
HARGREAVE HALE AIM VCT 2 plc

Unaudited Interim Results for the
six month period ending 31 August 2017



CONTENTS

	Page
Financial Highlights	2
Chairman's Statement	3
Investment Manager's Report	5
Investment Portfolio	7
Top Ten Investments	11
Statement of Directors' Responsibilities	15
Condensed Income Statement	16
Condensed Balance Sheet	18
Condensed Statement of Changes in Equity	19
Condensed Statement of Cash Flows	21
Explanatory notes	22
Shareholder Information	30
Company Information	32

FINANCIAL HIGHLIGHTS

Ordinary Shares (as at 31 August):	31 August 2017	31 August 2016	28 February 2017*
Net asset value per share	115.47p	104.58p	109.86p
Cumulative distributions paid per share since launch	53.00p	47.00p	49.00p
Total return per share	168.47p	151.58p	158.86p
Half Yearly/Annual Returns per share (basic and diluted):			
Revenue return	(0.18)p	(0.09)p	(0.43)p
Capital return	9.75p	7.04p	14.97p
Combined return	9.57p	6.95p	14.54p
Dividends per share:			
Interim proposed/paid	2.00p	2.00p	2.00p
Final paid	4.00p	4.00p	4.00p
Ongoing expense ratio**	2.10%	2.09%	1.82%
Performance Benchmark:			
FTSE AIM All-share Index (rebased to 100 at 6 April 2007)	87.34	68.38	78.38

* 28 February 2017 financial highlights represent annual results

** Calculated as total expenses (annualised for half yearly results) minus ad hoc legal costs, divided by period end net assets

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 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 fixed income securities and bank deposits) and non-qualifying equity investments on an opportunistic basis. The Company is managed as a Venture Capital Trust in order that shareholders in the Company may benefit from the tax relief available.

CHAIRMAN'S STATEMENT

INTRODUCTION

In the first half of the financial year the Net Asset Value per share (NAV) increased from 109.86 pence to 115.47 pence equivalent to an increase of 8.7% after adding back the 4 pence dividend distributed in July 2017. During the same period the FTSE 100 Total Return Index gained 4.7% and the FTSE AIM All Share Total Return Index gained 12.2%.

RESULTS

The gain per share for the period (note 2, page 27) was 9.57 pence per share (comprising revenue losses of 0.18 pence and capital gains of 9.75 pence). At 31 August 2017 the total return since inception was 168.47 pence.

INVESTMENTS

The investment manager, Hargreave Hale Limited, invested a further £4.37 million in 12 qualifying companies during the period. The fair value of qualifying investments at 31 August 2017 was £26.52 million invested in 58 AIM companies and 10 private companies. The balance of the funds was held in a mix of cash, fixed income and other non-qualifying equities.

At 31 August 2017 the VCT was 89.3% invested in qualifying companies calculated in accordance with HMRC guidelines.

DIVIDEND

A final dividend for the year ended 28 February 2017 of 4 pence was paid on 25 July 2017.

The Directors continue to maintain their policy of targeting a tax free dividend yield equivalent to 5% of the year end NAV. An interim dividend of 2 pence (2016 - 2p) will be paid on 1 December 2017, with an ex-dividend date of 9 November 2017 and a record date of 10 November 2017.

BUYBACKS

We have been able to maintain our policy of offering our shareholders an efficient exit route through the buyback scheme. In total, 430,945 shares were repurchased during the six month period ending 31 August 2017 at a weighted average price of 109.28 pence per share. Since the period end a further 75,978 shares have been purchased at a cost of £85,845.

The Board continues to target a share price discount of 5% of the NAV per share (as measured against the mid-price) for market purchases. It should be emphasised that this target is non-binding and dependent on circumstances including the Company's liquidity from time to time and market conditions.

JOINT OFFER FOR SUBSCRIPTION

The Directors of the Company announced on 14 December 2016 the launch of a joint offer for subscription for shares in both Hargreave Hale AIM VCTs to raise up to £10 million in Hargreave Hale AIM VCT 1 plc and up to £10 million in the Company. The offer was approved by shareholders of the Company at a general meeting on 12 January 2017 and was open to both new and existing shareholders.

The offer was fully subscribed and resulted in gross funds being received of £10 million and the issue of 8.96 million new shares in the Company.

On 18 September 2017 the Company announced its intention to re-open the Offer by making the Over-Allotment facility available and increasing the facility from £5 million to £7.5 million. A Supplementary Prospectus was published on 2 October 2017 as increasing the offer amount constitutes a significant event under the Prospectus Rules.

The Offer will close on 17 November 2017 unless fully subscribed before then.

AUDIT TENDER

As announced in the annual report and accounts for the year ended 28 February 2017 mandatory audit tendering legislation states that the maximum period for which a firm can be appointed auditor of a public listed entity is 10 years. BDO LLP were approaching the maximum term permitted and as such an audit tender has been completed.

The process was led by the Audit Committee who invited several firms to participate in the tender process. Companies were chosen based on their reputation or by recommendation/personal experience and where it was known they had specific knowledge and experience of VCT/investment trust auditing.

The Committee documented the Company's objectives and agreed on a selection criteria and scorecard to enable them to assess each applicant on a fair basis. Proposals and presentations were reviewed by the committee and a recommendation made to the Board.

I am pleased to announce that the Board agreed BDO LLP were the strongest candidate and re-appointed them as statutory auditor for the Company.

OUTLOOK

The progress we have made in recent months in identifying and increasing our investment in the qualifying portfolio has encouraged us to re-open our December 2016 share offer. In particular we have completed investments in a number of early stage private companies many of whom have exciting and 'disruptive' business plans. The potential of some of these is considerable but we recognise their higher risk profiles and illiquidity and will proceed cautiously with this part of the fund.

Given the ever increasing uncertainty with domestic politics we are a little surprised at how benign equity markets have been over recent months and, as our Fund Manager states in his report 'we remain cautious'. Nonetheless, as long term investors we will continue to build our qualifying portfolio when the right opportunities present themselves.

DAVID HURST-BROWN

Chairman

Date: 19 October 2017

INVESTMENT MANAGER'S REPORT

This report covers the first half of the financial year, 1 March 2017 to 31 August 2017. The manager's report contains references to movements in the Net Asset Value (NAV) per share and Total Return per share (NAV per share plus distributed earnings per share). Movements in the NAV per share do not necessarily mirror the earnings per share (EPS) reported in the accounts and elsewhere, which convey the profit after tax within the company within the reported period as a function of the weighted average number of shares in issue for the period.

INVESTMENT REPORT

The period under review has been generally positive with global equity markets advancing off the back of strong corporate earnings and encouraging economic data. In contrast, the FTSE 100 was volatile over the period and ended flat as investors grappled with the implications of the election result for Sterling, for inflation and for Government policy in several areas, most obviously our path out of the European Union. That aside, small and mid-caps continued to make ground as robust corporate news flow helped feed investors' appetite for growth companies with large and global addressable markets, which in turn fed through to some strong performance in the junior indices.

