HARGREAVEHALE AIM VCT 2 plc

Annual Report and Accounts
Year ended 28 February 2013

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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 28 February 2013 and 29 February 2012):	**2013**	**2012**
Net asset value per share	95.69p	96.80p
Cumulative distributions paid per share since launch	26p	21.00p
Total return per share	121.69p	117.80p
Discount to Net Asset Value (based on bid-market price at balance sheet date)	6.3%	13.2%
Annual Returns per share:		
Revenue return	(2.28)p	(2.38)p
Capital return	6.31p	(3.64)p
Combined Return	4.03p	(6.02)p
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	128%	124%
FTSE AIM All-share Index	64%	71.3%
(results rebased to 100 at 6 April 2007)		

The Glossary of Terms can be found on page 45 of the report.

Investment Policy

Investment Objectives

The Company's investment 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.
- to maintain the Company’s exposure to small companies through an initial investment of new capital into the Marlborough Special Situations Fund pending investment into Qualifying Companies.

Asset Allocation

The Company will have a range of investments in three distinct asset classes:

- Equity investments in Qualifying Companies, referred to as "**Qualifying Investments**". Qualifying Investment will:
  - comprise qualifying holdings for a VCT as defined in Chapter 4 Part 6 of the Income Tax Act 2007;
  - primarily be made in AIM companies, but the Company's investment manager ("**Investment Manager**") will also consider ISDX-quoted companies and private companies that meet the investment criteria summarised below.
  - vary in size from £50,000 to £1 million.
- Sovereign debt, quasi-sovereign debt, bonds and other fixed income securities.
- Bank deposits that are readily realisable.
- Non-Qualifying equity exposure to UK and international equities through targeted investments made on an opportunistic basis to boost the performance of the company or through an investment into the Marlborough Special Situations Fund.

Investment Strategy
Qualifying Investments

The Investment Manager will maintain a diversified and fully invested portfolio of Qualifying Investments, primarily in small UK companies with a quotation on AIM. The primary purpose of the investment strategy is to ensure the Company maintains its status as a VCT. To achieve this, the Company must have 70% of all funds raised from the issue of shares invested in Qualifying Investments throughout accounting periods of the VCT beginning no later than three years after the date on which those shares are issued.

Although VCTs are required to invest and maintain a minimum of 70% of their funds invested in Qualifying Investments as measured by the VCT rules, it is likely that the Investment Manager will target a higher threshold of approximately 80% in order to provide some element of protection against an inadvertent breach of the VCT rules. The Company's maximum exposure to a single Qualifying Investment is limited to 15% of net assets.
The key selection criteria used by the Investment Manager in deciding which Qualifying Investments to make include, inter alia:

- the strength and credibility of the management team;
- the business plan;
- the risk/reward profile of the investment opportunity;
- the quality of the finance function and budgetary process;
- the strength of the balance sheet relative to anticipated cash flow from operations; and
- the existing balance of investments within the portfolio of Qualifying Investments.

The Investment Manager will follow a stock specific, rather than sector specific, investment approach and is more likely to provide expansionary capital than seed capital.

The Investment Manager will primarily focus on investments in companies with a quotation on AIM or plans to trade on AIM. The Investment Manager prefers to participate in secondary issues of companies that are quoted on AIM as such companies have an established track record that can be more readily assessed and greater disclosure of financial performance. Secondary issues are often priced at an attractive discount to the market price.

Non-Qualifying Investments

The Companies will have non-qualifying equity exposure to UK and international equities through targeted investments made on an opportunistic basis to boost the performance of the Company. This will vary in accordance with the Investment Manager's view of the equity markets and may fluctuate between nil and 30% of the net assets of the Company. The Investment Manager will also invest in Gilts, other fixed income securities and cash. The Investment Manager will invest up to 75% of the net proceeds of any issue of new shares into the Marlborough Special Situations Fund subject to a maximum of 20% of the gross assets of the Company. This will enable the Companies to maintain their exposure to small companies indirectly, whilst the Investment Manager identifies opportunities to invest directly into small UK companies through a suitable number of Qualifying Investments.

The allocation between asset classes in the non-qualifying portfolio will vary depending upon opportunities that arise with a maximum exposure of 100% of the non-qualifying portfolio to any individual asset class.

Borrowings
It is not the Companies' intention to have any borrowings. The Companies do, however, have the ability to borrow a maximum amount up to 15% of the "Adjusted Capital and Reserves" amount (as such term is defined in the Articles of Association of each of the Companies), which is effectively the aggregate of the nominal capital of the Company issued and paid up and the amount standing to the credit of the consolidated reserves of the Company, less specified adjustments, exclusions and deductions. There are no plans to utilise this ability at the current time.

CHAIRMAN'S STATEMENT

Introduction

We are pleased to report that at 28 February 2013 the NAV was 95.69 pence which after adjusting for the dividends paid gives a total return since inception of 121.69 pence. The profit per ordinary share for the year was 4.03 pence per share (comprising revenue losses of 2.28 pence and capital gains of 6.31 pence). During the financial year as a whole the FTSE AIM All Share Index fell by 10.3% and the FTSE All-share index rose by 10.0%. Whilst the FTSE AIM All-Share 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 £1.03 million in 10 qualifying companies during the year. The Fair Value of qualifying investments at 28 February 2013 was £5.27 million invested in 30 AIM companies and 4 unquoted companies; this compared with an original cost of £3.90 million. The balance of the fund, £2.57 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 8.

Dividend

An interim dividend of 2 pence was paid on 30 November 2012 (2011 – 2 pence).

A final dividend of 3 pence is proposed (2012 – 3 pence) which, subject to shareholder approval at the AGM will be paid on 10 July 2013, to ordinary shareholders on the register on 7 June 2013.

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, 330,032 shares were purchased during the year at an average price of 90.16 pence per share. In addition to this 1,777,662 shares were repurchased through the Enhanced Share Buy Back.

The Board continues to target a discount of 5% for 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.

Results of Enhanced Share Buy Back

The Enhanced Share Buy Back closed on 31st October 2012 and resulted in 1,777,662 shares being purchased by the Company for cancellation and 1,722,429 new Ordinary shares being issued by the Company under the terms of the Enhanced Share Buy Back.

Issue of Equity

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

New Joint Offer for Subscription of Ordinary Shares

The Directors of the Company announced on 5 November 2012 the launch of a new joint offer for subscription for new shares in both VCT's to raise up to £10 million. The Offer was approved by shareholders of the Company at a General Meeting on 29 November 2012 and is open to both new and existing shareholders.

Since its launch on 5 November 2012 and 28 February 2013 the offer has resulted in funds being received of £0.48 million and the issue of 0.50 million shares. The Offer will close at 12pm on 31 October 2013 or earlier if the maximum subscription has been reached before then. Since the year end a further £2.09m has been received under the Offer, bringing the total raised to £2.57m.

