

We have been able to maintain our policy of offering shareholders an efficient exit route through market purchases. 147,035 shares were repurchased during the six month period ending 31 August 2012.

Results of Enhanced Share Buy Back

On 29th February the company launched an Enhanced Share Buy Back scheme. To date this scheme has resulted in 1,679,450 Ordinary shares being purchased by the Company for cancellation and 1,627,263 new Ordinary shares being issued by the Company raising gross proceeds of £1.60 million. As previously announced the Enhanced Share Buy Back will close on 31st October 2012.

Issue of Equity

Since its launch on 29 February 2012 the joint offer for subscription (together with Hargreave Hale AIM VCT 1) has resulted in funds being received for Hargreave Hale AIM VCT 2 of £1.28 million and the issue of 1,296,915 shares. The offer closed on 31 August 2012.

Outlook

The economic backdrop has changed little during the summer months with Stock Markets continuing to be supported by quantitative easing measures on both sides of the Atlantic. Economists and other commentators admit to little understanding of the longer term consequences of these actions. Common sense suggests the consequences will be inflationary in which case non-cash assets such as equities will prove to be a good hedge. However, in the shorter term and nearer to home we remain concerned market confidence may yet again be sapped by events in the Eurozone. For this reason we are maintaining a cautious stance to new investments.

Shareholder Communication

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

David Hurst-Brown
Chairman

Date: 19 October 2012

Market Commentary

Following a strong start to the year, global stock markets turned lower in March as Eurozone sovereign debt issues returned to the fore. The European Central Bank (ECB), seen by many as the only credible backstop to the market, initially remained on the side-lines before finally relenting in July and publicly announcing that the central bank would do "whatever it takes to support the euro". Although the comment was initially short on detail, the market took this proclamation as a strong signal that the ECB stood ready to intervene in the Sovereign bond markets. Yields fell and global stock markets rallied. This more accommodative ECB stance was soon followed by the Federal Reserve's third round of quantitative easing as they shifted their focus to the persistently high levels of unemployment in the US. The UK and Japan also obliged whilst the Chinese Government announced their own stimulus package. But whilst risk assets have rallied, it is important to note that the economic outlook remains very poor within parts of the Eurozone, particularly in Spain and Greece and, to a lesser extent, France and Italy. The Eurozone as a whole is expected to post negative growth this year and for most of next. The UK, enduring its longest recorded post-war recession, is expected to make a marginal return to growth this quarter, whilst the US has started to release data indicating a noticeable recovery in the housing market and employment conditions. Over the six month period to 31 August 2012, the FTSE All-Share Index lost 2.34% whilst FTSE AIM All-Share Index lost 17.55%.

Investment Report

In the first half of this financial year, the NAV declined from 96.80 to 91.50. A dividend of 3 pence was distributed in July, taking the net loss for the period to 2.3 pence per share (-2.38%). Total returned since launch fell from 117.80 pence to 115.50 pence.

We have made further selective investments in qualifying companies, adding Angel Biotechnology (contract manufacturer for advanced biologics) and WANdisco (infrastructure software company). We also made a follow-on investment in Microsaic, an early stage manufacturer of mass spectrometers that we backed at IPO in 2011. In-Deed has lost its VCT qualifying status on 14 May 2012 after acquiring a non-qualifying business. We also disposed of Synchronica and ended the quarter with 29 qualifying investments. The VCT ended the period at 89.74% invested when measured using HMRC's methodology.

The value of the qualifying investments was largely unchanged, with a net unrealised loss of 0.05 pence per share. 12 out of the 29 investments increased in value, 4 marked time and 13 lost ground. Advanced Computer Software was the top performer among the qualifying holdings (+0.87 pence per share) with a 23% increase in its share price as the business continued to re-rate higher. The preliminary results confirmed the strength of the business in difficult end markets with 8% organic growth and significant cash generation. The company is expected to use its balance sheet to fund further Merger and Acquisition activity.