As we look towards the second half of the financial year we remain cautious given the potential headwinds approaching. UK inflation has risen to 3% and the Bank of England has insinuated that a rate rise is possible this year. The potential impact on consumer spending and corporate investment is unknown but potentially negative. We have witnessed weaker trading from several 'high street' brands, particularly in retail and casual dining, as companies struggle to manage margin pressure (input price inflation, higher business rates and the living wage) against the backdrop of an increasingly cautious consumer. In parallel, the UK government continues to try and navigate a way out of the EU. We still feel it is too early to know the impact (if any) of Brexit on our portfolio; that seems unlikely to change in the short term. By and large we have left the portfolio of qualifying and non-qualifying investments untouched. While we are cautious of certain sectors, consumer discretionary for example, we continue to find interesting investment opportunities in qualifying companies that we believe can grow regardless of the outcome. To that end, we intend to continue with business as usual while keeping a close eye on events as they unfold and, perhaps, reducing at the margin some of our non-qualifying equity risk.

Performance was good in the six months to 31 August 2017 with the NAV increasing from 109.86p to 115.47p and the payment of a 4 pence per share dividend. The total return of 9.61 pence per share translates to a gain of 8.7%. During the same period the FTSE AIM All-Share Total Return gained 12.2%.

The qualifying investments made a net contribution of 5.54 pence per share with the non-qualifying investments adding a further 4.83 pence per share. The balance was a mixture of costs, income and small gains made through share buy backs.

Zoo Digital, a recent investment, was the top performing qualifying investment (+166.7%, +1.90 pence per share) as the shares responded to strong revenue growth and a significantly improved balance sheet. Gfinity also performed well (+76.7%, +0.76 pence per share) after announcing broadcasting agreements with BT Sport and the BBC and a partnership with Formula 1 to deliver the Formula 1 ESports Series. Other stocks that made a significant contribution included Faron Pharmaceuticals (+100.0%, +0.74 pence per share), Eagle Eye (+91.7%, +0.69 pence per share) and Tristel (+79.4%, +0.60 pence per share).

The biggest loss within the period came from Portr (-30.0%, -0.75 pence per share), which we marked to the price of a recent funding round that saw a large UK listed company make a strategic investment

into the company. Although the new mark was lower than the prior round, it remains above our entry price. Commercial progress has been made through Portr's partnership with British Airways and we look forward to news of progress with other airlines over the coming months. Other losses came from DP Poland (-27.2%, -0.64 pence per share) following a consolidation in the share price despite recent reports of strong trading; Science in Sport (-14.1%, -0.28 pence per share), TLA (-50.0%, -0.26 pence per share) and Creo Medical (-14.4%, -0.22 pence per share).

We made 12 qualifying investments over the period, which included 6 additional investments into existing qualifying companies (1 private company), 2 IPOs, 2 secondary placings into listed companies and 2 private investments. We invested a total of £4.37 million into qualifying investments over the period.

Within the qualifying portfolio, we reduced our investments in Gfinity, Faron Pharma and Hardide following strong runs in their share prices. We exited Electrical Geodesics, Kalibrate and Electric Word through M&A activity and disposed of all our shares in ECSC, Haydale Graphene, Audioboom, Directa Plus and Synairgen following prolonged periods of poor news flow. We also sold our shares in Free Agent after a disappointing update that hinted at potential weakness in their model.

PORTFOLIO STRUCTURE

The VCT is comfortably through the HMRC defined investment test and ended the period at 89.3% invested as measured by the HMRC investment test. By market value, the VCT had a 52.4% weighting to qualifying investments.

The allocation to non-qualifying equity investments increased marginally from 20.6% to 21.5%. We continued to make use of the Marlborough Special Situations Fund as a temporary home for proceeds from fundraising; the allocation increased from 12.0% to 14.8%. Fixed income as a percentage of the fund decreased from 0.4% to 0.3% and cash fell from 20.3% to 11.4%.

The HMRC investment tests are set out in Chapter 3 of Part 6 Income Tax Act 2007, which should be read in conjunction with this section of the investment manager's report. Funds raised by VCTs are first included in the investment tests from the start of the accounting period containing the third anniversary of the date on which the funds were raised. Therefore, the allocation of qualifying investments as defined by the legislation can be different to the portfolio weighting as measured by market value relative to the net assets of the VCT.

POST PERIOD END UPDATE

Deal flow has been good since period end with 4 additional qualifying investments being made in Gfinity, Laundrapp, Faron Pharma and Angle. There are a number of deals in the pipeline which we expect to complete in the coming weeks.

For further information, please contact:

STUART BROOKES

Company Secretary

Hargreave Hale AIM VCT 2 plc

Date: 19 October 2017

INVESTMENT PORTFOLIO

As at 31 August 2017

Qualifying Investments	Cost £000	Valuation £000	Valuation %	Net Assets %	Sector
Zoo Digital Group plc	501	1,333	2.96	2.63	Information Technology
Ideagen plc	190	1,238	2.75	2.44	Information Technology
Learning Technologies Group plc	534	1,195	2.65	2.36	Information Technology
Mexican Grill Ltd (A Preference Shares)**	277	1,154	2.56	2.28	Consumer Discretionary
Quixant plc	120	1,096	2.43	2.16	Consumer Discretionary
SCA Investments Ltd (Gousto)**	1,002	1,000	2.22	1.97	Consumer Discretionary
Eagle Eye Solutions Ltd	811	997	2.21	1.97	Information Technology
DP Poland plc	574	955	2.12	1.89	Consumer Discretionary
Portr Ltd**	689	770	1.71	1.52	Information Technology
Science in Sport plc	518	760	1.69	1.50	Consumer Staples
Zappar Ltd**	701	700	1.55	1.38	Information Technology
Gfinity plc	255	693	1.54	1.37	Information Technology
AnimalCare Group plc	100	687	1.53	1.36	Health Care
Escape Hunt plc	618	658	1.46	1.30	Consumer Discretionary
Hardide plc	224	656	1.46	1.30	Materials
Tristel plc	81	591	1.31	1.17	Health Care
Creo Medical Group plc	559	565	1.25	1.12	Health Care
Fulcrum Utility Services Ltd	100	525	1.17	1.04	Utilities
Faron Pharmaceuticals Oy	201	518	1.15	1.02	Health Care
Honest Brew Ltd**	501	500	1.11	0.99	Consumer Discretionary
Infinity Reliance Ltd (My 1st Years)**	501	500	1.11	0.99	Consumer Discretionary
Maxcyte Inc Com Stk USD0.01 (DI)	142	487	1.08	0.96	Health Care
Loopup Group plc	236	420	0.93	0.83	Information Technology
E G Solutions plc	200	415	0.92	0.82	Information Technology
ULS Technology plc	139	411	0.91	0.81	Information Technology
Aquis Exchange Ltd**	401	400	0.89	0.79	Information Technology
Laundrapp Ltd**	301	384	0.85	0.76	Information Technology
FairFX Group plc	295	370	0.82	0.73	Information Technology
TrakM8 Holdings plc	91	352	0.78	0.69	Information Technology
CentralNic Group plc	207	347	0.77	0.69	Information Technology
Velocity Composites plc	332	331	0.74	0.65	Industrials
Clearstar Inc	360	322	0.72	0.64	Industrials
Everyman Media Group plc	172	320	0.71	0.63	Consumer Discretionary
Surface Transforms plc	301	318	0.71	0.63	Industrials
Osirium Technologies plc	301	269	0.60	0.53	Information Technology
Belvoir Lettings plc	335	257	0.57	0.51	Real Estate
Lombard Risk Management plc	92	247	0.55	0.49	Information Technology
Sanderson Group plc	200	240	0.53	0.47	Information Technology
EKF Diagnostics Holdings plc	150	235	0.52	0.46	Health Care
Plastics Capital plc	202	220	0.49	0.43	Materials
WANDisco plc	53	216	0.48	0.43	Information Technology
Premaithe Health plc	330	190	0.42	0.37	Health Care
Omega Diagnostics Group plc	129	189	0.42	0.37	Health Care
Cloudcall Group plc	234	181	0.40	0.36	Telecommunication Services
Satellite Solutions Worldwide Group plc	103	166	0.37	0.33	Telecommunication Services

