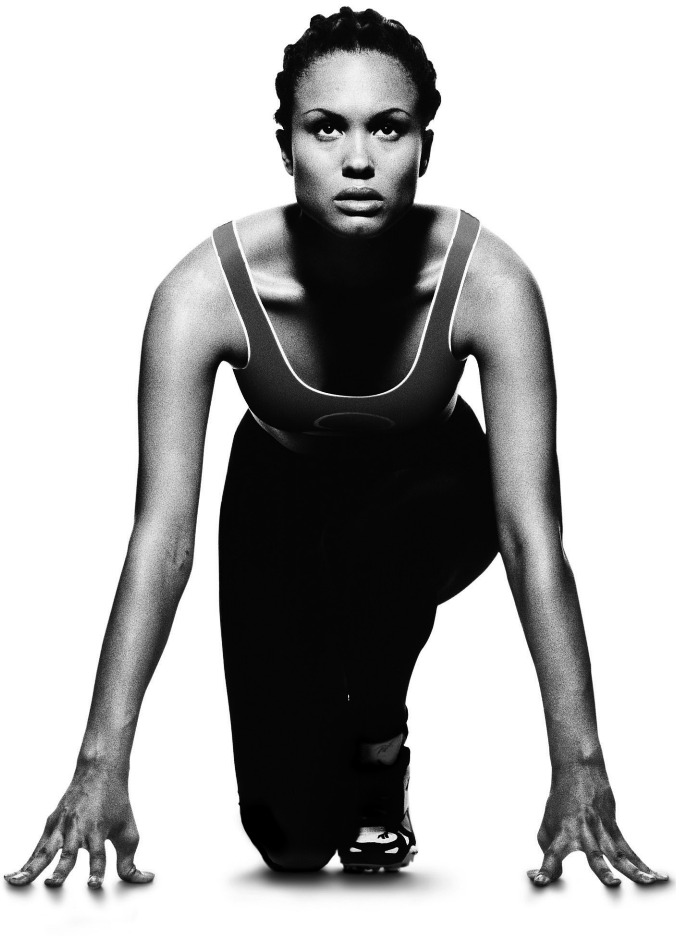
Bluehone AiM VCT2 plc

2010

Annual report & accounts
for the year ended
30 November 2010



Company Summary

The Company
The Company is a venture capital trust and its shares are listed on the London Stock Exchange.

Ordinary net assets at 30 November 2010 were £21.3 million and the market capitalisation was £13.8 million.

Objective
The investment objective of the Company is to provide shareholders with a tax efficient means of gaining long term capital growth and an attractive dividend stream primarily through investment in a diversified portfolio of AiM companies and unquoted companies which anticipate a stock market quotation.

Management
The Board has appointed Maven Capital Partners UK LLP ('Maven') as investment managers for a minimum of three years. Further details on the management agreement are provided in note 3 to the accounts.

Secretarial
F&C Asset Management plc has been retained to provide administrative and company secretarial services to the Company until the Annual General Meeting after which Maven will provide this service.

Capital Structure
The Company currently has ordinary shares in issue. Full details of the shares in issue are provided in note 11 to the accounts.

Tax Benefits
Venture capital trusts can provide substantial income and capital gains tax advantages.

Contact Maven
Telephone: 0141 306 7400
Email: enquiries@mavencp.com

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aic
The Association of
Investment Companies

Important Information

Past performance is not necessarily a guide to future performance. The value of investments and income from them may go down as well as up and are not guaranteed. Net asset value performance is not linked to share price performance, and shareholders may realise returns that are lower or higher in performance.

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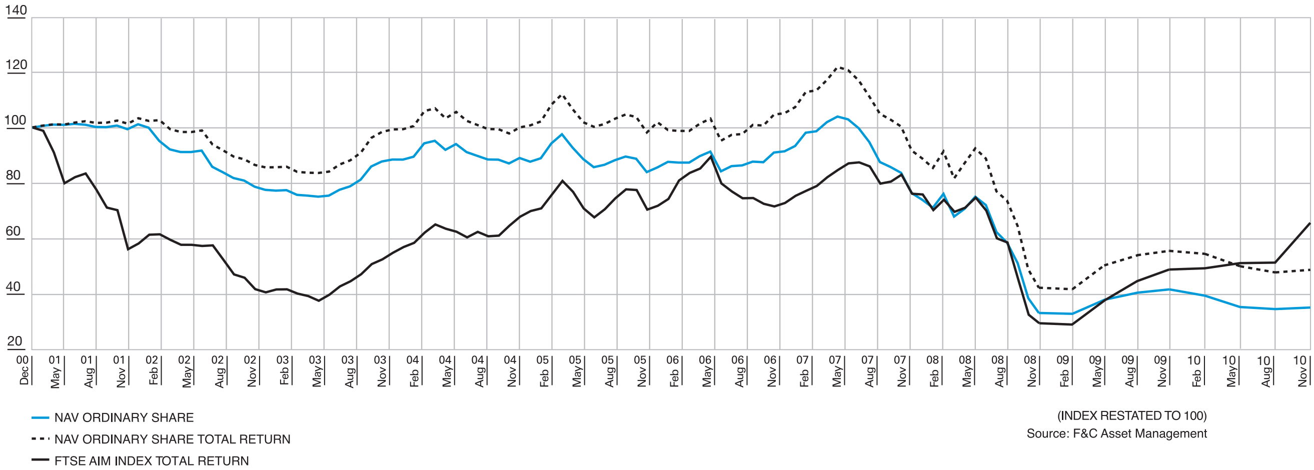
If you have sold or otherwise transferred all of your shares in Bluehone AiM VCT2 plc, please forward this document and the accompanying form of proxy as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was, or is being, effected, for delivery to the purchaser or transferee.

Financial Summary

Ordinary shares

- Net asset value total return of –9.9 per cent for the year
- Share price total return of 1.8 per cent for the year
- Tax free dividend of 1.5p per share, equivalent to a dividend yield of 6.5 per cent on the year end share price (equivalent to 10.8 per cent for a higher rate tax payer)
- Cumulative tax free dividends of 21.5p per share since launch

Bluehone AiM VCT2 NAV and NAV Total Return since launch against the FTSE AiM Index Total Return



Performance Summary

Year ended 30 November	Ordinary shares Total net assets £m	Net asset value p	Share price p	Net asset value Total Return (since launch) %	C shares Total net assets £m	Net asset value p	Share price p	Net asset value Total Return (since launch) %	FTSE AIM Index total return (since launch) %	Total expense ratio %
2001	40	95.00	80.0	2.32	NA	NA	NA	NA	(38.55)	3.0
2002	32	77.48	57.5	(14.39)	NA	NA	NA	NA	(58.25)	3.2
2003	37	88.59	72.5	(0.65)	NA	NA	NA	NA	(43.00)	3.1
2004	38	87.83	72.5	0.74	NA	NA	NA	NA	(30.04)	3.1
2005 (restated)	36	83.03	73.5	1.86	NA	NA	NA	NA	(28.14)	3.2
2006	35	86.97	73.5	5.13	3	104.37	100.00	9.85	(27.14)	3.1
2007	28	72.76	57.5	(8.3)	3	95.73	92.00	4.0	(22.66)	3.3
2008	18	32.32	19.0	(57.5)	2	56.47	45.0	(38.7)	(70.40)	2.9
2009	25	41.59	24.3	(44.6)	NA	NA	NA	NA	(51.33)	3.2
2010	**21**	**36.00**	**23.3**	**(51.0)**	**NA**	**NA**	**NA**	**NA**	**(35.95)**	**3.2**

Dividends Paid Since Launch

Ordinary Shares Year ended	Income dividend p	Capital dividend p	Total annual dividend p	Cumulative dividends p
2001	2.2		2.2	2.2
2002	2.1		2.1	4.3
2003	1.2		1.2	5.5
2004		2.0	2.0	7.5
2005		3.0	3.0	10.5
2006		3.5	3.5	14.0
2007		3.5	3.5	17.5
2008		1.0	1.0	18.5
2009		1.5	1.5	20.0
2010*		**1.5**	**1.5**	**21.5**

* Comprising an interim capital dividend of 0.5 pence per share and a proposed final capital dividend of 1.0 pence per share.

Chairman's Statement

Market Background

The year ended 30 November 2010 has seen a continuation of the steady recovery in global financial markets, as world economies emerge from the worst of the credit crisis that so dominated corporate prospects throughout 2009 and 2010. In the early weeks of 2011, the FTSE 100 Index has been stable at around the 6,000 mark and large UK defensive companies have continued to generate a healthy yield for shareholders. It is, however, far too early to feel confident about a permanent emergence from this prolonged recession as UK macro-economic indicators remain mixed, with weak growth, high levels of consumer debt, concern about rising inflation and falling house prices. It is clear that the UK faces a continued threat of another recession, and 2011 will be pivotal for the hopes of long term recovery as the effect of public sector spending cuts begin to impact on the general economic environment.

Performance

The Net Asset Value ('NAV') per share at 30 November 2010 was 36.00 pence, compared with 41.59 pence at 30 November 2009, a reduction of 13.4 per cent. Over the same period, the NAV Total Return was –9.9 per cent against a comparative recovery in the FTSE AIM All-Share Index of approximately 30 per cent. As noted previously, the Company's AIM portfolio does not accurately reflect the sectoral allocations of the FTSE AIM All-Share Index, which is more weighted towards the better-performing Oil & Gas and Basic Resources sectors. Nevertheless, the investment performance of the portfolio has been disappointing.

Review of Strategy and Circular to Shareholders

Against this background, the Board has conducted a thorough review of investment strategy, and has concluded that it is in the interests of shareholders to reduce the Company's reliance on AIM and to widen the focus of investment strategy to include exposure to later-stage private companies with strong yield characteristics. Quoted markets tend to be highly sensitive to news flow and the Company's investment performance has suffered from the volatility of AIM. By amending the investment strategy in the manner proposed by the Board, the Company will be able to place greater emphasis on investing in income-producing private companies whose valuations and growth prospects are established by careful due diligence and close monitoring.

It is also worth noting that the number of companies quoted on AIM has reduced from 1,600 three years ago to less than 1,300 now as companies delisted at a rate of more than one a day during 2010. There has been a significant reduction in the number of IPOs and, consequently, few good VCT qualifying investments available for AIM-focused managers. In addition, the share prices of a number of companies have remained depressed due to the lack of secondary buyers.

Consequently, the prospective returns from many AIM and PLUS quoted investments are poorer than they were when the Company was launched. Many AIM stocks now exhibit reduced liquidity and provide little or no dividend yield, in contrast to the yields available from many unquoted private equity investments. The Board, therefore, wishes to gradually realise part of the AIM portfolio, and to redeploy the proceeds in establishing a portfolio of mature, income-producing private companies.

Enclosed with the Annual Report is a Circular which sets out the rationale for the Board's proposal to change the Company's investment policy to implement this broader strategy. A resolution will be put to a General Meeting to be held on 30 March 2011 to seek shareholder approval to change the investment policy and the Board unanimously recommends that shareholders vote in favour of the proposal.

Investment Manager

In order to implement this change in focus, the Board has appointed a new investment manager, Maven Capital Partners UK LLP. Maven currently manages six later stage private equity focused generalist VCTs,

Chairman's Statement

employing approximately 30 people from a network of five offices across the UK, providing access to a large number of attractive private company transactions each year from the UK corporate finance advisory community. Maven has an investment strategy aimed at building a diversified portfolio of holdings in profitable and income generating private companies through transactions with a significant loan stock component, thereby offering attractive income yields from the outset of each investment. It also has two full time executives with many years' experience of AiM, who will ensure that the existing portfolio is actively managed for the benefit of shareholders. The proposed change in the investment policy as set out in the Circular as referred to above would result in the Company's investment policy being brought into line with that of the other VCTs managed by Maven.

In November 2010, Maven was named *Small Buyout House of the Year 2010* at the British Private Equity Awards, in a category recognising managers who achieve consistently high standards throughout their deal activity. Maven also offers hands-on proactive portfolio management to investee companies and, in 2010, was awarded *Exit Team of the Year* at the BVCA Portfolio Company Management Awards (London and SE) for the 3.3x return achieved on the exit from Cyclotech Limited.

Prior to the Annual General Meeting, at the request of the Board, you will receive an introductory letter from Maven along with the latest copy of its six-monthly newsletter.

Fees

Maven will be paid an investment management fee of 1.5 per cent of net asset value per annum, an annual administration fee of £70,000 and a performance fee of 15 per cent of returns above a threshold to be agreed. However, the Board has agreed with Maven that the entire investment management fee (as distinct from the administration fee and any performance fee) will be waived for the first two years, while the portfolio is being rebalanced, thereby reducing costs to shareholders significantly.

Change of Company Name

The Board considers that it would be appropriate for the Company to adopt a new name to reflect the change of investment manager. Accordingly, following the Annual General Meeting and the general meeting being convened by the Circular, the Company will change its name to Maven Income and Growth VCT 5 PLC.

Dividends

The Board declared an interim distribution of 0.5 pence per share which was paid to ordinary shareholders in August 2010. The Board recommends the payment on 28 April 2011 of a final capital distribution of a further 1 pence per share, to shareholders on the register on 8 April 2011, giving a total distribution for the year of 1.5 pence per share. Following the payment of the final distribution, the Company will have paid 21.5 pence per ordinary share to shareholders since launch.

Outlook

Economic conditions in the UK and global markets continue to be uncertain, as investors remain cautious about the sustainability of the recovery. The modest levels of growth seen through 2010 are, perhaps, indicative of the markets waiting to see the full impact of the recent spending cuts on UK consumers who will also bear a heavier tax burden. However, there is a continued scarcity of bank debt available for good quality private companies, which continues to create opportunities for well managed generalist VCTs.

The Board expects that the change of investment manager and the proposed revision to its investment strategy, will allow your Company to benefit from exposure to the significant level of introductions to interesting VCT qualifying private company transactions that the new Manager is seeing throughout its UK network. The Board is confident that the Company should experience a significant medium to long term recovery through a gradual refocusing of the portfolio towards private company assets, which over time should produce much improved returns for shareholders.

Gordon H Brough
Chairman
1 March 2011

Manager's Review

This report was prepared by Bluehone LLP as at 10 February 2011.

The Market

The year under review was characterised as a period of great uncertainty with investors looking for signs of recovery in the economy but at times fearing a move back into recession. Stock markets began the year in a positive mood but this early euphoria was short lived and after peaking in April, share prices fell sharply in May wiping out any gains made to that point. The markets remained in subdued mood during the summer and in the main tracked sideways until the end of August when they staged a recovery, despite the resurgence of sovereign debt problems within the weaker countries of the Euro. The FTSE ALLSHARE and the FTSE Small Cap Indices made almost all their gains of 7 per cent and 5 per cent respectively in the final quarter. The FTSE AIM index had a stronger year with a rise of 30 per cent, of which 24 per cent occurred in the final quarter.

Once again AiM benefitted from its exposure to the long run bull market in commodities with its Oil and Gas sector growing by 54.8 per cent and its Mining sector by 90 per cent. The combined resource sector now accounts for over 50 per cent of the value of the AiM market, having been 31 per cent of its value a year ago. It is likely to remain the primary influence on the performance of the market for the foreseeable future.

Since the Launch of Bluehone AiM VCT2 in 2000 a very purist approach to managing the portfolio has been followed in the sense that investments have almost always been made in companies that qualified as eligible investments for VCT purposes. This has meant that the Company has maintained a high level of qualification with regards the various tests required in order to comply with the VCT rules, thus ensuring that shareholders' tax benefits are maintained. However, one of the drawbacks of following a purist approach has meant that the investment opportunities have been restricted to the smallest and most vulnerable companies joining the market, with some sectors and many companies, being ineligible for inclusion in the portfolio as they did not meet the VCT eligibility tests. The resource sector, which has grown to become the driving force behind the AiM market, is one area in particular that has been under-represented in the portfolio as only portfolio companies Egdon Resources and IGAS ever met the eligibility rules. In order to help alleviate the disparity between the Company and the AiM market as a whole, as well as to try and improve the performance and liquidity of the portfolio, it was agreed by the Board to allow the manager to invest a modest proportion of the assets in non qualifying companies. To this end the portfolio's exposure to the resource sector has been increased by the investments in **Amerisur Resources**, **Peninsular Gold**, **Premier Oil** and **Norseman Gold** which, when added to existing holdings in **Egdon Resources** and **IGAS**, equates to over 10 per cent of the portfolio which compares to over 50 per cent of the AiM market.

