

Hargreave Hale AIM VCT 2 Plc formerly Keydata AIM VCT 2 plc

Unaudited Interim Results for the six month period ending 31 August 2010

Chairman's Statement

Results

The net asset value per ordinary share for the company has decreased by 9.2% to 92.97 pence during the period. Adjusted for dividends paid, the total return for ordinary share holders is 106.97 pence, a 6.5% decrease in the period. The loss per ordinary share for the period was 7.92 pence (comprising revenue losses of (1.13) pence and capital loss of (6.79) pence). The FTSE 100 fell 2.7%, FTSE Small Cap (Ex-IT) fell 2.0%, FTSE AIM All-Share gained 3.4%.

The Manager invested £150,000 in 1 qualifying AIM company during the period and made full or part disposal of 2 of the qualifying investments, realising a net gain of £30,875. A further £972,940 was invested in 18 non-qualifying equities and gilts/bonds, 14 companies were disposed (in full or in part) realising a net gain on sale of £86,309 in the period excluding Legion Group who went into administration realising a loss of £100,000. The bid value of qualifying investments at 31 August 2010 was £2.56 million invested in 23 AIM companies. The bid value of non-qualifying investments at 31 August 2010 was £0.87 million invested in 31 listed or AIM companies. £0.86 million was held on short dated treasury stock. With respect to the 70% investment test, as at 31 August 2010, 71.91% of the Company's Investments were in qualifying companies excluding investments made and monies held in relation to the funds raised via the Joint Subscription Offer which will be included in the investment tests from 1 March 2013.

Dividend

An interim dividend of 2p will be payable in respect of the period. The interim dividend will be payable on 29 October 2010 to ordinary shareholders on the share register on 8 October 2010. A final dividend may be considered at the year end.

Shares Repurchased

No Shares were repurchased during the six month period ending 31 August 2010.

Joint Offer for Subscription of Ordinary Shares

On the 20 March 2010 a joint offer for subscription of Ordinary Shares of 1p each in Hargreave Hale AIM VCT 1 plc and Hargreave Hale AIM VCT 2 plc to raise up to, in aggregate, £10 million was offered to the public. The 2009/2010 Offer resulted in funds being received of £1.06 million and 0.97 million shares have been issued in respect of Hargreave Hale AIM VCT 2 plc.

The 2010/2011 Offer has resulted so far in funds being received of £0.12 million and 0.09 million shares have been issued in respect of Hargreave Hale AIM VCT 2 plc. The Offer opened on 20 March 2010 has been extended and will now close on 18 March 2011 (unless fully subscribed earlier).

Outlook

Whilst the economy seems to have survived the worst of the recession, the cost has been an unprecedented level of Government borrowings and an enormous ongoing budget deficit. The government has recognised that this is not sustainable for long and has started to make cuts. It faces a hard balancing act between fiscal rectitude and killing off the green shoots of recovery.

I am hopeful that we will see continued recovery but there is little doubt that we live in uncertain economic times. If the market suffers a reversal we may see prices go lower. Because a VCT has to maintain 70% of its assets in qualifying companies the manager would have little scope to sell assets in such circumstances. However I believe that your portfolio is largely comprised of robust companies with competent management and good growth plans and will be well placed to weather any such storm.

The net asset value per ordinary share for the company at 24 September 2010 has increased to 97.27 pence from 92.97 pence at 31 August 2010, an increase of 4.6%.

Shareholder Communication

The Company's daily share price can be found on various financial websites under the EPIC code 'HHVT', or on our own dedicated website at www.hargreave-hale.co.uk/VCT/aimvct2.

Sir Aubrey Brocklebank Bt
Chairman

27 September 2010

Investment Managers Report

Market Commentary

The stock market was buffeted by cross-currents of mixed global economic developments, renewed talk of further central bank QE, rise and fall of sovereign debt concerns and swing in risk sentiments in the first half of this year. Despite considerable volatility, the FTSE All-Share finished the 6 month to 31 Aug 2010 only a marginal 1.5% lower. Growing concern of a double dip recession in the developed nations was coupled with increasing expectation of further support from policy makers. Complacency arose from the European bank stress test was later challenged by news of large capital shortfall in banks in Germany and the peripheral European countries. Sentiment swung between deflation to inflation; risk and safe haven assets were attracting growing interests across the board.

Portfolio Performance

In the first 6 months of the financial year the NAV fell from 102.43p to 92.97p, reducing shareholders' total returns from 114.43p to 106.97p (-6.5%). The FTSE 100 fell 2.7%, FTSE Small Cap (Ex-IT) fell 2.0%, FTSE AIM All-Share gained 3.4%.