Qualifying Investments	Cost £000	Valuation £000	Valuation %	Net Assets %	Sector
Paragon Entertainment Ltd	200	156	0.35	0.31	Industrials
The Property Franchise Group	113	152	0.34	0.30	Real Estate
Lidco Group plc	146	142	0.32	0.28	Health Care
Angle plc	252	142	0.31	0.28	Health Care
Reneuron Group plc	262	139	0.31	0.27	Health Care
Intercede Group plc	91	135	0.30	0.27	Information Technology
Mexican Grill Ltd (Ordinary Shares)**	31	128	0.28	0.25	Consumer Discretionary
Ilika plc	203	126	0.28	0.25	Industrials
Imaginatik plc	215	124	0.28	0.24	Information Technology
Maxcyte Inc Com Stk USD0.01 (DI/REG S)	141	123	0.27	0.24	Health Care
APC Technology Group plc	350	114	0.25	0.22	Information Technology
TLA Worldwide plc	150	113	0.25	0.22	Consumer Discretionary
Medaphor Group plc	251	78	0.17	0.15	Consumer Discretionary
Verona Pharma plc	71	75	0.17	0.15	Health Care
Mycelx Technologies Corporation plc (Com SHS \$0.025 REG S+ shares)	150	64	0.14	0.13	Industrials
Porta Communications plc	200	60	0.13	0.12	Consumer Discretionary
TP Group plc	125	57	0.13	0.11	Industrials
Genedrive plc	140	56	0.12	0.11	Health Care
Midatech Pharma plc	150	50	0.11	0.10	Health Care
Mirada plc	95	42	0.09	0.08	Information Technology
Fusionex International plc**	69	29	0.06	0.06	Information Technology
Mporium Group plc	23	15	0.03	0.03	Information Technology
Microsaic Systems plc	20	11	0.02	0.02	Information Technology
Flowgroup plc	54	10	0.02	0.02	Industrials
Brigantes Energy Ltd*	–	–	–	–	Energy
<i>Total Qualifying Investments</i>	<i>17,865</i>	<i>26,519</i>	<i>58.85</i>	<i>52.35</i>	

Non-Qualifying Investments	Cost £000	Valuation £000	Valuation %	Net Assets %	Sector
Scottish Amicable 8.5% 2049	154	159	0.35	0.31	
<i>Total – Corporate bonds</i>	<i>154</i>	<i>159</i>	<i>0.35</i>	<i>0.31</i>	
Marlborough Special Situations Fund**	5,742	7,487	16.62	14.78	
<i>Total – Unit Trusts</i>	<i>5,742</i>	<i>7,487</i>	<i>16.62</i>	<i>14.78</i>	
NMC Health plc	426	757	1.68	1.50	Health Care
Melrose Industries plc	444	682	1.51	1.35	Industrials
Royal Dutch Shell plc	582	648	1.44	1.28	Energy
Dechra Pharmaceuticals plc	461	612	1.36	1.21	Health Care
BP plc	596	579	1.28	1.14	Energy
On the Beach Group plc	391	574	1.28	1.13	Consumer Discretionary
Anglo American plc	373	421	0.93	0.83	Materials
Sanne Group plc	292	413	0.92	0.82	Financials
Ascential plc	326	403	0.90	0.80	Consumer Discretionary
Merlin Entertainments plc	386	401	0.89	0.79	Consumer Discretionary
Cohort plc	176	394	0.87	0.78	Industrials

Non-Qualifying Investments	Cost £000	Valuation £000	Valuation %	Net Assets %	Sector
Wizz Air Holdings plc	220	353	0.78	0.70	Consumer Discretionary
Medica Group plc	213	340	0.75	0.67	Health Care
RPC Group plc	289	296	0.66	0.59	Materials
Hilton Food Group plc	252	291	0.65	0.57	Consumer Discretionary
XP Power Ltd	292	286	0.64	0.56	Industrials
FCFM Group Ltd**	150	283	0.63	0.56	Financials
Renishaw plc	276	274	0.61	0.54	Information Technology
Clipper Logistics plc	234	267	0.59	0.53	Consumer Discretionary
JD Sports Fashion plc	274	259	0.57	0.51	Consumer Discretionary
Fulcrum Utility Services Ltd	56	256	0.57	0.50	Utilities
Lloyds Banking Group plc	285	255	0.57	0.50	Financials
Sportech plc	209	230	0.51	0.45	Consumer Discretionary
Learning Technologies Group plc	80	207	0.46	0.41	Information Technology
Micro Focus International plc	121	196	0.44	0.39	Information Technology
Horizon Discovery Group plc	124	167	0.37	0.33	Health Care
Everyman Media Group plc	85	155	0.34	0.31	Consumer Discretionary
Eurocell plc	119	135	0.30	0.27	Industrials
Finsbury Food Group plc	70	129	0.29	0.26	Consumer Staples
Alfa Financial Software Holdings plc	92	128	0.29	0.25	Information Technology
Just Eat plc	82	100	0.22	0.20	Information Technology
Egdon Resources plc	140	69	0.15	0.14	Energy
Eagle Eye Solutions Ltd	44	64	0.14	0.13	Information Technology
The Fulham Shore plc	38	57	0.13	0.11	Consumer Discretionary
Amerisur Resources plc	167	45	0.10	0.09	Energy
Midatech Pharma plc	134	44	0.10	0.09	Health Care
Regent Pacific Group Ltd	93	43	0.09	0.08	Health Care
Mycelx Technologies Corporation plc (Com SHS \$0.025 + (D1) shares)	170	40	0.09	0.08	Industrials
Reneuron Group plc	41	29	0.06	0.06	Health Care
Mexican Grill Ltd (A Preference Shares)**	3	10	0.02	0.02	Consumer Discretionary
Genagro Ltd**	22	2	–	–	Industrials
Mycelx Technologies Corporation plc (Com SHS \$0.025 REG S+ shares)	8	2	–	–	Industrials
<i>Total – Non-Qualifying equities</i>	<i>8,836</i>	<i>10,896</i>	<i>24.18</i>	<i>21.53</i>	
<i>Total –Non-Qualifying Investments</i>	<i>14,732</i>	<i>18,542</i>	<i>41.15</i>	<i>36.62</i>	
Total investments	32,597	45,061	100.00	88.97	
Cash at bank		5,773		11.40	
Prepayments & Accruals		(186)		(0.37)	
Net Assets		50,648		100.00	