Company Performance

The Company produced a negative total return of 9.9 per cent over the year with the fall in the Net Asset Value per share being more than accounted for by the fall in the valuation of **Infrastrata** which was the largest holding at 12.9 per cent of the value of the portfolio at the start of the period.

Infrastrata's shares had come under considerable pressure during the year as its largest shareholder, who owned 23 per cent, tried to sell its stake in the company. This was eventually placed with new shareholders in December 2010 but not until after the share price had been driven down by 85 per cent in the process.

During the year the company abandoned its co-operation agreement with a group of parties that had expressed interest in acquiring a stake in its Portland Gas project and instead signed a memorandum of understanding with US energy company eCORP International, whereby eCORP would become a partner in the Portland Gas storage project in return for funding the next stage of its development. eCORP will acquire 50 per cent of the project in return for £22 million of project expenditure, to include the drilling of the first well in 2011. This was initially not well received by the market as it was not the deal that had been expected. It appears clear to us now that the company was not making the progress hoped for with the original co-operation group and the deal with eCORP was the next best avenue. With the benefit of hindsight we feel the company missed a funding opportunity prior to the financial crisis in 2008 and since then the economic landscape has changed enough to make the short term argument for gas storage to be less compelling and the process of raising the necessary project finance more difficult. At an industry conference on gas storage in early September the consensus of the speakers was that in 2015 there will be a need for a significantly greater gas storage capacity than the UK currently has meaning that the longer term opportunity for Infrastrata remains intact. Capacity would need to be built in the next five years to be operational when it will be needed, but due to the recent subdued economic activity, the current market is

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more or less in equilibrium and gas storage prices are insufficiently high to trigger an investment decision now. Infrastrata must therefore survive for the next few years by keeping costs under control and its projects ticking over. The result of the deal with eCORP will be that the main Portland project will be funded through the early stages of front end engineering and the drilling of the first cavern borehole and should hopefully then be better positioned to attract external project financing in 2012/13. The relationship with eCORP also provides the company with an experienced partner which has developed and operated numerous gas storage facilities in the US.

The second gas storage project at Islandmagee in Northern Ireland is at the planning stage and the company has entered into discussions with eCORP and several other major companies who have expressed an interest in a potential equity participation in the project in return for funding the next stage of its development which could signal a recovery in Infrastrata’s fortunes.

The share price performance over the past year has been very disappointing for long suffering Infrastrata shareholders and has had a significant impact on the performance of your Company. Nevertheless, we remain convinced Infrastrata’s gas storage projects have great strategic national importance to the UK and this is not currently being properly valued by the market. The total amount realised from this investment over the years has been £3.5 million, compared to an original cash investment of £895,000.

Despite the fall driven by Infrastrata it was pleasing to see a number of companies making progress as the economy showed tentative signs of recovery. The most notable of these included: **IRISYS, Datum International, K3 Business Technology Group, EKF Diagnostics, Fulcrum Pharma, Software Radio and Win.**

Infrared Integrated Systems (**IRISYS**) has made exceptional progress over the past year and as a result the value has been increased by 92.5 per cent to reflect the high level of profitability being achieved. IRISYS is a technology business with advanced infrared detection and imaging capabilities developed for mass market applications. The company has developed low cost array-based detectors from modified military infrared technology which can be adapted for use in a wide range of detection/sensing applications. The company has chosen to focus on solutions for people counting and queue management, thermal imagers, flame detection, security, healthcare and automotive.

After three years of development and launch, the company gained considerable interest for its technology which led to a healthy pipeline of trials and then the installation of significant queue management systems for Tesco and Morrisons in the UK in 2007 and 2008. After a difficult year in 2009 the company was successful in winning its largest contract to date from Kroger, the second largest retailer in the USA, which returned the company to profitability in 2010 and the company has just secured a further $24 million order for roll out in 2011 to encompass Kroger’s entire 2400 retail estate. This order, and a successful roll out so far, has drawn renewed interest from other retailers and a number of fresh trials are booked in for 2011 which bodes well for the continuing growth of the business from 2012 onwards.

Bluehone AiM VCT2 has been a shareholder of **Datum International** for a number of years, however, in 2009 we supported the appointment of a new CEO and senior salesman to take the company onto the next stage. In 2010 Datum moved into profit and made a sensible maiden acquisition of Root 3, a supplier of data capture solutions, and this acquisition was backed by a further investment by the VCT. The company now has an advanced document management software suite called Knowledgeworker in addition to the new document and data capture software from the acquisition. The company’s strategic objective is to become the leading supplier of Enterprise Content Management (ECM) Software-as-a-Service (SaaS) provider to the UK Mid Market. The UK Mid Market is extremely fragmented with no dominant ECM supplier and the management believes that consolidation in this sector offers attractive growth opportunities to augment its own organic expansion. Maiden profits were announced in July and the company’s shares have responded positively rising by 62 per cent over the year. We anticipate an acceleration of sales and profits in 2011.

Business software provider **K3 Business Technology** proved its model was resilient to the economic downturn with flat revenues and profits for the difficult 12 month period to December 2009. Strong cash generation also enabled debt to be reduced to a level that meant it was almost covered by one year’s worth of operating profit. During 2010 the company returned to growth with both sales and profits increasing significantly for the year to June and as a result the company’s shares performed well in the second half of the year and improving by 63 per cent by the end. K3 is a value added Microsoft channel partner that designs and implements supply chain software solutions, mainly using Microsoft software, into the retail and manufacturing sectors. Its business has a high level of recurring revenues from software licenses which make up 40 per cent of revenues and this is

Manager's Review

expected to increase as it sells its new hosting services to customers.

To reflect the encouraging progress being made by **Cambridge Sensors** the valuation increased by 26 per cent for this unquoted company. Cambridge Sensors manufactures and supplies an advanced range of glucose strips used in electrochemical blood glucose monitoring systems for the diabetic market. Blood glucose testing systems are essential to diabetes sufferers, as they need to test their blood sugar levels daily and take insulin as necessary and this is large global market. The Company has developed its own Microdot branded products with sales in the US, certain mainland European territories and, most recently, the UK. The results for the year ended 30 April 2010 showed an encouraging growth in both profits and cash generated and this has continued into the current year, with cash increasing from £1.8 million to £2.7 million by November 2010.

EKF Diagnostics Holdings is the new acquisition and growth vehicle of the team that built and successfully sold BBI Diagnostics which was a former investment held in Bluehone AiM VCT2 prior to its takeover by Inverness Medical Innovations (IMI). Having moved into an AiM listed shell company called International Brand Licensing in 2009 the new management raised £15 million in July 2010 in order to purchase the business of EKF Group. EKF is an established business with operations in Germany, Poland and Russia which is focused on the design, development, manufacture and selling of diagnostic instruments and reagents. This is seen as a growth opportunity for the new team which has experience of acquiring, integrating and growing businesses in the diagnostic area. We like the diagnostic market which continues to show good growth characteristics. We anticipate further acquisitions from this team. The shares responded well to the relisting on AiM following the first deal, increasing by 47 per cent.

The shares of **Software Radio Technology (SRT)** recovered strongly, increasing by 289 per cent, in anticipation of the take up of its class A and class B AIS marine identification and tracking technologies. Legislation making it mandatory for vessels to carry AIS technology has been implemented in Singapore, Turkey and China during 2009 and SRT has received initial orders and in some cases repeat orders. Further mandates are expected as countries stipulate the use of this technology to improve coastal security and marine vessel monitoring. SRT's technology is significantly more compact and financially competitive than the competition and its order book has been growing steadily throughout the year. The company raised a further £2.5 million of funding in November in order to accelerate its planned product developments and launch its new Identifier and Man Overboard products in 2011 instead of 2012 in response to increasing demand.

The portfolio benefitted from three takeovers during the year. The first was the acquisition by Mears Group of **Supporta,** which was one of the largest holding within the portfolio. The bid was made in return for Mears shares and a proportion of these remain in the portfolio. In addition, the long awaited takeover of **Fulcrum Pharma** by private equity investors Gold Medal Acquisitions Ltd was announced in April at a price that was at an 85 per cent premium to the average prevailing price of the shares over the previous six months prior to the bid. Lastly, **Win** was taken over by IMImobile in August at a 54 per cent premium to the price prior to the bid and 95 per cent up over the year. Whilst we were encouraged by the changes a new CEO had made to Win and not pushing for a sale, as a minority shareholder we were not in a position to stop the will of the shareholders generally which was for a trade sale.

Investment Activity

Following the conversion of the C shares in November 2009, the portfolio of investments of the C share pool was combined with the Ordinary share portfolio, leading to the number of holdings within the combined portfolio increasing to 65 at the start of the period. We took advantage of favourable market conditions at the start of the year to continue to streamline the portfolio by disposing of a number of smaller holdings where significant upside was not anticipated. To this end the following holdings were sold outright: **PHSC, Image Scan Holdings, Westminster, Mount Engineering, 1st Dental Laboratories, Altitude Group, Coolabi, Western & Oriental, Real Good Food, Amino** and **Telephonetics**.

At the start of the year the holding in **Vectura** accounted for 10.4 per cent of the total value of the portfolio and, after the shares had performed well in 2009 it was decided to reduce exposure to the stock by halving the holding. This sale in Vectura, realised £1.28 million and the shares subsequently suffered a period of weakness before recovering more recently. Vectura has an exciting portfolio of drug candidates and delivery systems and has key collaboration agreements with major pharmaceutical companies, as well as a strong balance sheet with over £75 million cash available. Even after the reduction it remains a significant holding in the portfolio.

Manager's Review

Assetco is the International Fire and Rescue Service business that has a 20 year PFI contract with the London Fire Brigade. Despite showing resilience during the recession, we think that the company has been consistently underrated by the market due to the high level of asset finance in the balance sheet required to deliver its contracts. In the current difficult financial environment we felt there was little chance of a rerating and therefore sold the holding, realising £203,000.

During the year **Supporta** agreed to be acquired by **Mears Group** in return for shareholders receiving Mears shares. Mears is a successful £235 million support services company listed on the London Stock Exchange. The shares performed well after the takeover and it was decided to reduce the holding by realising £480,000 worth of shares but retaining an exposure to this company which sits within the top thirty of the portfolio. The portfolio also benefited from the takeovers of **Cybit Holdings** and **FDM Group** and **Win** which were all made for cash and realised £275,000, £634,000 and £327,000 respectively. The total amount realised from disposals in the period was £4.4 million.

On the investment side it was encouraging to witness an improvement in the new issue market at the start of the year and also the ability of a number of existing AiM companies to launch fund raisings when the need arose. The Company made twelve new investments over the period in **Access Intelligence** (£300,000**)**, **Amerisur Resources** (£302,026), **EKF Diagnostics** (£500,000), **Peninsular Gold** (£300,000), **Plant Impact** (£200,000), **Premier Oil**, **Norseman Gold** (£243,000), **Qonnectis** (£352,000), **Regenersis** (£95,000), **Scotgold**, **Synchronica** (£402,000) and **3D Diagnostic Imaging** (£300,000). Scotgold was sold almost immediately at a 36 per cent profit.

In addition to the new investments, which are detailed later in this report, the Company also supported four of its existing holdings: **Datum International** (£359,000), **Egdon Resources** (£100,000), **Resources in Insurance** (£100,000), and **Third Quad Capital** (£130,000) with further investment; as well as adding to **Armour Group** (£151,000), **Avia Health Informatics** (£163,000), **Clarity Commerce Solutions** (£61,000) and **K3 Business Technology** (£64,000). Investment into the portfolio amounted to £4.54 million. After a more active period the portfolio now comprises 59 holdings, down from 65 at the year end.

Market Outlook

Western economies have started to recover from the depths of recession, being led by accelerating growth in the US but also benefitting from the strength shown by the emerging markets, China and India in particular. In the UK this economic recovery was tentative in 2010 and is likely to remain weak in 2011. At home, the concern is whether the manufacturing and services sectors will be able to replace the actual shrinkage already felt by the finance sector and the impending employment losses expected in the public sector. So far the consumer has remained surprisingly resilient but this is likely to be tested by the combination of public sector austerity measures and increased taxes. Against this, manufacturing is growing strongly. The first half of the year may see the recovery falter as these cuts bite but with momentum improving as we look towards 2012. On the markets, the FTSE 100 is taking its lead from Wall Street and so far ignoring the tensions in the Eurozone. Its future direction and strength will however be vulnerable to Euro related shocks. It is likely that the AiM market, with over 50 per cent of its value being in resource related companies, will continue to benefit from the continuing bull market in commodities. The AiM market continues to trade at a discount to the earnings multiple afforded to the FTSE ALL Share Index and yet the composite of analysts' forecasts for earnings growth remains significantly higher for AiM.

AiM VCT2 Outlook

The performance of the Company in 2010 was heavily influenced by the collapse in the valuation of Infrastrata. Elsewhere in the portfolio, companies were emerging from recession with, in the main, strong balance sheets and management keen to resume growth. Over the past two years, we have encouraged and supported change and developments in a number of portfolio companies and the benefit of this approach is starting to show through. If the economy remains on track then the superior growth characteristics of these companies must at some point be recognised by the market. We believe that the interest in the larger AiM companies that drove the performance of the AiM Index over the past year is now starting to filter down to the smaller businesses. We have seen some evidence of this in the first two months of the year.

Robert Mitchell
Bluehone LLP

10 February 2011

Manager's Review of New Investments

Access Intelligence

Status: AiM
Cost: £362,096 Value: £368,379

Access Intelligence is a software company focusing on the delivery of Software as a Service (SaaS) solutions in particular in the areas of compliance and e-procurement. The company is an acquisition led vehicle headed by Michael Jackson, the former Chairman of Sage plc. Bluehone AiM VCT2 supported the vct qualifying fund raising to enable the company to acquire the business of Cobent Ltd. Cobent is a supplier of training and compliance software that helps customers comply with FDA, FSA, Health and Safety and Fire regulations and fits well with the existing businesses. The combined company is profitable and offers both organic growth and acquisition upside.

www.accessintelligence.com

Amerisur Resources

Status: AiM
Cost: £302,026 Value: £255,682

Amerisur is a UK based company with operations in Latin America where it has established an exciting portfolio of oil production and exploration projects in Columbia and Paraguay. Columbia has a well established petroleum industry with an established and efficient infrastructure as well as highly productive hydrocarbon basins. Paraguay, on the other hand, has been virtually unexplored and yet shares large basins which are productive in neighbouring countries. In Columbia, which is the main focus of the management in the near term, the company has built a portfolio of 100% owned licenses. Production has started from two wells at 470 barrels per day which more than covers all current operating costs. It is anticipated that there will be a significant increase in both production and resources this year as new wells are drilled. In Paraguay the company has earlier stage exploration licenses over an area where geographical surveys indicate hydrocarbon structures could be very large and it is the company's intention to seek farm-in partners for these projects at the appropriate time. The company raised an additional $20 million in May to fund its drilling programme. This is a non-vct qualifying holding.

www.amerisurresources.com

EKF Diagnostics Holdings

Status: AiM
Cost: £500,000 Value: £733,333

EKF is a manufacturer and distributor of diagnostic devices and associated reagents. Sales are targeted at the point of care market; which is growing significantly as the trend for diagnostic tests conducted in the GP practice or a small local diagnostic laboratory serving several GP practices, begins to grow. The new management team includes David Evans, as Non-Executive Chairman, and Julian Baines, as Chief Executive Officer. Both are known to the Fund Manager through a successful investment in BBI holdings plc. EKF raised £15 million in July 2010 to acquire its principle operating business, EKF-diagnostic GmbH, a Germany based business with sales Germany, Poland and Russia. Other territories are sold to through a network of 74 distributors in 65 countries. In September, 2010, EKF acquired Quotient Diagnostics for £3.4 million, adding an additional product for distribution through its own sales channels. It is anticipated that, in similar fashion to the strategy at BBI, management will look to grow EKF by a combination of organic and acquisitive growth.

www.iblplc.com

Norseman Gold

Status: AiM
Cost: £192,922 Value: £229,250

Norseman is a profitable gold producer with operations located adjacent to the Norseman township, approximately 725 kilometers east of Perth, Western Australia. It is one of Australia's longest continuously running gold mining operations having produced gold for over 65 years with total production exceeding 5.5 million ounces of gold to date. Current operations source ore from three underground mines with a fourth open pit mine due to come on stream at the end of 2010. This fourth mine will help fill the company's Phoenix mill and, by doing so, reduce the average costs of production. The company's strategy is twofold: first, to extend the mine life through the conversion of resources into reserves; second, to identify additional resources and obtain additional ore for the mill. To this end the company raised a further £11.25 million during October 2010 which will be used to improve production performance with a view to achieving gold production target of between 105,000 and 110,000 ounces during the 2010/11 financial year.

