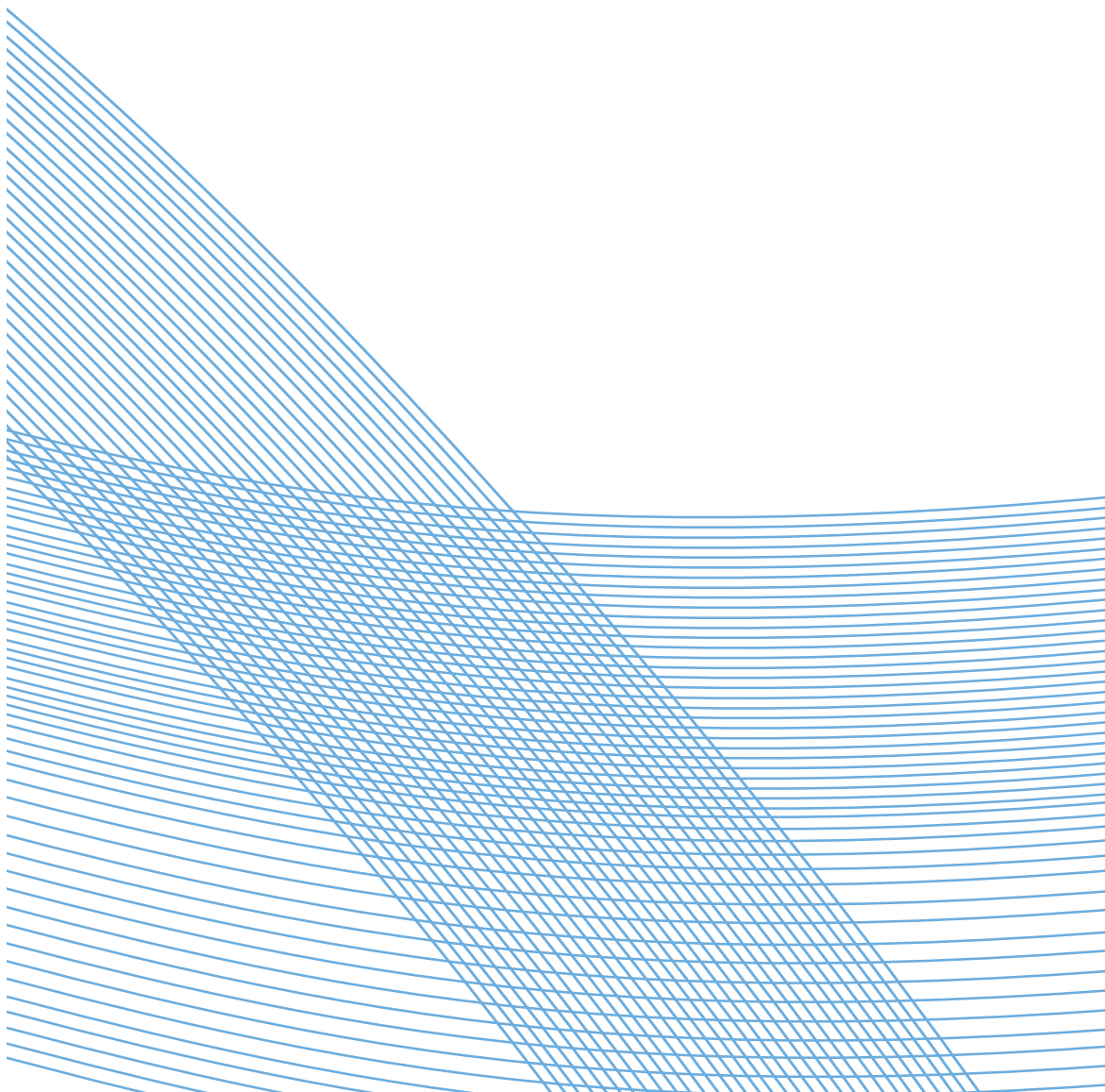


HARGREAVEHALE AIM VCT 2 plc (formerly Keydata AIM VCT 2 plc)

Annual Report and Accounts
Year ended 28 February 2010



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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 fund’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 www.hargreave-hale.co.uk/VCT/aimvct2.

FINANCIAL HIGHLIGHTS

Ordinary Shares:	2010	2009
Net asset value per share	102.43p	95.73p
Cumulative distributions paid since launch	12.0p	4.0p
Net asset value total return since launch	114.43p	99.73p
Discount to Net Asset Value (based on mid-market price at balance sheet date)	4.3%	15.4%
Annual Returns per share:		
Revenue return	(1.79p)	0.41p
Capital return	16.49p	1.59p
Return per share	14.70p	2.00p
Dividends:		
Interim paid	3.0p	-
Final proposed	2.0p	5.0p
Total dividend for year	5.0p	5.0p

CHAIRMAN'S STATEMENT

Introduction

I am pleased to report that the financial results for the year to 28 February 2010 show a considerable improvement over the previous year. At 28 February 2010 the NAV was 102.43 pence which after adjusting for the dividends paid gives a total return since launch of 114.43 pence. Gains per ordinary share for the year were 14.70 pence per share (comprising revenue losses of 1.79 pence and capital gains of 16.49 pence) which represents an effective 14.74% increase for the period.

Following the appointment of Administrators to Keydata Investment Services Limited your Board appointed Hargreave Hale Limited to take over the administrative services in respect of the Company and Giles Hargreave, CEO of Hargreave Hale Limited has joined the Board as a non-executive director to replace Stewart Ford who resigned.

Investment

The Investment Manager, Hargreave Hale, invested a further £1.75 million in 14 qualifying companies during the year and one company went into administration realising a net loss of £0.10 million. The Fair Value of qualifying investments at 28 February 2010 was £2.83 million invested in 21 AIM companies and 1 unquoted company Mexican Grill Ltd, the balance was held in non-qualifying AIM stocks.

Change of name

At the general meeting on 30 September 2009 it was approved that the Company name be changed to "Hargreave Hale AIM VCT2 Plc" to more closely reflect the new arrangements and its relationship with Hargreave Hale Limited. I am pleased to report that this change of name is now completed.

Dividend

An interim dividend of 3 pence was paid on 11 November 2009 (2009 – Nil).