* Unquoted Company holding of less than £500

**Unquoted Companies

The majority of investments held within the portfolio are listed and/or headquartered in the UK with the exception of the following:

	Listed	Headquartered	Registered
<i>AIM listed Investments:</i>			
Clearstar Inc	UK	Cayman Islands	Cayman Islands
DP Poland plc	UK	Poland	UK
Faron Pharmaceuticals Oy	UK	Finland	Finland
Fulcrum Utility Services Ltd	UK	UK	Cayman Islands
Maxcyte Inc	UK	USA	USA
Mycelx Technologies Corporation plc	UK	USA	USA
Paragon Entertainment Ltd	UK	UK	Cayman Islands
Regent Pacific Group Ltd	Hong Kong	Hong Kong	Cayman Islands
Royal Dutch Shell plc	UK	Netherlands	UK
Sanne Group plc	UK	Jersey	Jersey
WANDisco plc	UK	UK and USA	Jersey
Wizz Air Holdings plc	UK	Switzerland	Jersey
XP Power Ltd	UK	Singapore	Singapore
<i>Unlisted private companies:</i>			
Aquis Exchange Ltd	–	UK	UK
Brigantes Energy Ltd	–	UK	UK
FCFM Group Ltd	–	UK	UK
Fusionex International plc	–	UK	Jersey
Genagro Ltd	–	Jersey	Jersey
Honest Brew Ltd	–	UK	UK
Infinity Reliance Ltd (My 1st Years)	–	UK	UK
Laundrapp Ltd	–	UK	UK
Mexican Grill Ltd	–	UK	UK
Portr Ltd	–	UK	UK
SCA Investments Ltd (Gousto)	–	UK	UK
Zappar Ltd	–	UK	UK
<i>Authorised unit trust:</i>			
Marlborough Special Situations Fund	–	UK	UK

TOP TEN INVESTMENTS

As at 31 August 2017 (By Market Value)

The top 10 equity investments are shown below; each is valued by reference to the bid price, or, in the case of unquoted companies, values are either based on the last arm's length transaction or valuation techniques, such as earnings multiples. Forecasts, where given, are drawn from a combination of broker research and/or Bloomberg consensus forecasts and exclude amortisation, share based payments and exceptional items. Forecasts are in relation to a period end for which the company results are yet to be released. The net cash values are drawn from published accounts in most cases.

Learning Technology Group plc			47.0p
Investment date	April 2014	Forecasts for the year to	December 2017
Equity held	0.52%	Turnover (£'000)	51,500
Av Purchase Price	20.6p	Profit/(loss) before tax (£'000)	11,300
Cost (£'000)	614	Net Cash (£'000)	(8,486)
Valuation (£'000)	1,402	Net Assets December 2016 (£'000)	30,710

COMPANY DESCRIPTION

Learning Technologies Group (LTG) provides a comprehensive and integrated range of e-learning services and technologies to corporate and government clients. LTG is making good progress towards its goal of establishing a substantial global organisation of specialist digital learning businesses from Europe, US, Latin America and Asia to form a market-leading technologies agency.

Zoo Digital Group plc			24.0p
Investment date	April 2017	Forecasts for the year to	March 2018
Equity held	7.56%	Turnover (\$'000)	20,988
Av Purchase Price	9.0p	Profit/(loss) before tax (\$'000)	347
Cost (£'000)	501	Net Cash (\$'000)	(300)
Valuation (£'000)	1,333	Net Assets March 2017 (\$'000)	2,561

COMPANY DESCRIPTION

Zoo is a leading provider of subtitling and digital distribution services for the global entertainment industry. Zoo combine their own technology with talented client teams across the globe to translate original video programmes into more than 50 foreign languages. Their technology helps process the edited digital materials to meet the technical delivery requirements of a growing number of online video services.

Mexican Grill Ltd			8,550.0p
Investment date	October 2009	Results for the year to	December 2016
Equity held	4.25%	Turnover (£'000)	25,327
Av Purchase Price	2,059.0p	Profit/(loss) before tax (£'000)	(1,025)
Cost (£'000)	311	Net Cash (£'000)	(2,862)
Valuation (£'000)	1,292	Net Assets December 2016 (£'000)	3,312
Income recognised in period (£)	0		

COMPANY DESCRIPTION

Mexican Grill is a private company that operates 33 fast casual California-Mexican restaurants that provide fresh, made to order cuisine for eat in or take-away, making it among the largest chains within its niche.

Ideagen plc			90.0p
Investment date	March 2011	Forecasts for the year to	April 2018
Equity held	0.69%	Turnover (£'000)	34,900
Av Purchase Price	13.8p	Profit/(loss) before tax (£'000)	9,700
Cost (£'000)	190	Net Cash (£'000)	4,205
Valuation (£'000)	1,238	Net Assets April 2017 (£'000)	46,419

COMPANY DESCRIPTION

Ideagen is a supplier of compliance based information management software with operations in the UK and the United States. The company specialises in enterprise governance, risk and compliance and healthcare solutions for organisations operating within highly regulated industries. Ideagen provides complete content lifecycle solutions that enable organisations to meet their regulatory and quality compliance standards, helping them to reduce costs and improve efficiency.

Quixant plc			420.0p
Investment date	May 2013	Forecasts for the year to	December 2017
Equity held	0.40%	Turnover (\$'000)	102,300
Av Purchase Price	46.0p	Profit/(loss) before tax (\$'000)	15,800
Cost (£'000)	120	Net Cash (\$'000)	(69)
Valuation (£'000)	1,096	Net Assets December 2016 (\$'000)	34,306

COMPANY DESCRIPTION

Quixant designs and manufactures complete advanced hardware and software solutions for the pay-for-play gaming and slot machine industry. Quixant's specialised products provide an all-in-one solution, based on PC technology but with additional hardware features and operating software developed specifically to address the requirements of the gaming industry.