Mexican Grill contributed 0.76 pence per share after the shares were marked up 14% on the back of strong trading and a third party transaction in the shares. The company has secured bank financing which, when added to add to its own cash reserves, leaves it well resourced to execute on its expansion plans. The company is now operating out of nine sites, with plans to open 2 more in the coming months.

WANdisco has been the stand out performer, gaining 47% in the period before soaring to twice the IPO price on the back of its maiden interim results. The company has created collaboration software that allows software developers to work simultaneously from distributed locations over a seamless global network.

Animalcare lost 0.93 pence per share after warning in May that it would not meet market expectations. The companion animal division has struggled in a weak consumer market whilst also terminating a distribution agreement. The stronger veterinary medicines division continues to trade well but was unable to claw back the lost profits following a delay to the re-launch of its Buprecare ampules.

Reneuron lost 0.88 pence per share although its pioneering Phase 1 stem cell clinical trial continues to deliver encouraging interim data. Hardide shares were very mixed and fell substantially in the first quarter of the fiscal year 2012/13 despite delivering a record first half performance that included revenue growth of 94% year on year and maiden profits. This was later followed by a positive end of year update which pushed the shares up 50% and back towards their 52 week high.

The allocation to non-qualifying equity investments increased from 6.5% to 9.2%, including a 3.4% investment in the Marlborough Special Situations Fund. The cash position increased slightly from 17.7% to 18.1% after the fund raising and dividend payment. The fixed income allocation as a percentage of the fund declined from 11.8% to 10.9%, although the underlying holding has gone up slightly from £0.77m to £0.78m.

Hargreave Hale Ltd

Date: 19 October 2012

Income Statement for the six month period to 31 August 2012 (unaudited)

	For the six month period to 31 August 2012 (unaudited)		
	Revenue	Capital	Total
	£000	£000	£000
Realised gains/(losses) on investments	-	(135)	(135)
Unrealised gains/(losses) on investments	-	78	78
Income	32	-	32
	-----	-----	-----
	32	(57)	(25)
Management fee	(8)	(24)	(32)
Other expenses	(110)	-	(110)
	-----	-----	-----
	(118)	(24)	(142)
Profit/(loss) before taxation	(86)	(81)	(167)
Taxation	-	-	-
	-----	-----	-----
Profit/(loss) after taxation	(86)	(81)	(167)
	-----	-----	-----
Earnings/(loss) per share (Note 2)	(1.13)	(1.06)	(2.19)

The total column of this statement is the income statement of the Company. All revenue and capital items in the above statement derive from continuing operations.

Income Statement for the six month period to 31 August 2011 (unaudited)

	For the six month period to 31 August 2011 (unaudited)		
	Revenue	Capital	Total
	£000	£000	£000
Realised gains on investments	-	(5)	(5)
Unrealised losses on investments	-	(634)	(634)
Income	33	-	33
	-----	-----	-----
	33	(639)	(606)
Management fee	(4)	(11)	(15)
Other expenses	(113)	-	(113)
	-----	-----	-----
	(117)	(11)	(128)
Profit/(loss) before taxation	(84)	(650)	(734)
Taxation	-	-	-
	-----	-----	-----
Profit/(loss) after taxation	(84)	(650)	(734)
	-----	-----	-----
Earnings/(loss) per share	(1.27)p	(9.79)p	(11.06)p

The total column of this statement is the income statement of the Company. All revenue and capital items in the above statement derive from continuing operations.