A final dividend of 2 pence is proposed (2009 – 5 pence) which, subject to shareholder approval at the AGM will be paid on 2 July 2010, to ordinary shareholders on the register on 11 June 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 will conclude on 31 July 2010 (unless the Offer is otherwise closed earlier or extended).

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. At the year end we had achieved 72.61% and have satisfied all the relevant tests.

Outlook

Whilst the economy seems to have avoided the worst recession that was feared the cost has been an unprecedented level of Government borrowings and an enormous ongoing budget deficit. The new 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.

Sir Aubrey Brocklebank Bt
Chairman

28 May 2010

BOARD OF DIRECTORS

Sir Aubrey Thomas Brocklebank Bt, (aged 58)

After qualifying as a chartered accountant Sir Aubrey worked for Guinness Mahon from 1981 to 1986, initially in its corporate finance department before assisting in the establishment of a specialist development capital department. From 1986 to 1990 he was a director of Venture Founders Limited, managing a £12 million venture capital fund, which had been raised to invest in early stage ventures. He managed the Avon Enterprise Fund (a venture capital fund of £4.5 million investing in approximately 20 companies) from 1990 until all investments had been realised in 1997. He is on the board of seven other VCTs, Hargreave Hale AIM VCT1 plc, Puma VCT plc, Puma VCT II plc, Puma VCT III plc and Puma VCT IV plc (all as chairman) and Downing Distribution VCT1 plc and Octopus Second AIM VCT plc (as a non-executive director only). He is, and has also been, a director of a number of companies, some of which are, or have been, quoted on AIM.

David Hurst-Brown FSI (aged 61)

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

Giles Hargreave (aged 61) – appointed 12 August 2009

Giles, aged 61, is Chief Executive of Hargreave Hale Limited. Giles commenced his career in 1969 with James Capel as a trainee analyst. In 1974 he joined Management Agency And Music Plc as a private fund manager. In 1986 he founded Hargreave Investment Management, which was merged in 1988 with Hargreave Hale & Co, a provincial stockbroking firm controlled by other members of his family.

Stewart Owen Ford (aged 45) – resigned 16 June 2009

Stewart was the managing director of Keydata Investment Services Limited and its parent company, Keydata UK Limited. Stewart has experience of establishing new media, design, advertising, marketing and financial services organisations. Stewart founded Keydata UK Limited in 1997 to take advantage of a gap in the market place for the provision of marketing and sales information to independent financial advisers. Keydata Investment Services Limited went into administration on 8 June 2009.

MANAGER'S REPORT

MARKET COMMENTARY

The stock market bottomed on 3 March 2009 before staging a strong rally that resulted in a 41.8% gain in the FTSE All-Share over the year to 28 February 2010, driven higher in part by a growing belief that monetary policy would remain unchanged for an extended period of time, but also by improving macro data and strong corporate results. Most recently, market volatility has increased as the fiscal imbalances that remain in place came into focus; notably the very large levels of public debt, high deficits and the potential for one or more Sovereign defaults. Recent measures put in place by the ECB have averted a potential default in the short-term, but there remain concerns that the accompanying austerity packages will depress the outlook for growth within the Eurozone region.

PORTFOLIO PERFORMANCE

Following a slight dip in the second half, the total return since launch was 14.74% over the year to 28 February 2010. It was disappointing that we were unable to carry the momentum from the first half through to the year end but there were some mixed results within both the qualifying and non-qualifying elements of the portfolio that broadly offset one another. Successes included Advanced Computer Software, Animalcare and Lidco, all showing strong gains on the back of good trading. Marwyn Capital I & II were also strong performers, although news flow was thin. Heavy losers included Enfis and Savile Group, both issued significant profit warnings only months after raising fresh capital on the back of alleged strong trading; Lipoxen, which failed to deliver against plans outlined at time of IPO; and Hardide, where an absence of news flow resulted in the gradual erosion of the large gains made since August 2009.

The non-qualifying equity allocation delivered realised gains of 8.8p per share and remains a key part of our strategy to generate distributable reserves.

PORTFOLIO STRUCTURE

By market value, the fund has 62% of its assets invested in qualifying equities, with another 17% in non-qualifying equities. Our fixed income weighting has reduced from 41% to 19% and cash from 5% to 3%.

BUYBACKS

94,600 shares were bought back in the year to 28 February 2010. The average price paid was 97.87p per share.

INVESTMENT TEST

The pick up in qualifying issuance seen in the first half continued into the second and we were able to lift the fund from 54% to 72.61% invested in qualifying companies (as measured by HMRC), successfully clearing the threshold required by HMRC in the time for the first formal assessment as at 28 February 2010. We have made one disposal since the year end, Lipoxen.

Hargreave Hale Limited

28 May 2010

INVESTMENT PORTFOLIO SUMMARY

Ordinary Share Fund

As at 28 February 2010

	Book Cost	Valuation	Valuation
	£000	£000	%
Qualifying investments			
Lidco Group plc	165	330	7.42
Mexican Grill Ltd (A Pref)	277	277	6.23
Advanced Computer Software plc	100	229	5.16
Electric Word plc	185	230	5.16
Animalcare Group plc	100	200	4.49
Hardide plc	150	200	4.49
Marwyn Capital I Ltd	100	160	3.60
Lombard Risk Management plc	128	136	3.06
Reneuron Group plc	75	130	2.92
Marwyn Capital II Ltd	100	120	2.70
Tristel plc	100	117	2.63
Intercede Group plc	96	116	2.62
Omega Diagnostics Group plc	100	115	2.58
Lipoxen plc	95	101	2.27
Synchronica plc	100	75	1.69
Savile Holdings plc	151	68	1.52
Mount Engineering plc	75	66	1.49
Optare plc	116	36	0.80
Enfis Group plc	97	35	0.79
Plastics Capital plc	100	33	0.74
Mexican Grill Ltd (Ord)	31	31	0.69
Alterian plc	45	17	0.38
Image Scan Holdings plc	93	12	0.27
Total qualifying investments	2,579	2,834	63.70

INVESTMENT PORTFOLIO SUMMARY (continued)