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 had achieved 98.43% and have satisfied all the relevant tests.

Outlook

Over the past six months financial markets have been surprisingly robust despite occasional reminders, such as the Cypriot bail-out, of the underlying fragility of the global economy. Against this background corporate issuance has been recovering and the performance of the fund has been satisfactory.

At the company level the VCT has grown, partly through the issue of new shares, and the portfolio continues to mature. We believe the new, more liberal rules governing the size criteria for potential investment by VCTs coupled with our healthy liquidity position put us in a good position to invest when the right opportunities arise.

David Hurst-Brown
Chairman

Date: 29 May 2013

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 worked 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 Foresight Solar VCT 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. In 1998, 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 Income Fund and Hargreave Hale AIM VCT 1 Plc. 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 its disposal. 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

Following a strong start to the year, global stock markets turned lower in March 2012 as Eurozone sovereign debt issues returned to the fore. Initially reluctant to intervene, the European Central Bank, seen by many as the only credible backstop to the market, finally announced in July that it would do "whatever it takes to support the euro". This more accommodative 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 and the US economy show signs of sustained growth, it is important to note that the outlook remains very poor within large parts of the Eurozone, amid increasing evidence of popular resistance to further austerity and those that advocate it.

The UK continues to flat line, although the Government would have us believe this can be variously attributed to the weather, the Olympics and the Jubilee. Although the macro may make for grim reading, we are pleased to report that many individual companies continue to report reasonable market conditions. In fact, a number are quite positive. If there has been one consistent theme, it has been from companies with heavy exposure to US public sector spending, where the tortuous nature of negotiations over the fiscal cliff and then sequestration took their toll on business confidence.

Over the year to 28 February 2013, the FTSE All-Share Index gained 10.0% whilst FTSE AIM All-Share Index lost 10.3%.

Investment Report

In the financial year ending 28 February 2013, the NAV declined from 96.80p to 95.69p. Total dividends of 5 pence were distributed, resulting in an overall increase of 3.89 pence per share (+4.02%). Total Returns since launch increased from 117.80 pence to 121.69 pence. The portfolio of qualifying investments recorded a gain of £0.58m (realised and unrealised), equivalent to 7.2 pence per share. 17 of the 35 investments increased in value, 3 were unchanged and 15 fell in value.

There were 10 investments into qualifying companies, one disposal, and 3 partial disposals. Of the additions to the portfolio, the most notable were DP Poland (exclusive master franchise in Poland for Domino's Pizza), Fusionex (data analytics and business intelligence solutions within the Asia Pacific Region), WANdisco (infrastructure software) and Angel Biotechnology (contract manufacturer for advanced biologics). In-Deed lost its status as a VCT qualifying company on 14 May 2012 after the company acquired a non-qualifying business.

WANdisco was the stand out performer with a 350% increase in the share price (+3.2 pence per share) since the IPO in May 2012. The company has created collaboration software that allows software developers to work simultaneously from distributed locations over a seamless global network. It has an impressive list of clients and reported very strong growth in subscription bookings.

Hardide's shares were strong for much of the second half, helping them to a gain of 76% within the year (+2.9 pence per share) as investors responded to a better than anticipated trading update in August and good preliminary results in December. Advanced Computer Software was another significant driver of NAV growth with a 75% increase in its share price (+2.6 pence per share). A sequence of good trading updates, results and small acquisitions helped the shares re-rate higher, which was in turn followed by a £44m equity raise and a much larger £110m earnings enhancing acquisition. Mexican Grill contributed 0.73 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 eleven sites, with plans to open several more later this year.

Sadly, it hasn't all been good news and we were very disappointed to see Angel Biotechnology (-100%, -1.48 pence per share) placed into administration on 8 February 2013, less than one year after we invested in it. Unfortunately, it is now clear that the things went badly wrong around about the time of the January 2012 placing in which we participated.

Reneuron (-51%, -1.0 pence per share) was another drag on the NAV. The company suffers from a weak shareholder base and a constant need to raise fresh capital. However, there are some positives: its pioneering Phase 1 stem cell clinical continues to deliver encouraging data with the final results expected this summer; the company has received some significant grant funding; and, finally, the company has received regulatory approval to start a Phase 1 study for the use of stem cells in the treatment of Critical Limb Ischaemia.

Portfolio Structure

As at 28 February 2013, the VCT had 35 qualifying investments, representing 67% of the net asset value.

The allocation to non-qualifying equity investments increased from 6.5% to 9.5%, including a 3.6% investment in the Marlborough Special Situations Fund. At 17.1%, the cash position was largely unchanged as a result of new funds raised in March 2012 and April 2012 and the disposal of a significant investment in a short-dated UK Government Bond. The fixed income allocation as a percentage of the fund declined from 11.8% to 6.2%. The aggregate weighting to cash and fixed income fell from 29.3% to 23.3%.

HMRC Investment Test

Using HMRC's methodology, the VCT ended the year 98.43% invested in qualifying companies. This fell to 87.92% on 1 March 2013 as a result of the inclusion of funds raised in the financial year to 28 February 2010.

For further information please contact:
Stuart Brookes
Company Secretary
Hargreave Hale AIM VCT 2 plc
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INVESTMENT PORTFOLIO SUMMARY

Ordinary Share Fund

As at 28 February 2013

Qualifying investments	**Book Cost £000**	**Valuation £000**	**Valuation %**
Mexican Grill Ltd (A Preference Shares)	277	432	6.64
Hardide plc	76	382	5.88
Advanced Computer Software Group plc	68	353	5.43
EKF Diagnostic Holdings plc	150	265	4.07
Ideagen plc	100	253	3.89
AnimalCare Group plc	100	245	3.77
WANDisco plc	53	245	3.76
Lombard Risk Management plc	92	213	3.27
Microsaic Systems plc	173	202	3.11
Lidco Group plc	146	197	3.02
Mycelx Technologies Corporation plc	150	182	2.80
Intercede Group plc	96	166	2.55
TLA Worldwide plc	150	165	2.54
Energetix Group plc	150	163	2.51
Outsourcery Group Ltd	150	150	2.30
Fulcrum Utlility Services Ltd	100	135	2.08
Tangent Communications plc	150	135	2.08
DP Poland plc	77	134	2.06
Omega Diagnostics Group plc	144	129	1.99
Clean Air Power Ltd	150	127	1.95
Fusionex International plc	69	111	1.70
Sphere Medical Holdings plc	150	107	1.65
Porta Communications plc	100	100	1.54
Electric Word plc	185	94	1.45
Corac Group plc	100	93	1.43
Reneuron Group plc	100	88	1.35
Plastics Capital plc	100	80	1.23
Futura Medical plc	75	72	1.11
Paragon Entertainment Ltd	100	60	0.92
Tristel plc	100	54	0.83
Mexican Grill Ltd (Ordinary Shares)	31	48	0.74
Photonstar LED Group plc	97	30	0.46
Brigantes Energy Ltd	25	25	0.38
Corfe Energy Ltd	25	25	0.38
Image Scan Holdings plc	93	9	0.14
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Total qualifying investments	3,902	5,269	81.01