This is a non-vct qualifying holding.

www.norsemangoldplc.com

Manager's Review of New Investments

Peninsular Gold

Status: AiM
Cost: £300,000 Value: £300,000

Peninsular Gold is a profitable gold explorer and producer with a single operating asset at the Raub mine in central Malaysia, some 75 kilometers north of Kuala Lumpar. The mine enjoys access to modern infrastructure including grid power and a high quality road network. Gold has been mined intermittently at the site for over 100 years although the current operation of the mine follows the recent construction of a modern Carbon in Leach gold processing plant which was subsequently commissioned in February 2009 and is now working at full capacity. The company is in the process of doubling the capacity of the plant to two million tonnes per annum and is installing a crushing and grinding circuit in order to process oxide ores. This new enlarged facility is due to be commissioned from the first quarter of 2011. Bluehone AiM VCT 2 participated in a recent fund raising of £9.5 million by the company which will be used to accelerate a drilling campaign to enlarge the resource of the mine and thereby extend the mines life.

This is a non-vct qualifying holding.

www.peninsulargold.com

Plant Impact

Status: AiM
Cost: £200,000 Value: £306,667

Bluehone AiM VCT2 supported a vct qualifying fund raising by Plant Impact to enable the acceleration of sales of its range of ecologically sound fertilizer and agrochemical products which we believe have significant market opportunities. Plant Impact has responded to the growing pressure on the world's arable land by engineering natural fertilizer and crop additives to enhance yields and improve growing efficiency. The company is at the early stages of commercializing its technology having gained reputable third party verification and has recently signed a licensing agreement with Arysta Life Sciences one of the world's top ten agrochemical businesses.

www.plantimpact.net

Premier Oil

Status: Main List
Cost: £253,229 Value: £277,085

Premier Oil plc is a growing FTSE 250 oil and gas exploration and production company with current interests in nine countries around the world. Its target is to deliver growth by building three quality businesses, in the North Sea, the Middle East/Pakistan and South East Asia, with the intention to produce 100,000 barrels of oil per day from around 400 million barrels of reserves. Premier aims to achieve this by:

- growing near-term production to 75,000 barrels of oil equivalent per day from existing 2P reserves of 255 million barrels of oil equivalent,
- commercialising a contingent resource base of 213 million barrels of oil equivalent,
- add 200 million barrels of reserves through exploration by focusing on core geologies,
- make value-adding acquisitions in its three core geographic areas

The Interim Management Statement in November 2010 suggested steady progress to achieving this strategy with 24 exploration wells to be drilled up to end 2011, including further drilling in the Catcher area in the North Sea following recent exploration success (one of the largest made in the UK central North Sea in the last five years), and production coming on stream from discoveries in Vietnam and Indonesia. This is a non-vct qualifying holding.

www.premier-oil.com

Regenersis

Status: AiM
Cost: £94,847 Value: £88,000

Regenersis is an outsourcing partner to many of the World's leading consumer technology companies. It provides innovative and integrated service, repair and support solutions for a range of products, including mobile phones, computers and set-top boxes. Clients include John Lewis, Argos, IBM, Cisco, Nokia, Orange and Virgin Media with recent client wins including LG, DHL and O2. Regenersis helps the client to protect the one asset that matters most: the integrity and reputation of their brands in order to maintain an ongoing relationship with their customers. This is a non-vct qualifying holding.

www.regenersis.com

Manager's Review of New Investments

Scotgold Resources Limited

Status: AiM
Cost: £75,000 Value: £102,582 on disposal

The company holds three exploration licenses covering an area of central Scotland including a high grade gold and silver project with a JORC resource of 154,000 oz gold and 589,000 oz silver. The existing project is expected to come into production during 2011 and the company has the potential to add to its resource from its exploration licenses. Bluehone AiM VCT2 made a small investment when the company raised new funds to develop its project but traded the investment at a profit after a strong move in the share price.

www.scotgoldresources.com

Synchronica

Status: AiM
Cost: £401,500 Value: £183,667

Synchronica develops software for mobile push e-mail and mobile instant messaging which it sells to network operators in emerging markets. Its software enables non smart phones, which make up the majority of phones sold in these territories, to offer similar levels of functionality as smart phones but at considerably lower cost. Mobile penetration of emerging markets is increasing rapidly and is proving a more popular way of communicating than fixed line PC ownership. The company has been successful in signing distribution agreements with operators in South America, Africa, Eastern Europe and India and is in the early stages of penetrating the subscriber bases of these new partners. Bluehone AiM VCT2 backed a VCT qualifying placing of new shares to enable the company to acquire the instant messaging software and carrier-contracts of Colibra. This acquisition will widen the product base and give cross-selling opportunities and improve the company's competitive position. The company is expected to reach profitability during the second half of 2010 or first half of 2011 as revenues ramp up from the 60 carrier contracts signed so far.

www.synchronica.com

3D Diagnostic Imaging

Status: PLUS
Cost: £300,000 Value: £400,000

3D Diagnostic Imaging (3D) is a technology development company which applies Electrochemical Impedance Spectroscopy (EIS) to the measurement of live human tissue. Its subsidiary CarieScan Limited has developed, patented and achieved regulatory clearance for a novel diagnostic device for the detection of dental caries (tooth decay) which has proven in trials to be more accurate than other caries detection techniques. In July 2010 the company was successful in signing distribution contracts with Patterson Dental, the largest dental products distributor in the United States and Canada, and the first orders have been received, shipped and invoiced. Patterson has 1,500 sales representatives working from 100 sales offices and is keen to add the CarieScan PRO device to its product mix. Bluehone AiM VCT2 supported a £2.7 million fund raising by the company which will be used to increase its own sales support personnel, to provide working capital for the manufacture of product to fulfil the Patterson orders and for general working capital as the company grows from a development to a commercial organization.

www.3ddiagnosticimaging.com

Water Intelligence (previously Qonnectis)

Status: AiM
Cost: £352,373 Value: £285,867

Water Intelligence is a water solutions provider that was formed out of the reverse takeover of Qonnectis plc, an AiM listed water technology company, by American Leak Detection Inc. (ALD), a US-based private company with service locations across the USA and in seven other countries. The original investment of £100,000 via a convertible loan note enabled investment into the new combined company at a 20 per cent discount to the floatation price and a further £252,373 was invested. The enlarged group will offer residential, commercial and municipal customers a one stop shop with alerts of water overflow, non invasive leak detection and remediation services. Initial revenues will come from the royalty income generated by 134 franchise agreements built up by ALD but, the company's plan is to extend operations into the UK where there is a significant potential within municipal customers to use ALD's non-invasive leak detection service work.

www.waterintelligence.co.uk

Ten Largest Investments

Cambridge Sensors *Huntingdon, Cambs*

Estimated Market Capitalisation:	£15.68 million
Cost:	£1,174,976
Valuation:	£1,483,920
Valuation basis:	Unquoted

Year ended 30 April	**2010**	2009
	£ million	£ million
Sales	**2.7**	2.8
Profit before tax	**0.6**	0.5
Retained profit	**0.6**	0.5
Net assets	**2.3**	1.7

Cambridge Sensors manufactures and supplies an advanced range of glucose strips used in electrochemical blood glucose monitoring systems for the diabetic market. Diabetes is the body's inability to produce or use insulin and, if poorly controlled or left untreated, can cause blindness, heart disease and neurological complications. Diabetes care is a huge global market with an estimated 17 million Americans and 2.5 million people in the UK suffering from the condition and a similar number to the USA again in the EU, using approximately 7 billion test strips worldwide every year. Blood glucose testing systems are essential to diabetes sufferers, as they need to test their blood sugar levels daily and take insulin as necessary. The Company has developed its own Microdot branded products with sales in the US, certain mainland European territories and, most recently, the UK. Sales to the year ended 30 April 2010 have shown encouraging profit growth and cash generation.

www.cs-limited.co.uk

Vectura Group *Chippenham, Wiltshire*

Market Capitalisation:	£226 million
Cost:	£851,932
Valuation:	£1,187,296
Valuation basis:	Bid price

Year ended 31 March	**2010**	2009
	£ million	£ million
Sales	**40.1**	31.2
Loss before tax	**13.8**	19.6
Retained loss	**10.2**	16.7
Net assets	**147.1**	154.9

Vectura is a pharmaceutical company focussing on developing a range of inhaled drugs for the treatment of lung diseases and conditions where delivery via the lungs can provide significant benefits. The company is developing several drugs to be delivered through its own patented delivery systems principally targeting the markets for asthma and COPD (Chronic Obstructive Pulmonary Disease). In 2007, the company acquired Innovata plc, another UK listed pulmonary product development company which already has several products under licence; the mature revenue stream to date has off-set further the development costs of Vectura's future major products. The company has key collaborations with major pharmaceutical companies such as Novartis and it was confirmed during 2010 that Novartis expects to launch two COPD products developed by Vectura in 2012 and 2013. This would be following successful Phase 3 results which are due to be reported in 2011 and would trigger sizeable milestones to Vectura. In addition in August 2010, the company signed a non-exclusive agreement with GlaxoSmithKline (GSK) for some of its dry powder formulation patents in return for up to £20 million in up-front and milestone payments. These partnerships are providing additional revenue streams in the form of milestone payments linked to the achievement of clinical, regulatory and commercial milestones as well as future royalties. These deals endorse the strength of the company's technology platform and Vectura is now in the position where it covers most of the future branded respiratory market. Further collaborations are expected to be signed over the next 12 months.

www.vectura.com

Datum International *Stevenage*

Market Capitalisation:	£5.1 million
Cost:	£789,729
Valuation:	£1,039,227
Valuation basis:	Bid price

Year ended 30 April	**2010**	2009
	£ million	£ million
Sales	**0.78**	0.35
Profit/(loss) before tax	**0.17**	(0.58)
Retained profit	**0.17**	(0.58)
Net assets	**1.1**	(0.5)

Datum is a software company specialising in end-to-end solutions for data capture, automated workflow, information management and storage solutions for small to medium sized companies. Datum's proprietary product, Knowledge Worker, is recognised as one of the first Enterprise Content Management (ECM) products to combine Contact Relationship Management (CRM) with ECM under Software as a Service (SaaS) architecture which enables it to deploy its software solutions over the internet to its customer base. Datum has undergone a transformation over the past year moving from a loss making software development company into a profitable, sales driven ECM enterprise following the arrival of a new CEO. Bluehone AiM VCT2 increased its investment by backing the fund raising which enabled the company to acquire Root3, a profitable business involved in data capture and information management with customers such as Royal Mail, NHS and the Office for National Statistics.

www.datumplc.com

Quadnetics *Studley, Warwicks*

Market Capitalisation:	£31.4 million
Cost:	£1,173,124
Valuation:	£917,291
Valuation basis:	Bid price

Year ended 31 May	**2010***	2009
	£ million	£ million
Sales	**62.7**	70.7
Profit before tax	**2.3**	1.8
Retained profit	**0.9**	0.3
Net assets	**32.2**	32.2

*two interim periods

Established in 1983, Quadnetics is a leading UK security service company providing the development, design, integration and management of advanced surveillance, technology and security networks. The company has several subsidiaries operating in the growing CCTV & surveillance market – developing, selling and maintaining CCTV systems for public spaces, prisons, casinos, retail and public transport. Growing incidences of terrorist threats are helping to drive this market, particularly with customers in the Middle East, South Africa and Eastern Europe. A new Chief Executive was hired in November 2008 and the company has been through a lengthy period of restructuring to streamline and refocus the business. The most recent interim results which cover two six month periods (due to a change in the year end) show that this restructuring is starting to have a positive impact on operating margins. This, together with increased orders and contract wins, including a new contract with Stagecoach to install CCTV systems on all new buses, means that the company is well positioned for the future.

www.quadnetics.com

K3 Business Technology *Manchester*

Market Capitalisation:	£37.9 million
Cost:	£635,822
Valuation:	£798,627
Valuation basis:	Bid price

Year ended 30 June	**2010**	2009
	£ million	£ million
Sales	**43.8**	36.4
Profit before tax	**4.6**	3.2
Retained profit	**3.2**	2.2
Net assets	**31.4**	27.9

K3 supplies Microsoft based business software solutions for Supply Chain companies in the Retail, Manufacturing and Distribution markets. The software helps these companies to streamline and improve business processing, saving money and time as well as identifying improvements and new services that K3's clients can offer to their customers. Such endeavours aid the maintenance and improvement of profit margins and retention of customers in highly competitive markets. K3 supports some 1,500 customers in over 20 countries and has augmented organic growth with several strategic acquisitions. The company has proven to have a robust business model during the recent economic downturn with a high level of recurring income and good cash generation.

www.k3btg.com

Ten Largest Investments

IRISYS *Northampton*

Market Capitalisation:	£34 million
Cost:	£499,995
Valuation:	£770,091
Valuation basis:	Unquoted

Year ended 31 December	**2010**	2009
	£ million	£ million
Sales	**18.75**	8.99
Profit/(loss) before tax	**4.12**	(0.56)
Retained loss	**(5.31)**	(9.65)
Net assets	**10.97**	6.74

Infrared Integrated Systems (IRISYS) has made exceptional progress over the past year and as a result the value has been increased to reflect the high level of profitability being achieved. IRISYS is a technology business with advanced infrared detection and imaging capabilities developed for mass market applications. The company has developed low cost array-based detectors from modified military infrared technology which can be adapted for use in a wide range of detection/sensing applications. The company has chosen to focus on solutions for people counting and queue management, thermal imagers, flame detection, security, healthcare and automotive. After three years of development and launch, the company gained considerable interest for its technology which led to a healthy pipeline of trials and then the installation of significant queue management systems for Tesco and Morrisons in the UK in 2007 and 2008. After a difficult year in 2009 the company was successful in winning its largest contract to date from Kroger, the second largest retailer in the USA, which returned the company to profitability in 2010 and the company has just secured a further $24m order for roll out in 2011 to encompass Kroger's entire 2400 retail estate. This order, and a successful roll out so far, has drawn renewed interest from other retailers and a number of fresh trials are booked in for 2011 which bodes well for the continuing growth of the business from 2012 onwards.

www.irisys.co.uk

IS Pharma *Wrexham, N Wales*

Market Capitalisation:	£32.8 million
Cost:	£843,403
Valuation:	£764,761
Valuation basis:	Bid price

Year ended 31 March	**2010**	2009
	£ million	£ million
Sales	**14.2**	12.2
Profit before tax	**2.6**	2.0
Retained profit	**1.5**	2.7
Net assets	**30.3**	28.6

IS Pharma (formerly Maelor plc) is a medical distribution group, specialising in medicines for the hospital environment. The company focuses on products in critical care, neurology and oncology supportive care. The group's strategy is to grow its product portfolio via acquisition of new products and companies and then develop and market these assets using its existing expertise and distribution networks. Over the last four years, management has transformed the business and delivered strong organic growth supplemented by strategic acquisitions. In the autumn of 2010 the company was successful in raising £16million of new funds in order to repay outstanding milestones from previous acquisitions and to provide funds for future acquisitions in order to accelerate its growth plans. As part of the fund raising exercise the company attracted the specialist healthcare investor Abingworth to take a leading stake as well as gaining the support of existing and new institutional investors.

www.ispharma.plc.uk

Egdon Resources *Hampshire*

Market Capitalisation:	£23.2 million
Cost:	£339,528
Valuation:	£756,448
Valuation basis:	Bid price

Year ended 31 July	**2010**	2009
	£ million	£ million
Sales	**1.25**	0.9
Profit/(loss) before tax	**0.24**	(0.08)
Retained profit	**0.24**	(0.08)
Net assets	**16.0**	8.9

Egdon is a UK based oil and gas exploration and Production company with a portfolio of licences which cover hydrocarbon producing areas in the UK and France. The company has current production from two gas projects – Ceres and Kirkleatham and oil production from the Keddington and Avington oil fields and the level of this production is expected to increase in the near term as more wells are brought on stream. The production covers the overheads of the company and also helps pay for the exploration and appraisal of its other projects which offer significant upside potential to increase its resource base. The company is in a strong financial position having completed the sale of some non core French interests for £4.5million and these proceeds together with existing cash will provide the funds for a busy programme of drilling over the next 18 months.

www.egdon-resources.com

EKF Diagnostics Holdings *London*

Market Capitalisation:	£38.4 million
Cost:	£500,000
Valuation:	£733,333
Valuation basis:	Bid price

Year ended 31 December	**2009***
	£ million
Sales	**0.3**
Loss before tax	**(0.3)**
Retained loss	**(0.2)**
Net assets	**5.6**

EKF is a manufacturer and distributor of diagnostic devices and associated reagents. Sales are targeted at the point of care market; which is growing significantly as the trend for diagnostic tests conducted in the GP practice or a small local diagnostic laboratory serving several GP practices, begins to grow. The new management team includes David Evans, as Non-Executive Chairman, and Julian Baines, as Chief Executive Officer. Both are known to the Fund Manager through a successful investment in BBI holdings plc. EKF raised £15m in July 2010 to acquire its principle operating business, EKF-diagnostic GmbH, a Germany based business with sales in Germany, Poland and Russia. Other territories are sold to through a network of 74 distributors in 65 countries. In September, 2010, EKF acquired Quotient Diagnostics for £3.4m, adding an additional product for distribution through its own sales channels. It is anticipated that, in similar fashion to the strategy at BBI, management will look to grow EKF by a combination of organic and acquisitive growth.