	Book Cost £000	Valuation £000	Valuation %
Non-Qualifying investments			
UK Treasury 2.25% 2014	294	299	6.72
Uk Treasury 2.5% 2016	253	269	6.04
Total – UK gilts	547	568	12.76
Nationwide 3.75% November 2011	255	259	5.82
Total – UK corporate bonds	255	259	5.82
Cape plc	126	110	2.47
Advanced Computer Software plc	77	99	2.22
Westhouse Holdings plc	75	75	1.69
Prostrakan Group plc	84	70	1.58
Legion Group Plc	100	67	1.49
Westmount Energy Ltd	10	64	1.43
IMI plc	54	57	1.27
Cove Energy plc	30	56	1.26
Agriferma Brazil Ltd	52	51	1.15
SDL plc	41	45	1.02
Greenko Group plc	24	25	0.57
Clerkenwell Ventures plc	16	18	0.40
Alliance Pharma plc	13	15	0.33
Egdon Resources plc	6	13	0.29
Richoux Group plc	33	8	0.17
Marwin Value Inv Ltd B	5	5	0.10
Marwyn Capital I Ltd	3	3	0.07
Animalcare Group plc	2	2	0.05
Lidco Group plc	1	1	0.03
Marwyn Capital II Ltd	1	1	0.03
Reneuron Group plc	2	1	0.03
Omega Diagnostics Group plc	1	1	0.02
Tristel plc	1	1	0.02
Electric Word plc	1	1	0.01
Enfis Group plc	2	0	0.01
Lomard Risk Management plc	1	0	0.01
Hardide plc	0	0	0.00
Lipoxen plc	0	0	0.00
Optare plc	1	0	0.00
Total – non-qualifying equities	762	789	17.72
Total – non-qualifying investments	1,564	1,616	36.30
Total investments	4,143	4,450	100.00

TOP TEN INVESTMENTS

As at 28 February 2010

QUALIFYING PORTFOLIO

The qualifying portfolio is shown below. Each of the AIM investments is valued by reference to the bid price.

Lidco plc			20p
Investment date	May 2009	Unaudited results for 6 months to	July 2009
Equity held	0.95%	Turnover (£'000)	2,494
Purchase Price	10p	Profit before tax (£'000)	(1,199)
Cost (£'000)	165	Net assets (£'000)	5,100
Valuation (£'000)	330		

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.

Mexican Grill Ltd			2053p
Investment date	October 2009	Unaudited results for year to	September 2009
Equity held	7.38%	Turnover (£'000)	1,081
Purchase Price	2053p	Profit before tax (£'000)	(101)
Cost (£'000)	308	Net assets (£'000)	956
Valuation (£'000)	308		

Mexican Grill 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 Street) 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			39p
Investment date	July 2008	Unaudited results for 6 months to	August 2009
Equity held	0.24%	Turnover (£'000)	11,017
Av. Purchase Price	21p	Profit before tax (£'000)	1,944
Cost (£'000)	100	Net assets (£'000)	75,485
Valuation (£'000)	229		

Advanced Computer Software is a provider of software and IT services to the primary care sector. ACS occupies a strategically important niche in the IT framework of the NHS, from which it intends to expand through a strategy of product innovation, selective acquisitions and/or technical collaboration.

Electric Word plc			4.5p
Investment date	August 2009	Audited results for year to	November 2009
Equity held	2.15%	Turnover (£'000)	16,481
Purchase Price	3.625p	Profit before tax (£'000)	355
Cost (£'000)	185	Net assets (£'000)	8,041
Valuation (£'000)	230		

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			110p
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)	100	Net Assets (£'000)	15,557
Valuation (£'000)	200		

Animalcare plc operates through its 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.

Hardide plc			0.4p
Investment date	June 2009	Audited results for year to	September 2009
Equity held	6.0%	Turnover (£'000)	1,209
Purchase Price	0.3p	Profit before tax (£'000)	(1,824)
Cost (£'000)	150	Net assets (£'000)	1,009
Valuation (£'000)	200		

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.

Marwyn Capital I Ltd			16p
Investment date	December 2009		
Equity held	1.63%	Turnover (£'000)	-
Purchase Price	10p	Profit before tax (£'000)	-
Cost (£'000)	100	Net assets (£'000)	-
Valuation (£'000)	160		

Marwyn Capital I, a recently incorporated company, was established to identify and acquire one or more quoted or unquoted businesses or companies (in whole or part), initially by way of reverse takeover. The company, which has yet to make its first acquisition, will conduct its activities wholly or mainly in the UK with particular focus on media, industrials and business and support services.

Lombard Risk Management plc**4.25p**

Investment date	September 2009	Unaudited results for 6 months to	September 2009
Equity held	1.55%	Turnover (£'000)	4,319
Purchase Price	3p	Profit before tax (£'000)	(820)
Cost (£'000)	128	Net assets (£'000)	(545)
Valuation (£'000)	136		

Lombard Risk is a provider of collateral management and regulatory compliance solutions to financial organisations and large corporations around the world. Lombard Risk's global solutions enable the financial industry to improve the management of counter-party risk, collateral risk, trading risk, financial crime detection and regulatory reporting, including Basel II and liquidity risk analysis and reporting.

ReNeuron Group plc**5.2p**

Investment date	March 2009	Unaudited results for 6 months to	September 2009
Equity held	0.58%	Turnover (£'000)	14
Purchase Price	3p	Profit before tax (£'000)	(2,015)
Cost (£'000)	75	Net assets (£'000)	6,607
Valuation (£'000)	130		

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 groundbreaking 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.

Marwyn Capital II Ltd**12p**

Investment date	December 2009		
Equity held	2.06%	Turnover (£'000)	-
Purchase Price	10p	Profit before tax (£'000)	-
Cost (£'000)	100	Net Assets (£'000)	-
Valuation (£'000)	120		

Marwyn Capital II, a recently incorporated company, was established to identify and acquire one or more quoted or unquoted businesses or companies (in whole or part), initially by way of reverse takeover. The company, which has yet to make its first acquisition, will conduct its activities wholly or mainly in the UK with particular focus on media, industrials and business and support services.