INVESTMENT PORTFOLIO SUMMARY (continued)

Non-Qualifying investments	Book Cost £000	Valuation £000	Valuation %
Marlborough Special Situations Fund	250	283	4.35
Total –MFM	250	283	4.35
Petrobras International Finance 6.25% 2026	148	168	2.59
Scottish Amicable Finance 8.5% 2049	154	163	2.51
Nationwide Building Society 7.971% 2049	145	155	2.38
Total – Corporate bonds	447	486	7.48
Cohort plc	86	129	1.98
Amerisur Resources plc	81	84	1.30
In-Deed Online plc	135	80	1.23
Egdon Resources plc	90	49	0.75
Genargo Ltd	22	29	0.45
Entertainment One Ltd	22	27	0.42
HELIUS Energy plc	20	20	0.31
IQE plc	20	19	0.29
Westmount Energy Ltd	9	12	0.19
TMO Renewables Ltd	50	6	0.09
Ideagen plc	4	4	0.07
Mexican Grill Ltd (A Preference Shares)	3	4	0.06
Paragon Entertainment Ltd	1	1	0.01
Microsaic Systems plc	1	1	0.01
TMO Renewable Ltd Warrants***	0	0	0
Reneuron Group plc Warrants***	0	0	0
Total – non-qualifying equities	544	465	7.16
Total – non-qualifying investments	1,241	1,234	18.99
Total investments	5,143	6,503	100.00

*** Warrants held not exercised

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.
Westmount Energy Ltd: UK listed but registered and headquartered in Jersey.
Fulcrum Utility Services Ltd: UK listed but registered in Cayman Islands. Headquartered in Sheffield
Fusionex International Plc: UK listed, registered in Jersey but headquartered in Selangor, Malaysia.
Entertainment One Ltd: UK listed, registered and headquartered in Toronto, Canada.
Clean Air Power Ltd: UK listed, headquartered in Hamilton, Bermuda.
WANDisco plc: UK listed, registered and domiciled in St Helier, Jersey but headquartered in Sheffield.
Petrobras International Finance: Listed in Sao Paulo and New York but headquartered in Brazil.

TOP TEN INVESTMENTS

As at 28 February 2013 (by Market Value)

Each of the AIM investments is valued by reference to the bid price. Forecasts, where given, are drawn from a combination of broker research and/or Bloomberg consensus forecasts. There is no forecast data available for Mexican Grill Ltd and Microsaic Systems plc. The net cash values are drawn from published accounts.

Mexican Grill Ltd (A Preference Shares)			**3200p**
Investment date	October 2009	Forecasts for year to	December 2013
Equity held	4.74%	Turnover (£'000)	-
Av Purchase Price	2059.0p	Profit before tax (£'000)	-
Cost (£'000)	311	Net Cash (£'000)	-
Valuation (£'000)	484		

Mexican Grill, is a private company that operates 11 fast casual California-Mexican restaurants that provide fresh, made to order cuisine for eat in or take-away, 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 Straford 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.

Hardide plc			**1.5p**
Investment date	June 2009	Forecasts for year to	September 2013
Equity held	2.49%	Turnover (£'000)	2,500
Av Purchase Price	0.3p	Profit before tax (£'000)	-300
Cost (£'000)	76	Net Cash (£'000)	475
Valuation (£'000)	382		

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.

Advanced Computer Software Group plc			**88p**
Investment date	July 2008	Forecasts for year to	February 2014
Equity held	0.09%	Turnover (£'000)	198,300
Av Purchase Price	17.0p	Profit before tax (£'000)	35,800
Cost (£'000)	68	Net Cash (£'000)	Est. -65,000
Valuation (£'000)	353		

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.

EKF Diagnostic Holdings plc			**26.5p**
Investment date	June 2010	Forecasts for year to	June 2013
Equity held	0.39%	Turnover (£'000)	33,940
Purchase Price	15.0p	Profit before tax (£'000)	1,190
Cost (£'000)	150	Net Cash (£'000)	2,020
Valuation (£'000)	265		

The EKF Group is a worldwide manufacturer of point of care equipment for the measurement of glucose, lactate, hemoglobin, hematocrit and glycated hemoglobin (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. EFK analysers are used in more than 70 countries by healthcare professionals in blood banks, GP surgeries, diabetes clinics, pharmacies, hospitals, sports medicine and laboratories.

Ideagen plc			**22.75p**
Investment date	March 2011	Forecasts for year to	April 2014
Equity held	0.93%	Turnover (£'000)	8,000
Purchase Price	9.18p	Profit before tax (£'000)	2,500
Cost (£'000)	104	Net Cash (£'000)	Est 6,400
Valuation (£'000)	257		

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.

AnimalCare Group plc			**135p**
Investment date	December 2007	Forecasts for year to	June 2013
Equity held	0.88%	Turnover (£'000)	11,700
Purchase Price	55.0p	Profit before tax (£'000)	2,600
Cost (£'000)	100	Net Cash (£'000)	2,956
Valuation (£'000)	245		

Animalcare is a leading supplier of generic veterinary medicines and animal identification products to companion animal verterinary 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.

WANDisco plc			**815p**
Investment date	May 2012	Forecasts for year to	December 2013
Equity held	0.15%	Turnover ($'000)	7,930
Av Purchase Price	180.0p	Profit before tax ($'000)	-6,410
Cost (£'000)	53	Net Cash ($'000)	14,545
Valuation (£'000)	245		

WANdisco stands for Wide Area Network Distributed Computing. Its patent pending technology enables software developers in distributed locations to work simultaneously. WANdisco's customers include a host of Fortune 1000 companies such as Hewlett Packard, Intel, John Deere, European Southern Oberservatory, Barclays Capital, Walmart, GE, Cisco and Nokia.

Lombard Risk Management plc			**9p**
Investment date	September 2009	Forecasts for year to	March 2014
Equity held	0.99%	Turnover (£'000)	19,700
Purchase Price	4.0p	Profit before tax (£'000)	4,600
Cost (£'000)	92	Net Cash (£'000)	200
Valuation (£'000)	213		

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.