Balance sheet as at 31 August 2012 (unaudited)

	31 August 2012 (unaudited) £000	31 August 2011 (unaudited) £000
Fixed assets		
Investments	5,886	5,160
	-----	-----
Current assets		
Prepayments and accrued income	32	25
Cash at bank and on deposit	1,294	1,160
	-----	-----
	1,326	1,185
Creditors: amounts falling due within one year		
Accruals and deferred income	(69)	(41)
	-----	-----
Net current assets	1,257	1,144
	-----	-----
Net assets	7,143	6,304
	-----	-----
Capital and Reserves		
Share capital redemption reserve	20	1
Called up share capital	78	67
Capital reserve - realised	(205)	349
Capital reserve - unrealised	974	93
Special reserve	1,648	3,774
Share Premium	5,120	2,351
Revenue reserve	(492)	(331)
	-----	-----
Equity shareholders' funds	7,143	6,304
	-----	-----
Net asset value per share (Note 4)	91.50p	93.84p

Cash flow statement for the six month period to 31 August 2012 (unaudited)

	2012	2011
	£000	£000
(Loss) on ordinary activities before taxation	(167)	(734)
Realised losses/(gains) on investments	135	5
Unrealised gains on investments	(78)	634
(Increase) in debtors	(9)	(2)
(Decrease)/Increase in creditors	-	(27)
	-----	-----
Net cash (outflow)/inflow from operating activities	(119)	(124)
Financial investment:		
Purchase of investments	(852)	(1,268)
Sale of investments	300	547
	-----	-----
Net financial investment	(552)	(721)
Dividends paid	(232)	(202)
	-----	-----
Cash outflow before management of liquid resources	(903)	(1,047)
	-----	-----
Financing		
Purchase of shares for cancellation	(1,749)	-
Net Proceeds from issue of share capital	2,798	1,086
	-----	-----
Net financing	1,049	1,086
	-----	-----
Increase in cash	146	39
	-----	-----

Reconciliation of movements in shareholders' funds for the six month period to 31 August 2012 (unaudited)

	Share Capital	Capital Redemption Reserve	Capital Reserve Realised	Capital Reserve Unrealised	Special Reserve	Share Premium	Revenue Reserve	Total
	£000	£000	£000	£000	£000	£000	£000	£000
At beginning of period	67	2	(46)	896	3,629	2,351	(406)	6,493
Realised losses on investments			(135)					(135)
Unrealised gains on investments				78				78
Management fee charged to capital			(24)					(24)
Equity dividends paid					(232)			(232)
Shares repurchased for cancellation	(18)	18			(1,749)			(1,749)
Subscription	29					2,769		2,798
Profit after taxation for the period							(86)	(86)
	-----	-----	-----	-----	-----	-----	-----	-----
At end of period	78	20	(205)	974	1,648	5,120	(492)	7,143
	-----	-----	-----	-----	-----	-----	-----	-----

Reconciliation of movements in shareholders' funds for the six month period to 31 August 2011 (unaudited)

	Share Capital	Capital Redemption Reserve	Capital Reserve Realised	Capital Reserve Unrealised	Special Reserve	Share Premium	Revenue Reserve	Total
	£000	£000	£000	£000	£000	£000	£000	£000
At beginning of period	57	1	366	727	3,975	1,275	(247)	6,154
Realised losses on investments	-	-	(5)	-	-	-	-	(5)
Unrealised losses on investments	-	-	-	(634)	-	-	-	(634)
Management fee charged to capital	-	-	(11)	-	-	-	-	(11)
Equity dividends paid	-	-	-	-	(202)	-	-	(202)
Shares repurchased for cancellation	-	-	-	-	-	-	-	-
Subscriptions	11	-	-	-	-	1,075	-	1,086
Profit after taxation for the period	-	-	-	-	-	-	(84)	(84)
At end of period	68	1	350	93	3,773	2,350	(331)	6,304

Notes to the interim report

1. The accounts of the company are prepared in accordance with Accounting Standards applicable in the United Kingdom. The accounting policies used in preparing this report are consistent with those to be adopted at the year end. All AIM investments are valued at bid price. Unquoted companies are included at fair value. 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.
2. The loss per ordinary share of 2.19 pence is based on the loss after tax for the period of £166,584 and the weighted average number of ordinary shares in issue over the period of 7,614,547.
3. The results should not be taken as a guide to the results for the financial period ending 28 February 2013.
4. The net asset value per ordinary share at 31 August 2012 of 91.50 pence after deducting the 3 pence dividend paid in July 2012 is based on net assets of £7,142,650 and on 7,805,755 shares, being the number of ordinary shares in issue as at 31 August 2012.
5. The financial information contained in the 31 August 2012 income statement, balance sheet, cash flow statement and reconciliation of movements in shareholders' funds does not constitute full financial statements and has not been audited.