Co-Investment

As at 28 February 2010, other funds managed by Hargreave Hale Limited were also invested in 19 of the investments – Advanced Computer Software, Agrifirma, Alliance Pharma, Cape, Clerkenwell, Cove Energy, Egdon Resources, Electric Word, Enfis, IMI, Legion Group, Optare, Plastics Capital, Prostrakan, ReNeuron, Richoux, Savile Holdings, Westhouse Holdings and Westmount Energy.

DIRECTORS' REPORT

For the year end 28 February 2010

The Directors present their report together with the audited financial statements of the Company for the year from 1 March 2009 to 28 February 2010.

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 Manager's Report. The financial position of the Company at 28 February 2010 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
- Share price 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 4.

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, are 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 buy back 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 monthly compliance report prepared by PricewaterhouseCoopers LLP from the Investment Manager to monitor compliance with regulations.

Revenue and Dividends

The revenue less after tax for the year amounted to £82,000 (2009 – profit of £19,000). An interim ordinary dividend of 3p per Ordinary share was paid on 11 November 2009. The final dividend of 5p per Ordinary share for the year ended 28 February 2009 was paid on 7 July 2009.

Share Valuation

On 28 February 2010, the mid-market price and the net asset value per ordinary share were 98.00p and 102.43p respectively.

Management

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

The Investment Manager's remuneration was agreed at the time of the launch of the Company. The initial appointment 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, custody services from 1 August 2009 and administration services since being appointed on 7 September 2009.

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 2010, there were two holdings of 3% and over of the Company's ordinary share capital. These holding related to Mrs Patricia Davenport with 4.52% and Frank Nominees Limited with 5.87% as at 28 February 2010.

Directors

The present directors are listed below. During the year Stewart Ford resigned on the 16 June 2009 and Giles Hargreave was appointed as non-executive director on 12 August 2009.

Directors' Interests

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

	Ordinary Shares	
	2010	2009
Sir Aubrey Brocklebank Bt	5,000	5,000
David Hurst-Brown	26,250	26,250
Giles Hargreave*	51,500	51,500
Stewart Ford**	-	52,500

* Giles Hargreave was appointed on 12 August 2009

**Stewart Ford resigned on 16 June 2009

There have been no changes to the beneficial interests of Directors between 28 February and the date of this report.

Share Buybacks

During the year, the Company repurchased 94,600 ordinary shares (nominal value £946) at a cost of £92,586. The shares repurchased represent 2.06% of ordinary shares in issue on 1 March. All shares repurchased were cancelled.

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

Post Balance Sheet Events

Post Balance Sheet Events are disclosed in Note 19 on page 37 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 demand. The supplier payments due are usually settled within one week given the time needed to authorise the payments and attain the dual signatories.

Charitable and Political Donations

The Company made no charitable or political donations in the year (2009: nil).

Auditors

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

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

Annual General Meeting

The Notice of AGM to be held on 30 June 2010 is set out on page 40.

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

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

By order of the Board

STUART BROOKES
Company Secretary

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

28 May 2010

DIRECTORS' REMUNERATION REPORT

For the year ended 28 February 2010

The Board presents this Report which has been prepared in accordance with the requirements of The Companies Act 2006 and Statutory Instruments 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 23 and 24.

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 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.

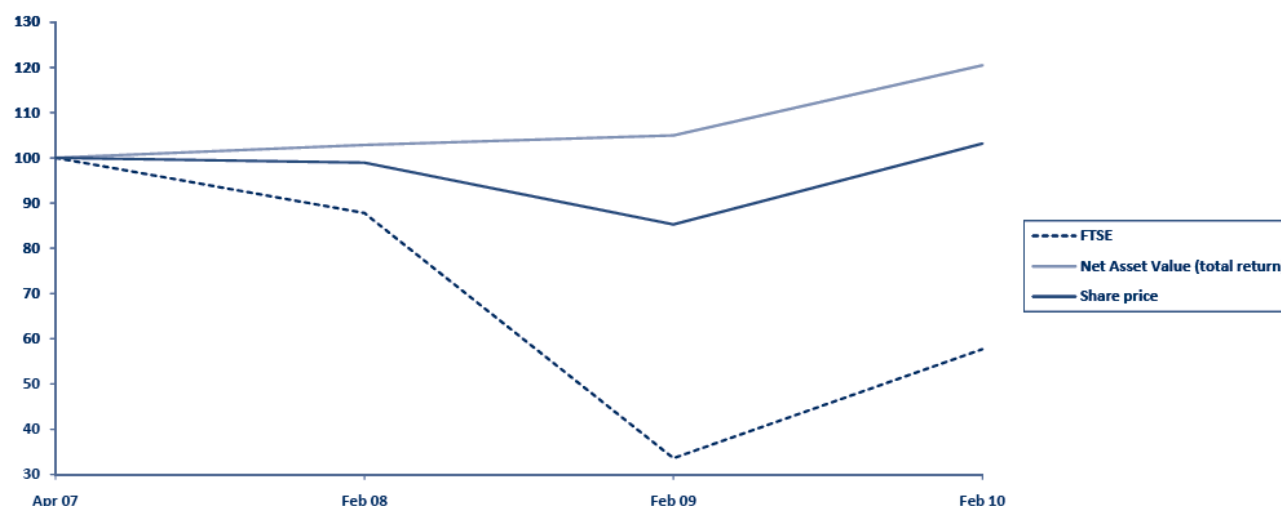
Fees for the Directors are determined by the Board within the limits stated in the Company's Articles of Association. The maximum permitted by the Company's Articles of Association is £200,000 per annum. The Directors are not eligible for bonuses, pension benefits, share options or other incentives or 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 dated 8 December 2006 except Giles Hargreave who was appointed on 12 August 2009 when an agreement was made with Hargreave Hale Limited to provide the directorship service. 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. 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 and share price total return from Admission of shares to listing on 6 April 2007 to 28 February 2010 (rebased to 100 at 6 April 2007) compared to the total return of a notional investment in the FTSE AIM All-share Index over the same period. The graph has been plotted at intervals of 12 months. This index was chosen for comparison purposes as it represents a comparable broad equity market index for AIM quoted small companies (the target investment class for the VCT).



