

This document, which constitutes a prospectus relating to Hargreave Hale AIM VCT 1 plc and Hargreave Hale AIM VCT 2 plc, has been prepared in accordance with the Prospectus Rules made by the Financial Services Authority pursuant to Part VI of the Financial Services and Markets Act 2000 ("FSMA"), and has been approved by and filed with the Financial Services Authority.

Application has been made to the UK Listing Authority and the London Stock Exchange for the Ordinary Shares and C Shares to be issued pursuant to the Offers to be admitted to the premium segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's market for listed securities. It is expected that such admission will become effective and that dealings in the Ordinary Shares and C Shares will commence within 10 business days of their allotment.

Each of the Directors of Hargreave Hale AIM VCT 1 plc and Hargreave Hale AIM VCT 2 plc (the "Companies"), whose names are set out on page 18 of this document and the Companies, accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Companies (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

Howard Kennedy Corporate Services LLP (the "Sponsor"), which is authorised and regulated by the Financial Services Authority, is acting for the Companies in connection with the Offers and is not advising any other person or treating any other person as a customer in relation to the Offers and will not be responsible to any such person for providing the protections afforded to customers of the Sponsor (subject to the responsibilities and liabilities imposed by FSMA and the regulatory regime established thereunder) or for providing advice in connection with the Offers. The Sponsor does not give any representation, warranty or guarantee that the Companies will qualify as venture capital trusts or that investors will obtain any tax relief in respect of their investment.

The whole of this document should be read. In particular, your attention is drawn to the risk factors on pages 9 to 11 of this document.

HARGREAVE HALE AIM VCT 1 PLC

(Incorporated in England and Wales under the Companies Act 1985 with registered number 05206425)

HARGREAVE HALE AIM VCT 2 PLC

(Incorporated in England and Wales under the Companies Act 1985 with registered number 05941261)

Offers for Subscription

of Ordinary Shares of 1p each in Hargreave Hale AIM VCT 1 to raise up to £5,000,000,
C Shares of 5p each in Hargreave Hale AIM VCT 1 to raise up to £10,000,000 and
Ordinary Shares of 1p each in Hargreave Hale AIM VCT 2 to raise up to £10,000,000

The subscription list for those Ordinary Shares and C Shares which are being offered to the public under the Offers will open at 10 am on 29 February 2012 and may be closed at any time thereafter but, in any event, not later than 12 pm on 5 April 2012 for the 2011/12 tax year and 12 pm on 31 August 2012 for the 2012/2013 tax year, unless extended (but to no later than 22 February 2013) or closed prior to that date. All subscription monies will be payable in full in cash on application. The terms and conditions of the Offers are set out in Part VI of this document followed by an Application Form for use in connection with the Offers.

The Offers in relation to the C Shares in Hargreave Hale AIM VCT 1 will not proceed unless valid subscriptions amounting to not less than £700,000 after expenses under the C Share Offer are received by 12 p.m. on 5 April 2012.

Completed Application Forms must be posted or delivered by hand to Hargreave Hale Limited.

No person receiving a copy of this document or an Application Form in any territory other than the UK may treat the same as constituting an offer or invitation to him to subscribe for or purchase new Ordinary Shares and/or C Shares unless, in such territory, such offer or invitation could lawfully be made.

CONTENTS

	Page
Summary	2
Risk Factors	9
Definitions	12
Expected Timetable	16
Offer Statistics	17
Directors, Investment Manager and Advisers	18
What is a VCT?	19
 PART I	
Introduction	21
About the Hargreave Hale AIM VCTs	22
Dividend History & Policy	23
The Investment Opportunity	25
Investment Policy	29
Proposed Revised Investment Policy	29
Management of Share Liquidity	38
Risk Management	39
Enhanced Share Buy Back	40
Allotment of Ordinary Shares and C Shares under the Offers and the Relevant Offer Price	42
Investments of Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2	44
Top Investments of Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2	48
Tax Benefits for Investors	56
Directors	59
The Investment Manager: Hargreave Hale Limited	61
Management Remuneration and Expenses	63
Life of the Companies and Annual Accounts	64
Taxation	64
VCT Status and Monitoring	65
Further Details Relating to The Offers and the Tender Offers	65
 Part II	
Taxation Considerations for Investors	67
 PART III	
Conditions to be met by Venture Capital Trusts	70
 PART IV	
Financial Information on the Companies	73
 PART V	
Additional Information	76
 PART VI	
Terms and Conditions	114
Guide to the Application Form	118
Application Form	121

SUMMARY

This summary should be read as an introduction to the Prospectus. Any decision to invest in the Ordinary Shares and/or C Shares should be based on consideration of the prospectus as a whole by the investor. Where a claim relating to the information contained in a prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA states, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches to the persons responsible for this summary including any translation of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with other parts of this Prospectus.

INTRODUCTION

The Boards of both Hargreave Hale AIM VCTs have decided to launch offers for subscription to give investors an opportunity to subscribe for New Shares in the 2011/12 and 2012/13 tax years.

The Boards acknowledge the difficulties facing investors as they weigh up risk and reward at a time of considerable uncertainty and weak economic growth. They also accept that investors look for different qualities in VCTs: some are more focused on the tax reliefs attached to the investment than the potential for income and capital appreciation, whilst others are more risk orientated. As such, we are presenting investors with two very different options that, we hope, will allow them to find a balance between risk and reward that meets their needs; existing Shareholders who have held their Shares for 5 years can also participate in the Offers through the Enhanced Share Buy Back. Whilst at their heart, both our VCTs will continue to focus on investing in small companies with a quotation on AIM, the different structures will likely lead to quite different performance and risk characteristics, at least in the early years.

In an important departure from its existing investment policy, Hargreave Hale AIM VCT 2 will at the appropriate time be investing some of the proceeds of the Offers into the Marlborough Special Situations Fund, which is run by the same award winning investment team as the VCTs. The Marlborough Special Situations Fund has returned 1089%¹ since coming under Hargreave Hale's management, and the Board believe that its inclusion in the amended investment policy for Hargreave Hale AIM VCT 2 will help drive returns whilst the Investment Manager identifies suitable opportunities for investment into Qualifying Companies.

¹ 1 July 1998 to 24 February 2012, source: Hargreave Hale & Bloomberg

REASONS FOR THE OFFER

The basic rationale remains unchanged from previous offers: namely, to raise new capital into both VCTs to ensure they have sufficient capital to support their investment objectives of investing in both VCT qualifying and non-qualifying opportunities; promote their long term viability; meet expenses and reduce the Total Expense Ratios. At the same time, the Offers will provide existing and new investors with the opportunity to invest into small companies through a tax efficient structure and with an award winning investment team that has a long track record of successful investment into small companies.

STRUCTURE OF THE OFFERS

Hargreave Hale AIM VCT 1.