Investment portfolio summary as at 31 August 2012

Qualifying investments	Book Cost £000	Valuation £000	Valuation %
Mexican Grill Ltd (A Preference Shares)	277	432	7.34
Advanced Computer Software Group plc	100	365	6.20
Hardide plc	110	318	5.40
EKF Diagnostic Holdings plc	150	290	4.93
Lidco Group plc	146	262	4.45
AnimalCare Group plc	100	214	3.64
Lombard Risk Management plc	92	213	3.62
Ideagen plc	100	206	3.50
Microsaic Systems plc	173	197	3.35
Intercede Group plc	96	175	2.97
TLA Worldwide plc	150	172	2.93
Mycelx Technologies Corporation plc	150	168	2.85
Fulcrum Utility Services Ltd	100	160	2.72
Omega Diagnostics Group plc	144	153	2.60
Sphere Medical Holdings plc	150	126	2.15
WANDisco plc	85	125	2.12
Reneuron Group plc	100	98	1.67
Angel Biotechnology plc	120	90	1.53
Electric Word plc	185	82	1.39
Tristel plc	100	76	1.29
Paragon Entertainment Ltd	100	70	1.19
Plastics Capital plc	100	67	1.14
Porta Communications plc	100	65	1.10
Mexican Grill Ltd (Ordinary Shares)	31	48	0.82
Corac Group plc	100	47	0.80
Futura Medical plc	75	44	0.75
Brigantes Energy Ltd	25	25	0.42
Corfe Energy Ltd	25	25	0.42
Photonstar LED Group plc	97	22	0.37
Image Scan Holdings plc	92	11	0.19
	-----	-----	-----
Total qualifying investments	3,373	4,346	73.85

Non-Qualifying investments	Book Cost £000	Valuation £000	Valuation %
UK Treasury Stock 2.25% 2014	294	310	5.27
Total – UK gilts	294	310	5.27
Petrobras International Finance 6.25% 2026	148	165	2.80
Scottish Amicable Finance 8.5% 2049	154	157	2.67
Nationwide Building Society 7.971% 2049	145	148	2.52
Total – UK corporate bonds	447	470	7.99
MFM Special Situations Fund	250	243	4.10
Total – MFM	250	243	4.10
In-Deed Online plc	134	118	2.00
Cohort plc	86	108	1.83
Carclo plc	66	70	1.19
Prophotonix Ltd	40	43	0.73
Egdon Resources plc	79	39	0.67
TMO Renewables Ltd	50	36	0.61
Fastnet Oil & Gas plc	20	28	0.48
Amerisur Resources plc	28	27	0.46
Genargo Ltd	26	26	0.44
Westmount Energy Ltd	9	12	0.20
Mexican Grill Ltd (A Preference Shares)	3	4	0.07
WANDisco plc	3	2	0.04
Ideagen plc	2	2	0.03
Paragon Entertainment Ltd	1	1	0.02
Microsaic Systems plc	1	1	0.02
Total - non-qualifying equities	548	517	8.79
Total – non-qualifying investments	1,539	1,540	26.15
Total investments	4,912	5,886	100.00

The top 10 equity investments are shown below, each is valued by reference to the bid price except in the case of Mexican Grill which is unquoted.

Mexican Grill			3200p
Investment date	October 2009	Unaudited results for six months to	March 2012
Equity held	4.74%	Turnover (£'000)	3,040
Av Purchase Price	2059.1p	Profit before tax (£'000)	85
Cost (£'000)	311	Net assets (£'000)	4,704
Valuation (£'000)	484		

Mexican Grill, is a private company that operates nine 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 & The Strand, 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 are generating an annual return on capital in excess of 50%. The company is profitable as a whole and has a strong Balance Sheet.