Directors' Emoluments for the Year (audited)

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

	2010	2009
	£	£
Sir Aubrey Brocklebank Bt (Chairman)	18,000	18,000
David Hurst-Brown	15,000	15,000
Stewart Ford	8,135*	15,000
Giles Hargreave	8,750*	-
	-----	-----
Total	49,885	48,000
	-----	-----

*The emoluments paid to Stewart Ford include a payment of three months fees of £3,750 in lieu of notice. The emoluments paid in respect of Giles Hargreave relate to the period since appointment as director (August 2009 to February 2010).

The Directors fees have not increased in the year with the exception of the payment in lieu of notice to Stewart Ford.

Approval

The Directors' Remuneration Report on pages 16 and 17 was approved by the Board of Directors on 28 May 2010.

Signed on behalf of the Board of Directors

Sir Aubrey Brocklebank Bt
Chairman

CORPORATE GOVERNANCE

Director's Statement of Compliance with the 2008 FRC Combined Code on Corporate Governance ("the Code").

The Principles

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

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

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

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

The Chairman is Sir Aubrey Brocklebank Bt, 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 audit, nomination and remuneration committees (as required by Code C3.1, A4.1 and B2.1 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 A3.3) 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.

Following the appointment of Administrators to Keydata Investment Services Limited the Board appointed Hargreave Hale Limited to take over the administrative services in respect of the Company and Giles Hargreave, CEO of Hargreave Hale Limited has joined the Board as a non-executive director to replace Stewart Ford who resigned from the Board.

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

Company Secretary

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

Nomination Responsibilities

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

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

David Hurst-Brown is required to stand for re-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 officers 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 16 and 17.

Accountability and Audit

The Directors' responsibilities for the Company's accounting records and financial statements are set out on page 22. The Auditors' Report appears on pages 23 and 24.

Performance Appraisal

The Directors recognise the importance of the Code (Code A.6.1) in terms of evaluating the performance of the Board as a whole and the individual Directors. As the Directors of the Company are non-executive their role is to ensure that the company is managed by the Investment Manager and Administrator to the best of their ability and make changes to the management if they are not acting in the best interests of the shareholders. The Directors' role is to review the performance of the management and ensure this is the case. The Directors' performance is reviewed on an ongoing basis by the Board on attendance to Board meetings, input at the Board meetings and ability to continue in their role as a non-executive director of the Company. This is formalised in the retirement process as detailed in the Articles of Association where each director retires every 3 years and stands for re-election by the shareholders at the AGM.

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

Audit Committee

All audit committee responsibilities are performed by the Board. Due to the small size of the Board, there are no written terms of reference setting out roles and responsibilities (Code C3.2).

The Board meets twice each year to review the internal financial and non-financial controls, approving the contents of the draft interim and annual reports to shareholders and reviewing the accounting policies. In addition, the Board reviews the quality of the service of all the service providers to the Company and, together with the Manager and Administrator, reviews the Company's compliance with financial reporting and regulatory requirements. Representatives of BDO LLP, the Company's auditors, attend the Board meeting at which the draft annual report and financial statements are reviewed.

The Company's internal financial controls and risk management systems have been reviewed with the Manager against risk parameters approved by the Board. The Audit programme and timetable are drawn-up and agreed with the Company's Auditors in advance of the financial year end. At this stage, matters for the audit focus are discussed and agreed. These matters are given particular attention during the audit process and among other matters they are reported on by the Auditors in their audit report to the Board. The audit report is considered by the Board and discussed with the Auditors prior to approving and signing the Financial Statements.

The Board has reviewed the independence and objectivity of the Auditors with particular regard to the level of non audit services provided by the Auditors. Details of the audit and non-audit fees paid to the Auditors are shown in note 4 to the financial statements.

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 has been 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 third parties, the Company's system of internal control also includes the monitoring of services provided by these third parties, including the operational controls maintained by them, to ensure they meet the Company's objectives.

Since appointment of Hargreave Hale as Administrators the method of controlling company payments has changed. All Directors and the Company Secretary are authorised signatories, but cheques have to be signed by Aubrey Brocklebank Bt or David Hurst-Brown and Giles Hargreave or Stuart Brookes to ensure payments are authorised by two independent persons.

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 and are segregated by department and location. The internal controls of Hargreave Hale 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 (2009 - £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.

	No of Board Meetings	
	Held	Attended
Sir Aubrey Brocklebank Bt	5	5
David Hurst-Brown	5	4
Giles Hargreave (appointed 12 August 2009)	5	3*
Stewart Ford (resigned 16 June 2009)	5	0

*Giles Hargreave attended 1 Board Meeting in his previous capacity representing Hargreave Hale Limited as Investment Manager.

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 www.hargreave-hale.co.uk/VCT/aimvct2. 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.

Signed on behalf of the Board of Directors

Sir Aubrey Brocklebank Bt
Chairman

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 DT4

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 2010 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 their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections 495, 496 and 497 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 directors' responsibilities statement, 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 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

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 2010 and its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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; and
- the information given in the directors' report for the financial year for which the financial statements are prepared 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:

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 21, in relation to going concern; and
- the parts of the corporate governance statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

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

28 May 2010

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

INCOME STATEMENT

For the year ended 28 February 2010

	Note	Revenue £000	Ordinary Shares Capital £000	Total £000
Net gain on investments held at fair value through profit or loss	7	-	785	785
Income	2	64	-	64
		-----	-----	-----
		64	785	849
		-----	-----	-----
Management fee	3	(11)	(33)	(44)
Other expenses	4	(135)	-	(135)
		-----	-----	-----
		(146)	(33)	(179)
		-----	-----	-----
Profit/(loss) on ordinary activities before taxation		(82)	752	670
Taxation	5	-	-	-
		-----	-----	-----
Profit after taxation		(82)	752	670
		-----	-----	-----
Profit per share (pence)	6	(1.79)	16.49	14.70
		-----	-----	-----

INCOME STATEMENT

For the year ended 28 February 2009

	Note	Revenue £000	Ordinary Shares Capital £000	Total £000
Net gain on investments held at fair value through profit or loss	7	-	104	104
Income	2	144	-	144
		-----	-----	-----
		144	104	248
		-----	-----	-----
Management fee	3	(10)	(31)	(41)
Other expenses	4	(115)	-	(115)
		-----	-----	-----
		(125)	(31)	(156)
		-----	-----	-----
Profit on ordinary activities before taxation		19	73	92
Taxation	5	-	-	-
		-----	-----	-----
Profit after taxation		19	73	92
		-----	-----	-----
Profit per share	6	0.41p	1.59p	2.00p

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 loss for the year.