- Hargreave Hale AIM VCT 1 is seeking to raise £5m through an offer for subscription of New Shares. Existing Shareholders are invited to subscribe through the Enhanced Share Buy Back.
- In addition, Hargreave Hale AIM VCT 1 is seeking to raise a further £10m through a C Share Offer. The Investment Manager will manage the funds raised by the C Share Offer as a separate pool of assets, to be known as the "C Share Fund". The C Shares will convert into Ordinary Shares on a relative value basis with reference to the Net Asset Value per Share on 30 September 2017. If less than £2m is raised, the C Shares will convert into Ordinary Shares on a relative value basis with reference to the Net Asset Value per Share on 30 September 2012. The C Share Offer will not proceed unless valid subscriptions amounting to not less than £700,000 after expenses are received by 12 p.m. on 5 April 2012.

Hargreave Hale AIM VCT 2.

Hargreave Hale AIM VCT 2 is seeking to raise £10m through an offer for subscription of New Shares. Existing Shareholders can also participate in the Offer through the Enhanced Share Buy Back.

Pricing Formula

New Ordinary Shares issued pursuant to the Offers (other than the C Share Offer but including the Tender Offers) will be priced at a 5% premium to the last published Net Asset Value per share of an existing Ordinary Share as released by the relevant Company to the London Stock Exchange prior to the allotment. In the case of Hargreave Hale AIM VCT 1, the C Shares will be issued at 100 pence per C Share.

Enhanced Share Buy-Back

The Companies are also proposing to launch an Enhanced Share Buy Back for Existing Shareholders. The Companies will buy back Ordinary Shares at the Net Asset Value per Ordinary Share as most recently announced to the London Stock Exchange prior to the purchase, where the selling Shareholder subscribes for New Shares in the same VCT under the Offers with the net proceeds from the Tender Offers.

TAX BENEFITS FOR INVESTORS

UK taxpayers subscribing under the Offers should be entitled to tax reliefs that include 30% income tax relief on the initial investment, tax free dividends and exemption from capital gains tax on the disposal of their Shares.

The maximum investment which can be made in order to qualify for the personal tax reliefs available from a venture capital trust is currently £200,000 per person per tax year.

INVESTMENT POLICY

Changes to Investment Objectives

The principal investment objective of both VCTs is unchanged: to maintain a diversified portfolio of Qualifying Investments, primarily being companies which are traded on AIM and have the potential for significant value appreciation.

Both Companies have secondary objectives: to boost the performance of the Company through targeted investment in equities which are Non-Qualifying Investments on an opportunistic basis.

Subject to Shareholder approval, the Investment Manager intends to make two changes to the Companies' published investment policy. These will affect the C Share Fund and Hargreave Hale AIM VCT 2, but not the Ordinary or new Ordinary Shareholders in Hargreave Hale AIM VCT 1.

- **Hargreave Hale AIM VCT 1 C Share Class.** *The C Share Fund will not make targeted investment in equities which are Non-Qualifying Investments on an opportunistic basis.*
- **Hargreave Hale AIM VCT 2.** *The Investment Policy will be extended to allow investment of new capital into the Marlborough Special Situations Fund. The change of policy is designed to allow effective management of the proceeds of the Offer and maintain the Company's exposure to small companies pending investment into Qualifying Companies.*

If Shareholder approval to make these changes is not received the relevant Offer will not proceed.

Investment strategy

The primary purpose of the investment strategy is to ensure that the Companies maintain their status as VCTs. To achieve this, both Companies must have 70% of all net funds raised from the issue of shares invested in Qualifying Investments throughout accounting periods beginning no later than 3 years after the date on which those shares are issued.

The Ordinary Shares of both VCTs will have additional Non-Qualifying Investments in UK equities and international equities through targeted investments made on an opportunistic basis. This will vary in accordance with the Investment Manager's view of the equity markets and may fluctuate between nil and 30% of the net assets of that class of share. The C Share Fund will not participate in this type of investment activity.

Hargreave Hale AIM VCT 1 Ordinary Shares.

- **Qualifying Investments.** The Investment Manager will maintain the Ordinary Share Fund's diversified and fully invested portfolio of Qualifying Investments, primarily in small UK companies with a quotation on AIM. The Ordinary Share Fund should not require any further investment into Qualifying Companies as a result of the Offers in order for the Company to maintain its status as a VCT, other than through the regular process of reviewing and replacing existing Qualifying Investments.
- **Non-Qualifying Investments.** The Investment Manager will continue to make targeted Non-Qualifying Investments in equities on an opportunistic basis to boost the performance of the VCTs. The Investment Manager will also invest in Gilts, other fixed income securities and cash.

Hargreave Hale AIM VCT 1 C Shares.

- **Qualifying Investments.** The C Share Fund will start with a clean structure with no equity exposure, qualifying or non-qualifying. The Investment Manager will gradually build a diversified portfolio of Qualifying Investments within the C Share Fund over a 2 to 3 year period following the receipt of the proceeds of this Offer. In most cases, the Qualifying Investment will be in a small UK company with a quotation on AIM.
- **Non-Qualifying Investments.** The Investment Manager will only invest in Gilts, other fixed income securities and cash. Outside the portfolio of Qualifying Investments, the Investment Manager's primary focus will be the preservation of capital rather than capital appreciation.

Hargreave Hale AIM VCT 2 Ordinary Shares

- **Qualifying Investments.** The VCT already has a diversified and fully invested portfolio of Qualifying Investments, primarily in small UK companies with a quotation on AIM.
- **Non-Qualifying Investments.** The Investment Manager will continue to make targeted equity investments in companies, which are non-VCT qualifying on an opportunistic basis to boost the performance of the Company. The Investment Manager will also invest in Gilts, other fixed income securities and cash. The Investment Manager will invest a proportion of the proceeds into the Marlborough Special Situations Fund. The Board believes that the investment will help drive investor returns ahead of investment into Qualifying Companies.

CONDITIONS

The Offers in respect of each Company are conditional upon the passing of certain Resolutions. The offers are not conditional upon Resolutions authorising the Boards to issue up to 10% of the issued share capital of each Company, and cancelling the share premium accounts of the Companies.

THE DIRECTORS

The Boards of the Companies both comprise three Directors, two of whom are independent of the Investment Manager. The Directors operate in a non-executive capacity and are responsible for overseeing the investment strategy of the Companies and ensuring appropriate levels of corporate governance.

INVESTMENT MANAGER

Hargreave Hale is a fund manager with approximately £1,528m under management (*source: Hargreave Hale*). Hargreave Hale has been managing investments in UK Small & Micro Cap companies for 13 years and VCTs for 7 years. It has a long established reputation that stems from its management of the Marlborough Special Situations Fund and the Marlborough UK Micro Cap Fund. It has won numerous awards for its management of these funds, most recently the 2012 Quoted Company 'Investor of the Year' Award. The Marlborough Special Situations Fund, in which Hargreave Hale AIM VCT 2 will invest, has returned 1089%² since coming under the management of Giles Hargreave in July 1998.

PERFORMANCE

Below is a table outlining Shareholder returns as at 24 February 2012 for the 3 initial share offers launched by the Companies to date. The returns, which assume an initial investment of £10,000, are net of fees and assume a gross price paid of 100 pence per Ordinary Share. When establishing the return net of tax relief, the calculation assumes a net cost to shareholders of 60 pence per share for shares in Hargreave Hale AIM VCT 1 and 70 pence per share for shares in Hargreave Hale AIM VCT 2.