Microsaic Systems plc			**40p**
Investment date	March 2011	Forecasts for year to	December 2013
Equity held	1.20%	Turnover (£'000)	-
Purchase Price	34.25p	Profit before tax (£'000)	-
Cost (£'000)	174	Net Cash (£'000)	Est 4,800
Valuation (£'000)	203		

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 chemicals 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.

Lidco Group plc			**14p**
Investment date	May 2009	Forecasts for year to	January 2014
Equity held	0.75%	Turnover (£'000)	8,500
Purchase Price	10.0p	Profit before tax (£'000)	300
Cost (£'000)	146	Net Cash (£'000)	1,877
Valuation (£'000)	197		

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.

Co-Investment

As at 28 February 2013, other funds managed by Hargreave Hale Limited were also invested in 31 of the following investments – Advanced Computer Software Group plc, Amerisur Resources plc, AnimalCare Group plc, Clean Air Power Ltd, Cohort plc, Corac Group plc, DP Poland plc, Egdon Resources plc, EKF Diagnostic Holdings plc, Energetix Group plc, Entertainment One Ltd, Fulcrum Utility Services Ltd, Fusionex International plc, Futura Medical plc, Genargo Ltd, HELIUS Energy plc, Ideagen plc, In-Deed Online plc, Intercede Group plc, Lidco Group plc, Lombard Risk Management plc, Microsaic Systems plc, Omega Diagnostics Group plc, Photonstar LED Group plc, Plastics Capital plc, Porta Communications plc, Reneuron Group plc, Sphere Medical Holdings plc, Tangent Communications plc, WANDisco plc and Westmount Energy Ltd.

DIRECTORS' REPORT
For the year end 28 February 2013

The Directors present their report together with the audited financial statements of the Company for the year from 1 March 2012 to 28 February 2013.

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 28 February 2013 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 £176,238 (2012 – £159,105 loss). An interim ordinary dividend of 2 pence per Ordinary share was paid on 30 November 2012 (2012 – 2 pence per share). The final dividend of 3 pence per share for the year ended 28 February 2013 is due to be paid on 10 July 2013.

Share Valuation
On 28 February 2013, the bid-market price and the net asset value per ordinary share were 90.00 pence and 95.69 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 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 50.

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 28 February 2013, there were 4 holdings of 3% and over of the Company's ordinary share capital. These holdings related to Hargreave Hale Nominees Ltd with 9.08%, Dr Alasdair Nairn with 5.05%, Dr Angelina Lamoury with 3.46% and Frank Nominees Ltd with 3.27%.

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	
	2013	**2012**
David Hurst-Brown	45,836	26,250
Giles Hargreave	141,487	143,085
Philip Cammerman	3,060	-

There have been the following changes to the beneficial interests of Directors between 28 February 2013 and the date of this report as a result of the new joint offers for subscription launched on 5 November 2012.

	Ordinary Shares	
	Date of this Report	**28 February 2013**
David Hurst-Brown	45,836	45,836
Giles Hargreave	141,487	141,487
Philip Cammerman	8,190	3,060

Share Buybacks
During the year, the Company repurchased 330,032 ordinary shares (nominal value £3,300) at a cost of £297,546. The shares repurchased represent 4.92% of ordinary shares in issue on 1 March 2012. All shares repurchased were cancelled. In addition to this 1,777,662 (nominal value £17,777) shares were repurchased through the Enhanced Share Buy Back at a cost of £1,707,931 and were subsequently 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.

As detailed in the Circular published on 29 February 2012 the Directors believe it is in the Shareholders best interest to target a reduced buyback discount. As a guide, and subject to the Boards' discretion and providing that, in the opinion of the Boards, there is adequate surplus cash available, the Company will consider buying back shares at a 5% discount to the last published Net Asset Value. The target of a 5% buyback discount is non-binding and at the Director's discretion.

Joint Offer for Subscription
The Enhanced Share Buy Back closed on 31st October 2012 and resulted in 1,777,662 shares being purchased by the Company for cancellation and 1,722,429 new Ordinary shares bring issued by the Company under the terms of the Enhanced Share Buy Back.

The joint offer for subscription (together with Hargreave Hale AIM VCT 1) closed on 31 August 2012 and 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.

New Joint Offer for Subscription of Ordinary Shares
The Directors of the Company announced on 5 November 2012 the launch of an offer for subscription for new shares in both VCT's to raise up to £10 million. The Offer was approved by shareholders of the Company at a General Meeting on 29 November 2012 and is open to both new and existing shareholders.

Since its launch on 5 November 2012 and the 28 February 2013 the offer has resulted in funds being received of £0.48 million and the issue of 0.50 million shares. The Offer will close at 12pm on 31 October 2013 unless closed prior to that date if the maximum subscription has been reached before then. Since the year end a further £2.09m has been received under the Offer, bringing the total raised to £2.57m.

Post Balance Sheet Events
Post Balance Sheet Events are disclosed in Note 19 on page 44 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 8.04 days (2012 – 8.6 days.

Charitable and Political Donations
The Company made no charitable or political donations in the year (2012 - 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 Annual General Meeting will be held at Accurist House, 44 Baker Street, London, W1U 7AL at 11 am on 8 July 2013. The notice of the Annual General Meeting is at the end of this document.

The proxy form enclosed with this Annual Report and Financial Statements permits shareholders to disclose votes 'for', 'against', and 'withheld'. A 'vote withheld' is not a vote in law and will not be counted in the proportion of the votes for and against the resolution.

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting for which shareholder approval is required in order to comply either with the Companies Act 2006 or the Listing Rules of the Financial Conduct Authority.

Power to allot shares

Ordinary resolution number 7 will request the authority to allot up to an aggregate nominal amount of £100,000 This resolution replaces the authority given to the Directors at the General Meeting on 29 November 2012. The authority sought at the forthcoming Annual General Meeting will expire 15 months from the date that this resolution is passed, or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier.

Disapplication of pre-emption rights

Special resolution number 8 will request the authority for the Directors to allot equity securities for cash without first being required to offer such securities to existing members. This will include the sale on a non pre-emptive basis of any shares the Company holds in treasury for cash. The authority relates to a maximum aggregate of £100,000 of the nominal value of the share capital.

This resolution replaces the authority given to the Directors at the General Meeting on 29 November 2012. The authority sought at the forthcoming Annual General Meeting will expire 15 months from the date that this resolution is passed or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier. Members should note that this resolution also relates to treasury shares.

Purchase of own shares

Special resolution number 9 will request the authority to purchase approximately 14.99 per cent. of the Company's issued Ordinary share capital at, or between, the minimum and maximum prices specified in resolution 9. Shares bought back under this authority may be cancelled and up to 10 per cent. may be held in treasury.

The Board believes that it is helpful for the Company to continue to have the flexibility to buy its own shares and this resolution seeks authority from shareholders to do so.