**The financial results for the year to 31 December 2009 relate to the business of International Brand Licensing which was used as the acquisition vehicle for the EKF-diagnostic GmbH after shareholders in IBL voted for a change in the strategic direction of the company in January 2010.*

www.ekf-diagnostic.com

Clarity Commerce Solutions *Basingstoke, Hants*

Market Capitalisation:	£15.1 million
Cost:	£907,236
Valuation:	£697,649
Valuation basis:	Bid price

Year ended 31 March	**2010**	2009
	£ million	£ million
Sales	**19.1**	17.7
Profit/ (loss) before tax	**1.4**	0.5
Retained profit	**2.0**	0.2
Net asset	**10.5**	5.9

Clarity Commerce specialises in the delivery of transaction processing software solutions for the retail, leisure, ticketing and hospitality sectors to a blue chip customer base in 22 countries. In retail the company supplies point of sale software to grocers, department stores, DIY stores and amusement parks. In leisure the company supplies membership and management software to public and private sector health clubs. Its ticketing software is used by many of the cinema chains in the UK and mainland Europe. Its hospitality software assists businesses with the management of supply chains, stock, electronic point of sale (EPOS), staff and promotions. One of the attractions of Clarity's business model is its recurring revenue stream which comes from its installed base. During 2010 the company released its new fully integrated software platform called ClarityLive which has generated a number of significant contract wins and a healthy order book.

www.claritycommerce.com

Investment Portfolio

Company	Sector	Book cost £'000	Valuation £'000	% of net assets £'000	% of Equity held by Bluehone AiM VCT 2 £'000	% held by Others
AiM						
Quadnetics	Support services	1,173	917	4.3	3.0	–
K3 Business Technology	Software & computer services	636	799	3.7	2.1	–
IS Pharma	Pharmaceuticals & biotechnology	843	765	3.6	1.8	–
Egdon Resources	Oil & gas producers	340	756	3.5	3.3	–
EKF Diagnostics Holdings	Healthcare equipment services	500	733	3.4	–	–
Clarity Commerce Solutions	Software & computer services	907	698	3.3	4.7	–
FfastFill	Software & computer services	480	582	2.7	1.7	–
Straight	General industrials	400	540	2.5	4.2	–
Bond International Software	Software & computer services	514	500	2.3	2.7	–
IGAS Energy	Oil & gas producers	400	433	2.0	0.7	–
Infrastrata	Oil equipment, service and distribution	3,850	416	2.0	4.0	1.0
Access Intelligence	Software & computer services	362	368	1.7	–	–
Concurrent Technologies	Technology, hardware & equipment	373	362	1.7	1.6	–
Brulines Group	Support services	405	355	1.7	–	–
Third Quad Capital	Software & computer services	859	347	1.6	11.3	–
Avingtrans	Industrial engineering	487	317	1.5	3.3	–
Plant Impact	Chemicals	200	307	1.4	–	–
Peninsular Gold	Mining	300	300	1.4	–	–
Water Intelligence	Software & computer services	352	286	1.3	5.4	–
Servoca	Support services	679	281	1.3	3.3	–
Jelf Group	General financial	534	280	1.3	0.6	–
Kiotech International	Pharmaceuticals & biotechnology	396	278	1.3	1.8	–
Vindon Healthcare	Healthcare equipment services	500	275	1.3	2.8	–
MBL Group	Media	357	274	1.3	1.4	–
Amerisur Resources	Oil & gas producers	302	256	1.2	0.2	2.9
Software Radio Technology	Technology, hardware & equipment	194	236	1.1	0.6	–
Norseman Gold	Mining	193	229	1.1	0.2	–
The TEG Group	Industrial engineering	637	227	1.1	–	–
Avia Health Informatics	Software & computer services	413	220	1.0	12.6	–
Armour Group	Leisure goods	655	215	1.0	3.7	–
Synchronica	Software & computer services	402	184	0.9	1.4	–
Netcall	Software & computer services	100	173	0.8	1.1	3.7
Omega Diagnostics Group	Healthcare equipment services	200	160	0.8	4.8	–
Croma Group	Aerospace & defence	450	160	0.8	4.2	–
Colliers International UK	Real estate investment & services	870	158	0.8	–	–
AorTech International	Healthcare equipment services	229	146	0.7	1.5	18.5
Tangent Communications	Support services	400	139	0.7	1.8	–
Optare	Industrial engineering	470	111	0.5	2.9	–
Dods Group	Media	450	98	0.5	–	–
Regenersis	Support services	95	88	0.4	0.7	–
Resources in Insurance	Support services	271	54	0.3	10.0	–
Transense Technology	Automobiles & parts	1,188	49	0.2	1.2	3.6
CBG Group	Non life insurance	268	45	0.2	1.4	–
Vertu Motors	General retailers	50	24	0.1	–	–
Discover Leisure	General retailers	100	10	0.0	0.5	–
Total AiM		**23,784**	**14,151**	**66.3**		
PLUS Market						
Datum International	Software & computer services	790	1,039	4.9	21.5	–
Sprue Aegis	Support services	418	512	2.3	5.8	–
3D Diagnostic Imaging	Healthcare equipment services	300	400	1.9	4.6	–
Total PLUS Market		**1,508**	**1,951**	**9.1**		
FTSE 250 & Small Cap						
Vectura	Pharmaceuticals & biotechnology	852	1,187	5.6	0.5	–
Mears Group	Support services	260	278	1.3	0.1	–
Premier Oil	Oil & gas producers	253	277	1.3	0.0	–
Total FTSE 250 & Small Cap		**1,365**	**1,742**	**8.2**		

Investment Portfolio

Company	Sector	Book cost £'000	Valuation £'000	% of net assets £'000	% of Equity held by Bluehone AiM VCT 2 £'000	% held by Others
Unquoted						
Cambridge Sensors	Healthcare equipment services	1,175	1,484	7.0		
Infrared Integrated Systems	Electronic & electrical equipment	500	770	3.6		
Secure Electrans	Electronic & electrical equipment	70	350	1.6		
Convivial London Pubs	Travel & leisure	400	312	1.5		
Resources in Insurance 12% Cv 2015	Support services	100	100	0.5		
Tissuemed	Healthcare equipment services	71	71	0.3		
Vicorp*	Software & computer services	350	3	0.0		
Clearspeed Technology*	Technology, hardware & equipment	68	2	0.0		
Top Ten Holdings*	Travel & leisure	350	0	0.0		
Total Unquoted		**3,084**	**3,092**	**14.5**		
Total investments		**29,741**	**20,936**	**98.1**		
Net current assets			**401**	**1.9**		
Net assets			**21,337**	**100.0**		

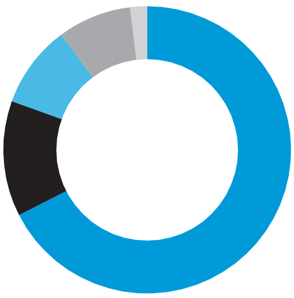
The market value of the portfolio purchased as part of the merger with Bluehone AiM VCT is treated as book cost in the Company's portfolio.

*Suspended during the year ended 30 November 2009.

Portfolio by Sector . . .

	2010	2009
Technology	**27.2**	17.8
Healthcare	**25.8**	25.0
Industrials	**24.3**	24.5
Oil & Gas	**10.0**	14.7
Basic materials	**3.9**	0.0
Consumer services	**3.4**	3.7
Financials	**2.3**	2.2
Consumer goods	**1.2**	1.8
Telecommunications	**0.0**	0.7
UK Government securities	**0.0**	5.0
Utilities	**0.0**	1.7
Net current assets	**1.9**	2.9

. . . and by Asset Classification



	2010	2009
AiM	**66.3**	69.7
Unquoted	**14.5**	9.4
PLUS Market	**9.1**	2.6
FTSE 250 & Small Cap	**8.2**	10.4
UK Government securities	**0.0**	5.0
Net current assets	**1.9**	2.9

Board of Directors

at 30 November 2010

Gordon Brough (Chairman)

appointed on 30 October 2000, was a founding partner of the City Law Partnership which specialised in corporate work with particular emphasis on the fund management and life insurance sectors. The City Law Partnership merged with Maclay Murray & Spens where Gordon was a senior equity partner. On 9 February 2009 Gordon became global head of legal at Aberdeen Asset Management PLC.

Jamie Matheson
appointed on 30 October 2000, has around 40 years' experience in stockbroking. He is the Chairman of Brewin Dolphin Holdings plc. He was previously responsible for the institutional and corporate broking activities of Brewin Dolphin. He is also a non-executive director of STV plc.

Steven Mitchell
appointed on 30 October 2000, is Managing Director of the financial services division of the Oval Group.

Gordon Humphries
appointed on 7 February 2006, is an Investment Director, Head of Investment Companies at Standard Life Investments. He has over 20 years' experience in financial services, particularly with regard to investment trusts. He joined Ivory & Sime plc in 1988 after qualifying as a chartered accountant with Pricewaterhouse-Coopers. He is Chairman of the Audit Committee and is a director of Foresight VCT plc.

All Directors are non-executive and all are considered to be independent of the Investment Managers.
Mr G Brough is Chairman of the Nomination Committee.
Mr G Humphries is Chairman of the Audit Committee.
Steven Mitchell is the Senior Independent Director.

Report of the Directors

Results and Dividends

The Directors submit the Tenth Report and Accounts of the Company for the year ended 30 November 2010.

The results for the year are set out in the attached accounts.

The Company paid an interim dividend of 0.5p per ordinary share on 27 August 2010.

The Board propose to pay a final dividend of 1 pence per ordinary share on 28 April 2011 to shareholders on the register on 8 April 2011.

Company Number 4084875.

Principal Activity and Status

The Company is registered as a public limited company under the Companies Act 2006. Its shares are quoted on the London Stock Exchange. The Directors have managed and intend to continue to manage the Company's affairs in such a manner as to comply with Section 274 of the Income Taxes Act 2007 and has received approval as a venture capital trust from HM Revenue & Customs for the year to 30 November 2009. In the opinion of the Directors, the Company has subsequently conducted its affairs so as to enable it to continue to obtain approval as a venture capital trust.

The Company is required to comply with company law, the rules of the UK Listing Authority, UK Financial Reporting Standards, and its Articles of Association.

The Company is a member of the Association of Investment Companies (the 'AIC').

Business Review

The Board of Directors is responsible for the overall stewardship of the Company, including investment and dividend policies, corporate strategy, gearing, corporate governance, and risk management.

Biographical details of the Directors, all of whom are non-executive, can be found on page 16. The Company has no executive Directors or employees.

The following review provides information about the Company's business and results for the period to 30 November 2010 and covers:

– Investment objective

– Investment policy

– Strategy

– Principal risks, risk management and regulatory environment

– Performance measurement and key performance indicators.

A review of the Company's business during the year, the position of the Company at the year end, and outlook for the coming year is contained in the Chairman's Statement and the Managers Review.

Investment objective

The Company's investment objective is to provide shareholders with a tax efficient means of gaining long term capital growth and an attractive dividend stream.

Investment policy

The Company aims to achieve its objective through an investment policy of primarily investing in a diversified portfolio of AiM or PLUS market traded companies and unquoted companies which anticipate a stock market quotation.

The Company invests in a range of securities including, but not limited to ordinary and preference shares, loan stocks, convertible securities and fixed interest securities, as well as cash. Unquoted investments are usually a combination of ordinary shares and loan stocks, while AiM investments are primarily held in ordinary shares.

Investments are primarily made in companies which are substantially based in the UK, although many of these investments will trade overseas. The companies in which investments are made will have no more than £15 million of gross assets at the time of investment (or £7 million if the funds being invested were raised after 5 April 2006) to be classed as a VCT qualifying holding.

The investment policy is designed to ensure that the Company continues to qualify and is approved as a VCT by HMRC. Amongst other conditions, the Company may not invest more than 15 per cent of its investments in a single company at acquisition and must have at least 70 per cent by value of its investments throughout the period in shares or securities comprised in qualifying holdings, of which 30 per cent by value must be ordinary shares. From 5 April 2010, 70 per cent by value of its investments must be in ordinary shares.

The Company will be at least 70 per cent invested in broadly spread AiM securities or securities which qualify for VCT relief. Investment will be considered in all VCT qualifying business sectors provided that the investee company can demonstrate the ability to achieve profits growth. The Company can invest in new shares issued as companies come to AiM for the first time and in secondary issues by existing AiM companies. The Manager can also consider investment in unquoted (non AiM) companies using the resources and expertise at their disposal.

Report of the Directors

Risk is spread by investing in a number of different businesses within different industry sectors using a mixture of securities. The maximum amount invested in any one company is limited to £1 million in a fiscal year and generally this amount will not be exceeded in the same company. The value of an individual company is expected to increase over time as a result of trading progress and a continuous assessment is made of its suitability for sale.

The Manager will ensure that investment opportunities are apportioned fairly and equitably among the Company and other clients of the Manager. Allocations of AiM investments will generally be made *pro rata* up to an agreed normal investment unit for each client, subject to the availability of funds to make the investment and other portfolio exposures such as sector exposure. In addition, the Manager will also take into account the requirement to maintain a minimum of 70 per cent in qualifying holdings in allocating investment opportunities between the Company and other clients managed by the Manager from time to time.

The Company's articles permit borrowings up to the value of 15 per cent of the gross assets of the Company, following Board approval. The Company's policy is to use borrowings for short term liquidity purposes only.

No material change may be made to the Company's investment policy set out above without the prior approval of shareholders by the passing of an ordinary resolution.

Enclosed with the Annual Report is a Circular which sets out the rationale for the Board's proposal to change the Company's investment policy to implement the broader strategy referred to in the Chairman's Statement. A resolution will be put to a General Meeting to be held on 30 March 2011 to seek shareholder approval to change the investment policy.

Strategy

Bluehone AiM VCT2 plc is a tax efficient company listed on The London Stock Exchange.

The Manager's Review on pages 5 to 8 provides a review of the investment portfolio during the year.

Subsequent to the year end, the Board has delegated the management of the investment portfolio to Maven Capital Partners UK LLP ('Maven' or 'the Manager'). F&C Asset Management plc (F&C) currently provides or procures the provision of company secretarial, administrative and custodian services to the Company. After the Annual General Meeting Maven will be appointed as Secretary and provide these services to the Company.