Tax Year	Company	NAV GBP	Dividends GBP	Total Return ¹ GBP	Return excl. Tax Relief	Return incl. Tax Relief	FTSE AIM All-Share ²
2004/5	Hargreave Hale AIM VCT 1 (Ordinary Shares)	6,024	2,500	8,542	-15%	+42%	-24%
2005/6	Hargreave Hale AIM VCT 1 (C Shares ³)	7,466	1,683	9,149	-9%	+53%	-31%
2006/7	Hargreave Hale AIM VCT 2 (Ordinary Shares)	9,522	2,100	11,622	+16%	+66%	-28%

Notes:

1. Returns based on unaudited published NAV of Hargreave Hale AIM VCT and Hargreave Hale AIM VCT 2 as at 24 February 2012.
2. Source: Bloomberg – from the closing value of the relevant index on 5 April of the year of issue of the relevant shares to 24 February 2012.
3. The C Shares in Hargreave Hale AIM VCT 1 were converted into Ordinary Shares on 8 October 2008.

² 1 July 1998 to 24 February 2012, source: Hargreave Hale & Bloomberg

DIVIDEND POLICY

Both Companies have well established track records of paying out tax free dividends to their Shareholders. The intention is to continue the existing policy of targeting a 5% distribution yield (referenced to the Net Asset Value per share), although the ability to pay dividends will clearly be influenced by various factors, including performance. The table below shows the cumulative dividend distributions paid to date.

Launch Year	Company	Total Dividend Distributions
2004/05	Hargreave Hale AIM VCT 1 (Ordinary Shares)	25.00p
2005/06	Hargreave Hale AIM VCT 1 (C Shares)	16.83p
2006/07	Hargreave Hale AIM VCT 2 (Ordinary Shares)	21.00p

MANAGEMENT OF SHARE LIQUIDITY

In order to improve the liquidity in the Shares of both Companies, the Boards have established buy-back policies whereby each Company will purchase Shares for cancellation. Hargreave Hale AIM VCT 1 has consistently demonstrated its commitment to improving shareholder liquidity through its regular share buy-back policy, which has seen it acquire 7.8m Ordinary Shares at a discount of approximately 10% to the prevailing Net Asset Value per share. The Directors believe it is in Shareholders' best interest to target a reduced buy-back discount. As a guide, and subject to the Boards' discretion and providing that, in the opinion of the Boards, there is adequate surplus cash available, each Company will consider buying back Ordinary Shares and C Shares at a 5% discount to the last published Net Asset Value per share after the Enhanced Share Buy Backs have closed.

The Directors believe that reducing the discount between the share price and the Net Asset Value per share is in Shareholders' best interest: it will improve returns on exit and may help attract new capital. The 5% buy-back discount is non-binding and at the Directors' discretion. They reserve the right to return to the previous policies of purchasing shares at 10% below Net Asset Value per share.

SUMMARY OF THE RISK FACTORS

- An investment into a VCT should be for a minimum of five years. If a Shareholder disposes of their New Shares within five years of issue, other than in the event of death, they will be subject to claw back by HMRC of some or all of the 30% income tax relief originally claimed.
- The VCTs will invest in small companies. Investments in small companies generally carry a high level of risk.
- The value of New Shares, and the income from them, may go down as well as up. An investor may not get back the amount originally invested.

- Whilst it is the intention of the Directors that the Companies maintain their status as VCTs, there can be no guarantee that they will continue to qualify. A failure to maintain the Companies' status as VCTs could result in adverse tax consequences for Investors.
- Past performance is no indication of future performance.
- Shareholders who participate in the Enhanced Share Buy Back who have not held their Shares for a minimum of 5 years will lose their initial income tax relief.

RISK FACTORS

Although the significant tax benefits available to Investors in Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2 reduce the risk of the investment, prospective Investors should consider carefully the following risk factors. If any of the risks described below were to occur, it could have a material effect on each of the Companies' businesses, financial condition or results of operations. The risks described below are those specific to the Companies and all the material risks in respect of the New Shares. The value of the New Shares could decline due to any of the risk factors described below and prospective investors could lose part or all of their investment. This document does not constitute financial advice and prospective investors are recommended to consult an independent financial adviser authorised under the FSMA before deciding whether to apply for New Shares under the terms of the Offers.

- An investment into Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2 should be for a minimum of 5 years. If a Shareholder disposes of their New Shares within five years of issue they will be subject to claw back by HM Revenue & Customs of some or all of the 30% income tax relief originally claimed. Shareholders who participate in the Enhanced Share Buy Back who have not held their Shares for a minimum of 5 years will also lose their initial income tax relief.
- Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2 will invest in small companies with gross assets of less than £7m prior to investment. This may limit the number of investment opportunities available to the Companies. Small companies generally have a higher risk profile than larger "blue chip" companies on account of various factors such as greater reliance on fewer larger customers, less financial resilience, weak or negative cash flow from operations, less management resource, controlling shareholders and volatile share prices. They may not produce the anticipated returns.
- Since the value of a VCT depends on the performance of the underlying assets, prospective Investors should be aware that the value of New Shares, and the income from them, may go down as well as up. An Investor may not get back the amount originally invested.
- Past performance of the Companies and their investments is no indication of their future performance. The return received by Investors will be dependent on the performance of the underlying investments of the Companies. The value of such investments, and interest income and dividends therefrom, may rise or fall.
- Investments may be made in companies whose shares are not readily marketable and, therefore, may be difficult to realise. PLUS is not regulated by either the UK Listing Authority or the London Stock Exchange. The fact that a share is quoted on PLUS, or on AIM, does not guarantee its liquidity, and an investment in such shares (in particular on PLUS) may be difficult to realise. There may also be constraints imposed on the realisation of investments to maintain the VCT tax status of the Companies.
- The Investment Manager's ability to obtain maximum value from the investments (for example, through sale) may be limited by the requirements imposed in order to maintain the VCT qualification status of the Companies.