This resolution would renew the 2012 authority, which was on similar terms. During the financial year under review, the Company purchased 330,032 Ordinary shares which were then cancelled. In addition to this 1,777,662 (nominal value £17,777) shares were repurchased through the Enhanced Share Buy Back at a cost of £1,707,931 and were subsequently cancelled.

The authority sought at the forthcoming Annual General Meeting will expire 15 months from the date that this resolution is passed, or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier.

Cancellation of share capital

Special resolution number 10 is a proposal (the "Proposal") by the Board to increase the Company's distributable reserves by way of a cancellation of its capital redemption and share premium reserves, subject to shareholder approval and confirmation by the Court.

The Company's distributable reserves are used for the payment of dividends, for share buy-backs and for other corporate purposes. Subject to any creditor protection demanded by the Court (see below), the proposed cancellation of its capital redemption and share premium reserves will create additional distributable reserves of approximately £5.70m.

The Company is permitted by its articles of association to cancel its capital redemption and share premium reserves by obtaining the approval of shareholders by special resolution. If the special resolution is approved by shareholders, the Company will apply to Court for a Court Order and this is expected to take place during the course of the summer of 2013. The Court may require the Company to protect the interests of the creditors of the Company and the Company can confirm that it will seek approval from all creditors to this proposal.

It is the Board's policy to pay regular and predictable dividends to shareholders as the Directors believe that this is a key source of shareholder value. The Company also has a policy of buying back its own shares for cancellation or for holding as treasury shares, when such purposes are considered to be to the advantage of the Company and shareholders as a whole. These shares are purchased at a discount to Net Asset Value which enhances the Company's Net Asset Value per share.

Under the Companies Act 2006, the Company is only permitted to pay dividends and to make buy-backs from its accumulated distributable reserves. Therefore, the Board believes that increasing the distributable reserves is in the interests of shareholders. Details of these reserves are shown on page 31 of this Annual Report and Financial Statements.

The Directors believe that the Company should restructure its balance sheet by cancelling the sum credited to its capital redemption and share premium reserves.

The Company's capital redemption reserve was created as a result of previous buy-backs of the Company's shares. As at 28 February 2013, the amount credited to the Company's capital redemption reserve was £0.02m.

The Company's share premium reserve accounts for the difference between the price paid for shares and the nominal value of the shares, less issue costs and transfers to special reserve. As at 28 February 2013, the amount credited to the Company's share premium account was £5.68m.

It is anticipated that the Company will issue further shares and carry out further buy-backs of Ordinary Shares before the date of the final hearing (the "Final Hearing") of the Company's application to reduce its share capital and cancel its capital redemption and share premium reserves. The Company's issued share capital and amount credited to the capital redemption and share premium reserves will therefore be subject to changes after the Company's Annual General Meeting. Special resolution number 10 provides for the cancellation of the amount credited to the Company's capital redemption and share premium reserves as at the close of business on the day before the date of the Final Hearing.

In order for the cancellation of share capital to become effective, the Court Order confirming the reduction must be filed at Companies House for registration by the Registrar of Companies, usually 2-3 days after the date of Court approval.

Recommendation
The Board believes that the passing of the resolutions above are in the best interests of the Company and its shareholders as a whole, and unanimously recommends that you vote in favour of these resolutions, as the Directors intend to do in respect of their own beneficial shareholdings of 195,513 shares.

By order of the Board

STUART BROOKES
Company Secretary

Registered office:
Hargreave Hale AIM VCT2 plc,
Accurist House
44 Baker Street
London
W1U 7AL

Date: 29 May 2013

DIRECTORS' REMUNERATION REPORT

For the year ended 28 February 2013

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 27 and 28.

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.

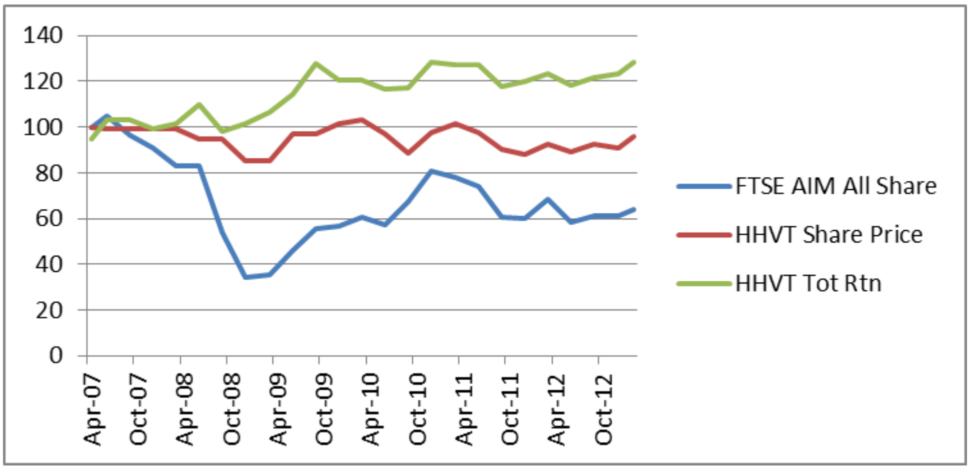
Fees for the Directors are determined by the Board within the limits stated in the Company's Articles of Association. The maximum permitted by the Company's Articles of Association is £200,000 per annum. The Directors are not eligible for bonuses, pension benefits, share options or other incentives or 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 28 February 2013 (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 3 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:

	2013	2012
	£	£
David Hurst-Brown (Chairman)	18,000	18,000
Giles Hargreave	15,000	15,000
Philip Cammerman	15,000	15,000
	----------	----------
Total	48,000	48,000
	----------	----------

The Directors fees have not increased in the year.

Approval

The Directors’ Remuneration Report on pages 20 and 21 was approved by the Board of Directors on 29 May 2013.

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 7.

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 also 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.

David Hurst-Brown 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 20 and 21.

Accountability and Audit
The Directors' responsibilities for the Company's accounting records and financial statements are set out on page 26. The Auditors' Report appears on pages 27 and 28.

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.