The Manager's regional deal teams work closely with a nationwide network of corporate finance advisors and are introduced to a large number of private companies each year. When an opportunity is considered worth pursuing, the company is subjected to a three-stage investment approval process involving a rigorous examination of its financial health, business plan and management team before an investment decision is made. The geographical reach of the Maven team means that the Manager is introduced to the majority of VCT-qualifying investments in the UK.

Principal risks, risk management and regulatory environment

The Board believes that the principal risks faced by the Company are:

– Loss of approval as a Venture Capital Trust – the Company must comply with Section 274 of the Income Tax Act 2007 which allows it to be exempted from capital gains tax on investment gains. Any breach of these rules may lead to the Company losing its approval as a VCT, with qualifying shareholders who have not held their shares for the designated holding period having to repay the income tax relief they obtained and future dividends paid by the Company becoming subject to tax. The Company would also lose its exemption from tax on capital gains.

– Investment and strategic – inappropriate strategy, poor asset allocation or consistent weak stock selection might lead to under performance and poor returns to shareholders.

– Regulatory – the Company is required to comply with the Companies Acts, the rules of the UK Listing Authority and United Kingdom Accounting Standards. Breach of any of these regulatory rules might lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report.

– Reputational – inadequate or failed controls might result in breaches of regulations or loss of shareholder trust.

– Operational – failure of the administrator's accounting systems or disruption to its business might lead to an inability to provide accurate reporting and monitoring.

– Financial – inadequate controls might lead to misappropriation of assets. Inappropriate accounting policies might lead to misreporting or breaches of regulations.

– Market Risk – Investment in AiM-traded, PLUS-traded and unquoted companies, by its nature, involves a higher degree of risk than investment in companies traded on the main market.

Report of the Directors

In particular, smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals. In addition, the market for stock in smaller companies is often less liquid than that for stock in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such stock.

– Liquidity Risk – The Company's investments may be difficult to realise. The fact that a share is traded on AiM does not guarantee its liquidity.

The Board seeks to mitigate and manage these risks by setting policy, regular review of performance, enforcement of contractual obligations and monitoring progress and compliance. In the mitigation and management of these risks, the Board applies the principles detailed in the internal control guidance issued by the Financial Reporting Council. Details of the Company's internal controls are contained in the Internal Control section on page 22.

Performance measurement and key performance indicators (KPIs)

The Board expects the Manager to deliver a performance which meets the objective of achieving long term capital growth and an attractive dividend stream.

Performance, measured by dividends paid to shareholders and the change in NAV per share, is also measured against the FTSE AiM Total Return Index. This index, as the measure of UK AiM quoted equities, has been adopted as an informal benchmark. Investment performance, cash returned to shareholders and share price are also measured against the Company's peer group of other AiM venture capital trusts. A review of the Company's performance during the financial year, the position of the Company at the year end and the outlook for the coming year is contained within the Chairman's statement on pages 3 and 4.

The Board assesses the performance of the Manager in meeting the Company's objective against the primary KPIs highlighted above.

Issue and Buy-Back of Shares

During the year the Company implemented a Top-Up Offer and an Enhanced Buy-back facility. Under the Enhanced Buy-back facility, the holders of shares in the Company were able to apply to have their existing shares bought back by the Company with the proceeds used to subscribe for new shares under the Top-Up Offer. The Enhanced Buy-back facility provided an opportunity for shareholders to take advantage of the income tax reliefs available on the purchase of new shares.

Shares repurchased under the Enhanced Buy-back facility were purchased at a price equivalent to a 1 per cent discount to the most recently published NAV per share and then cancelled. The sale proceeds arising from such repurchase were subscribed for new shares under the Top-Up Offer. The price of the new shares under the Top-up Offer was the most recently published NAV per share divided by 0.945 (to take into account offer costs of 5.5%).

Where new shares were subscribed under the Top-Up Offer using the net proceeds from the Enhanced Buy-back Facility, the Company paid commission to subscribing shareholders at the rate of 3 per cent of the net proceeds of sale and the whole of such commission was used to subscribe for additional new shares for the shareholder.

Under the Top-Up Offer a total of 5,545,891 new ordinary shares were issued. Included in this amount were 5,295,054 ordinary shares issued from the re-investment of proceeds of sale as part of the Company's Enhanced Buy-back facility. The balance of 250,837 ordinary shares constituted the application of new monies pursuant to the offer for subscription. Under the Enhanced Buy-back facility a total of 5,494,820 ordinary shares were bought back.

The investment of the proceeds of the Enhanced Buy-back Facility in new shares pursuant to the Top-Up Offer constituted an investment to which VCT tax reliefs applied and (subject to being a qualifying investor) shareholders should be able to benefit from the current level of upfront income tax relief on an amount representing up to 30% of the amount reinvested (subject to the annual restriction of no more than £200,000 being invested in VCT shares in any tax year).

The purchase of shares by the Company pursuant to the Enhanced Buy-back Facility constituted a disposal of shares held. If shareholders had not held their shares for the requisite holding period required to maintain up front income tax relief, they would be subject to clawback by HM Revenue & Customs. Further, if shareholders received capital gains tax deferral relief, the deferred gain would, on disposal, become chargeable.

Both offers are now closed.

Given the small number of shareholders participating in the Dividend Reinvestment Scheme ('DRIS') it was not found to be cost effective and therefore the Board withdrew the DRIS on 2 March 2010. No shares were issued under the DRIS during the year.

Report of the Directors

Directors

Biographies of the Directors are shown on page 16.

As explained in more detail under Corporate Governance on page 20 to 22, the Board has agreed that all Directors will retire annually. Accordingly, all four Directors will retire at the Annual General Meeting and, being eligible, offer themselves for re-election. Mr G Harvey retired from the Board on 1 April 2010.

The Board confirms that following performance evaluations, the performance of each of the Directors seeking re-election continues to be effective and demonstrates commitment to the role, and believes that it is therefore in the best interests of shareholders that these Directors are re-elected.

The Directors, who held office during the year, and their interests shares of the Company, were:

	30 November 2010 ordinary shares	30 November 2009 ordinary shares
Gordon Brough		
Beneficial and family	**23,379**	23,379
Jamie Matheson		
Beneficial and family	**10,000**	10,000
Steven Mitchell		
Beneficial and family	**40,696**	40,696
Gordon Humphries		
Beneficial and family	**8,944***	9,280
Gordon Harvey		
Beneficial and family	**n/a†**	77,244

*Movement in holding having participated in the Enhanced Buy-back facility.

†Mr Harvey retired on 1 April 2010.

There have been no changes in the holdings of the Directors between 30 November 2010 and 1 March 2011.

No Director has a service contract with the Company.

Conflicts of Interest

Each Director has a statutory duty to avoid a situation where he has, or could have, a direct or indirect interest which conflicts, or may conflict with the interests of the Company. A Director will not be in breach of that duty if the relevant matter has been authorised by the Board in accordance with the Company's Articles of Association.

The Board has approved a protocol for identifying and dealing with conflicts and has resolved to conduct a regular review of actual or possible conflicts. No conflicts or potential conflicts were identified during the year.

Substantial Interests

At 1 March 2011 the only persons known to the Company who, directly or indirectly were interested in 3.0 per cent or more of the Company's issued share capital were as follows:

	Number of ordinary shares held	Percentage held
Turcan Connell	3,985,909	6.7

Corporate Governance

Arrangements in respect of corporate governance, appropriate to a venture capital trust, have been made by the Board. The Company complied throughout the year with the provisions of the Combined Code on Corporate Governance issued by the Financial Reporting Council ('the Code') available at website www.frc.org.uk. The Board has considered the principles and recommendations of the Association of Investment Companies' Code of Corporate Governance **('AIC Code')** by reference to the AIC Corporate Governance Guide for Investment Companies **('AIC Guide')**. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the Financial Reporting Council **(the 'Combined Code')**, as well as setting out additional principles and recommendations on issues which are of specific relevance to the Company.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code) will provide better information to shareholders than if it adopted the Combined Code.

Since all the Directors are non-executive, the provisions of the Combined Code in respect of the role of the chief executive are not relevant to the Company and, likewise, the provisions of the Combined Code relating to Directors' remuneration are not relevant, except in so far as they relate specifically to non-executive Directors. For the reasons set out in the AIC Guide, and in the preamble to the Combined Code, the Board considers that these provisions are not relevant to the Company, being an externally managed venture capital trust. The Company has therefore not reported further in respect of these provisions.

Report of the Directors

The Board consists solely of non-executive Directors of which Mr G Brough is Chairman and Steven Mitchell is the Senior Independent Director. All Directors are considered by the Board to be independent of the Company's Manager. New Directors receive an induction from the Manager on joining the Board, and all Directors receive other relevant training as necessary.

The Company's Articles of Incorporation require all Directors to retire by rotation at least every three years and that any Director who has served on the Board for more than nine years will offer himself for re-election annually. However, the Board has agreed that, from this year onwards, all Directors will retire annually and, if appropriate, seek re-election. The Board subscribes to the view expressed in the AIC Code that long-serving Directors should not be prevented from forming part of an independent majority. It does not consider that a Director's tenure necessarily reduces his or her ability to act independently and, following formal performance evaluations, believes that each Director is independent in character and judgement and that there are no relationships or circumstances which are likely to affect the judgement of any Director. The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as such, no limit on the overall length of services of any of the Company's Directors, including the Chairman, has been imposed. The Company has no executive Directors or employees.

During the year, the Board considered the principles and recommendations of the UK Corporate Governance Code, issued by the Financial Reporting Council in June 2010 and applicable for accounting periods commencing on or after 29 June 2010 (the 'new Code'). It has also considered the principles and recommendations of the new code of corporate governance issued by the AIC in October 2010 (the 'new AIC Code'). As at 30 November 2010, the Company complied substantially with the relevant provisions of the new Code and the new AIC Code and it is the intention of the Board that the Company will comply with those provisions throughout the year ending 30 November 2011.

A management agreement between the Company and its Manager, Maven Capital Partners UK LLP, sets out the matters over which the Manager has authority and the limits above which Board approval must be sought. All other matters, including strategy, investment and dividend policies, gearing, and corporate governance procedures, are reserved for the approval of the Board of Directors. The Board meets at least quarterly and receives full information on the Company's investment performance, assets, liabilities and other relevant information in advance of Board meetings. The Manager, in the absence of explicit instructions from the Board, is empowered to exercise discretion in the use of the Company's voting rights. All shareholdings are voted, where practicable, in accordance with the Manager's own corporate governance policy, which is to seek to maximise shareholder value by constructive use of votes at company meetings and by endeavouring to use its influence as an investor with a principled approach to corporate governance.

Throughout the year a number of committees have been in operation. The committees are the Audit Committee, the Management Engagement and Remuneration Committee and the Nomination Committee.

The Audit Committee, chaired by Mr G Humphries, operates within clearly defined terms of reference and comprises all of the Directors. The duties of the Audit Committee include reviewing the Annual and Interim Accounts, the system of internal controls, the terms of appointment of the auditors together with their remuneration, and ensuring that auditor objectivity and independence is safeguarded in the provision of non-audit services by the auditors. It also provides a forum through which the auditors may report to the Board of Directors and meets at least twice yearly. The Committee reviews the scope and results of the audit, its cost effectiveness and independence and objectivity of the auditors, with particular regard to non-audit fees. Such fees amounted to £5,000 for the year ended 30 November 2010 (2009: £5,000) and related principally to the provision of taxation services. Notwithstanding such services the Audit Committee considers KPMG Audit Plc to be independent of the Company and that the provision of such non-audit services is not a threat to the objectivity and independence of the conduct of the audit. A description of the main features of the Company's internal control and risk management systems is contained on page 22.

The Management Engagement and Remuneration Committee, chaired by Mr Brough, comprises the full Board and reviews the appropriateness of the Manager's appointment together with the terms and conditions thereof on a regular basis.

The Nomination Committee, chaired by Mr G Brough, comprises the full Board and is convened for the purpose of considering the appointment of additional Directors as and when considered appropriate. In considering appointments to the Board, the Nomination Committee takes into account the ongoing requirements of the Company and the need to have a balance of skills and experience within the Board.

The performance of the Board, committees and individual Directors was evaluated through an assessment process, led by the Chairman. The performance of the Chairman was evaluated by the other Directors under the leadership of the Senior Independent Director.

Report of the Directors

The following table sets out the number of Board and Committee meetings held for the year ended 30 November 2010 and the number of meetings attended by each Director.

	Board of Directors		Audit Committee		Management Engagement and Remuneration Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Gordon Brough (Chairman)	4	4	2	2	2	2	1	1
Gordon Humphries	4	4	2	2	2	2	1	1
Jamie Matheson	4	1	2	1	2	1	1	1
Steven Mitchell	4	4	2	2	2	1	1	1
Gordon Harvey†	1	1	1	1	2	1	1	1

†Gordon Harvey retired on 1 April 2010

Individual Directors may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties. The Company maintains appropriate Directors' and Officers' liability insurance.

Going Concern

After making enquiries, and bearing in mind the nature of the Company's investment objective, nature of the investment portfolio and expenditure projections, the Directors consider 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 accounts.

Internal Control

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. The Board has therefore established an ongoing process designed to meet the particular needs of the Company in managing the risks to which it is exposed, consistent with the internal control guidance issued by the Financial Reporting Council. The process relies principally on the Manager's existing risk-based approach to internal control whereby a test matrix is created that identifies the key functions carried out by the Manager and other service providers, the individual activities undertaken within those functions, the risks associated with each activity and the controls employed to minimise those risks. A residual risk rating is then applied. The test matrix is regularly updated and the Board is provided with regular reports highlighting all material changes to the risk ratings and confirming the action which has been, or is being, taken. A formal annual review of these procedures is carried out by the Audit Committee and includes consideration of internal control reports issued by the Manager and other service providers.

Such review procedures have been in place throughout the financial year and up to the date of approval of the Annual Report and the Board is satisfied with their effectiveness. These procedures are designed to manage rather than eliminate the risk of failure to meet business objectives and, by their nature, can provide reasonable, but not absolute, assurance against material misstatement or loss. The Board monitors the investment performance of the Company in comparison to the benchmark index and to comparable venture capital trusts at each Board meeting. The Board also reviews the Company's activities since the last Board meeting to ensure that the Manager adheres to the published investment policy and approved investment guidelines and, if necessary, approve changes to such policy and guidelines, although no material change may be made to the Company's published investment policy, as set out on pages 17 and 18, without the prior approval of shareholders by passing an ordinary resolution.

The Board has reviewed the need for an internal audit function. The Board has decided that the systems and procedures employed by the Manager, including the internal audit function within F&C Asset Management plc and the review of its AAF 01/06 Report by a firm of external auditors, provide sufficient assurance that a sound system of internal control, to safeguard the Company's assets, is maintained. In addition the Company's financial statements are audited by external auditors. An internal audit function, specific to the Company, is therefore considered unnecessary.

Relations with Shareholders

The Company welcomes the views of shareholders and places great importance on communication with its shareholders. Financial reports are sent to shareholders twice a year and the Manager issues newsletters giving details about investment progress and performance. As part of the Board's ongoing review of the strategy of the Company and to ensure that future decisions were consistent with their interests; a survey was sent to shareholders during June 2010. This was completed by approximately 25 per cent of the shareholder base. The Annual General Meeting of the Company provides a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Manager of the Company.

Report of the Directors

Annual General Meeting

Notice of the Annual General Meeting of the Company to be held on 30 March 2011 can be found on pages 41 to 43.

Resolutions 1-9 will be proposed as ordinary resolutions meaning that to be passed more than half of the votes cast on an ordinary resolution must be in favour of the resolution. Resolutions 10 and 11 will be proposed as special resolutions meaning that to be passed at least three quarters of the votes cast on a special resolution must be in favour of the resolution.

Directors' Authority to Allot Shares and Disapply Pre-emption Rights on the Allotment of Shares

The purpose of resolution 9 is to renew the Directors' authority to allot shares. The authority will allow the Directors to allot shares or grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £3,500,000 which is equivalent to approximately 59 per cent of the issued share capital of the Company as at 1 March 2011.

This authority under resolution 9 shall expire on the fifth anniversary of the date the resolution is passed unless renewed, varied or revoked by the Company in general meeting.