- Whilst it is the intention of the Directors that the Companies will be managed so as to continue to qualify as a VCT, there can be no guarantee that the status will be maintained. A failure to maintain the qualifying status could result in the Companies losing the tax reliefs previously obtained, resulting in adverse tax consequences for Investors. Possible adverse consequences include: a requirement to repay the 30% income tax relief for those who have not held their shares for 5 years; loss of income tax relief on dividends paid (or subsequently payable) by the Companies; loss of tax relief previously obtained in relation to corporation tax on capital gains made by the Companies; a liability to capital gains tax on the disposal of New Shares; and the potential cancellation of the shares from the London Stock Exchange's Official List, which would require shareholder approval.
- Changes in legislation concerning VCTs in general, and Qualifying Investments and qualifying trades in particular, may restrict or adversely affect the ability of the Companies to meet their objectives and/or reduce the level of returns which would otherwise have been achievable. The levels and bases of, and relief from, taxation are those available for the 2011/12 tax year and are subject to change. Such changes could be retrospective. Those shown in this document are based upon current legislation, practice and interpretation. The tax reliefs for future tax years are subject to change and Investors should seek their own tax advice appropriate to their individual circumstances.
- It is possible for Investors to lose their tax reliefs by themselves taking or not taking certain steps, and Investors are advised to take their own independent financial advice on the tax aspects of their investment.
- Although the Ordinary Shares are already listed on the premium segment of the Official List and are admitted to trading on the London Stock Exchange, and the New Shares will be listed on the premium segment of the Official List and admitted to trading on the London Stock Exchange, it is possible that there may not be a liquid market in the New Shares and Shareholders may have difficulty in selling them, primarily because the initial income tax relief is only available to those subscribing for newly issued shares. The Ordinary Shares usually trade at a discount to the Net Asset Value of the Companies. The C Shares are also likely to trade at a discount to the Net Asset Value of the C Share Class. The Directors intend, subject to liquidity, the Listing Rules, the Prospectus Rules, the Act and VCT regulations, to pursue a policy of purchasing Ordinary Shares and C Shares in the market in order to facilitate liquidity for Ordinary Shareholders and C Shareholders and to manage the level of the discount to NAV at which the Ordinary Shares and C Shares may be trading. The Companies will endeavour to facilitate such sales at a price which represents a discount of no more than 5% to the last published NAV of the relevant Company. However, the Directors reserve the right to suspend or amend the buy back policy in certain circumstances.
- The conditions determining whether an investment of the Companies is a Qualifying Investment under the VCT rules may change and such changes could limit the types of investments available to the Companies. In the Finance Bill 2012 published in draft on 6 December 2011, HMRC stated its intention to introduce a new "disqualifying purpose" test for investments made on or after 6 April 2012. Under this test, an investment will not be a Qualifying Investment if the investee company has been set up for the purpose of accessing tax reliefs. The details of how the "disqualifying purpose" test will be

implemented have not yet been published. The Boards do not believe that the “disqualifying purpose” test will apply to investments of the Companies; however, there is a risk that the rules could be implemented in a way that would restrict investment opportunities of the Companies. For VCT funds raised after 5 April 2012, it is proposed that there be an exclusion on the use of VCT funds for the purchase by Qualifying Companies of shares in another company. This may limit the number of Qualifying Investments available to the VCTs.

DEFINITIONS

“Act”	the Companies Act 2006 (as amended)
“Admission”	the admission of the New Shares issued, and to be issued, pursuant to the Offers to the premium segment of the Official List and to trading on the London Stock Exchange becoming effective
“Annual Running Costs”	means the running costs of the relevant Company and include the management fees payable to the Investment Manager (excluding any performance incentive fee), accounting and administration fees, as well as fees for directors, auditors, taxation advisers, sponsor, registrar, and the costs of communicating with shareholders; however, such costs shall exclude any VAT payable thereon and any trail commissions to financial intermediaries (the payment of which is the responsibility of the respective Company)
“AIM”	the AIM Market operated by the London Stock Exchange
“Application Form”	the form of application for New Shares under the Offers set out at the end of this document
“Circular”	the Circular to Shareholders issued by each Company dated 29 February 2012 convening general meetings to approve various proposals in connection with the Offers
“Companies” or “Funds”	Hargreave Hale AIM VCT 1 and/or Hargreave Hale AIM VCT 2 and “Company” or “Fund” means either one of them, as the context requires
“CREST”	the relevant system (as defined in the Regulations) operated by Euroclear
“C Shares”	C shares of 5p each in the capital of Hargreave Hale AIM VCT 1
“C Share Fund”	the assets of Hargreave Hale AIM VCT 1 attributable to the C Shares
“C Share Offer”	the offer for subscription for C Shares by Hargreave Hale AIM VCT 1 as described in this document.
“Directors” or “Board”	the directors of each Company
“Disclosure and Transparency Rules”	the Disclosure and Transparency Rules published by the FSA from time to time
“Enhanced Share Buy Back”	application for New Shares under the Offers out of the proceeds of the sale of Shares tendered by Existing Shareholders under the Tender Offer
“Existing Shareholders”	holders of Shares as at the date of this document
“FSA”	the Financial Services Authority
“Hargreave Hale AIM VCT 1”	Hargreave Hale AIM VCT 1 plc
“Hargreave Hale AIM VCT 1 GM”	the general meeting of Hargreave Hale AIM VCT 1 to be held on 26

	March 2012 (and any adjournment thereof) convened by a notice contained in the Circular
"Hargreave Hale AIM VCT 1 Offer Price"	as determined by the Pricing Formula
"Hargreave Hale AIM VCT 1 Tender Offer"	the tender offer under which Hargreave Hale AIM VCT 1 will buy back up to 9,000,000 Ordinary Shares from its participating Existing Shareholders at the Net Asset Value per Ordinary Share most recently announced to the London Stock Exchange prior to the purchase of those Ordinary Shares
"Hargreave Hale AIM VCT 2"	Hargreave Hale AIM VCT 2 plc
"Hargreave Hale AIM VCT 2 GM"	the general meeting of Hargreave Hale AIM VCT 2 to be held on 26 March 2012 (and any adjournment thereof) convened by a notice contained in the Circular
"Hargreave Hale AIM VCT 2 Offer Price"	as determined by the Pricing Formula
"Hargreave Hale AIM VCT 2 Tender Offer"	the tender offer under which Hargreave Hale AIM VCT 2 will buy back up to 3,500,000 Ordinary Shares from its participating Existing Shareholders at the Net Asset Value per Ordinary Share most recently announced to the London Stock Exchange prior to the purchase of those Ordinary Shares
"HMRC"	HM Revenue & Customs
"ITA"	Income Tax Act 2007, as amended
"Investment Manager" or "Hargreave Hale"	Hargreave Hale Limited, which is authorised and regulated by the FSA
"Investor(s)"	subscriber for New Shares under the Offers
"Listing Rules"	the listing rules prescribed by the UK Listing Authority
"London Stock Exchange"	London Stock Exchange plc
"Marlborough Special Situations Fund"	The Marlborough Special Situations Fund launched on 12 July 1995 being an authorised collective investment scheme as defined in FSMA
"Management Agreements"	the agreement dated 10 September 2004 (as amended) between Hargreave Hale AIM VCT 1 and Hargreave Hale Limited governing the management of Hargreave Hale AIM VCT 1's investments and the agreement dated 8 December 2006 between Hargreave Hale AIM VCT 2 and Hargreave Hale Limited governing the management of Hargreave Hale AIM VCT 2's investments
"Maximum Subscription"	the receipt of the maximum subscription monies under the Offer, being an aggregate amount of £15,000,000 in relation to Hargreave Hale AIM VCT 1, and an aggregate amount of £10,000,000 in relation to Hargreave Hale AIM VCT 2
"Net Asset Value" or "NAV"	the value of each Company's assets and/or the relevant share pool, less its liabilities (divided by the appropriate number of shares in issue)
"Net Proceeds"	the gross proceeds of the Offers less the 5% expenses of the Offers