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

BALANCE SHEET

As at 28 February 2010

	Note	2010 Ordinary £000	2009 Ordinary £000
Fixed assets			
Investments at fair value through profit or loss	7	4,450	4,464
		-----	-----
Current assets			
Debtors	9	63	46
Cash at bank	12	140	97
		-----	-----
		203	143
Creditors: amounts falling due within one year	10	(48)	(213)
		-----	-----
Net current assets		155	(70)
		-----	-----
Net assets		4,605	4,394
		-----	-----
Capital and Reserves			
Called up share capital	11	45	46
Special reserve		4,223	4,315
Capital reserve – realised		81	93
Capital reserve – unrealised		306	(91)
Revenue reserve		(51)	31
Capital redemption reserve		1	-
		-----	-----
Equity shareholders' funds		4,605	4,394
		-----	-----
Net asset value per share	13	102.43p	95.73p

These financial statements were approved and authorised for issue by the Board of Directors on 28 May 2010 and signed on its behalf by

Sir Aubrey Brocklebank Bt
Chairman

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

CASH FLOW STATEMENT

For the year ending 28 February 2010

	Note	2010 Ordinary £000	2009 Ordinary £000
Net cash (outflow)/inflow from operating activities	15	(297)	201
Net financial investment	15	799	(345)
Dividends paid	18	(367)	(184)
		-----	-----
Cash outflow before management of liquid resources		135	(328)
Financing (share buy backs)	15	(92)	(10)
		-----	-----
Increase/(Decrease) in cash	12	43	(338)
		-----	-----

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

For the year ending 28 February 2010

Ordinary Shares	Share Capital £000	Capital Redemption Reserve £000	Capital Reserve Realised £000	Capital Reserve Unrealised £000	Special Reserve £000	Revenue Reserve £000	Total £000
At 1 March 2009	46	-	93	(91)	4,315	31	4,394
Previously recognised gains now realised	-	-	388	-	-	-	388
Unrealised gains on investments	-	-	-	397	-	-	397
Management fee charged to capital	-	-	(33)	-	-	-	(33)
Share buybacks	(1)	1	-	-	(92)	-	(92)
Equity dividends paid (Note 18)	-	-	(367)	-	-	-	(367)
Revenue loss after taxation for the period	-	-	-	-	-	(82)	(82)
	-----	-----	-----	-----	-----	-----	-----
At 28 February 2010	45	1	81	306	4,223	(51)	4,605
	-----	-----	-----	-----	-----	-----	-----

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

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

For the year ending 28 February 2009

Ordinary Shares	Share Capital £000	Capital Redemption Reserve £000	Capital Reserve Realised £000	Capital Reserve Unrealised £000	Special Reserve £000	Revenue Reserve £000	Total £000
At 1 March 2008	46	-	169	(71)	4,325	27	4,496
Realised gains on investments	-	-	124	-	-	-	124
Previously recognised losses now realised	-	-	-	26	-	-	26
Unrealised losses on investments	-	-	-	(46)	-	-	(46)
Management fee charged to capital	-	-	(31)	-	-	-	(31)
Share buybacks	-	-	-	-	(10)	-	(10)
Equity dividends paid (Note 18)	-	-	(169)	-	-	(15)	(184)
Revenue profit after taxation for the year	-	-	-	-	-	19	19
At 28 February 2009	46	-	93	(91)	4,315	31	4,394

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.

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.

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.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the accounts. Deferred tax assets are only recognised to the extent they are recoverable.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted at the balance sheet date. Deferred tax is measured on a non-discounted basis.

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.

2. Income

	2010 £000	2009 £000
Income from listed investments:		
UK dividends	12	16
Unfranked investment income	51	98
	-----	-----
	63	114
Other income		
Deposit interest	1	30
	-----	-----
Total income	64	144
	-----	-----

3. Management Fees

Ordinary Shares	2010 Revenue £000	2010 Capital £000	2010 Total £000	2009 Revenue £000	2009 Capital £000	2009 Total £000
Management fees	11	33	44	9	30	39
Irrecoverable VAT thereon	2	6	8	1	1	2
	-----	-----	-----	-----	-----	-----
	13	39	52	10	31	41
	-----	-----	-----	-----	-----	-----

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 0.9% per annum of the net asset value of the Company, calculated and payable quarterly in arrears. At 28 February 2010, £10,265 was owed in respect of management fees.

A performance related incentive fee will be payable at the rate of 20% 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. The first payment will be made after 28 February 2010 provided cumulative distributions in the first 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. Any performance related incentive fee payable will be shared equally between the Investment Manager and Keydata Investment Services Limited ("KISL"). No performance related incentive fee is payable as at 28 February 2010.

4. Other Expenses

	2010	2009
	£000	£000
General expenses	75	57
Directors' fees	50	48
Auditors' remuneration		
- for audit services	10	10
- for non-audit services	-	-
	-----	-----
	135	115
	-----	-----

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

5. Tax on ordinary activities

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

	2010	2009
	Total	Total
	£000	£000
Profit on ordinary activities before taxation	670	92
	-----	-----
UK Corporation Tax 28% (2009 – 21%)	188	20
Effect of non taxable gains/losses on investments	(220)	(22)
Effect of non taxable UK dividend income	(3)	(4)
Effect of prior year losses utilised	-	-
Effect of current year losses carried forward	35	6
	-----	-----
Current tax charge	-	-
	-----	-----

Tax losses carried forward at the balance sheet date were £157,164 (2009 - £31,104).