This authority under resolution 9 enables the Directors to offer existing shareholders the opportunity to add to their investment or to offer to potential shareholders an opportunity to invest in the Company in a tax efficient manner without the Company having to incur substantial costs. Any consequent increase in the size of the Company will, in the opinion of the Directors, be in the interests of shareholders generally and will not dilute their existing interest. Any such issues would only be made at a price greater than the net asset value per share and therefore would increase the assets underlying each share. The issue proceeds would be available to pay expenses of the Company, or for investment in line with the Company's investment policy and may be used, in part, to purchase ordinary shares in the market.

Resolution 10 renews and extends the Directors' authority to allot equity securities for cash without pre-emption rights applying in certain circumstances. This resolution would authorise the Directors, until the date falling 15 months after the date of the passing of the Resolution, or if earlier, the conclusion of the next Annual General Meeting of the Company, to issue shares for cash without pre-emption rights applying by way of an offer to existing shareholders in proportion to their existing shareholdings as well as up to a maximum of 5,927,714 ordinary shares (representing approximately 10 per cent of the Company's issued ordinary share capital as at 1 March 2011). This power will be exercised only if, in the opinion of Directors, it would be in the best interests of shareholders, as a whole.

The Directors do not presently intend to allot new shares other than for small top-up offers.

Directors' Authority to Purchase Shares

The current general authority of the Company to make market purchases of up to 8,877,978 ordinary shares expires at the end of the Annual General Meeting and resolution 11 seeks renewal of such authority until the next Annual General Meeting (or the expiry of 15 months, if earlier) to make market purchases in respect of a maximum of 8,885,642 ordinary shares, representing 14.99 per cent of the issued ordinary share capital of the Company on the date of the passing of the resolution. The price paid for shares will not be less than their nominal value nor more than the maximum amount permitted to be paid in accordance with the rules of the UK Listing Authority in force at the date of purchase. These powers will be exercised only if, in the opinion of the Directors, a repurchase would be in the best interests of shareholders as a whole. Any shares repurchased under this authority will either be cancelled or held in treasury for future re-sale in appropriate market conditions.

The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 allow companies (such as the Company) to hold shares acquired by way of market purchase as treasury shares, rather than having to cancel them. Such shares may be subsequently cancelled or sold for cash. This would give the Company the ability to re-issue treasury shares quickly and cost efficiently, and would provide the Company with additional flexibility in the management of its capital base. The Company does not currently hold any shares in treasury and does not presently intend to hold any shares in treasury.

Management

With effect from 10 February 2011, Maven Capital Partners UK LLP ('Maven') has been appointed as manager in place of Bluehone Investors LLP.

Under the investment management agreement, Maven will receive an investment management fee of 1.5 per cent of total assets per annum, paid quarterly in arrears, and a performance fee of 15 per cent on terms and above a high watermark to be agreed in due course.

Report of the Directors

The Board has negotiated a two-year waiver of the investment management fee.

The investment management agreement will continue for a minimum of three years and is terminable by either the Company or Maven on at least 12 months' notice.

VCT Status Adviser

The Company has retained PricewaterhouseCoopers (PwC) to advise it on compliance with VCT requirements. PwC reviews proposed new investment opportunities for VCT status, as appropriate, and reviews regularly the investment portfolio of the Company. PwC works closely with the Manager and reports directly to the Board.

Creditor Payment Policy

The Company's payment policy is to settle investment transactions in accordance with market practice and to ensure settlement of supplier invoices in accordance with stated terms.

Disclosure to Auditors

The Directors confirm that, so far as each of the Directors is aware, there is no relevant information of which the Company's auditors are unaware and the Directors have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

KPMG Audit Plc have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

KPMG also provide non-audit services and take appropriate measures to ensure that objectivity and independence are safeguarded. The Audit Committee also reviews the provision of these services.

Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances, debtors and creditors that arise directly from operations such as sales and purchases awaiting settlement and accrued income. The financial risk management objectives and policies arising from its financial instruments and exposure of the Company to risk are disclosed in note 17 to the accounts.

Recommendation

The Directors, consider that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and shareholders as a whole. The Directors unanimously recommend shareholders to vote in favour of the resolutions to be proposed at the Annual General Meeting. The Directors intend to vote in favour of the resolutions in respect of their own beneficial holdings of shares in the Company (amounting, in aggregate, to 83,019 shares representing 0.14 per cent of the issued share capital of the Company, as at 1 March 2011 (being the latest practicable date prior to the publication of this document).

By Order of the Board,

Scott Macrae

for F&C Asset Management plc
Secretary

80 George Street
Edinburgh EH2 3BU

1 March 2011

Directors' Remuneration Report

The Board has prepared this report, in accordance with the requirements of the Companies Act 2006. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The law requires the Company's auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in the 'Independent Auditor's Report' on page 27.

Directors' Fees

The Board has a majority of independent non-executive Directors and considers at least annually the level of the Board's fees, in accordance with the Combined Code on Corporate Governance. The Company Secretary provides information on comparative levels of Directors' fees to the Board in advance of each review.

Policy on Directors' Fees

The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole, be fair and comparable to that of other relevant venture capital trusts that are similar in size and have similar investment objectives and structures. Furthermore the level of remuneration should be sufficient to attract and retain the Directors needed to oversee properly the Company and to reflect the specific circumstances of the Company, the duties and responsibilities of the Directors and the value and amount of time committed to the Company's affairs. It is intended that this policy will continue for the year ended 30 November 2011 and subsequent years.

The fees for the non-executive Directors are determined within the limits set out in the Company's Articles of Association. The present limit is £79,070 (as varied by the UK Retail Prices Index from year to year) and the approval of shareholders in a general meeting would be required to change this limit. Non-executive Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

Directors' service contracts

It is the Board's policy that Directors do not have service contracts, but new Directors are provided with a letter of appointment.

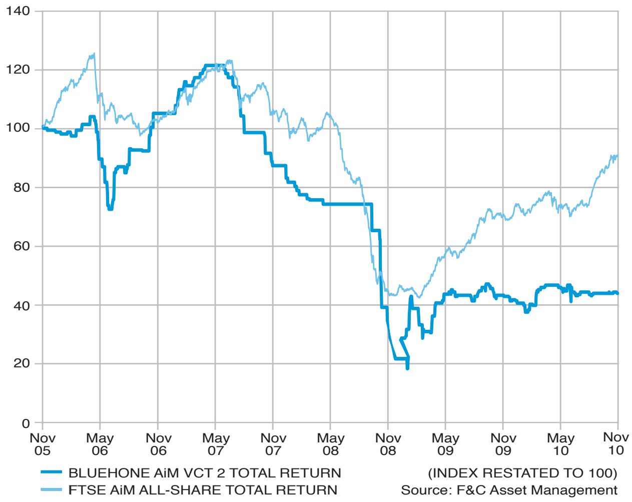
Director	Date of Original Appointment	Due date for re-election
G Brough	30/10/2000	AGM 2011
G Humphries	07/02/2006	AGM 2011
J Matheson	30/10/2000	AGM 2011
S Mitchell	30/10/2000	AGM 2011

The terms of Directors' appointments now provide that Directors should retire and be subject to re-election at the first Annual General Meeting after their appointment. The Company's Articles of Association require all Directors to retire by rotation at least every three years and that any Director who has served on the Board for more than nine years will offer himself for re-election annually. However, the Board has agreed that, from this year onwards, all Directors will retire annually and, if appropriate, seek re-election. There is no notice period and no provision for compensation upon early termination of appointment.

Company performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Investment Manager through the investment management agreement, as referred to in the 'Report of the Directors'. The graph below compares for the five financial years ending 30 November 2010, the percentage change over each period in the total return (assuming all dividends are reinvested) to ordinary shareholders compared to the percentage change over each period in total shareholder return on a notional investment made up of shares of the same kinds and number as those by reference to which the FTSE AiM Index is calculated. This index was chosen for comparison purposes, as it represents a comparable broad equity market index. An explanation of the performance of the Company is given in the Chairman's Statement and Manager's Review.

Share Price Total Return and FTSE AiM Index Total Return Performance Graph



Directors' emoluments for the year (audited)

The Directors who served in the year received the following emoluments in the form of fees:

	Fees 2010 £	Fees 2009 £
G Brough	**16,000**	15,000
G Humphries	**14,333**	11,000
J Matheson	**11,667**	11,000
S Mitchell	**11,667**	11,000
G Harvey*	**3,667**	11,000
Total	**57,334**	59,000

*Retired from the Board on 1/4/10.

From 1 April 2010 Directors' fees were increased as follows: Chairman £16,500 (previously £15,000), Audit Committee Chairman £16,000 (previously £11,000), Directors £12,000 (previously £11,000).

On behalf of the Board,

G Brough
Director
1 March 2011

Statement of Directors' Responsibilities

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of 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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. In practice the Directors delegate authority in these areas to the Company's Investment Manager and F&C.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report (including a Business Review), a Directors' Remuneration Report and a Corporate Governance Statement.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss and cash flows of the Company; and
- the Report of the Directors includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board

G Brough
Chairman

1 March 2011

Independent Auditor's Report

Independent Auditor's report to the members of Bluehone AiM VCT2 plc

We have audited the financial statements of Bluehone AiM VCT2 plc for the period ended 30 November 2010 set out on pages 28 to 40. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 26, 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

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKP.

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 30 November 2010 and of its loss for the year then ended;
- have been properly prepared in accordance with UK 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 22, in relation to going concern; and
- the part 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.

Gareth Horner
(Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc,
Statutory Auditors
Chartered Accountants
Edinburgh

1 March 2011

Income Statement

for the year ended 30 November

	Notes	2010 Revenue £'000	2010 Capital £'000	2010 Total £'000	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000
Profit/(loss) on realisation of investments	8	**–**	**624**	**624**	–	(347)	(347)
Changes in fair value of investments	8	**–**	**(2,496)**	**(2,496)**	–	6,176	6,176
Income	2	**183**	**–**	**183**	253	–	253
Investment management fee	3	**(109)**	**(329)**	**(438)**	(87)	(262)	(349)
Expenses of capital restructure		**–**	**–**	**–**	–	(30)	(30)
Other expenses	4	**(286)**	**–**	**(286)**	(359)	–	(359)
(Loss)/profit on ordinary activities before taxation		**(212)**	**(2,201)**	**(2,413)**	(193)	5,537	5,344
Tax on ordinary activities	5	**–**	**–**	**–**	–	–	–
(Loss)/profit on ordinary activities after taxation		**(212)**	**(2,201)**	**(2,413)**	(193)	5,537	5,344
Return per share	7	**(0.36p)**	**(3.72p)**	**(4.08p)**	(0.35p)	9.99p	9.64p

Reconciliation of Movement in Shareholders' Funds

for the year ended 30 November

	Notes	2010 Ordinary £'000	2009 Ordinary £'000	2009 C Shares £'000	2009 Total
Opening shareholders' funds		**24,632**	17,894	1,665	19,559
(Loss)/profit for the period		**(2,413)**	5,413	(69)	5,344
Conversion of C shares		**–**	1,596	(1,596)	–
Increase in share capital		**2,038**	9	–	9
Purchase of shares		**(1,881)**	–	–	–
Share issue expenses		**(148)**	(3)	–	(3)
Dividends paid	6	**(891)**	(277)	–	(277)
Closing shareholders' funds		**21,337**	24,632	–	24,632

The total column of the Income Statement is the profit and loss account of the Company. The supplementary revenue and capital columns are both prepared under guidance published by The Association of Investment Companies.

All the revenue and capital items in the above statement derive from continuing operations. All of the (loss)/profit for the year is attributable to the owners of the Company.

No operations were acquired or discontinued during the year.

A Statement of Total Recognised Gains and Losses is not required as all gains and losses of the Company have been reflected in the above Income Statement.

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

Balance Sheet

as at 30 November

	Notes	2010 £'000	2009 £'000
Fixed assets			
Investments	8	**20,936**	23,913
Current assets			
Debtors	9	**33**	87
Cash at bank and on deposit		**489**	958
		522	1,045
Creditors (amounts falling due within one year)	10	**(121)**	(326)
Net current assets		**401**	719
Net assets		**21,337**	24,632
Capital and reserves			
Called-up share capital	11	**5,928**	5,922
Share premium account	12	**1,388**	4
Capital redemption reserve	12	**2,666**	2,117
Revaluation reserve	12	**(9,556)**	(9,015)
Profit and loss account	12	**20,911**	25,604
Equity shareholders' funds		**21,337**	24,632
Net asset value per share	13	**36.00p**	41.59p
Number of shares in issue at Balance Sheet date		**59,277,137**	59,226,066

The financial statements on pages 28 to 40 were approved by the Board of Directors on 1 March 2011 and were signed on its behalf by:

GORDON H BROUGH (Chairman)

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

Cash Flow Statement

for the year ended 30 November

	Notes	2010 £'000	2009 £'000
Operating activities			
Investment income received		**225**	245
Deposit interest received		**10**	2
Other income received		**7**	–
Investment management fees		**(436)**	(336)
VAT on management fees refund received		**–**	748
Other cash payments		**(288)**	(423)
Net cash (outflow)/inflow from operating activities	15	**(482)**	236
Taxation			
Tax paid		**–**	–
Capital expenditure and financial investment			
Purchases of investments		**(4,739)**	(3,178)
Disposals of investments		**5,646**	3,950
Net cash inflow from capital expenditure and financial investment		**907**	772
Equity dividends paid		**(891)**	(277)
Net cash (outflow)/inflow before financing		**(466)**	731
Financing			
Issue of ordinary shares		**2,038**	9
Purchase of ordinary shares		**(1,881)**	–
Expenses of the share issue		**(160)**	(3)
Net cash (outflow)/inflow from financing		**(3)**	6
(Decrease)/increase in cash		**(469)**	737
Reconciliation of net cash flow to movement in net cash			
(Decrease)/increase in cash		**(469)**	737
Opening cash		**958**	221
Net cash at 30 November	14	**489**	958

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

Notes to the Accounts

1. Accounting policies

(a) Basis of accounting

These financial statements have been prepared under UK Generally Accepted Accounting Practice (UK GAAP) and on the assumption that the Company maintains VCT status.

The Company is no longer an investment company as defined by Section 833 of the Companies Act 2006, as investment company status was revoked in order to permit the distribution of capital profits.

The principal accounting policies adopted are set out below. Where presentational guidance set out in the Statement of Recommended Practice (SORP) for investment trusts issued by the Association of Investment Companies (AIC) in January 2009, is consistent with the requirements of UK GAAP, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

Critical accounting estimates and judgements

The preparation of the financial statements necessarily requires the exercise of judgement both in application of accounting policies which are set out below and in the selection of assumptions used in the calculation of estimates. These estimates and judgements are reviewed on an ongoing basis and are continually evaluated based on historical experience and other factors. However, actual results may differ from these estimates. The most significant judgement is the valuation of unlisted investments which is described in note 1(b) below.

Presentation of the Income Statement

In order to better reflect the activities of a VCT and in accordance with the SORP, supplementary information which analyses the income statement between items of a revenue and capital nature has been presented alongside the income statement. The revenue return is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 274 of the Taxes Act 2007.

(b) Valuation of investments

Purchases or sales are recognised at the date of transaction.

Investments are classified as fair value through the profit or loss. Financial assets designated as at fair value through the profit or loss are measured at subsequent reporting dates at fair value. For quoted securities this is either bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted.

In respect of unquoted investments, these are fair valued by the Directors in accordance with the following rules, which are consistent with International Private Equity and Venture Capital valuation guidelines (IPEV guidelines):

1. Investments are to be held at cost for a limited period only. The Company values new investments on a price earnings basis when audited financial statements are available within the first 12 months of the investment being made.

2. Investments outwith the initial holding period are valued using a price earnings ratio (at a significant discount to an appropriate stock market prospective price earnings ratio) in the absence of overriding factors. Where such factors apply, alternative methods of valuation will include application of an arm's length third party valuation, a provision on cost or a net asset basis.

Where securities are designated upon initial recognition as fair value through profit or loss, gains and losses arising from changes in fair value are included in net profit or loss for the period as a capital item. Transaction costs on acquisition are included within the initial recognition and the profit or loss on disposal is calculated net of transaction costs on disposal.