The Directors complete an Annual Board Evaluation Questionnaire for each Director 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, however cheques must be signed by David Hurst-Brown or Philip Cammerman and either Giles Hargreave or Stuart Brookes to ensure payments are authorised by one independent person 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 (2012 - £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)	5	5
Giles Hargreave	5	5
Philip Cammerman	5	4

	Fundraising and Share Allotments	
	No of Board Meetings	
	Held	Attended
David Hurst-Brown (Chairman)	13	8
Giles Hargreave	13	12
Philip Cammerman	13	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: 29 May 2013

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 28 February 2013 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 28 February 2013 and of the company's profit 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 22 to 25 of the annual report with respect to internal control and risk management systems in relation to financial reporting processes and on page 16 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 25, 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: 29 May 2013

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

INCOME STATEMENT

For the year ended 28 February 2013

	Note	Revenue £000	Capital £000	Total £000
Net profit on investments held at fair value through profit or loss	7	-	551	551
Income	2	62	-	62
		62	551	613
Management fee	3	(21)	(63)	(84)
Other expenses	4	(217)	-	(217)
		(238)	(63)	(301)
(Loss)/Profit on ordinary activities before taxation		(176)	488	312
Taxation	5	-	-	-
(Loss)/Profit after taxation		(176)	488	312
(Loss)/Profit per share	6	(2.28)p	6.31p	4.03p

INCOME STATEMENT

For the year ended 29 February 2012

	Note	Revenue £000	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

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 28 February 2013

Company registration number: 5941261
(in England and Wales)

	Note	2013 £000	2012 £000
Fixed assets			
Investments at fair value through profit or loss	7	6,503	5,391
		--------	--------
Current assets			
Debtors	9	20	23
Cash at bank	12	1,338	1,148
		--------	--------
		1,358	1,171
Creditors: amounts falling due within one year	10	(90)	(69)
		--------	--------
Net current assets		1,268	1,102
		--------	--------
Net assets		7,771	6,493
		--------	--------
Capital and Reserves			
Called up share capital	11	81	67
Special reserve		1,235	3,629
Capital reserve – realised		(22)	(46)
Capital reserve – unrealised		1,360	896
Revenue reserve		(582)	(406)
Share Premium		5,676	2,351
Capital redemption reserve		23	2
		--------	--------
Equity shareholders' funds		7,771	6,493
		--------	--------
Net asset value per share	13	95.69p	96.80p

These financial statements were approved and authorised for issue by the Board of Directors on 29 May 2013 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 28 February 2013

	Note	2013	2012
		£000	**£000**
Net cash (outflow) from operating activities	15	(215)	(194)
Net financial investment	15	(561)	(520)
Dividends paid	18	(389)	(337)
		---------	---------
Cash (outflow) before management of liquid resources		(1,165)	(1,051)
Financing	15	1,355	1,078
		---------	---------
Increase in cash	12	190	27
		---------	---------

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

For the year ending 28 February 2013

Ordinary Shares	**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 1 March 2012	67	2	(46)	896	3,629	2,351	(406)	6,493
Share buybacks	(21)	21			(2,005)			(2,005)
Subscriptions	35					3,325		3,360
Equity dividends paid (Note 18)					(389)			(389)
Realised gain on investments			87					87
Unrealised gains on investments				464				464
Management fee charged to capital			(63)					(63)
Revenue loss after taxation for the period							(176)	(176)
Total profit/(loss) after taxation			24	464			(176)	312
	------	------	---------	---------	---------	---------	------	---------
At 28 February 2013	81	23	(22)	1,360	1,235	5,676	(582)	7,771
	------	------	---------	---------	---------	---------	------	---------

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

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	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
	------	------	---------	---------	---------	---------	------	---------

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 15.

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

	2013 £000	2012 £000
Income from listed investments:		
UK dividends	17	17
Unfranked investment income	38	40
	------	------
	55	57
Other income:		
Deposit interest	7	8
	------	------
Total income	62	65
	------	------

3. Management Fees

Ordinary Shares	2013 Revenue £000	2013 Capital £000	2013 Total £000	2012 Revenue £000	2012 Capital £000	2012 Total £000
Management fees	21	63	84	12	36	48
	------	------	------	------	------	------
	21	63	84	12	36	48
	------	------	------	------	------	------

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 1.5 percent. per annum of the net asset value of the Company, calculated and payable quarterly in arrears. At 28 February 2013, £35,930 (2012 – £17,203) was owed in respect of management fees. 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. Fees of £39,477 were waved between 1 March 2011 and 29 February 2012 and £19,759 between 1 March 2012 and 28 February 2013 under the indemnity.

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 28 February 2013 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 28 February 2013.

4. Other Expenses

	2013 £000	2012 £000
General expenses		
Administration Fee (HH)	35	35
Legal & Professional	11	15
Other expenses	108	97
Directors' Salaries and Fees	50	51
Auditors' remuneration		
- for audit services	13	14
	------	------
	217	212
	------	------

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 24%.

	2013 Total £000	2012 Total £000
Profit/(loss) on ordinary activities before taxation	312	(402)
	-------	-------
UK Corporation Tax 24%	75	(105)
Effect of non taxable gains/losses on investments	(132)	54
Effect of non taxable UK dividend income	(4)	(5)
Effect of current year losses carried forward	61	56
	-------	-------
Current tax charge	-	-
	-------	-------

Tax losses carried forward at the balance sheet date were £878,639 (2012 - £622,456).

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**

	2013 Revenue pence	2013 Capital pence	2013 Total pence	2012 Revenue pence	2012 Capital pence	2012 Total pence
(Loss)/Return per ordinary share: - basic	(2.28)	6.31	4.03	(2.38)	(3.64)	(6.02)
	----------	----------	----------	----------	----------	----------

Revenue loss per ordinary share based on a net revenue loss on ordinary activities after taxation of £176,238 (2012 - £159,105) and on 7,745,745 (2012 – 6,676,930) 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 gain of £488,149 (2012 – loss of £243,238) for the year and on 7,745,745 (2012 – 6,676,930) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

7. **Investments**

	AIM Quoted Investments		Unquoted Investments		Other Quoted Investments		Total Investments	
	2013 £000	2012 £000	2013 £000	2012 £000	2013 £000	2012 £000	2013 £000	2012 £000
Investments	5,015	4,068	1,002	554	486	769	6,503	5,391
	--------	--------	--------	--------	---------	---------	--------	--------
Movement in year:								
Opening Valuation	4,068	3,837	554	383	769	858	5,391	5,078
Purchases at cost	1,459	2,097	400	53	-	148	1,859	2,298
Sales - proceeds	(987)	(1,528)	(3)	-	(308)	(250)	(1,298)	(1,778)
- realised gains	73	(371)	-	-	14	(5)	87	(376)
Movements unrealised	402	33	51	118	11	18	464	169
	--------	--------	--------	--------	--------	--------	--------	--------
Closing valuation	5,015	4,068	1,002	554	486	769	6,503	5,391
Closing book cost	3,863	3,318	833	436	447	741	5,143	4,495
	--------	--------	--------	--------	---------	---------	--------	--------
Closing unrealised	1,152	750	169	118	39	28	1,360	896
	--------	--------	--------	--------	---------	---------	--------	--------
Realised gain/(loss) on sales	73	(371)	-	-	14	(5)	87	(376)
Unrealised gain/(loss) on investments	402	33	51	118	11	18	464	169
	--------	--------	--------	--------	---------	---------	--------	--------
Gain/(loss) on investments	475	(338)	51	118	25	13	551	(207)
	--------	--------	--------	--------	---------	---------	--------	--------

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.