The portfolio of qualifying investments swung from a £0.23m net profit to a net loss of £0.09m with falls across a broad range of qualifying investments. Advanced Computer (-20.5%), Animalcare (-13.6%), Omega Diagnostics (-39.1%), Hardide (-12.5%) and Lidco (-15.0%) were significant contributors to the reduction (-3.8 pence per share). None of them reported weak trading but Advanced's shares are clearly reflecting concerns that reduced Government spending in the primary care market may temper its growth opportunity. Lombard Risk, Intercede and Synchronica did report weaker trading, resulting in an aggregate loss of 2.1pence per share for the period. Intercede failed to meet its expectations for 20% revenue growth but remains comfortably profitable and well financed whilst Synchronica continues to struggle to convert opportunity into cash flow. EKF, a medical diagnostics company run by a highly regarded management team, was the standout performer within the qualifying portfolio with a 48% gain (1.3 pence per share) since the June placing.

We have had some mixed results in the non-qualifying. In particular, we suffered a significant loss in Legion (-1.2 pence per share), although this was offset by strong gains in Cape (+0.5 pence per share) and Cove (+0.7 pence per share).

Portfolio Structure

Although by HMRC's measure the fund is 71.91% invested, by market value the qualifying portfolio represented only 50% of Net Assets on 31 August 2010. The reduction (62%, 28 February 2010) was in part a consequence of the disposal in Lipoxen but mostly through the dilution that followed the recent share issues. Cash balances rose from 3% to 16% despite the July dividend distribution, again a consequence of the share issues in March April and May. We continue to make selective non-qualifying equity investments and increased our investment in absolute terms from £0.79m to £0.87m; our exposure remained static at 17% of Net Assets.

Our cash position increased from 3% to 16% as a result of the newly issued equity, whilst our fixed income allocation reduced from 18% to 17%. Within the portfolio, we rotated out of UK Index-Linked into two subordinated bonds (Nationwide and Scottish Amicable) to provide some additional yield. The current value of the sum invested increased from £0.83m to £0.86m.

Buybacks

No shares were purchased in the period.

Investment Test

We continue to meet the HMRC qualification criteria (71.91%, 31 August 2010) and, whilst we need to make some further investments over time to reflect the recently issued equity, we can continue to remain selective when making further qualifying investments. We can also undertake some fine-tuning and replace weaker companies with stronger ones as and when the opportunity presents itself. We started and finished the period with 22 Qualifying investments, with one disposal (Lipoxen) and one investment (EKF).

Hargreave Hale Limited

27 September 2010

Income Statement for the six month period to 31 August 2010 (unaudited)

	For the six month period to 31 August 2010 (unaudited)		
	Revenue	Capital	Total
	£000	£000	£000
Realised gains on investments	-	17	17
Unrealised losses on investments	-	(367)	(367)
Income	25	-	25
	-----	-----	-----
	25	(350)	(325)
Management fee	(6)	(17)	(23)
Other expenses	(80)	-	(80)
	-----	-----	-----
	(86)	(17)	(103)
Profit (loss) before taxation	(61)	(367)	(428)
Taxation	-	-	-
	-----	-----	-----
Profit (loss) after taxation	(61)	(367)	(428)
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Earnings (loss) per share (Note 2)	(1.13)	(6.79)	(7.92)

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

Income Statement for the six month period to 31 August 2009 (unaudited)

	For the six month period to 31 August 2009 (unaudited)		
	Revenue	Capital	Total
	£000	£000	£000
Realised gains on investments	-	337	337
Unrealised losses on investments	-	550	550
Income	37	-	37
	-----	-----	-----
	37	887	924
Management fee	(6)	(17)	(23)
Other expenses	(88)	-	(88)
	-----	-----	-----
	(94)	(17)	(111)
Profit (loss) before taxation	(57)	870	813
Taxation	-	-	-
	-----	-----	-----
Profit (loss) after taxation	(57)	870	813
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Earnings (loss) per share (Note 2)	(1.23)p	18.95p	17.72p

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

Balance sheet as at 31 August 2010 (unaudited)