“New Shares”	New Ordinary Shares in Hargreave Hale AIM VCT 1 and/or Hargreave Hale AIM VCT 2 and/or new C Shares in Hargreave Hale AIM VCT 1 issued pursuant to the Offer
“Non-Qualifying Investment”	investments made by the Companies which do not qualify as Qualifying Investments
“Offer Agreement”	the offer agreement detailed in paragraph 9 of Part V of this document
“Offer(s)”	any one or more of the offers for subscription by Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2 as described in this document.
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Companies
“Ordinary Share Fund”	the net assets of Hargreave Hale AIM VCT 1 attributable to the Ordinary Shareholders
“Overseas Shareholders”	Shareholders and/or prospective Shareholders (as the context may require) who are resident in, or who are citizens of, or who have registered interest in, territories other than the United Kingdom.
“Performance Incentive Fee”	the fee payable to the Investment Manager, as described in paragraphs 12.3 and 12.3
“Pricing Formula”	the last Net Asset Value of an existing Ordinary Share (with an appropriate adjustment for any performance fee potentially payable based on the Net Asset Value at that date) as published by the relevant Company prior to the date of allotment divided by 0.95 to allow for issue costs of 5% calculated, in pence, to two decimal places
“Prospectus Rules”	as defined in section 73A(4) of the Financial Services and Markets Act 2000, rules expressed to relate to transferable securities
“Qualifying Investment(s)/ Company(ies)”	an investment made by a venture capital trust in a trading company which comprises a qualifying holding under Chapter 4 of Part 6 ITA
“Regulations”	the Uncertificated Securities Regulations 2001 (S.I. 2001/3755)
“Resolutions”	the resolutions set out in the notices for the Hargreave Hale AIM VCT 1 GM and the Hargreave Hale AIM VCT 2 GM (as applicable)
“Shareholder”	a holder of Shares
“Share(s)”	shares in the capital of Hargreave Hale AIM VCT 1 and/or Hargreave Hale AIM VCT 2
“Sponsor”	Howard Kennedy Corporate Services LLP, which is authorised and regulated by the FSA and is a member of the London Stock Exchange
“Tender Offers”	the Hargreave Hale AIM VCT 1 Tender Offer and the Hargreave Hale AIM VCT 2 Tender Offer, and “Tender Offer” means either one of them as the context requires
“Total Expense Ratio”	the total costs of managing and operating each Company divided by its NAV

"Total Return"	the sum of (i) the most recent published Net Asset Value of that Share plus (ii) all dividends paid or declared in respect of that Share
"UK Listing Authority"	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Markets and Services Act 2000
"VCT" or "Venture Capital Trust"	venture capital trust as defined in section 259 ITA

EXPECTED TIMETABLE

Offers opens	10 a.m. on 29 February 2012
Record Date for the Tender Offers	6 p.m. on 30 March 2012
Latest date for receipt of proxies for Hargreave Hale AIM VCT 1 GM	11 a.m. on 23 March 2012
Latest date for receipt of proxies for Hargreave Hale AIM VCT 2 GM	12 p.m. on 23 March 2012
GM of Hale AIM VCT 1	11 a.m. on 26 March 2012
GM of Hale AIM VCT 2	12 p.m. on 26 March 2012
Enhanced Share Buy Back closes	6 p.m. on 30 March 2012
Deadline for receipt of applications for investment in the Offers for the 2011/12 tax year	12 p.m. on 5 April 2012
Deadline for receipt of applications for investment in the Offers for the 2012/13 tax year	12 p.m. on 30 April 2012
First allotment	On or before 4 April 2012
First Admission and dealings expected to commence	Within 10 business days of any allotment
Dispatch of Share Certificates	Within 10 business days of any allotment

The deadline for receipt of applications is subject to the Offers not being fully subscribed by an earlier date. The final closing date of the Offers may be extended by the Directors at their absolute discretion (but to no later than 22 February 2013). The Directors reserve the right to allot and issue New Shares at any time whilst the Offers remain open. Definitive share and tax certificates will be despatched as soon as practicable following allotment of New Shares. The Offers are not underwritten.

OFFER STATISTICS

Offer Price per Ordinary Share in relation to the relevant Company The price at which the Ordinary Shares in the relevant Company will be allotted will be calculated on the basis of the following formula (the "Pricing Formula"):

The last Net Asset Value of an existing Ordinary Share in issue in the relevant Company (with an appropriate adjustment for any performance fee potentially payable based on the Net Asset Value at that date) as published by the relevant Company prior to the date of allotment divided by 0.95 to allow for issue costs of 5% calculated, in pence, to two decimal places.

Existing Shareholders participating in the Enhanced Share Buy Back will receive additional Ordinary Shares equivalent to 2% of the amount subscribed with the proceeds of their Tender Offer.

Hargreave Hale AIM VCT 1

Maximum net proceeds of the Offer of Ordinary Shares	£4,750,000
Maximum number of Ordinary Shares in issue following the Offer*	25,644,179
Maximum net proceeds of the Offer of C Shares	£9,500,000
Maximum number of C Shares in issue following the Offer	10,000,000
Minimum individual investment	£3,000

The Offers in relation to the C Shares in Hargreave Hale AIM VCT 1 will not proceed unless valid subscriptions amounting to not less than £700,000 net of expenses under the C Share Offer are received by 12 p.m. on 5 April 2012.

Hargreave Hale AIM VCT 2

Maximum net proceeds of the Offer of Ordinary Shares	£9,500,000
Maximum number of Ordinary Shares in issue following the Offer*	16,689,119
Minimum individual investment	£3,000

* Assuming that the Maximum Subscription is achieved for each Company and all the allotments were made on the basis of the NAV per Ordinary Share for the relevant Company as at 24 February 2012 (as announced on 27 February 2012), including 2,711,134 Ordinary Shares held in treasury

DIRECTORS, INVESTMENT MANAGER AND ADVISERS

Directors

Hargreave Hale AIM VCT 1
Sir Aubrey Thomas Brocklebank Bt.
David Michael Brock
Giles St George Hargreave

Hargreave Hale AIM VCT 2
David Alan Hurst-Brown
Philip Simon Cammerman
Giles St George Hargreave

in all cases of
19 Cavendish Square
London
W1A 2AW

Registered Office
19 Cavendish Square
London
W1A 2AW

Registrars
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Secretary
Stuart Brookes
9-11 Neptune Court
Hallam Way
Blackpool
FY4 5LZ

Principal Bankers
The Royal Bank of Scotland plc
5th Floor
Kirkstane House
139 St Vincent Street
Glasgow
G2 5JF

Solicitors to the Offers
Howard Kennedy LLP
19 Cavendish Square
London
W1A 2AW

Investment Manager

Hargreave Hale Limited
9-11 Neptune Court
Hallam Way
Blackpool
FY4 5LZ

Marketing Adviser and Receiving Agents in Relation to the Offers

Hargreave Hale Limited
9-11 Neptune Court
Hallam Way
Blackpool
FY4 5LZ

Sponsor to the Offers

Howard Kennedy Corporate Services LLP
19 Cavendish Square
London
W1A 2AW

Custodians

Hargreave Hale Limited
9-11 Neptune Court
Blackpool
FY4 5LZ

VCT Taxation Advisers

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Auditors

BDO LLP
55 Baker Street
London
W1U 7EU

WHAT IS A VCT?