Eagle Eye Solutions plc			255.0p
Investment date	April 2014	Forecasts for the year to	June 2018
Equity held	1.64%	Turnover (£'000)	15,900
Av Purchase Price	205.7	Profit/(loss) before tax (£'000)	(3,600)
Cost (£'000)	855	Net Cash (£'000)	3,724
Valuation (£'000)	1,061	Net Assets June 2017 (£'000)	8,862

COMPANY DESCRIPTION

Eagle Eye Solutions plc operates in the e-commerce industry. The Company provides a digital platform that enables retailers to connect with customers to deliver offers, rewards and services that can be redeemed.

SCA Investments Ltd (Gousto)			2,988.0p
Investment date	July 2017	Results for the year to	December 2016
Equity held	1.53%	Turnover (£'000)	12,755
Av Purchase Price	2,994.0p	Profit/(loss) before tax (£'000)	(6,739)
Cost (£'000)	1,002	Net Cash (£'000)	5,407
Valuation (£'000)	1,000	Net Assets December 2016 (£'000)	6,512
Income recognised in period (£)	0		

COMPANY DESCRIPTION

Founded in February 2012, Gousto is an e-commerce company offering recipe kit boxes which include fresh ingredients for step-by-step chef designed recipes to be made at home. Shoppers select meals from a variety of options on Gousto's e-commerce platform. Gousto then delivers the pre-proportioned ingredients to the doorstep, along with instructions on how to prepare the meal.

DP Poland plc			40.8p
Investment date	November 2012	Forecasts for the year to	December 2017
Equity held	1.57%	Turnover (£'000)	11,000
Av Purchase Price	24.5p	Profit/(loss) before tax (£'000)	(2,000)
Cost (£'000)	574	Net Cash (£'000)	6,001
Valuation (£'000)	955	Net Assets December 2016 (£'000)	11,210

COMPANY DESCRIPTION

DP Poland (Domino's Pizza Poland) is a fast food company that operates a sub-franchise of the Domino's Pizza brand in Poland. The company operate in 14 Polish cities, with 16 corporate and 23 sub-franchised stores. They continue to roll out and anticipate finishing the current year with 50 operational sites, with a longer-term ambition of 100 stores by 2020.

Fulcrum Utility Services Ltd			52.5p
Investment date	December 2009	Forecasts for the year to	March 2018
Equity held	0.85%	Turnover (£'000)	41,600
Av Purchase Price	10.5p	Profit/(loss) before tax (£'000)	7,400
Cost (£'000)	156	Net Cash (£'000)	12,561
Valuation (£'000)	781	Net Assets March 2017 (£'000)	10,446

COMPANY DESCRIPTION

Fulcrum Utility Services provides utility infrastructure solutions. The company offers solutions that include gas connection, multi utility, meter installation, outlet pipe work, and gas disconnection services, renewable energy solutions and consulting services.

Portr Ltd			741.0p
Investment date	July 2015	Results for the year to	December 2016
Equity held	3.64%	Turnover (£'000)	–
Av Purchase Price	662.4p	Profit/(loss) before tax (£'000)	(4,824)
Cost (£'000)	689	Net Cash (£'000)	825
Valuation (£'000)	770	Net Assets December 2016 (£'000)	1,100
Income recognised in period (£)	0		

COMPANY DESCRIPTION

Portr run's AirPortr, London's same day luggage transfer service. In its most basic form they deliver luggage from London Airports to your hotel, office or home and vice versa. They recently launched an off airport check in solution in partnership with British Airways, allowing you to check in your bag from your house, hotel or office for an outbound flight from London airports.

CO-INVESTMENT

As at 31 August 2017, other funds managed by Hargreave Hale Ltd were also invested in all of the investments held within the Company's portfolio with the exception of the following: Omega Diagnostics Group plc, Paragon Entertainment Ltd, Scottish Amicable 8.5% 2049 and Tristel plc.

For further information please contact:

STUART BROOKES

Company Secretary

Hargreave Hale AIM VCT 2 plc
01253 754740

Date: 19 October 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

in respect of the half-yearly financial report

In accordance with Disclosure Transparency Rule (DTR) 4.2.10, David Hurst-Brown (Chairman), Philip Cammerman and Oliver Bedford, the Directors, confirm that to the best of their knowledge:

- The half yearly financial results have been prepared in accordance with UK GAAP and give a true and fair review of the assets, liabilities, financial position and profit of the Company as at 31 August 2017 as required by DTR 4.2.4;
- The interim management report included within the chairman's statement, investment manager's report, investment portfolio summary and notes to the half yearly report includes a fair review of the information required by the Financial Conduct Authority Disclosure and Transparency Rules, being;
 - an indication of the important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements;
 - a description of the principal risks and uncertainties for the remaining six months of the year; and
 - a description of related party transactions that have taken place in the first six months of the current financial year, that may have materially affected the financial position or performance of the Company during that period and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board

DAVID HURST-BROWN

Chairman

Date: 19 October 2017

CONDENSED INCOME STATEMENT

for the six month period to 31 August 2017 (unaudited)

	For the six month period to 31 August 2017 (unaudited)			For the six month period to 31 August 2016 (unaudited)		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Realised gains on investments held at fair value through profit or loss	–	626	626	–	228	228
Unrealised gains on investments held at fair value through profit or loss	–	3,936	3,936	–	2,328	2,328
Income	184	–	184	164	–	164
	184	4,562	4,746	164	2,556	2,720
Management fee	(93)	(280)	(373)	(60)	(179)	(239)
Other expenses	(172)	(13)	(185)	(134)	–	(134)
	(265)	(293)	(558)	(194)	(179)	(373)
(Loss)/gain on ordinary activities before taxation	(81)	4,269	4,188	(30)	2,377	2,347
Taxation	–	–	–	–	–	–
(Loss)/gain on ordinary activities after taxation	(81)	4,269	4,188	(30)	2,377	2,347
(Loss)/gain per share basic and diluted (Note 2)	(0.18)p	9.75p	9.57p	(0.09)p	7.04p	6.95p

The total column of this statement is the income statement of the Company. All revenue and capital items in the above statement derive from continuing operations. The Company has no other comprehensive income other than the results for the six month period as set out above. The accompanying notes are an integral part of these financial statements.

CONDENSED INCOME STATEMENT

for the year ended 28 February 2017 (audited)

	For the year to 28 February 2017 (audited)		
	Revenue £000	Capital £000	Total £000
Realised (losses) on investments held at fair value through profit or loss	–	(339)	(339)
Unrealised gains on investments held at fair value through profit or loss	–	5,876	5,876
Income	286	15	301
	286	5,552	5,838
Management fee	(129)	(387)	(516)
Other expenses	(305)	(28)	(333)
	(434)	(415)	(849)
(Loss)/gain on ordinary activities before taxation	(148)	5,137	4,989
Taxation	–	–	–
(Loss)/gain after taxation	(148)	5,137	4,989
(Loss)/gain per share basic and diluted (Note 2)	(0.43)p	14.97p	14.54p

The total column of this statement is the income statement of the Company. All revenue and capital items in the above statement derive from continuing operations. The Company has no other comprehensive income other than the results for the year as set out above. The accompanying notes are an integral part of these financial statements.