	31 August 2010 (unaudited) £000	31 August 2009 (unaudited) £000
Fixed assets		
Investments	4,294	4,747
	-----	-----
Current assets		
Prepayments and accrued income	98	47
Cash at bank and on deposit	825	225
	-----	-----
	923	272
Creditors: amounts falling due within one year		
Accruals and deferred income	(49)	(41)
	-----	-----
Net current assets	874	231
	-----	-----
Net assets	5,168	4,978
	-----	-----
Capital and Reserves		
Called up share capital	56	46
Capital reserve - realised	(30)	184
Capital reserve - unrealised	(61)	459
Special reserve	5,314	4,315
Revenue reserve	(112)	(26)
	-----	-----
Equity shareholders' funds	5,168	4,978
	-----	-----
Net asset value per share (Note 4)	92.97p	108.45p

Cash flow statement for the six month period to 31 August 2010 (unaudited)

	2010	2009
	£000	£000
(Loss) profit before taxation	(428)	813
Realised gains on investments	(17)	(337)
Unrealised gains/losses on investments	367	(550)
Decrease (increase) in debtors	(35)	(1)
Increase in creditors	1	(173)
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Net cash inflow from operating activities	(112)	(248)
Financial investment:		
Purchase of investments	(1,123)	(4,601)
Sale of investments	929	5,206
	-----	-----
Net financial investment	(194)	605
Dividends paid	(111)	(230)
Cash inflow/(outflow) before management of liquid resources	(417)	127
	-----	-----
Financing		
Purchase of shares for cancellation	-	-
Net Proceeds from issue of share capital	1,102	-
	-----	-----
Net financing	1,102	-
	-----	-----
Increase/(decrease) in cash	685	127
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Opening cash	140	98
	-----	-----
Closing cash	825	225
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Reconciliation of movements in shareholders' funds for the six month period to 31 August 2010 (unaudited)

	Share Capital	Capital Reserve Unrealised	Capital Reserve Realised	Special Reserve	Revenue Reserve
	£000	£000	£000	£000	£000
At beginning of period	45	306	81	4,223	(51)
Proceeds from issue of shares	11	-	-	1,091	-
Costs related to issue of shares	-	-	-	-	-
Realised gains on investments	-	-	17	-	-
Unrealised gains on investments	-	(367)	-	-	-
Management fee charged to capital	-	-	(17)	-	-
Equity dividends paid	-	-	(111)	-	-
Shares repurchased for cancellation	-	-	-	-	-
Profit after taxation for the period	-	-	-	-	(61)
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At end of period	56	(61)	(30)	5,314	(112)
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Reconciliation of movements in shareholders' funds for the six month period to 31 August 2009 (unaudited)

	Share Capital Realised £000	Capital Reserve Unrealised £000	Capital Reserve £000	Special Reserve £000	Revenue Reserve £000
At beginning of period	46	94	(91)	(4,315)	31
Proceeds from issue of shares	-	-	-	-	-
Costs related to issue of shares	-	-	-	-	-
Realised gains on investments	-	337	-	-	-
Unrealised gains on investments	-	-	550	-	-
Management fee charged to capital	-	(17)	-	-	-
Equity dividends paid	-	(230)	-	-	-
Shares repurchased for cancellation	-	-	-	-	-
Profit after taxation for the period	-	-	-	-	(57)
At end of period	46	184	459	4,315	(26)

Notes to the interim report

1. The accounts of the company are prepared in accordance with Accounting Standards applicable in the United Kingdom. The accounting policies used in preparing this report are consistent with those to be adopted at the year end. All AIM investments are valued at bid price.
2. The loss per ordinary share of 7.92p is based on the loss after tax for the period of £427,914 and the weighted average number of ordinary shares in issue over the period of 5,404,560.
3. The results should not be taken as a guide to the results for the financial period ending 28 February 2011.
4. The net asset value per ordinary share at 31 August 2010 of 92.97p after deducting the 2p dividend paid in July 10 is based on net assets of £5,167,859 and on 5,558,557 shares, being the number of ordinary shares in issue as at 31 August 2010.
5. The financial information contained in the 31 August 2010 income statement, balance sheet, cash flow statement and reconciliation of movements in shareholders' funds does not constitute full financial statements and has not been audited.