Introduction

A Venture Capital Trust is a company, broadly similar to an investment trust, which has been approved by HMRC and which subscribes for shares in, (or lends money to), small unquoted companies, including those quoted on AIM or Plus markets. Under the VCT scheme, VCTs and their investors enjoy certain tax reliefs. The VCT scheme is designed to encourage investment in small unquoted companies. Individuals invest by holding shares in a VCT. The VCT invests in a spread of small unquoted companies, enabling investors to spread their risk, just as they do by holding shares in an ordinary investment trust.

An approved VCT has a number of tax advantages. The following is only a summary of the current law concerning the tax position of individual investors in VCTs. Potential Investors who are in any doubt about the taxation consequences of investing in a VCT are recommended to consult their own independent professional adviser.

Tax reliefs for individual investors resident in the UK

The tax reliefs set out below are available to individuals aged 18 or over who subscribe under the Offer for New Shares. Tax reliefs will only be given to the extent that an individual's total investments in VCTs in any tax year do not exceed the qualifying limit, which is currently £200,000. Investors who intend to invest more than £200,000 in VCTs in any one tax year should seek professional advice.

- **Relief from income tax**

On investment

Income tax relief at the rate of 30% will be available on subscriptions for shares in VCTs up to a maximum of £200,000 in any tax year. Relief is limited to the amount which reduces the investor's income tax liability to nil. This relief must be repaid should the shares be sold or otherwise disposed of within five years, other than in the event of death.

On dividends

An Investor who subscribes for or acquires up to a maximum of £200,000 of New Shares in a VCT in any given tax year will not be liable to UK income tax on dividends paid by the VCT on those shares.

- **Relief from capital gains tax**

A disposal by an Investor of Shares (whether acquired by subscription for new shares or subsequent acquisition) in a VCT will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. This relief is limited to disposals of shares acquired within the limit of £200,000 for any tax year. On the death of an Investor or a spouse who has acquired shares in a VCT within marriage, no capital gains tax or income tax will become payable by either the investor, their spouse or anyone inheriting the shares, as a result of the death.

Obtaining tax reliefs

Each Investor will be issued with a certificate which can be used to claim income tax relief, either immediately by obtaining an adjustment to their tax coding from HMRC or by waiting until the end of the tax year and using their tax return to claim relief.

Investors not resident in the UK

Investors who are not resident in the UK, or who may cease to be resident in the UK, should seek their own professional advice as to the consequences of making an investment in the Companies.

PART ONE

INTRODUCTION

The Boards of both of the Companies have decided to launch offers for subscription to give investors an opportunity to subscribe for New Shares in the 2011/12 and 2012/13 tax years. The rationale for the fund raising remains unchanged from previous offers: namely, to raise new capital into the Companies to ensure they have sufficient capital to support their investment in Qualifying Companies. As the size of the VCTs increase from the proceeds of the Offers, their Total Expense Ratios will fall. The Government has tabled proposals that, if approved by the European Union, would allow the Companies to invest in larger companies than is possible under the current VCT legislation.

The Boards acknowledge the difficulties facing investors as they weigh up risk and reward at this time of considerable uncertainty and weak economic growth. They also accept that investors look for different qualities in VCTs: some are more focused on the tax reliefs attached to the investment than the potential for capital appreciation and tax free income streams, whilst others are more risk orientated. As such, these subscription offers provide a number of different options that should allow Investors to meet their particular objectives; existing shareholders who have held their Shares for 5 years can also participate in the Offers through the Enhanced Share Buy Back. Whilst at their heart, both VCTs will continue to focus on investing in small companies with a quotation on AIM, the different structures may lead to quite different performance and risk characteristics, at least in the early years.

In an important departure from its existing investment policy, Hargreave Hale AIM VCT 2 will be investing up to 75% of the proceeds of the Offer into the Marlborough Special Situations Fund, subject to a maximum of 20% of the gross assets of the Company. The Marlborough Special Situations Fund is run by the same award winning investment team as the VCTs and has returned 1089%³ since coming under Hargreave Hale's management. The Board believes its inclusion in the amended investment policy for Hargreave Hale AIM VCT 2 will help drive returns whilst the Investment Manager identifies suitable opportunities for investment into Qualifying Companies.

The Boards believe that the Offers and Enhanced Share Buy Back will benefit existing and new investors by increasing the number of investors committed for multi-year periods. They will also indirectly benefit the small companies that they support through their investment activities.

³ 1 July 1998 to 24 February 2012, source: Hargreave Hale & Bloomberg

ABOUT THE HARGREAVE HALE AIM VCTs

Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2 are existing Venture Capital Trusts. Both Companies share a common objective, namely to make tax-free dividend distributions from capital gains and income generated through investment in a diversified portfolio of Qualifying Companies. The Investment Manager will seek to enhance this return through targeted Non-Qualifying Investments in equities and fixed income where appropriate.

In both cases, the Investment Manager has already built an existing and diversified portfolio of Qualifying Investments. Both Funds met the HMRC guidelines for VCTs by the required date and have continued to do so since. The existing portfolios have a strong bias towards companies with a quotation on AIM, however, there are a limited number of investments in PLUS-quoted and private companies.

Hargreave Hale AIM VCT 1

Hargreave Hale AIM VCT 1 is an established VCT that was originally launched in August 2004 as the Keydata AIM VCT and on 30 September 2009 was renamed Hargreave Hale AIM VCT 1 plc. The fund raised £14.3m through an Ordinary Share issue in 2004/5 and then a further £17.9m in 2005/6 through a C Share issue. The C Shares were converted into Ordinary Shares on 8 October 2008 based on the audited Net Asset Value per share on 30 September 2008. Hargreave Hale has been the appointed Investment Manager and custodian from the outset. A further £1.8m was raised between March 2010 and June 2011 through an offer for subscription and a top up offer.

On 24 February 2012, the VCT had unaudited net assets of £15.7m, including £12.0m invested in 43 Qualifying investments, £2.4m of fixed income investments, £0.5m of cash and £0.9m of non-qualifying equity investments (*Source: unaudited NAV of Hargreave Hale AIM VCT 1 plc, 24 February 2012*). As at 24 February 2012, Hargreave Hale AIM VCT 1's unaudited Net Asset Value per Ordinary Share was 60.53 pence per share. Investors who subscribed for Hargreave Hale AIM VCT 1 Ordinary Shares through the original offer in 2004/5 have received 25 pence per share of dividends, whilst those who invested through the 2005/6 C Share issue have received dividend distributions equivalent to 16.83 pence per share. As a result, their Total Returns are 85.53 pence and 91.85 pence respectively (*Source: unaudited NAV of Hargreave Hale AIM VCT 1 plc, 24 February 2012*).

As at 24 February 2012 the total cost of investments including Qualifying Investments, non-qualifying equities, government securities and other fixed income securities was £14.0m with a current unaudited valuation of £14.9m.

As at 31 January 2012 Hargreave Hale AIM VCT 1 was 93.9% invested in Qualifying Investments.