CONDENSED BALANCE SHEET

as at 31 August 2017 (unaudited)

	31 August 2017 (unaudited) £000	31 August 2016 (unaudited) £000	28 February 2017 (audited) £000
Fixed assets			
Investments at fair value through profit or loss	45,061	27,757	36,359
Current assets			
Prepayments and accrued income	68	54	37
Cash at bank	5,773	8,096	9,190
	5,841	8,150	9,227
Creditors: amounts falling due within one year			
Accruals and deferred income	(254)	(183)	(219)
Net current assets	5,587	7,967	9,008
Net assets	50,648	35,724	45,367
Capital and Reserves			
Called up share capital	439	342	413
Share premium	–	26,509	34,246
Capital redemption reserve	14	9	10
Special reserve	38,200	3,699	2,891
Capital reserve - realised	961	1,416	628
Capital reserve - unrealised	12,465	4,981	8,529
Revenue reserve	(1,431)	(1,232)	(1,350)
Total shareholders' funds	50,648	35,724	45,367
Net asset value per share basic and diluted (Note 4)	115.47p	104.58p	109.86p

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

CONDENSED STATEMENT OF CHANGES IN EQUITY

for the six month period to 31 August 2017 (unaudited)

Ordinary Shares	Called up share capital £000	Share premium £000	Capital redemption reserve £000	Special reserve £000	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserve £000	Total £000
At 1 March 2017	413	34,246	10	2,891	628	8,529	(1,350)	45,367
Share buybacks	(4)	–	4	(475)	–	–	–	(475)
Share issues	30	3,378	–	–	–	–	–	3,408
Issue costs	–	(81)	–	–	–	–	–	(81)
Capital Reduction	–	(37,543)	–	37,543	–	–	–	–
Equity dividends paid	–	–	–	(1,759)	–	–	–	(1,759)
Realised gains on investments	–	–	–	–	626	–	–	626
Unrealised gains on investments	–	–	–	–	–	3,936	–	3,936
Management fee charged to capital	–	–	–	–	(280)	–	–	(280)
Due diligence investment costs	–	–	–	–	(13)	–	–	(13)
Revenue loss after taxation for the period	–	–	–	–	–	–	(81)	(81)
Total profit after taxation	–	–	–	–	333	3,936	(81)	4,188
At 31 August 2017	439	–	14	38,200	961	12,465	(1,431)	50,648

The distributable reserves are capital reserve realised, special reserve and revenue reserve. Total distributable reserves at 31 August 2017 were £37.73 million of which £6.91 million is available to pay dividends now. The accompanying notes are an integral part of these financial statements.

CONDENSED STATEMENT OF CHANGES IN EQUITY

for the six month period to 31 August 2016 (unaudited)

Ordinary Shares	Called up share capital £000	Share premium £000	Capital redemption reserve £000	Special reserve £000	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserve £000	Total £000
At 1 March 2016	295	21,484	7	5,250	1,367	2,653	(1,202)	29,854
Share buybacks	(2)	–	2	(198)	–	–	–	(198)
Share issues	49	5,153	–	–	–	–	–	5,202
Issue costs	–	(128)	–	–	–	–	–	(128)
Equity dividends paid	–	–	–	(1,353)	–	–	–	(1,353)
Realised gains on investments	–	–	–	–	228	–	–	228
Unrealised gains on investments	–	–	–	–	–	2,328	–	2,328
Management fee charged to capital	–	–	–	–	(179)	–	–	(179)
Revenue loss after taxation for the period	–	–	–	–	–	–	(30)	(30)
Total loss after taxation	–	–	–	–	49	2,328	(30)	2,347
At 31 August 2016	342	26,509	9	3,699	1,416	4,981	(1,232)	35,724

Reserves available for distribution are capital reserve realised, special reserve and revenue reserve. Total distributable reserves at 31 August 2016 were £3.88 million. The accompanying notes are an integral part of these financial statements.

CONDENSED STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2017 (audited)

Ordinary Shares	Called up share capital £000	Share premium £000	Capital redemption reserve £000	Special reserve £000	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserve £000	Total £000
At 1 March 2016	295	21,484	7	5,250	1,367	2,653	(1,202)	29,854
Share buybacks	(3)	–	3	(313)	–	–	–	(313)
Share issues	121	13,034	–	–	–	–	–	13,155
Issue costs	–	(272)	–	–	–	–	–	(272)
Equity dividends paid	–	–	–	(2,046)	–	–	–	(2,046)
Realised gains on investments	–	–	–	–	(339)	–	–	(339)
Unrealised gains on investments	–	–	–	–	–	5,876	–	5,876
Management fee charged to capital	–	–	–	–	(387)	–	–	(387)
Arrangement Fee Income	–	–	–	–	15	–	–	15
Due Diligence investment cost	–	–	–	–	(28)	–	–	(28)
Revenue loss after taxation for the period	–	–	–	–	–	–	(148)	(148)
Total loss after taxation	–	–	–	–	(739)	5,876	(148)	4,989
At 28 February 2017	413	34,246	10	2,891	628	8,529	(1,350)	45,367

Reserves available for distribution are capital reserve realised, special reserve and revenue reserve. Total distributable reserves at 28 February 2017 were £2.17 million. The accompanying notes are an integral part of these financial statements.

CONDENSED STATEMENT OF CASH FLOWS

for the six month period to 31 August 2017 (unaudited)

	31 August 2017 (unaudited) £000	31 August 2016 (unaudited) £000	28 February 2017* (audited) £000
Return on ordinary activities after taxation	4,188	2,347	4,989
Realised (gain)/loss on investments	(626)	(228)	339
Unrealised (gain) on investments	(3,936)	(2,328)	(5,876)
(Increase) in debtors	(31)	(34)	(17)
Increase/(decrease) in creditors	35	(8)	28
Net cash (outflow) from operating activities	(370)	(251)	(537)
Cash flows from investing activities			
Purchase of investments	(9,359)	(7,309)	(16,778)
Sale of investments	5,219	5,139	8,987
Net cash (outflow) from investing activities	(4,140)	(2,170)	(7,791)
Cash flows from financing activities			
Proceeds from share issues	3,408	5,202	13,155
Share issue costs	(81)	(128)	(272)
Share buybacks	(475)	(198)	(313)
Dividends paid	(1,759)	(1,353)	(2,046)
Net cash from financing activities	1,093	3,523	10,524
Increase in cash	(3,417)	1,102	2,196
Analysis of net funds			
Opening cash	9,190	6,994	6,994
Cash movement	(3,417)	1,102	2,196
Closing cash	5,773	8,096	9,190

* 28 February 2017 cash flow represents annual results

The accompanying notes are an integral part of these financial statements

EXPLANATORY NOTES

for the six month period to 31 August 2017 (unaudited)

1. ACCOUNTING POLICIES

Basis of preparation

The Company has prepared its half-yearly financial results for the six month period ending 31 August 2017 in accordance with Financial Reporting Standard 104 (FRS104) and the Statement of Recommended Practice for “Financial Statements of Investment Trust Companies and Venture Capital Trusts” (the SORP).