Investment portfolio summary as at 31 August 2010

	Book Cost	Valuation	Valuation
	£000	£000	%
Qualifying investments			
Mexican Grill Ltd (A Pref)	277	277	6.4
Lidco Group plc	146	247	5.8
EKF Diagnostic	150	222	5.2
Electric Word plc	185	217	5.1
Advanced Computer Software plc	100	182	4.2
Hardide plc	150	175	4.1
Animalcare Group plc	100	173	4.0
Fulcrum Utilities Services Ltd	100	145	3.4
Reneuron Group plc	75	127	3.0
Tristel plc	100	115	2.7
Marwyn Capital II Ltd	100	110	2.6
Lombard Risk Management plc	128	96	2.2
Intercede Group plc	96	81	1.9
Omega Diagnostics Group plc	100	70	1.6
Saville Holdings plc	151	70	1.6
Mount Engineering plc	75	54	1.3
Synchronica plc	100	42	1.0
Plastics Capital plc	100	37	0.9
Mexican Grill Ltd (Ord)	31	31	0.7
Optare plc	116	28	0.7
Enfis Group plc	97	27	0.6
Alterian plc	45	22	0.5
Image Scan Holdings plc	93	8	0.2
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Total qualifying investments	2,615	2,556	59.7

Non-Qualifying investments	Book Cost £000	Valuation £000	Valuation %
UK Treasury 2.25% 2014	294	311	7.2
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Total – UK gilts	294	311	7.2
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Nationwide 3.75% 2011	255	258	6.0
Scot Amicable 8.5% 2049	153	150	3.5
Nationwide 7.971% 2049	145	146	3.4
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Total – UK corporate bonds	553	554	12.9
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Cape plc	125	135	3.1
Advanced Computer Software plc	77	78	1.8
Craneware	83	77	1.8
OPG	66	69	1.6
EMIS	60	63	1.5
City of London	54	56	1.3
Immunodiagnostic	55	55	1.3
Westhouse Holdings plc	75	55	1.3
Westmount Energy Ltd	19	56	1.3
GKN	43	43	1.0
Cove Energy plc	16	29	0.7
Westcoal Corp	56	30	0.7
Agriferma Brazil Ltd	26	26	0.6
DDD	38	27	0.6
Alliance Pharma plc	13	19	0.4
Maxima	25	18	0.4
Egdon Resources plc	6	14	0.3
Richoux Group plc	33	8	0.2
Animalcare Group plc	4	3	0.1
Fulcrum Utilities Services Ltd	3	3	0.1
Marwin Value Inv Ltd B	5	5	0.1
EKF Diagnostic	0	0	0.0
Electric Word plc	1	0	0.0
Enfis Group plc	2	0	0.0
Hardide plc	0	0	0.0
Lomard Risk Management plc	1	0	0.0
Marwyn Capital II Ltd	1	1	0.0
Omega Diagnostics Group plc	1	1	0.0
Optare plc	1	0	0.0
Reneuron Group plc	2	1	0.0
Tristel plc	1	1	0.0
	-----	-----	-----
Total – non-qualifying equities	892	873	20.2
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Total – non-qualifying investments	1,739	1,738	40.3
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Total investments	4,354	4,294	100.0
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The top 10 equity investments are shown below, each is valued by reference to the bid price.

Mexican Grill Ltd			2053p
Investment date	October 2009		
Equity held	7.38%	Turnover (£'000)	
Purchase Price	2053p	Profit before tax (£'000)	
Cost (£'000)	308	Net assets (£'000)	
Valuation (£'000)	308		

Mexican Grill, our only unlisted investment, is a private company that operates four fast casual California-Mexican restaurants that provide fresh, made to order cuisine for eat in or take-away. The four sites are in London at Islington, Bankside (near Tate Modern), Market Place (near Oxford Circus) and Canary Wharf, making it amongst the largest chains within its niche. Each of the sites is profitable, most notably Canary Wharf which is generating an annual return on capital in excess of 50%. The company is profitable as a whole and expects to be able fund its next 3-4 openings without recourse to shareholders.

Advanced Computer Software plc			31p
Investment date	July 2008	Audited results for year ended	February 2010
Equity held	0.24%	Turnover (£'000)	30,191
Av. Purchase Price	21p	Profit before tax (£'000)	4,169
Cost (£'000)	177	Net assets (£'000)	78,546
Valuation (£'000)	261		

Advanced Computer Software Group plc is a leading 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's unique proposition is the breadth 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.

Lidco plc			17p
Investment date	May 2009	Audited results for year ended	January 2010
Equity held	0.84%	Turnover (£'000)	5,367
Purchase Price	10p	Profit before tax (£'000)	(1,545)
Cost (£'000)	146	Net assets (£'000)	4,819
Valuation (£'000)	248		

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.