Advanced Computer Software Group plc			62.0p
Investment date	July 2008	Audited results for year ended	February 2012
Equity held	0.16%	Turnover (£'m)	98
Av Purchase Price	17.0p	Profit before tax (£' m)	6
Cost (£'000)	100	Net assets (£'m)	98
Valuation (£'000)	365		

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 software supplier of software and IT services to the commercial sector, which represents 35% of the company's revenues.

Hardide plc			0.87p
Investment date	June 2009	Unaudited results for 6 months to	March 2012
Equity held	3.81%	Turnover (£'000)	1,539
Av Purchase Price	0.3p	Profit before tax (£'000)	201
Cost (£'000)	110	Net assets (£'000)	1,012
Valuation (£'000)	318		

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.

EKF			29.0p
Investment date	June 2010	Unaudited results for 6 months to	June 2012
Equity held	0.39%	Turnover (£'000)	12,652
Purchase Price	15.0p	Profit before tax (£'000)	152
Cost (£'000)	150	Net Assets (£'000)	36,596
Valuation (£'000)	290		

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.

Lidco Group plc			18.0p
Investment date	May 2009	Audited results for year ended	January 2012
Equity held	0.83%	Turnover (£'000)	7,122
Av Purchase Price	10.0p	Profit before tax (£'000)	-45
Cost (£'000)	146	Net assets (£'000)	4,632
Valuation (£'000)	262		

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 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

Animalcare Group plc			118.0p
Investment date	December 2007	Audited results for year ended	June 2012
Equity held	0.88%	Turnover (£'000)	10,856
Purchase Price	55.0p	Profit before tax (£'000)	2,106
Cost (£'000)	100	Net assets (£'000)	16,837
Valuation (£'000)	215		

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			9.3p
Investment date	September 2009	Audited results for year ended	March 2012
Equity held	0.99%	Turnover (£'000)	12,758
Av Purchase Price	4.0p	Profit before tax (£'000)	2,487
Cost (£'000)	92	Net assets (£'000)	5,405
Valuation (£'000)	213		

Lombard Risk is a provider of collateral management and regulatory compliance solutions to financial organisations 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.

Ideagen plc			18.5p
Investment date	March 2011	Preliminary results for year ended	April 2012
Equity held	1.44%	Turnover (£'000)	4,002
Purchase Price	9.1p	Profit before tax (£'000)	277
Cost (£'000)	102	Net assets (£'000)	5,786
Valuation (£'000)	207		

Ideagen is a software development business specialising in Information Management solutions for organisations that generally operate within industries that are subject to regulatory standards. As authors of Workbench Professional, Proquis Enterprise and KnowledgeWorker software products the Group is able to provide complete content lifecycle solutions that enable organisations to meet their Regulatory & Quality Compliance standards helping them to reduce costs and improve efficiency.

Microsaic Systems plc			39.0p
Investment date	March 2011	Unaudited results for 6 months to	June 2012
Equity held	1.19%	Turnover (£'000)	270
Purchase Price	34.3p	Profit before tax (£'000)	-835
Cost (£'000)	174	Net assets (£'000)	2,731
Valuation (£'000)	198		

Microsaic Systems plc is a high technology company developing and marketing next generation mass spectrometry instruments. MS is widely accepted as one of the most reliable methods for identifying substances, and MS systems are used to accurately identify the molecules that make up gaseous, liquid and solid samples. The company has successfully developed chip-scale MS technologies, has a portfolio of 88 patents, of which 36 are granted.

Intercede Group plc			60.0p
Investment date	May 2007	Audited results for year ended	March 2012
Equity held	0.60%	Turnover (£'000)	6,964
Purchase Price	33.0p	Profit before tax (£'000)	910
Cost (£'000)	96	Net assets (£'000)	6,032
Valuation (£'000)	175		

Intercede is the producer of 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.

Date: 19 October 2012

For further information please contact:

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