Hargreave Hale AIM VCT 2

Hargreave Hale AIM VCT 2 is an established VCT that was originally launched in September 2006 as the Keydata AIM VCT 2 and on 30 September 2009 was renamed Hargreave Hale AIM VCT 2 plc. The VCT raised £4.6m through an Ordinary Share issue in 2006/7 and then a further £2.5m between March 2010 and July 2011 through an offer for subscription and top up offer

As of 24 February 2012, the VCT had unaudited net assets of £6.4m, including £4.1m invested in 29 Qualifying Investments, £0.8m of fixed income investments, £1.1 million of cash and £0.6m of non-qualifying equity investments (*Source*: unaudited NAV of Hargreave Hale AIM VCT 2, 24 February 2012). The cost of investments including Qualifying Investments, non-qualifying equities, government securities and other fixed income securities was £4.5m with a current unaudited valuation of £5.3m.

As at 24 February 2012, Hargreave Hale AIM VCT 2's unaudited net asset value per Ordinary Share was 95.23 pence per share (*Source*: unaudited NAV of Hargreave Hale AIM VCT 2, 24 February 2012). Investors who subscribed for Hargreave Hale AIM VCT 2 Ordinary Shares through the original offer in 2006/7 have received 21 pence per share of dividends. Their Total Return is 116.23 pence (*Source*: unaudited NAV of Hargreave Hale AIM VCT 2, 24 February 2012).

As at 31 January 2012 Hargreave Hale AIM VCT 2 was 90.4% invested in Qualifying Investments.

Dividend History & Policy

Both Companies have well established track records of paying out tax free dividends to their shareholders. The table below shows the cumulative dividend distributions paid to date for the three initial share offers launched to date.

Launch Year	Company	Total Dividend Distribution
2004/05	Hargreave Hale AIM VCT 1 (Ordinary Shares)	25.00p
2005/06	Hargreave Hale AIM VCT 1 (C Shares)	16.85p
2006/07	Hargreave Hale AIM VCT 2 (Ordinary Shares)	21.00p

The intention is to continue the existing policy of targeting a 5% distribution yield (referenced to the Net Asset Value of the Company), although the ability to pay dividends will clearly be influenced by the underlying investment performance of the relevant share class and the relevant Company's available reserves and cash

resources, the Act and the Listing Rules. In good years, the Directors may consider a higher dividend payment; in poor years, the Directors may reduce or even pay no dividend.

RETURNS ON PREVIOUS OFFERS OF THE COMPANIES

Below is a table outlining Shareholder returns as at 24 February 2012 for the three initial share offers launched by the Companies to date. The returns, which assume an initial investment of £10,000 are net of fees and assume a gross price paid of 100 pence per Ordinary Share. When establishing the return net of tax relief, the calculation assumes a net cost to Shareholders of 60 pence per share for shares in Hargreave Hale AIM VCT 1 and 70 pence per share for shares in Hargreave Hale AIM VCT 2.

Tax Year	Company	NAV GBP	Dividends GBP	Total Return ¹ GBP	Return excl. Tax Relief	Return incl. Tax Relief	FTSE AIM All-Share ²
2004/5	Hargreave Hale AIM VCT 1 (Ordinary Shares)	6,053	2,500	8,553	-14%	+43%	-24%
2005/6	Hargreave Hale AIM VCT 1 (C Shares ³)	7,502	1,683	9,185	-8%	+53%	-31%
2006/7	Hargreave Hale AIM VCT 2 (Ordinary Shares)	9,523	2,100	11,623	+16%	+66%	-28%

Notes:

1. Returns based on unaudited NAV of Hargreave Hale AIM VCT and Hargreave Hale AIM VCT 2 as at 24 February 2012.
2. Source: Bloomberg– from the closing value of the relevant index on 5 April of the year of issue of the relevant shares to 24 February 2012.
3. The C Shares in Hargreave Hale AIM VCT 1 were converted into Ordinary Shares on 8 October 2008.

THE INVESTMENT OPPORTUNITY

Hargreave Hale AIM VCT 1.

- Hargreave Hale AIM VCT 1 is seeking to raise £5m through an offer for subscription of New Ordinary Shares. Existing Shareholders are invited to subscribe through the Enhanced Share Buy-Back Scheme.
- In addition, Hargreave Hale AIM VCT 1 is seeking to raise a further £10m through a C Share Offer at 100 pence per C Share. The Investment Manager will manage the funds raised by the C Share Offer as a separate pool of assets, to be known as the "C Share Fund".
- The C Shares will convert into Ordinary Shares on a relative value basis with reference to the Net Asset Value per share as at 30 September 2017. If less than £2m is raised, the C Shares will convert into Ordinary Shares on a relative value basis with reference to the Net Asset Value per Share as at 30 September 2012. Although it is not their intention, the Directors reserve the right to offer, in exceptional circumstances and with Shareholder approval, the opportunity for both classes of Shareholders to agree to an earlier conversion date, but in any event not before 30 September 2012, if they judge it to be in the best interests of the Ordinary Shareholders and the C Shareholders.

Hargreave Hale AIM VCT 2.

- Hargreave Hale AIM VCT 2 is seeking to raise £10m through the offer for subscription of New Ordinary Shares. Existing Shareholders can also participate in the Offer through the Enhanced Share Buy-Back. Investors are invited to subscribe for an amount in pounds Sterling rather than apply for a particular number of New Shares. The price of the New Shares to be issued pursuant to the Offer will be calculated on the basis of the Pricing Formula.

Amount to be raised under the Offers

The Hargreave Hale AIM VCT 1 Offers are to raise up to £5,000,000 through the issue of New Shares, combined with a Tender Offer for up to 9,000,000 Ordinary Shares, and to raise up to £10,000,000 through the issue of new C Shares.

- Hargreave Hale AIM VCT 2 Offer seeks to raise up to £10,000,000 through the issue of New Ordinary Shares, coupled with a Tender Offer for up to 3,500,000 Ordinary Shares.
- Applicants' subscriptions will be divided as indicated by the applicant on the Application Form. The Offers are not underwritten.

Summary of the Offers:

VCT	Share Class	New Investors	Enhanced Share Buy Back	Existing Portfolio of Qualifying Companies	Non-Qualifying Equity Investment Strategy	Marlborough Special Situations Fund	Fixed Income Strategy
HH AIM VCT 1	Ordinary	No	Yes	Yes	0-30% of NAV	No	0-30% of NAV
HH AIM VCT 1	C Share	Yes	No	No	No	No	Yes
HH AIM VCT 2	Ordinary	Yes	Yes	Yes	0-30% of NAV	Yes	0-30% of NAV

Timetable

The 2011/12 Offer will remain open until 12 p.m. on 5 April 2012 and the 2012/13 Offer until 12 p.m. on 31 August 2012, unless extended (but to no later than 12 p.m. on 22 February 2013), enabling Investors to subscribe in either or both of the 2011/12 tax year and 2012/13 tax year.

Conditions

The Offers are conditional on *inter alia*, the Offer Agreement referred to in paragraphs 9 of Part V becoming unconditional and not being terminated in accordance with its terms. The Offers are not inter-conditional.

The C Share Offer will not proceed unless valid subscriptions amounting to not less than £700,000 (after expenses) under the C Share Offer are received by 12 p.m. on 5 April 2012. If this minimum level of applications is not reached, application monies which have been received will be returned without interest by cheque sent by post at the applicant's risk to the address stated in the applicant's Application Form.