The value of the company is also assessed on an EV/EBITDA basis and compared to a composite multiple that is calculated using a number of references, including the EV/EBITDA multiple of several listed peers. The peer group comparison has its limitations due to small number of comparable companies that have stock market listings.

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 fair value is drawn from an unaudited shareholder updated released by Genagro on 28 February 2013. In the update, the company reported the 31 December 2012 unaudited net asset value per share as $0.83. The net asset value per share was based upon the value of Genagro's direct interest in Brazilian farmland and a 49.3% shareholding in Agrifirma Brasil Agropecuaria SA. The land holdings of both Genagro and Agrifirma were independently value by Scot Consultoria, as at 31 December 2012. On 5 February 2013, Agrifirma made a capital distribution of $0.095 per share. This has been deducted from the 31 December 2012 net asset value per share to arrive at the holding value of $0.735.

Outsourcery Group Limited (unquoted)
The fair value of the Investment has been based on book cost. The investment was made on 12 February 2013.

7. Investments (Continued)

	2013 Level 1 £'000	2013 Level 2 £'000	2013 Level 3 £'000	2013 Total £'000	2012 Level 1 £'000	2012 Level 2 £'000	2012 Level 3 £'000	2012 Total £'000
Investments	5,501	283	719	6,503	4,837	-	554	5,391
	---------	---------	---------	---------	---------	---------	---------	---------

Reconciliation of Level 2 Investments

	2013 £'000	2012 £'000
Balance Brought Forward	-	-
Acquisitions	250	-
Sale Proceeds	-	-
Realised Gains/Losses		-
Movements Unrealised	33	-
	-----	-----
Balance Carried Forward	283	-
	-----	-----

Reconciliation of Level 3 Investments

	2013 £'000	2012 £'000
Balance Brought Forward	554	383
Acquisitions	150	53
Sale Proceeds	(3)	-
Realised Gains/Losses	-	-
Movements Unrealised	18	118
	-----	-----
Balance Carried Forward	719	554
	-----	-----

8. Significant Interests

At the year end the Company held 3% or more of the issued share capital of the following investments:
Mexican Grill 4.7%

9. Debtors

	2013 £000	2012 £000
Prepayments and accrued income	20	23
	------	------

10. Creditors: amounts falling due within one year

	2013 £000	2012 £000
Trade Creditors	21	13
Accruals and deferred income	69	56
	--------	--------
	90	69
	--------	--------

11. Called up share capital

	2013 £000	2012 £000
Allotted, called-up and fully paid: 8,120,031 (2012 – 6,708,062) ordinary shares of 1p each	81	67
	--------	--------

During the year 330,032 shares were purchased through the buy back facility at a cost of £297,546 of which all shares were cancelled. In addition to this 1,777,662 shares were repurchased through the Enhanced Share Buy Back at a cost of £1,707,931 and were subsequently cancelled.

Offer for Subscription

During the year, the Company issued 1,296,915 ordinary shares (nominal value £12,969) in a joint offer for subscription which resulted in funds being received of £1,279,000 of which 5% (£63,950) was payable to Hargreave Hale to cover the cost of additional shares allotted from commission re-invested of £28,379 and initial commission of £11,481, resulting in fees payable to Hargreave Hale of £24,090. The Offer for Subscription of ordinary shares opened on 29 February 2012 and closed on 31st August 2012.

11. Called up share capital (Continued)

New Joint Offer for Subscription of Ordinary Shares

During the year, the Company issued 500,319 ordinary shares (nominal value £5,003) in an offer for subscription of ordinary shares which resulted in funds being received of £482,079 of which 3% (14,462) was payable to Hargreave Hale to cover the cost of additional shares from commission re-invested of £4,361 and initial commission of £2,220, resulting in fees payable to Hargreave Hale of £7,881. The Offer will close at 12pm on 31 October 2013 unless previously extended beyond this date, or earlier if the maximum subscription has been reached before then.

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.

12. Analysis of changes in net funds

	At 1 March 2012	***Cash Flows***	***At 28 February 2013***
	£000	***£000***	***£000***
Cash at bank	*1,148*	*190*	*1,338*
	--------	--------	--------
	At 1 March 2011	***Cash Flows***	***At 29 February 2012***
	£000	***£000***	***£000***
Cash at bank	*1,121*	*27*	*1,148*
	--------	--------	--------

13. 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**	
	2013	**2012**	**2013**	**2012**
	pence	**pence**	**£000**	**£000**
Ordinary shares - Basic	95.69	96.80	7,771	6,493
	--------	--------	--------	----------

Net asset value per share is based on net assets at the year end and on 8,120,031 (2012 – 6,708,062) 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 (2012 - nil).

15. Notes to the Cash Flow Statement

(a) Reconciliation of operating profit to operating cash flows

	2013 £000	2012 £000
Total Profit/(loss) on ordinary activities before taxation	312	(402)
Realised (gains)/losses on investments	(87)	376
Unrealised (profit) on investments	(464)	(169)
Decrease in debtors	3	-
Increase in creditors	21	1
Net cash (outflow) from operating activities	(215)	(194)

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

	2013 £000	2012 £000
Net financial investment:		
Purchase of investments	(1,859)	(2,298)
Sale of investments	1,298	1,778
	(561)	(520)

	2013 £000	2012 £000
Financing:		
Share Buybacks	(2,005)	(9)
Issue of Share Capital	3,360	1,087
	1,355	1,078

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 1.5% per annum of the net asset value of the Company, calculated and payable quarterly in arrears. Fees for the year are £84,055 (2012 - £48,450) as detailed in note 3. Hargreave Hale is responsible for Administration, Company Secretary, Directorship and Custodian services and received fees of £77,000 (2012 - £77,000) in relation to these services. Of those fees, £42,347 (2012 - £23,620) was still owed at the year end.

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 £39,477 were waved between 1 March 2011 and 29 February 2012 and £19,759 between 1 March 2012 and 28 February 2013 under the indemnity.

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 also launched Enhanced Share Buy Backs for existing shareholders who have held their shares for at least 5 years.

16. Related party transactions (Continued)

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 resulted in 1,777,662 Ordinary shares being purchased by the Company for cancellation and 1,722,429 new Ordinary shares being issued by the Company raising gross proceeds of £1.7 million under the terms of the Enhanced Share Buy Back. The 5% premium of £89,466 was payable to Hargreave Hale Limited to cover the cost of additional shares allotted of £33,930 and introducer commission of £17,893, resulting in net fees payable to Hargreave Hale Limited of £37,643. A maximum of 9,000,000 Ordinary Shares could be repurchased by the Company and so all applications have been accepted in full. The Enhanced Share Buy Back closed on 31 October 2012.