Company	Valuation Basis
Cambridge Sensors	Price earnings basis
Infrared Integrated Systems	Price earnings basis
Secure Electrans	Latest funding round
Convivial London Pubs	Net asset value
Resources in Insurance 12% Cv 2015	Latest funding round
Tissuemed	Latest funding round

(c) Income

Dividends on quoted shares are recognised as income on the date that the related investments are marked ex dividend and where no dividend date is quoted, when the Company's right to receive payment is established.

Interest income on loan stock and dividends on preference shares are accrued on a daily basis. Provision is made against this income where recovery is doubtful. Where the terms of unquoted loan stocks only require interest to be paid on redemption, the interest is recognised as income on receipt. Until such date interest is accrued daily and included within the valuation of the investment.

Income from fixed interest securities and deposit interest is included on an accruals basis.

Notes to the Accounts

(d) Expenses

All expenses are accounted for on an accruals basis.

Expenses are allocated to revenue except as follows:

– expenses which are incidental to the acquisition of an investment are included within the cost of the investment

– expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment

– the Company charges 75 per cent of investment management fees to capital, in line with the Board's expected long term return in the form of capital gains and income respectively from the investment portfolio of the Company. For further details refer to note 3.

(e) Revenue/capital

The revenue column of the income statement includes all income and expenses. The capital column accounts for the realised profit and loss on investments and the proportion of management fee charged to capital.

(f) Issue costs

Issue costs are deducted from the share premium account.

(g) Deferred taxation

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, or the right to pay less, tax in future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods.

(h) Reserves

- Share premium – the surplus of net proceeds received from the issuance of new shares over their par value net of any relating issue costs is credited to this account. The balance of this account on 22 July 2009 was cancelled by the High Court of Justice and transferred to the profit and loss as a distributable reserve. This account includes only the premium on shares issued since the transfer.
- Capital redemption reserve – the nominal value of any shares bought back for cancellation is added to this reserve. This reserve is non-distributable.
- Revaluation reserve – contains any gains or losses arising on the revaluation of investments during the year. This reserve is non-distributable.

Notes to the Accounts

2. Income

	2010 £'000	2009 £'000
Income from investments		
UK franked	**156**	165
UK unfranked	**10**	86
	166	251
Other income		
Deposit interest	**10**	2
Miscellaneous income	**7**	–
	17	2
Total income	**183**	253
Total income comprises:		
Dividends	**156**	165
Interest	**20**	88
Other	**7**	–
	183	253
Income from investments:		
Quoted UK	**166**	251
	166	251

3. Investment management fee

	2010 £'000	2009 £'000
Investment management fee	**438**	349

The management fee for the year ended 30 November 2010 was 2.0 per cent of the average net assets of the Company. In order to support the merger with Bluehone AiM VCT, the management fee was reduced from 2.0 per cent to 1.5 per cent of the average net assets of the Company (including the assets attributable to the C shares) per annum from 23 July 2008 until 30 November 2009. From 23 July 2008 Bluehone LLP waived all rights to a performance fee. For the year ended 30 November 2010 the annual running costs were capped at 3.25 per cent of the average net assets per annum of the Company; any excess being refunded by the Manager by way of an adjustment to the management fee. The management agreement with Bluehone LLP was terminated on 10 February 2011 when the Board appointed Maven Capital Partners UK LLP ('Maven') as investment managers.

Under the new investment management agreement, Maven will receive an investment management fee of 1.5 per cent of total assets per annum, paid quarterly in arrears, and a performance fee of 15 per cent on terms and above a high watermark to be agreed in due course. The Board has negotiated a two-year waiver of the investment management fee.

The investment management agreement will continue for a minimum of three years and is terminable by either the Company or Maven on at least 12 months' notice.

For the year ended 30 November 2010 F&C Asset Management plc received a quarterly secretarial fee, payable in arrears, comprising an annual fee of £37,757 (2009: £37,653) adjusted for movements in the Retail Price Index and a variable fee of 0.125 per cent per annum on net assets over £5 million (see note 4). The secretarial fees are subject to a maximum annual amount of £125,000 excluding VAT. Under the new investment management agreement an annual fee of £70,000 will be payable to Maven for the Company secretarial and administrative services.

Notes to the Accounts

4. Other expenses

	2010 £'000	2009 £'000
Directors' fees	**57**	59
Secretarial fees	**69**	66
Auditors remuneration for:		
-audit	**18**	17
-other services to the Company	**5**	5
Other	**137**	212
	286	359

Charges for other services provided by the auditors were in relation to tax compliance work. The Directors consider the auditors were best placed to provide this service. The Audit Committee reviews the nature and extent of non-audit services to ensure that independence is maintained. The secretarial fee is stated inclusive of irrecoverable VAT. The secretarial agreement may be terminated by either party on one year's notice to expire at the end of any calendar month.

5a. Tax on ordinary activities

	2010 £'000	2009 £'000
UK Corporation tax	**–**	–
	–	–

The income statement shows the tax charge allocated between income and capital.

5b. Factors affecting tax charge for the year

The revenue account tax charge for the year differs from the standard company rate of corporation tax in the UK (28 per cent). The differences are explained below:

	2010 Total £'000	2009 Total £'000
Net (loss)/profit before taxation	**(2,413)**	5,344
Tax @ 28%	**(676)**	1,496
Effects of:		
(Profit)/loss on realisation of investments	**(175)**	97
Changes in fair value of investments	**699**	(1,729)
Non-taxable dividend income	**(44)**	(46)
Disallowable expenditure	**2**	8
Increase in excess management expenses	**194**	174
Current tax charge for the year	**–**	–

At 30 November 2010 the Company had surplus management expenses of £4,913,136 (2009: £4,218,603) which have not been recognised as a deferred tax asset. This is because the Company is not expected to generate taxable income in a future period in excess of the deductible expenses of that future period and, accordingly, the Company is unlikely to be able to reduce future tax liabilities through the use of existing surplus expenses. Due to the Company's status as a VCT, and the intention to continue meeting the conditions required to maintain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

Notes to the Accounts

6. Dividends

	2010 £'000	2009 £'000
Dividends on equity shares:		
– Interim capital 0.5p per share on 55,370,992 shares paid on 28 August 2009	**–**	277
– Final capital 1.0p per share on 59,399,132 shares paid on 26 April 2010	**594**	–
– Interim capital 0.5p per share on 59,306,422 shares paid on 27 August 2010	**297**	–
	891	277

A final capital dividend of 1.0 pence per ordinary share has been proposed. Subject to approval at the AGM this dividend will be payable on 28 April 2011 to shareholders on the register on 8 April 2011.

7. Returns per share

The 4.08p loss per share (2009: a gain of 9.64p per share) is based on the net loss from ordinary activities after tax of £2,413,000 (2009: a gain of £5,344,000) and on 59,272,902 ordinary shares (2009: 55,408,414 ordinary shares), being the weighted average number of shares in issue during the year.

8. Investments

All investments are designated at fair value through profit or loss, therefore all gains and losses arise on investments designated at fair value through profit or loss.

Financial Reporting Standard 29 'Financial Instruments: Disclosures' (the Standard) requires an analysis of investments valued at fair value based on the reliability and significance of information used to measure their fair value. The level is determined by the lowest (that is the least reliable or independently observable) level of input that is significant to the fair value measurement for the individual investment in its entirety as follows:

- Level 1 – investments quoted in an active market;
- Level 2 – investments whose fair value is based directly on observable current market prices or indirectly being derived from market prices;
- Level 3 – investments whose fair value is determined using a valuation technique based on assumptions that are not supported by observable current market prices or based on observable market data.

	2010 £'000	2009 £'000
Investments quoted on the Alternative Investment Market (AiM)	**14,151**	17,164
Investments quoted on PLUS Market	**1,951**	644
Listed investments	**1,742**	2,554
UK Government securities	**–**	1,238
Unquoted investments	**3,092**	2,313
	20,936	23,913

	£'000	£'000
Equity shares	**20,836**	22,675
Fixed income securities	**100**	1,238
	20,936	23,913

Notes to the Accounts

8. Investments (continued)

	Level 1				Level 3	
	Quoted on AiM £'000	Quoted on PLUS £'000	Listed £'000	UK Govt Securities £'000	Unquoted £'000	Total £'000
Opening book cost	25,435	790	1,678	1,290	2,984	32,177
Opening fair value adjustment	(8,271)	(146)	876	(52)	(671)	(8,264)
Opening valuation	17,164	644	2,554	1,238	2,313	23,913
Movements in the year:						
Purchases at cost	3,468	718	253	–	100	4,539
Transfers	(774)	–	774	–	–	–
Sales – proceeds	(2,580)	–	(1,823)	(1,241)	–	(5,644)
– realised gains on sales	504	–	118	2	–	624
Transfer unrealised (losses)/gains realised during the year	(2,269)	–	365	(51)	–	(1,955)
(Decrease)/increase in fair value adjustment	(1,362)	589	(499)	52	679	(541)
Closing valuation	**14,151**	**1,951**	**1,742**	**–**	**3,092**	**20,936**
Closing book cost	23,784	1,508	1,365	–	3,084	29,741
Closing fair value adjustment	(9,633)	443	377	–	8	(8,805)
	14,151	**1,951**	**1,742**	**–**	**3,092**	**20,936**

The gains and losses included in the above table have all been recognised within the Income Statement on page 28.

During the year to 30 November 2010 the valuation of Cambridge Sensors was written up by £309,000 to £1,484,000 and Infrared Integrated Systems was written up by £370,000 to £770,000. Both these investments are Level 3 stocks.

The Standard requires disclosure, by class of financial instruments, if the effect of changing one or more inputs to reasonably possible alternative assumptions would result in a significant change to the fair value measurement. The information used in determination of the fair value of Level 3 investments is chosen with reference to the specific underlying circumstances and position of the investee company, such as visibility of earning streams and marketability discounts. The portfolio has been reviewed for both downside and upside reasonable possible alternative assumptions. Where reasonably possible alternative assumptions have been identified and they have been applied to the valuation of the relevant unquoted investments . Applying the downside alternatives the value of the unquoted investments would be £201,000 or 6.5 per cent lower. Using the upside alternatives the valuation would have an equal and opposite effect.

9. Debtors

	2010 £'000	2009 £'000
Accrued income	**10**	69
Prepayments and other debtors	**23**	16
Amounts due from brokers	**–**	2
	33	87

10. Creditors

	2010 £'000	2009 £'000
Fees due to the Manager	**35**	33
Amounts due to brokers	**–**	200
Other creditors	**86**	93
	121	326

Notes to the Accounts

11. Called-up share capital

	£'000
Allotted, called-up and fully-paid:	
Ordinary shares	
59,226,066 ordinary shares of 10p each at 30 November 2009	5,922
5,545,891 ordinary shares of 10p each issued during the year	555
(5,494,820) ordinary shares of 10p bought-back during the year	(549)
59,277,137 ordinary shares of 10p each at 30 November 2010	5,928

12. Reserves

	Share premium account* £'000	Capital redemption reserve* £'000	Revaluation reserve* £'000	Profit and loss account £'000
At 30 November 2009	4	2,117	(9,015)	25,604
Issue of shares	1,483	–	–	–
Repurchase of shares	–	549	–	(1,881)
Expenses of share issue	(99)	–	–	(49)
Transfer of prior years' revaluation to the profit and loss account	–	–	1,955	(1,955)
Dividends paid	–	–	–	(891)
Changes in fair value of investments	–	–	(2,496)	2,496
Retained loss for the year	–	–	–	(2,413)
At 30 November 2010	**1,388**	**2,666**	**(9,556)**	**20,911**

When the Company revalues its investments during the year, any gains or losses arising are credited/charged to the revaluation reserve. When an investment is sold any balance held on the revaluation reserve is transferred to the profit and loss account as a movement in reserves.

At 30 November 2010 the Company has reserves available for distribution of £11,355,000.

*These reserves are non-distributable.

13. Net asset value per share

The net asset value per share and the net asset value at the year end are calculated in accordance with their entitlements in the Articles of Association and were as follows:

	Number of shares		Attributable net asset value per share		Attributable net asset value	
	2010 number	2009 number	**2010 pence**	2009 pence	**2010 £'000**	2009 £'000
Ordinary shares	**59,277,137**	59,226,066	**36.00**	41.59	**21,337**	24,632

Basic net asset value per ordinary share is based on net assets of £21,337,000 (2009: net assets of £24,632,000), and on 59,277,137 (2009: 59,226,066) ordinary shares, being the number of ordinary shares in issue at the year end.

14. Analysis of changes in cash

	£'000
Beginning of year	**958**
Net cash outflow	**(469)**
As at 30 November 2010	**489**

Notes to the Accounts

15. Reconciliation of net (loss)/profit before taxation to net cash (outflow)/inflow from operating activities

	2010 £'000	2009 £'000
(Loss)/profit on ordinary activities before taxation	**(2,413)**	5,344
(Profit)/loss on realisation of investments	**(624)**	347
Changes in fair value of investments	**2,496**	(6,176)
Decrease in debtors	**52**	742
Increase/(decrease) in creditors	**7**	(21)
Net cash (outflow)/inflow from operating activities	**(482)**	236

16. Contingencies, guarantees and financial commitments

As at 30 November 2010 there were no contingencies, guarantees or financial commitments of the Company.

17. Financial instruments

The Company's financial instruments comprise equity and fixed interest investments, cash balances and liquid resources. The Company holds financial assets to invest in accordance with its investment policy, in UK companies raising new share capital predominantly on AiM.

Fixed asset investments held (see note 8) are valued at bid market prices or Directors' valuation which equate to their fair values. The fair value of all other financial assets and liabilities is represented by their carrying value in the Balance Sheet.

The main risks that the Company faces arising from its financial instruments are:

(i) market price risk, being the risk that the value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or currency rate movements;

(ii) interest rate risk, being the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates;

(iii) credit risk, being the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company; and

(iv) liquidity risk, being the risk that the Company may not be able to liquidate its investments quickly enough to meet its ongoing financial commitments.

The Company held the following categories of financial instruments as at 30 November:

	2010 £'000	2009 £'000
Financial assets		
Investment portfolio	**20,936**	23,913
Cash at bank and on deposit	**489**	958
Accrued income	**10**	69
Other debtors	**23**	18
Financial liabilities		
Fees due to the Manager	**35**	33
Other creditors	**86**	293

17. Financial instruments (continued)

Market price risk

The Company's strategy for managing investment risk is determined with regard to the Company's investment objective, as outlined in the business review on pages 17 to 19. The management of market risk is part of the investment management process and is a central feature of venture capital investment. The Company's portfolio is managed in accordance with the policies and procedures described in the corporate governance statement on pages 20 to 22, having regard to the possible effects of adverse price movements, with the objective of maximising overall returns to shareholders. Investments in unquoted companies, by their nature usually involve a higher degree of risk than investments in companies quoted on a recognised stock exchange, though the risk can be mitigated to a certain extent by diversifying the portfolio across business sectors and asset classes. The overall disposition of the Company's assets is monitored by the Board on a quarterly basis.

Details of the Company's investment portfolio at the Balance Sheet date are set out on page 29.

83.6 per cent (2009: 82.7 per cent) by value of the Company's net assets comprise equity securities listed on the London Stock Exchange or quoted on AiM. A 20 per cent increase in the bid price of these securities as at 30 November 2010 would have increased net assets and the total return for the year by £3.6 million (2009: £4.1 million); a corresponding fall would have reduced net assets and the total return for the year by the same amount.

14.5 per cent (2009: 9.4 per cent) by value of the Company's net assets comprise investments in unquoted companies held at fair value. The valuation methods used by the Company include the application of a price/earnings ratio derived from listed companies with similar characteristics, and consequently the value of the unquoted element of the portfolio can be indirectly affected by price movements on the London Stock Exchange. A 20 per cent overall increase in the valuation of the unquoted investments at 30 November 2010 would have increased net assets and the total return for the year by £0.6 million (2009: £0.5 million) an equivalent change in the opposite direction would have reduced net assets and the total return for the year by the same amount.

Interest rate risk

Floating rate

When the Company retains cash balances the majority of the cash is held in deposit accounts. The benchmark rate which determines the interest payments received on cash balances is the bank base rate for the relevant currency for each deposit.

If the bank base rate had increased by 0.5 per cent, the impact on the profit or loss would have been a positive £2,445 (2009: positive £4,790). If the bank base rate had decreased by 0.5 per cent, the impact on the profit or loss would have had an equal and opposite effect. The calculations are based on the cash balances as at the respective Balance Sheet dates and are not representative of the year as a whole.