The same accounting policies and methods of computation are followed in the half-yearly financial results as compared with the most recent annual financial statements.

Investments

All investments are classified as fair value through profit or loss. Investments are measured initially and subsequently at fair value which is deemed to be bid market prices for listed investments and investments traded on AIM. Unquoted investments are valued using the most appropriate methodology recommended by the International Private Equity Venture Capital (“IPEV”) guidelines.

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 holds the investment at cost for a period where there is considered to be no change in fair value.

Valuations of unquoted investments are reviewed on a six monthly basis and more frequently if events occur that could have a material impact on the investment. Where cost is no longer considered appropriate the Company will use a value indicated by a material arms-length transaction by an independent third party in the shares of a company. Where no such transaction exists, the Company will use the most appropriate valuation technique including discounted cash flow analysis, earnings multiples, net assets and industry valuation benchmarks. All inputs are market observable with the exception of level C financial instruments.

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. Purchases and sales of unlisted investments are recognised when the contract for acquisition or sale becomes unconditional. Transaction costs are included in the initial book cost or deducted from the disposal proceeds as appropriate.

These investments will be managed and their performance evaluated on a fair value basis in accordance with a documented investment strategy and information about them is provided internally on that basis to the Board.

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 taken to the unrealised capital reserve or realised capital reserve as appropriate.

If an investment has been impaired such that there is no realistic expectation that there will be a full return from the investment, the loss is treated as a permanent impairment and transferred to the capital reserve realised.

Financial Instruments – fair value measurement hierarchy

FRS 102 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement.

The fair value hierarchy has the following levels:

Level	Methodology
(a)	The best evidence of fair value is a quoted price for an identical asset in an active market. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted price is usually the current bid price.
(b)	When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the entity can demonstrate that the last transaction price is not a good estimate of fair value (e.g. because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.
(c)	If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, an entity estimates the fair value by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

	Level (a) Investments £'000	Level (b) Investments £'000	Level (c) Investments £'000	Total Investments £'000
Six months ended 31 August 2017 (unaudited)	33,242	7,487	4,332	45,061
Year ended 28 February 2017 (audited)	26,469	5,462	4,428	36,359
Six months ended 31 August 2016 (unaudited)	21,421	3,921	2,415	27,757

Key judgements and estimates

The preparation of the financial statements requires the Board to make judgements and estimates that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Key estimation uncertainties mainly relate to the fair valuation of unquoted investments, which are based on historical experience and other factors that are considered reasonable including the transfer price of the most recent transaction on an arm's length basis. The estimates are under continuous review with particular attention paid to the carrying value of the investments. The process of estimation is also affected by the determination of the fair value hierarchy.

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. All revenue and capital items in the unaudited income statement derive from continuing operations. There are no other items of comprehensive income other than those disclosed in the unaudited income statement.

Expenditure

All expenditure is accounted for on an accruals basis. 75% of 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.

Trail commission

Trail commission previously due is held as a creditor until such time as claims are made by the relevant intermediary and supporting documentation provided. If claims are not received these amounts are written off after a period of six years.

Capital reserves

Realised profits and losses on the disposal of investments, due diligence costs and income in relation to private company 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.

Operating Segments

There is considered to be one operating segment as reported to the chief operating decision maker being investment in equity and debt securities.

Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not yet reversed at the balance sheet date. Deferred tax assets are only recognised to the extent that recovery is probable in the foreseeable future.

Current tax is expected tax payable on the taxable revenue for the period using the current tax rate. The tax effect of different items of income and expenditure is allocated between capital and revenue on the same basis as the particular item to which it relates.

Approved VCTs are exempt from tax on capital gains from the sale of fixed asset investments. The Directors intend that the Company will continue to conduct its affairs to maintain its VCT status, no deferred tax has been provided in respect of any capital gains or losses arising from the revaluation or disposal of investments.

Dividends

Only dividends recognised during the period are deducted from revenue or capital reserves. Final and interim dividends are recognised in the accounts when the Company's liability to pay them has been established.

Summary of dividends paid in the six months to 31 August 2017 and the financial year ending 28 February 2017 are detailed below:

	Six months ended 31 August 2017 (unaudited) £'000	Year ended 28 February 2017 (audited) £'000
Final capital dividend of 4 pence per share for the year ended 29 February 2016 paid on 20 July 2016	–	1,353
Interim capital dividend of 2 pence per share for the half year ended 31 August 2016 paid on 2 December 2016	–	693
Final capital dividend of 4 pence per share for the year ended 28 February 2017 paid on 25 July 2017	1,759	–
Total	1,759	2,046

Functional Currency

In accordance with FRS 102 s.30, 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 the special reserve and dealt with in the statement of changes in equity. 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.

Contingencies, guarantees and financial commitments

There were no contingencies, guarantees or financial commitments of the Company at the 31 August 2017.

Legal form and principal activities

The Company was incorporated and registered in England and Wales on 20 September 2006 under the Companies Act 1985, registered number 05941261.

The Company has been approved as a Venture Capital Trust by HMRC under section 259 of the Income Taxes Act 2007. 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 16 April 2007 and can be found under the TIDM code “HHVT”. The Company is premium listed.

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

The Company is an externally managed fund with a Board comprising of three non-executive directors. Hargreave Hale Limited acts as investment manager, administrator and custodian to the Company and provide the company secretary.

The Board has overall responsibility for the Company’s affairs including the determination of its investment policy, however, the Board may exercise these responsibilities through delegation to Hargreave Hale as it considers appropriate.

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.

The Company’s registered office is Accurist House, 44 Baker Street, London, W1U 7AL.

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.

Reserves

A description of each of the reserves follows:

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 buyback facility.

Special reserve

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

Capital reserve realised

Gains/losses on disposal of investments, due diligence costs and income from private company investments, permanent impairment of financial assets and 75% of the investment management fee are accounted for in the capital reserve realised.

Capital reserve unrealised

Unrealised gains and losses on investments held at the year-end arising from movements in fair value are taken to the capital reserve unrealised.

Revenue reserve

Net revenue returns and losses of the Company.

2. EARNINGS PER SHARE (BASIC AND DILUTED)

The gain per ordinary share of 9.57 pence at 31 August 2017 (31 August 2016: gain 6.95 pence and 28 February 2017: gain 14.54 pence) is based on a net gain for the period of £4,187,739 (31 August 2016: gain £2,347,000 and 28 February 2017: gain £4,989,474) and the weighted average number of ordinary shares in issue over the period of 43,776,326 (31 August 2016: of 33,764,458 and 28 February 2017: 34,327,158).

3. CAUTIONARY STATEMENT

The results should not be taken as a guide to the results for the financial period ending 28 February 2018. This report may contain forward looking statements with regards to the financial condition and results of the Company, which are made in the light of current economic and business circumstances. Nothing in this report should be considered as a profit forecast.