EKF Diagnostics Holdings plc**22.25p**

Investment date	June 2010	
Equity held	0.70%	Turnover (£'000)
Purchase Price	15p	Profit before tax (£'000)
Cost (£'000)	150	Net assets (£'000)
Valuation (£'000)	223	

The EKF Group is a leading diagnostic business with its head office in the UK and operations in Germany, Poland and Russia. The business is focused on the development, production and worldwide distribution of blood analysers. Established in manifold applications, the products are sold into hospitals, universities, laboratories, blood donor centres, for industrial use and point of care testing. International Brand Licensing acquired EKF Diagnostics in August 2010 by reverse takeover. The new management team, which has strong credentials in the life sciences arena, intends to develop a meaningful life sciences business through a combination of organic and acquisitive growth.

Electric Word plc**4.25p**

Investment date	August 2009	Unaudited results for 6 months to	May 2010
Equity held	2.15%	Turnover (£'000)	8,183
Purchase Price	3.625p	Profit before tax (£'000)	457
Cost (£'000)	185	Net assets (£'000)	8,501
Valuation (£'000)	217		

Electric Word is a specialist information business that serves the sport and education sectors. It produces a range of products and services, which include newsletters, magazines, websites, events, books, special reports and bespoke research.

Animalcare Group plc**95p**

Investment date	December 2007	Unaudited results for 6 months to	December 2009
Equity held	0.92%	Turnover (£'000)	8,933
Purchase Price	55p	Profit before tax (£'000)	894
Cost (£'000)	104	Net Assets (£'000)	15,557
Valuation (£'000)	176		

Animalcare plc has operated through two trading division, Animalcare and Ritchey. Animalcare develops, markets and supplies a range of licensed veterinary medicines, companion animal identification microchips and other animal welfare products to veterinary surgeons and other veterinary professionals within the UK and Europe, whilst Ritchey manufactures and supplies livestock identification and other products to agricultural retailers in the UK and Republic of Ireland. On 20 September 2010, Animalcare sold its Agriculture businesses, including Ritchey, for £3.25m cash. The company will now focus on its core veterinary medicines business.

Hardide plc**0.35p**

Investment date	June 2009	Unaudited results for 6 months to	March 2010
Equity held	6.0%	Turnover (£'000)	702
Purchase Price	0.3p	Profit before tax (£'000)	(67)
Cost (£'000)	150	Net assets (£'000)	693
Valuation (£'000)	175		

Hardide Plc provides high-performance surface coatings to the oil and gas, valve, pump, aerospace and general engineering industries primarily in the UK and the US. It develops tungsten carbide-based coating, which offers a combination of ultra-hardness, toughness, low friction, and chemical resistance when applied to components made from steel, alloy, and other materials. The company's products are used in a range of applications, including cylinders, nozzles, balls, pins and bushes, turbines, flow diverters, valve components, and drilling tools. Hardide is headquartered in Bicester, UK.

Fulchrom Utility plc **14.5p**

Investment date	July 2010		
Equity held	0.66%	Turnover (£'000)	-
Purchase Price	10p	Profit before tax (£'000)	-
Cost (£'000)	103	Net assets (£'000)	-
Valuation (£'000)	148		

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

Cape Plc **269.75p**

Investment date	January 2010	Unaudited results for 6 months to	June 2010
Equity held	0.04%	Turnover (£m)	331.3
Purchase Price	251p	Profit before tax (£m)	34.7
Cost (£'000)	125	Net Assets (£m)	299.1
Valuation (£'000)	135		

Cape specializes in providing industrial services, such as common user access systems, insulation, fire protection, abrasive blasting, refractory, coatings, cleaning, training and other essential non-mechanical services throughout the life cycle of major industrial assets. Cape's services are deployed during initial project build, commissioning, routine maintenance, extension of life projects and decommissioning. The company's primary focus is in the energy and natural resource sector but it also supports a range of other industries.

Reneuron Group plc **5.1p**

Investment date	March 2009	Audited results for year ended	March 2010
Equity held	0.58%	Turnover (£'000)	31
Purchase Price	3p	Profit before tax (£'000)	(3,928)
Cost (£'000)	76	Net assets (£'000)	7,432
Valuation (£'000)	128		

ReNeuron Group Plc engages in the research, development, and commercial exploitation of stem cell technologies for therapeutic and non-therapeutic applications. The company's product pipeline includes ReN001, a development stage therapy for patients suffering chronic disability post stroke that has now received regulatory approval to commence a Phase 1 clinical trial in the UK. Other products in pre-clinical development are designed to reverse the effects of diseases such as diabetes and diseases of the retina.

27 September 2010

For further information please contact:

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