Fixed rate

The Company holds fixed interest investments.

	2010 £'000	**2010 Weighted average interest rate***	**2010 Weighted average period for which the rate is fixed (years)**	2009 £'000	2009 Weighted average interest rate*	2009 Weighted average period for which the rate is fixed (years)
Assets:						
Fixed interest investments	**100**	**12.0%**	**5.71 years**	1,238	5.8%	0.02 years

*The 'weighted average interest rate' is based on the current yield of each asset, weighted by their market value.

Non-interest bearing investments

The Company's non-interest bearing investments are its equity investments which had a value of £20.8 million as at 30 November 2010 (2009: £22.7 million).

Notes to the Accounts

17. Financial instruments (continued)

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The carrying amounts of financial assets best represents the maximum credit risk exposure at the Balance Sheet date.

At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

	2010 £'000	2009 £'000
Cash and cash equivalents	**489**	958
Interest, dividends and other receivables	**33**	87
Fixed interest securities	**100**	1,238
	622	2,283

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered to be small due to the short settlement period involved and the diversity of counterparties used.

All the assets of the Company are held by JPMorgan Chase Bank, the Company's custodian. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed or limited. The Board monitors the Company's risk by reviewing the custodian's internal control reports as described in the Report of the Directors on page 22. The Managers have in place a monitoring procedure in respect of counterparty risk which is reviewed on an ongoing basis.

The credit risk on liquid funds is controlled because the counterparties are banks with high credit ratings, rated AA or higher, assigned by international credit rating agencies. Bankruptcy or insolvency of such financial institutions may cause the Company's ability to access cash placed on deposit to be delayed, limited or lost.

As at 30 November 2010 the Company had cash on deposit of £486,000 split between three counterparties and £100,000 held in fixed interest securities (2009: £1,238,000). There were no other material concentrations of credit risk to counterparties at 30 November 2010 or 30 November 2009.

Liquidity risk

The Company's liquidity risk is managed on an ongoing basis by the Managers.

The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and expenses. All financial liabilities are due for payment within three months.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Bluehone AiM VCT2 plc ('the Company') will be held at F&C Asset Management plc, Exchange House, Primrose Street, London EC2A 2NY on 30 March 2011 at 10 am for the following purposes:

To consider and, if thought fit, pass the following resolutions which will be proposed as ordinary resolutions, save for Resolutions 10 and 11 which will be proposed as special resolutions.

1. That the Report and Accounts for the year ended 30 November 2010 be received.

2. To approve payment of a final dividend of 1.0 pence per ordinary share of 10p each in the capital of the Company ('Ordinary Shares').

3. That the Directors' Remuneration Report for the year ended 30 November 2010 be approved.

4. That Gordon Brough, who retires annually, be re-elected as a Director.

5. That Jamie Matheson, who retires annually, be re-elected as a Director.

6. That Steven Mitchell, who retires annually, be re-elected as a Director.

7. That Gordon Humphries, who retires annually, be re-elected as a Director.

8. That KPMG Audit Plc, Chartered Accountants, be re-appointed as Auditors and that the Directors be authorised to determine their remuneration.

9. That, in accordance with section 551 of the Companies Act 2006 ('the Act'), the Directors be generally and unconditionally authorised to allot shares in the Company and grant rights to subscribe for or to convert any security into shares in the Company ('Rights') up to an aggregate nominal amount of £3,500,000 provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the fifth anniversary of the date of passing of this resolution save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or Rights to be granted and the Directors may allot shares or grant Rights in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This authority is in substitution for all previous authorities conferred on the Directors in accordance with section 551 of the Act.

10. That:

    (a) the Directors be and are hereby empowered to allot equity securities (as defined in section 560 of the Act for cash pursuant to the authority granted by Resolution 9 above, or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities in connection with:

    (i) an offer of securities, open for acceptance for a period fixed by the Directors, to holders of Ordinary Shares and such other equity securities of the Company as the Directors may determine on the register on a fixed record date in proportion (as nearly as may be) to their respective holdings of such securities or in accordance with the rights attached thereto (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements that would otherwise arise or with legal or practical problems under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in, any territory or otherwise howsoever); and

    (ii) (otherwise than pursuant to sub-paragraph (i) above) up to an aggregate amount of £592,771

    in each case, where the proceeds may in whole or part be used to purchase shares, and shall expire on the date falling 15 months after the date of the passing of this resolution or, if earlier, at the conclusion of the next annual general meeting of the Company, except that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry.

    (b) words and expressions defined in or for the purposes of Part IV of the Act shall bear the same meanings in this resolution.

Notice of Annual General Meeting

11. That the Company is hereby generally and unconditionally authorised pursuant to and in accordance with section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares (either for cancellation or for the retention as treasury shares for future re-issue or transfer) on such terms and in such manner as the Directors may determine, provided that:
    (a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 8,885,642;
    (b) the minimum price which may be paid for each Ordinary Share is the nominal value thereof;
    (c) the maximum amount which may be paid for an Ordinary Share shall not exceed the higher of the maximum amount permitted to be paid in accordance with the rules of the UK Listing Authority in force at the date of purchase and the amount stipulated by article 5(1) of the Buy Back and Stabilisation Regulation 2003;
    (d) the authority hereby conferred shall (unless previously renewed or revoked) expire at the conclusion of the next annual general meeting of the Company or, if earlier, on the expiry of 15 months from the passing of this resolution; and
    (e) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be completed or executed wholly or partly after the expiration of such authority and may make a purchase pursuant to such contract.

By Order of the Board

Scott Macrae
for F&C Asset Management plc
Secretary
80 George Street
Edinburgh EH2 3BU
1 March 2011

Appendix to the Notice of Annual General Meeting

Notes

1. A member entitled to attend, speak and vote at the above meeting is entitled to appoint one or more proxies to attend, speak and vote instead of him. A proxy need not be a member of the Company.

2. A form of proxy is enclosed for use at the above meeting. Completion and return of the form of proxy will not prevent a member from attending the meeting and voting in person. To be effective, the form of proxy, duly executed, must be lodged at the address shown on the form of proxy (i) by 10 am on 28 March 2011 or, (ii) in respect of an adjourned meeting, no later than 48 hours (not taking into account any part of a day which is not a working day) before the holding of that adjourned meeting.

3. Only those holders of Ordinary Shares entered on the Register of Members of the Company as at 6.00 pm on 28 March 2011 or, in the event that the meeting is adjourned, on the Register of Members 48 hours (not taking into account any part of a day which is not a working day) before the time of any adjourned meeting, shall be entitled to attend, speak or vote at the meeting in respect of the number of Ordinary Shares registered in their names at that time. Changes to the entries on the Register of Members after 6.00 pm on 28 March 2011 or, in the event that the meeting is adjourned, on the Register of Members 48 hours (not taking into account any part of a day which is not a working day) before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend, speak or vote at the meeting, notwithstanding any provisions in any enactment, the Articles of Association of the Company or other instrument to the contrary.

4. Any person holding 3 per cent of the total voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such third party complies with their respective disclosure obligations under the Disclosure and Transparency Rules.

5. The members of the Company may require the Company to publish, on its website (without payment), a statement (which is also passed to the Company's auditors) setting out any matter relating to the audit of the Company's accounts, including the auditors' report and the conduct of the audit. The Company will be required to do so once it has received such requests from either members representing at least 5 per cent of the total voting rights of the Company or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state your full name and address and be sent to F&C Asset Management plc, Exchange House, Primrose Street, London EC2A 2NY.

6. Information regarding the Annual General Meeting, including information required by section 311A of the Companies Act 2006, is available from www.bluehoneaimvct2.com.

7. Under section 319A of the Companies Act 2006, the Company must cause to be answered any question relating to the business being dealt with at the meeting put by a member attending the meeting unless:

   (a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;

   (b) the answer has already been given on a website in the form of an answer to a question; or

   (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and by logging on to www.euroclear.com/CREST. CREST personal members or other CREST sponsored members, and those CREST 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 the appropriate action on their behalf.

9. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a ''CREST Proxy Instruction'') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's registrar (ID RA10) no later than 48 hours before the time of the meeting or any adjournment. 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 Application Host) from which the Company's registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

10. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. 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 system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

11. 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.

12. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a ''Nominated Person'') may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

13. The statement of the rights of members in relation to the appointment of proxies in paragraphs 1 to 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.

14. No Director has a contract of service with the Company. The Directors' letters of appointment will be available for inspection by shareholders during normal business hours at the registered office of the Company and at the location of the Annual General Meeting for 15 minutes prior to, and during the Annual General Meeting.

15. As at 5 pm on 1 March 2011 (being the latest applicable date prior to the publication of this notice), the Company's issued share capital comprised 59,277,137 ordinary shares of 10p each. Every Member holding Ordinary Shares shall have one vote for every Ordinary Share held by them and therefore the total number of voting rights in the Company at 5 pm on 1 March was 59,277,137.

16. Members who have general queries about the Annual General Meeting should not use any electronic address to communicate with the Company but should call the Company's registrars on 0871 664 0300. Calls to this number are charged at 10p per minute plus network extras from a BT landline. Other telephony provider costs may vary.

17. A copy of this notice and other information required by Section 311A of the Companies Act 2006 can be found at the Company's website www.bluehoneaimvct2.com

Bluehone AiM VCT2 plc

PROXY

I/We ____

(BLOCK LETTERS PLEASE)

of ____

being a member of Bluehone AiM VCT2 plc, hereby appoint the Chairman of the meeting, or*

____

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company, to be held at F&C Asset Management plc, Exchange House, Primrose Street, London EC2A 2NY on 30 March 2011 at 10 am, on the following Resolutions to be submitted to the meeting and at any adjournment thereof.

Please indicate with an 'X' here if you are appointing more than one proxy* [ ]

Please indicate with an 'X' in the appropriate spaces how you wish your votes to be cast. Unless otherwise instructed, the proxy will vote as he thinks fit or abstain.

	For	Against	Abstain
1. To receive the Report and Accounts for the year ended 30 November 2010.			
2. To approve payment of a final dividend of 1.0 pence per Ordinary Share.			
3. To approve the Directors' Remuneration Report for the year ended 30 November 2010.			
4. To re-elect Gordon Brough as a Director.			
5. To re-elect Jamie Matheson as a Director.			
6. To re-elect Steven Mitchell as a Director.			
7. To re-elect Gordon Humphries as a Director.			
8. To re-appoint KPMG Audit Plc as Auditors, and to authorise the Directors to determine their remuneration.			
9. To authorise the Directors to allot Ordinary Shares.			
10. To renew the authority to disapply statutory pre-emption rights.			
11. To renew the Directors' authority to buy-back Ordinary Shares.			

Signature ____

Dated this ______________________ day of ______________________ 2011

Notes

*You may appoint one or more proxies of your choice to attend and vote at the meeting and any adjournment thereof, instead of you, provided each proxy is appointed to exercise rights in respect of different shares. To appoint more than one proxy, please photocopy this page indicating on each copy the name of the proxy you wish to appoint and the number of shares in respect of which the proxy is appointed. You should send all pages to Capita Registrars.

In the case of a corporation, the proxy must be either under its common seal or under the hand of an officer.

In order to have effect, the proxy must be deposited at the Company's Registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham BR3 4TU at least 48 hours before the time of the meeting (not taking into account any part of a day which is not a working day) or any adjournment thereof together where appropriate with the power of attorney under which it is signed or a notarially certified copy of such power.

In the case of a joint holding, a proxy need only be signed by one joint holder. If more than one such joint holder lodges a proxy only that of the holder first on the Register will be counted.

The "Abstain" option is provided to enable you to abstain on the resolution. However it should be noted that a vote abstained is not a vote in law and will not be counted in the calculation for the proportion of the votes "For" and "Against" the resolution. If a proxy form is returned without any indication as to how the proxy must vote, or if further matters are raised at the meeting the proxy will exercise his discretion to vote and if so how.

Any alterations made in this proxy should be initialled.

Completion of a proxy shall not prevent a shareholder from attending the Annual General Meeting and voting in person should you decide to do so.

Shareholder Information

Dividends

Provided revenue or capital returns permit payment, an interim dividend is paid to shareholders in August. The final dividend is paid in April. Shareholders who wish to have dividends paid directly into a bank account rather than by cheque to their registered address can complete a Mandate Form for this purpose. Mandates can be obtained from the Company's registrar, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Share price

The Company's shares are listed on the London Stock Exchange. Prices are given daily in the *Financial Times* for the Ordinary shares under ''Investment Companies''. Share price information can also be obtained from many financial websites.

Notification of change of address

Communications with shareholders are mailed to the address held on the share register. In the event of a change of address or other amendment this should be notified to the Company's registrar, Capita Registrars, under the signature of the registered holder, or updated online at www.capitaregistrars.com.

Financial Calendar

30 March 2011	Annual General Meeting
28 April 2011	Final dividend on ordinary shares
July 2011	Posting of interim report for the six months ended 31 May 2011
August 2011	Interim dividend on ordinary shares if proposed
March 2012	Announcement of Annual Results
March 2012	Posting of Annual Report for the year ended 30 November 2011

Shareholder enquiries

Capita Registrars 0871 664 0300* or www.capitaregistrars.com

Ordinary shares

There were 3,443 holders of ordinary shares as at 30 November 2010. Their shareholdings are analysed as follows:

Size of shareholding	Number of shareholders	Percentage of total number of shareholders	Number of ordinary shares	Percentage of ordinary shares
Over 100,000	44	1.3	14,567,235	24.6
50,001–100,000	132	3.8	10,000,488	16.9
25,001–50,000	290	8.4	10,573,231	17.8
10,001–25,000	763	22.2	12,953,706	21.8
5,001–10,000	844	24.5	6,523,447	11.0
2,001–5,000	1,273	37.0	4,562,113	7.7
1–2,000	97	2.8	96,917	0.2
Total	3,443	100.0	59,277,137	100.0

Warning to Shareholders – Boiler Room Scams

In recent years, many companies have become aware that their shareholders have been targeted by unauthorised overseas-based brokers selling what turn out to be non-existent or high risk shares, or expressing a wish to buy their shares. If you receive unsolicited investment advice or requests:

- Make sure you get the correct name of the person or organisation
- Check that they are properly authorised by the FSA before getting involved by visiting www.fsa.gov.uk/pages/register/
- Report the matter to the FSA by calling 0845 606 1234
- If the calls persist, hang up.

More detailed information on this can be found on the CFEB website www.moneymadeclear.fsa.gov.uk

Bluehone AiM VCT2 plc is managed by Maven Capital Partners UK LLP which is regulated by the FSA. Past performance is not a guide to future performance. Stock markets may cause the value of investments and the income from them to fall as well as rise and investors may not get back the amount they originally invested. Where investments are made in unquoted securities and smaller companies, their potential volatility may increase the risk to the value of, and the income from the investment.

*Calls cost 10 pence per minute plus network extras, lines are open 8.30 am to 5.30 pm Monday to Friday.

Corporate Information

Directors
Gordon Brough (Chairman)
Gordon Humphries †
Jamie Matheson
Steven Mitchell

Secretary
Scott Macrae
F&C Asset Management plc
80 George Street
Edinburgh
EH2 3BU
Telephone: 0207 628 8000

Registered Office
Exchange House
Primrose Street
London
EC2A 2NY

Investment Managers
Maven Capital Partners UK LLP
149 St Vincent Street
Glasgow
G2 5NW

VCT Status Adviser
PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Registrars and Transfer Office
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Tel UK: 0871 664 0300*
Tel Overseas: +44 208 639 3399
www.capitaregistrars.com

Auditors
KPMG Audit Plc
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Solicitors
Martineau
No 1 Colmore Square
Birmingham
B4 6AA

Brokers
Matrix Corporate Capital LLP
1 Vine Street
London
W1J 0AH
Telephone: 020 3206 7000

Shareholder enquiries
0141 306 7400
enquiries@mavencp.com

Registered number
04084875

Website address
www.bluehoneaimvct2.com

* Calls cost 10 pence per minute plus network extras, lines are open 8.30 am to 5.30 pm Monday to Friday.

† Chairman of the audit committee.