4. NET ASSET VALUE PER SHARE

The net asset value per ordinary share at 31 August 2017 of 115.47 pence (31 August 2016: 104.58 pence and 28 February 2017: 109.86 pence) is based on net assets of £50,648,374 (31 August 2016: £35,723,815 and 28 February 2017: £45,366,681) and on 43,863,946 shares (31 August 2016: 34,159,249 shares and 28 February 2017: 41,296,035 shares), being the number of ordinary shares in issue as at 31 August 2017.

5. PUBLICATION OF NON-STATUTORY ACCOUNTS

The financial information contained in the 31 August 2017 income statement, balance sheet, statement of cash flows and statement of changes in equity does not constitute full financial statements and has not been audited.

6. PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks facing the Company relate to the Company's investment activities and include venture capital trust approval, investment, discount volatility, compliance, economic, fraud, operational, reputational, liquidity and outsourcing risk. Other risks faced by the Company include market, currency, interest rate and credit risk. These risks and the way in which they are managed are described in more detail in the Company's annual report and accounts for the year ended 28 February 2017. The Company's principal risks and uncertainties have not changed materially since the date of that report.

7. TRANSACTIONS IN SHARES

Buybacks

In total, the Company repurchased 430,945 shares during the six month period ending 31 August 2017 at a total cost of £474,473. The repurchased shares represent 1.04% of ordinary shares in issue on 1 March 2017. The acquired shares have been cancelled.

Share Issues

In total, the Company issued 2,998,856 new shares during the six month period ending 31 August 2017 raising net proceeds of £3,326,563.

8. RELATED PARTY TRANSACTIONS

Hargreave Hale Limited is considered to be a related party to the Company. Oliver Bedford, a non-executive director of the Company and a member of its key management personnel, is an employee of Hargreave Hale Limited. In addition, Hargreave Hale Limited acts as investment manager, administrator and custodian to the Company and it provides the company secretary. All of the support 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 assets of the Company, calculated and payable quarterly in arrears. Fees for the half-year are £373,557 (2016: £238,524). In relation to the other support functions described above, Hargreave Hale Limited also provides administration services, custody services, company secretarial services and one non-executive director and receive fees of £50,000 per half-year (2016: £40,000) in relation to these services. Of those fees, £192,975 (2016: £137,010) was still owed at the half-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. No fees were waived by Hargreave Hale in the first half of the financial year under the indemnity.

During the half year, the Company issued 2,998,856 ordinary shares (nominal value £29,989) in a joint offer for subscription which resulted in gross funds being received of £3,407,743. As marketing adviser and receiving agent to the Company, and in return for covering the costs of the joint offer, Hargreave Hale Limited was entitled to 3.5% of the gross proceeds (£119,271), often referred to as the 'premium'. From this, Hargreave Hale Limited paid for the allotment of additional shares to investors with a value of £38,091 and introducer commission of £990, resulting in net fees payable to Hargreave Hale of £80,190.

9. 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.

10. POST BALANCE SHEET EVENTS

Buybacks

Since the period end, a further 75,978 ordinary shares have been repurchased at a total value of £85,845.

New investments

An investment in the following company has been made since the period end:

Charter Court Financial Services Group plc

Qualifying companies

The Company has made additional investments into the following qualifying companies since the period end:

Gfinity plc (£60k)

Laundrapp Ltd (£501k)

Faron Pharmaceuticals Oy (£469k)

Angle plc (£100k)

SHAREHOLDER INFORMATION

The Company's ordinary shares (Code: HHVT) are listed on the London Stock Exchange. Shareholders can visit the London Stock Exchange website, www.londonstockexchange.com, for the latest news and share prices of the Company. Further information for the Company can be found on its website at www.hargreaveaimvcts.co.uk.

NET ASSET VALUE PER SHARE

The Company's NAV per share as at 13 October 2017 was 120.80 pence per share. The Company publishes its unaudited NAV per share on a weekly basis.

DIVIDENDS

The Board has approved the payment of an interim dividend of 2 pence in respect of the six months ended 31 August 2017.

Shareholders who wish to have future dividends paid directly into their bank account rather than sent by cheque to their registered address can complete a mandate for this purpose. Mandates can be obtained by contacting the Company's registrar, Equiniti.

SELLING YOUR SHARES

Hargreave Hale AIM VCT 2 plc operates a share buy-back policy to improve the liquidity in its ordinary shares. Share buy-back policies are subject to the Act, the Listing Rules and tax legislation, which may restrict the VCTs' ability to buy shares back in. The policy is non-binding and is at the discretion of the Board.

The buy-back policy targets a 5% discount to the last published NAV per share as announced on the London Stock Exchange through a regulatory news service provider. The discount is measured against the mid-price per share as listed on the London Stock Exchange and reflects the price at which the Company buys its shares off the market makers. The Company publishes its unaudited NAV per share on a weekly basis.

VCT share disposals settle two business days post trade if the shares are already dematerialised or placed into CREST ahead of the trade, or ten days post trade if the stock is held in certificated form.

VCT share disposals are exempt of capital gains tax when the disposal is made at arms' length, which means a shareholder must sell their shares to a market maker through a stockbroker or another share dealing service. Hargreave Hale has particular expertise in the sale of VCT shares and is able to act for VCT shareholders who wish to sell their shares. However, you are free to nominate any stockbroker or share dealing service to act for you. If you would like Hargreave Hale to act for you as their client (as opposed to a shareholder in the Company) then please contact Andrew Pang for further information (020 7009 4900, andrew.pang@hargreave.com).

Please note that Hargreave Hale will need to be in possession of the share certificate and a completed CREST transfer form before executing the sale. If you have lost your share certificate, then you can request a replacement certificate from the Company's registrar Equiniti. The registrar will send out an indemnity form, which you will need to sign. The indemnity form will also need to be countersigned by a UK insurance company or bank that is a member of the Association of British Insurers. Since

indemnification is a form of insurance, the indemnifying body will ask for a payment to reflect their risk. Fees will reflect the value of the potential liability.

SHAREHOLDER ENQUIRIES:

For general Shareholder enquiries, please contact Hargreave Hale Limited on 01253 754755 or by e-mail to aimvct@hargreave.com.

For enquiries concerning the performance of the Company, please contact the investment manager on 0207 009 4937 or by e-mail to aimvct@hargreave.com.

Electronic copies of this report and other published information can be found on the Company's website at www.hargreaveaimvcts.co.uk.

CHANGE OF ADDRESS

To notify the Company of a change of address please contact the Company's registrar.

COMPANY INFORMATION

SECRETARY AND REGISTERED OFFICE

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COMPANY REGISTRATION NUMBER

05941261 in England and Wales



HARGREAVE HALE AIM VCT 2 PLC
(INCORPORATED IN ENGLAND AND WALES
UNDER THE COMPANIES ACT 1985
WITH REGISTERED NUMBER 05941261)