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

	2010	2010	2010	2009	2009	2009
	Revenue	Capital	Total	Revenue	Capital	Total
	pence	pence	pence	pence	pence	pence
Return (loss) per ordinary share: - basic	(1.79)	16.49	14.70	0.41	1.59	2.0
	-----	-----	-----	-----	-----	-----

Revenue return per ordinary share based on a net revenue loss on ordinary activities after taxation of (£82,000) (2009 - £19,000 profit) and on 4,558,807 (2009 – 4,592,915) 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 profit of £752,000 (2009 – £73,000) for the year and on 4,558,807 (2009 – 4,592,915) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

7. Investments

	AIM Quoted Investments		Unquoted Investments		Listed Investments		Total Investments	
	2010 £000	2009 £000	2010 £000	2009 £000	2010 £000	2009 £000	2010 £000	2009 £000
Investments	3,623	1,669	-	-	827	2,795	4,450	4,464
Movement in year:								
Opening valuation	1,669	1,215	-	-	2,795	2,800	4,464	4,015
Purchases at cost	5,153	9,191	308	-	998	4,975	6,459	14,166
Sales - proceeds	(4,240)	(8,760)	-	-	(3,018)	(5,061)	(7,258)	(13,821)
- realised gains	295	103	-	-	93	21	388	124
Movements unrealised	438	(80)	-	-	(41)	60	397	(20)
Closing valuation	3,315	1,669	308	-	827	2,795	4,450	4,464
Closing book cost	3,034	1,826	308	-	802	2,729	4,144	4,555
Closing unrealised	281	(157)	-	-	25	66	306	(91)
Realised gain/(loss) on sales	295	103	-	-	93	21	388	124
Unrealised gain/(loss) on investments	438	(80)	-	-	(41)	60	397	(20)
Gain/(loss) on investments	733	23	-	-	52	81	785	104

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:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- 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
- 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 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.

	2010 Level 1 £'000	2010 Level 3 £'000	2010 Total £'000	2009 Level 1 £'000	2009 Level 3 £'000	2009 Total £'000
Investments	4,142	308	4,450	4,464	-	4,464

8. Significant Interests

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

Hardide	6.0%	Mexican Grill	7.38%
---------	------	---------------	-------

9. Debtors

	2010 £000	2009 £000
Prepayments and accrued income	63	46

10. Creditors: amounts falling due within one year

	2010	2009
	£000	£000
Accrual and deferred income	48	213
	-----	-----
	48	213
	-----	-----

11. Called up share capital

	2010	2009
	£000	£000
Authorised:		
50,000,000 ordinary shares of 1p each	500	500
	-----	-----
Allotted, called-up and fully paid: 4,495,740 (2009 – 4,590,340) ordinary shares of 1p each	45	46
	-----	-----

During the year 94,600 ordinary shares were purchased at a cost of £92,586, of which 94,600 shares were cancelled.

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 ratable 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 2009	Cash Flows	At 28 February 2010
	£000	£000	£000
Cash at bank	97	43	140
	-----	-----	-----
	At 1 March 2008	Cash Flows	At 28 February 2009
	£000	£000	£000
Cash at bank	435	(338)	97
	-----	-----	-----

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	
	2010	2009	2010	2009
	pence	pence	£000	£000
Ordinary shares - Basic	102.43	95.73	4,605	4,394
	-----	-----	-----	-----

Net asset value per share is based on net assets at the year end and on 4,495,740 (2009 – 4,590,340) 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 (2009: nil).

15. Notes to the Cash Flow Statement

(a) Reconciliation of operating profit to operating cash flows

	2010	2009
	£000	£000
Total profit on ordinary activities before taxation	670	92
Realised gains on investments	(388)	(124)
Unrealised profit/(losses) on investments	(397)	20
(Increase)/Decrease in debtors	(17)	36
(Decrease)/Increase in creditors	(165)	177
	-----	-----
Net cash (outflow)/inflow from operating activities	(297)	201
	-----	-----

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

	2010	2009
	£000	£000
Net financial investment:		
Purchase of investments	(6,459)	(14,166)
Sale of investments	7,258	13,821
	-----	-----
	799	(345)
	-----	-----
	2010	2009
	£000	£000
Financing:		
Share Buybacks	(92)	(10)
	-----	-----
	(92)	(10)
	-----	-----

16. Related party transactions

a) Keydata Investment Services Limited

Mr S Ford, a director of the Company during the year until 16 June 2009, is a director of Keydata Investment Services Limited ("KISL") and has an interest in excess of 20% in that company. As such, KISL is considered to be a related party to the Company. KISL acts as a Promoter and was Administrator to the Company until 8 June 2009 when the company went into administration.

KISL, in its capacity as Promoter of the Offer for Subscription, receives annual fees of 0.9% per annum of the net asset value of the Company, calculated and payable quarterly in arrears. Fees for the year are £Nil (2009 - £17,888). KISL is responsible for payment of all trail commission due to intermediaries. KISL also received an administration fee of £Nil (2009 – £36,400) during the year. Of those fees, £Nil (2009 - £12,904) was still owed at the year end.

KISL has agreed to indemnify the Company against annual running costs (excluding vat) exceeding 3.5% of its net assets. Fees of £43,625 (2009 - £57,671) were waived by Keydata during the year under the indemnity. At the year end Keydata owed £55,485 in respect of expense adjustments made under the indemnity.

Any performance related incentive fee payable to the Investment Manager (as detailed in Note 3) will be shared equally between the Investment Manager and KISL.

The Company is in negotiations with the administrators of Keydata Investment Services Limited to determine an appropriate settlement in ending the agreement between the two parties.

b) 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 6% in that company. As such, Hargreave Hale is considered to be a related party to the Company. Hargreave Hale acts as Investment Manager, Administrator, Custodian and provides Directorship and Company Secretarial Services to the Company. All of the functions performed by Hargreave Hale are segregated by department and location and are independent of each other.

Hargreave Hale in its capacity as Investment Manager of the fund receives annual fees of 0.9% per annum of the net asset value of the Company, calculated and payable quarterly in arrears. Fees for the year are £43,625 (2009 - £40,996) as detailed in note 3. Hargreave Hale is responsible for Administration, Company Secretary, Directorship and Custodian services. Hargreave Hale received fees of £36,167 from being appointed in August 2009. Of those fees, £5,167 was still owed at the year end.

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 18 of the annual report and accounts. The Board meets quarterly to review accounts and monitor all risks.

A detailed review of the investment portfolio is contained in the Chairman's statement and Manager's report on pages 5 and 7 respectively.