The Offer for subscription resulted in 1,296,915 ordinary shares being issued raising gross proceeds of £1,279,000 of which 5% (£63,950) was payable to Hargreave Hale to cover the cost of additional shares allotted from commission re-invested of £28,379 and initial commission of £11,481, resulting in fees payable to Hargreave Hale of £24,090. The Offer for Subscription of ordinary shares opened on 29 February 2012 and closed on 31st August 2012.

New Joint Offer for Subscription of Ordinary Shares

During the year the new joint offer for subscription has resulted in 500,319 ordinary shares being issued raising gross proceeds of £482,079 of which 3% (14,462) was payable to Hargreave Hale to cover the cost of additional shares from commission re-invested of £4,361 and initial commission of £2,220, resulting in fees payable to Hargreave Hale of £7,881. The Offer will close at 12pm on 31 October 2013 unless previously extended beyond this date, or earlier if the maximum subscription has been reached before then.

Giles Hargreave is the also the fund manager of the Marlborough Special Situations Fund.

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 22 to 25 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 Investment Manager's report on pages 5 and 8 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 £1,338,206 (2012 - £1,147,954) which is classified as 'loans and receivables measured at amortised cost'. Financial liabilities consist of trade creditors and accruals of £90,505 (2012 - £69,222) 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.

17. Financial instruments (continued)

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:

		2013	2012
		£000	£000
Equity	Fair value	6,017	4,622
Gilts/Bonds	Fair value	486	769
		----------	----------
		6,503	5,391
		----------	----------

A 10% increase or decrease in the investment portfolio would have a £650,300 (2012 - £539,100) impact on the profit and loss account.

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:

	28 February 2013			
	Fixed Rate	Variable Rate	Non-Interest Bearing	Total
	£000	£000	£000	£000
Investments	486	-	6,017	6,503
Cash and cash Equivalents	-	1,338	-	1,338
Other currents assets and current liabilities (net)	-	-	(70)	(70)
	-----------	-----------	-----------	-----------
Net assets	486	1,338	5,947	7,771
	-----------	-----------	-----------	-----------

	29 February 2012			
	Fixed Rate	Variable Rate	Non-Interest Bearing	Total
	£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
	-----------	-----------	-----------	-----------

17. Financial instruments (continued)

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 28 February 2013 the Company held £1,338,206 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.

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:

	2013	**2012**
	£000	**£000**
Investments – UK Gilts and Corporate Bonds	486	769
Cash & cash equivalents	1,338	1,148
Other current (liabilities)/assets (net)	(70)	(46)
	--------	--------
	1,754	1,871
	--------	--------

Cash balances were held on deposit with RBS at 28 February 2013.

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

	2013 Ord £000	2012 Ord £000
Paid per share:		
Final dividend of 2 pence for the year ended 28 February 2011	-	202
Paid per share:		
Final dividend of 3 pence for the year ended 29 February 2012	233	-
Paid per share:		
Interim dividend of 2 pence for year ended 28 February 2013	156	-
Paid per share:		
Interim dividend of 2 pence for year ended 29 February 2012	-	135
	------	------
	389	337
	------	------
Proposed per share:		
Final dividend of 3 pence for the year ended 28 February 2013	304	-
	------	------
Proposed per share:		
Final dividend of 3 pence for the year ended 29 February 2012	-	233
	------	------

19. Post Balance Sheet Events

Joint Offer for Subscription of Ordinary Shares

Following the yearend the offer for subscription has resulted in an additional 2.15m ordinary shares being issued raising gross proceeds of £2.09m. Total raised to date under the offer is £2.57m. The Offer will close at 12pm on 31 October 2013 unless previously extended beyond this date, or earlier if the maximum subscription has been reached before then.

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
Accurist House
44 Baker Street
London
W1U 7AL

Manager
Hargreave Hale Limited
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W1U 7AL

Registrars
Equiniti
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BN99 6ZL

Solicitors
Pinsent Masons LLP
30 Crown Place
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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 Accurist House, 44 Baker Street, London, W1U 7AL on 8 July 2013 at a 11am for the purposes of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 7 will be proposed as ordinary resolutions and 8 to 10 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 28 February 2013;
2. To receive and approve the Directors Remuneration Report for the year ended 28 February 2013;
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 re-elect David Hurst-Brown as a Director of the Company;
6. To approve a final dividend of 3 pence per ordinary share in respect of the year ended 28 February 2013.

Special Business

Ordinary Resolution

7. 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 £100,000, 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

8. 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 (7) 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.

9. THAT, the Company be generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Act) of Ordinary shares of 1 pence each in the capital of the Company (“Ordinary shares”), on such terms as the Directors think fit, and where such shares are held as treasury shares, the Company may use them for the purposes set out in section 727 of the Act, provided that:

(a) the maximum aggregate number of shares hereby authorised to be purchased is 14.99 per cent. of the issued Ordinary share capital of the Company as at the date of the passing of this resolution;

(b) the minimum price which may be paid for a share shall be 1 pence (exclusive of expenses);

(c) the maximum price (exclusive of expenses) which may be paid for a share shall be an amount being not more than the higher of (i) 105 per cent. of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the shares for the five business days immediately preceding the date of purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid relating to a share on the trading venue where the purchase is carried out; and

(d) unless previously varied, revoked or renewed, the authority hereby conferred shall expire 15 months from the date that this resolution is passed or, if earlier, at the conclusion of the annual general meeting of the Company to be held after the passing of this resolution, save that the Company may, at any time prior to such expiry, enter into a contract or contracts to purchase shares under such authority which would or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of shares pursuant to any such contract or contracts as if the authority conferred hereby had not expired.

Under the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (the “Regulations”), Ordinary shares purchased by the Company out of distributable profits can be held as treasury shares, which may then be cancelled or sold for cash. The authority sought by this special resolution number 9 is intended to apply equally to shares to be held by the Company as treasury shares in accordance with the Regulations.

10. THAT, the amount standing to the credit of the capital redemption and share premium reserves of the Company, at 6pm on the day before the date of the final hearing of the Company's application to cancel its capital redemption and share premium reserves, be and hereby is cancelled.

By order of the Board

Stuart Brookes
Company Secretary

Registered Office:
Accurist House
44 Baker Street
London
W1U 7AL

Date: 29 May 2013

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 notorically 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 6pm on 5 July 2013 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 5 July 2013 (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 Uncertificated 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 28 May 2013 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 10,132,281 ordinary shares, carrying one vote each. Therefore the total voting rights in the Company are 10,132,281.