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

1. Equity – fair valued 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 £140,000 (2009 - £97,000) which is classified as 'loans and receivables measured at amortised cost'. Financial liabilities consist only of accruals of £48,000 (2009 - £213,000) which are classified as 'financial liabilities measured at amortised cost'.

b) Market Risk

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

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

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

		2010	2009
		£000	£000
Equity	Fair value	3,623	1,669
Gilts/Bonds	Fair value	827	2,795
		-----	-----
		4,450	4,464
		-----	-----

A 10% increase or decrease in the investment portfolio would have a £445,000 impact on the profit and loss account.

c) Currency Risk

All transactions are in pounds sterling therefore there is no currency risk.

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 2010				28 February 2009			
	Fixed Rate £000	Variable Rate £000	Non-interest Bearing £000	Total £000	Fixed Rate £000	Variable Rate £000	Non-interest Bearing £000	Total £000
Investments	827	-	3,623	4,450	2,795	-	1,669	4,464
Cash and cash equivalents	-	140	-	140	-	97	-	97
	-----	-----	-----	-----	-----	-----	-----	-----
Net assets	827	140	3,623	4,590	2,795	97	1,669	4,561
	-----	-----	-----	-----	-----	-----	-----	-----

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 primarily 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 a material risk. As at 28 February 2010 the Company held £140,000 on bank deposit.

f) Credit Risk

Credit risk relates to the risk of default by a counterparty. No assets are past due 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:

	2010	2009
	£000	£000
Investments – UK Gilts	827	2,795
Cash & cash equivalents	140	97
	-----	-----
	967	2,892
	-----	-----

Cash balances were held on deposit with RBS at 28 February 2010.

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 requires 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

	2010	2009
	Ord	Ord
	£000	£000
Paid:		
Final dividend of 5 pence for year ended 28 February 2009	229	-
	-----	-----
Paid:		
Final dividend of 5 pence for year ended 28 February 2008	-	184
	-----	-----
Paid:		
Interim dividend of 3 pence for year ended 28 February 2010	138	-
	-----	-----
	367	184
	-----	-----
Proposed:		
Final dividend of 2 pence for the year ended 28 February 2010	111	-
	-----	-----

19. Post Balance Sheet Events

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 being issued in respect of Hargreave Hale AIM VCT 2 plc. The 2010/2011 Offer will conclude on 31 July 2010 (unless the Offer is otherwise closed earlier or extended).

GLOSSARY OF TERMS

Discount

The amount by which the mid-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.

Market Capitalisation

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

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 shareholder's fund. The amount due to the ordinary shareholders.

Net Assets

Also called equity shareholders' funds. 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 sum of any dividends paid, together with rise or fall in the share price or NAV. This allows performance comparisons to be made between venture capital trusts with different dividend policies.

Company Information

Secretary and Registered Office

Stuart Brookes
19 Cavendish Square
London
W1A 2AW

Manager

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

Registrars

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6ZL

Solicitors

Howard Kennedy
19 Cavendish Square
London
W1A 2AW

Auditors

BDO LLP
55 Baker Street
London
W1U 7EU

VCT Status Adviser

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2 6RH

Brokers

Singer Capital Markets Limited
One Hanover Street
London
W1S 1YZ

Company Registration Number

05941261 in England and Wales

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of Hargreave Hale AIM VCT 2 plc (“the Company”) will be held at 19 Cavendish Square, London W1A 2AW on 30 June 2010 at 11.00am for the following purposes:

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 2010;
2. To receive and approve the Directors Remuneration Report for the year ended 28 February 2010;
3. To reappoint BDO LLP as Auditors to the company and to authorise the Directors to determine their remuneration;
4. To re-elect David Hurst-Brown as a Director of the Company;
5. To elect Giles Hargreave as a Director of the Company;

Special Business

To consider and, if thought fit, pass the following resolutions:

Ordinary Resolution

6. THAT, in substitution for existing authorities to the extent unused, the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (“the Act”) to exercise all the powers of the Company to allot ordinary shares of 1p (“Ordinary Shares”) each in the capital of the Company and to grant rights to subscribe for or convert any security into shares in the Company (“Rights”) up to an aggregate nominal value of £30,000, this authority to expire on the earlier of the conclusion of the Company’s next annual general meeting in 2011 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 shares to be allotted or Rights to be granted after such expiry.

Special Resolutions

7. THAT, in substitution for any existing power under Section 570 of the Act, but without prejudice to the exercise of any such power prior to the date hereof, the Directors be and are hereby empowered during the period commencing on the passing of this resolution and expiring on the conclusion of the Company’s next annual general meeting in 2011 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 extended by the Company in general meeting pursuant to Section 570 of the Act), to allot equity securities (as defined in Section 560(1) and 560(2) of the Act) for cash pursuant to the authority given in accordance with Section 551 of the Act, pursuant to resolution (6) above, as if Section 561 of the Act did not apply to any such allotment, but so that this authority shall allow the Company to make offers or agreements before the expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired.
8. THAT in substitution for any existing authority but without prejudice to the exercise of any such power prior to the date hereof, the Company will be generally and unconditionally authorised to make one or more market purchases (within the meaning of Section 163(3) of the Act) of Ordinary Shares provided that:
 - a) the maximum aggregate number of Ordinary Shares authorised to be purchased is such number thereof being 14.99% of the issued share capital;
 - b) the maximum price which may be paid for Ordinary Shares is an amount equal to the maximum amount permitted to be paid in accordance with the rules of the UK Listing Authority in force as at the date of purchase;
 - c) the minimum price which may be paid for an Ordinary Share is their respective nominal value;
 - d) this authority shall expire at the conclusion of the Company’s next annual general meeting in 2011 or on the expiry of 15 months following the passing of the resolution, whichever is the earlier; and
 - e) the Company may make a contract or contracts to purchase Ordinary Shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

By order of the Board

Stuart Brookes
Company Secretary

Registered Office:
19 Cavendish Square
London W1A 2AW

28 May 2010

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 6ZL 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 Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 specifies that only those Shareholders registered in the register of members of the Company as at 6.00pm on 28 June 2010 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 28 June 2010 (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 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 www.hargreave-hale.co.uk/VCT/aimvct2.

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 to and during the meeting;
 - a) The Articles of Association
 - b) The Directors' letter of appointment, and in relation to Giles Hargreave's appointment as a director of the Company, the Administration Agreement between the Company and Hargreave Hale Limited.