In the event that applications are received for Ordinary Shares and C Shares in excess of the Maximum Subscriptions under the Offers, the Directors reserve the right to exercise their discretion in the allocation of successful applications, although allocation will usually be on a first come first served basis.

The Offers in respect of each Company are also subject to the passing of the Resolutions of the relevant Company. These include resolutions to: authorise the Enhanced Share Buy Back and Offers, extend the life of the Companies to 2018, adopt new Articles of Association, change the investment policy of the Companies, approve the payment of the promoters fees in connection with the Offers to Hargreave Hale Limited and approve a variation to the investment management fee in respect of Hargreave Hale AIM VCT 2. If each of these Resolutions are not passed by the relevant Company then that Company's Enhanced Share Buy Back and Offer will not proceed.

Shareholders will also be asked to vote on two further Resolutions for each Company authorising the Boards to issue up to 10% of the issued share capital of each Company and cancel the share premium accounts of the Companies.

Personal Investment Levels

The minimum subscription per Investor is £3,000 (per share class per Company) in respect of the Offers. The maximum investment which can be made in order to qualify for the personal tax reliefs available from a VCT is currently £200,000 per person per tax year. Applicants may make multiple applications under each of the Offers, provided that the investor guidelines for VCTs are followed. The Investor should take appropriate independent financial advice.

Reasons for the Offers

The raising of further funds by way of the Offers is intended to create the following benefits:

- Allow investors to choose between different fund structures with different investment strategies and risk profiles. The funds raised into the Hargreave Hale AIM VCT 1 C Share Fund will be managed as a separate portfolio of assets within a clean share class without any exposure to any legacy Qualifying Investments. Investors into Hargreave Hale AIM VCT 2 will be investing into an existing portfolio of investments. They will be exposed to stock specific and market risk from the point of investment.
- Attract new capital to both VCTs that will help promote their long time viability, meet expenses and reduce the Total Expense Ratios. The extent to which the Total Expense Ratios are reduced will depend on the amount raised under the Offers.
- Protect Ordinary Shareholders from dilution through the issue of New Shares at a 5% premium to the Net Asset Value per Ordinary Share as last published to the London Stock Exchange prior to the date of allotment;
- Provide existing and new investors with the opportunity to invest into small companies through a tax efficient structure and with an award winning Investment Manager that has a long track record of successful investment into small companies;
- Provide both Companies with additional capital that can be used to promote their long term viability;
- Provide both Companies with additional capital that can be used in support of their share buy-back policies, thereby improving secondary market liquidity.
- Provide the Companies with new capital for investment into small companies in support of the Government's growth agenda.

Investors' subscription monies will be allocated between Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2 as prescribed by the Investors in their Application Form. An investment in Ordinary Shares in Hargreave Hale AIM VCT 1 can only be made through participation in the Enhanced Share Buy Back (see below).

Pricing Formula

- **New Ordinary Shares**. The price of the new Ordinary Shares to be issued pursuant to the Offers (including the Tender Offers) will be calculated by reference to the last Net Asset Value of an existing Ordinary Share as published on the London Stock Exchange by the relevant Company prior to the date of allotment. The new Ordinary Shares will be priced according to the Pricing Formula:

$$\text{Price of new Ordinary Share} = \frac{\text{Last Net Asset Value per Ordinary Share}}{0.95}$$

The price will be calculated in pence to two decimal places. New Ordinary Shares will be issued at a 5% premium to the Net Asset Value per share to make allowance for the costs of the Offer and commission payable to intermediaries.

- **C Shares**. The C Shares will be issued at 100 pence per share.

INVESTMENT POLICY

Currently, both Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2 share a common published investment policy. It is now proposed that those policies be varied, subject to Shareholder approval, for the following reasons:

- In the case of Hargreave Hale AIM VCT 1, the proposed changes to the investment policy will only apply in respect of the C Share Fund and are proposed in order to allow investors to commit to the Company on a 5 year investment horizon without taking on the immediate investment risk that comes with an investment into a fully invested portfolio of Qualifying Investments.
- The proposed amendments to the Hargreave Hale AIM VCT 2 investment policy would permit the Company to invest new capital in the Marlborough Special Situations Fund, if investment conditions are considered favourable. This will enable the Company to indirectly maintain its exposure to UK Small Companies whilst identifying suitable Qualifying Investments.

PROPOSED REVISED INVESTMENT POLICY

Set out below are the proposed amendments that will be effected if the revised investment policies of the Companies are adopted at the General Meetings. **If Shareholder approval to make these changes is not received the relevant Offer will not proceed.**

HARGREAVE HALE AIM VCT 1

Proposed Revisions to the Investment Objectives:

The principal investment objective of Hargreave Hale AIM VCT 1 will remain unchanged: to maintain a diversified portfolio of Qualifying Investments, primarily being small UK companies which are traded on AIM and which have the opportunity for significant value appreciation.

The Hargreave Hale AIM VCT 1 Ordinary Share Fund will continue with its existing secondary objective: to boost the performance of the VCT through targeted investment in equities which are non-VCT qualifying investments on an opportunistic basis to boost the performance of the Ordinary Shares. The C Share Fund will not participate in this type of investment activity.

Subject to Shareholder approval, the Investment Manager intends to introduce a new investment objective, although it will only apply to the C Share Fund:

Within the C Share Fund, the Investment Manager will seek *“to preserve Shareholder value through selective investment of surplus funds, namely funds that are not invested in Qualifying Investments, in a non-VCT qualifying portfolio of fixed income securities and cash. ”*

Proposed Revisions to the Asset Allocation

There are no material proposed revisions to the Asset Allocation under the Company's investment policy. However, this section of the investment policy has been divided into two sections headed "Asset Allocation" and "Investment Strategy" in order to describe this element of the Company's investment policy in greater detail.

REVISED INVESTMENT POLICY FOR HARGREAVE HALE AIM VCT 1:

The full text of the proposed revised investment policy of Hargreave Hale AIM VCT 1 (with the revised elements set out in *italics*) is as follows:

Investment Objectives

The Company's investment objectives are:

- to invest in a diversified portfolio of small UK based companies on a high risk, medium term capital growth basis, primarily being companies which are traded on AIM and which have the opportunity for significant value appreciation;
- to invest in smaller companies which may not be readily accessible to private individuals and which also tend to be more risky;
- to maximise distributions to shareholders from capital gains and income generated from the Company's funds;
- **(Ordinary Share Fund* only)** targeted investment in equities which are non-qualifying investments on an opportunistic basis to boost the performance of the Ordinary Shares;
**being the net assets of the Company attributable to the Ordinary Shares*
- **(C Share Fund** only)** *to preserve shareholder value through selective investment of surplus funds, namely funds that are not invested in Qualifying Investments, in a non-VCT qualifying portfolio of fixed income securities and cash.*
***being the net assets of the Company attributable to the C Shares*

Asset Allocation

Hargreave Hale AIM VCT 1 will have a range of investments in three distinct asset classes:

- *Equity investments in Qualifying Companies, referred to as "Qualifying Investments". Qualifying Investment will:*
 - o *comprise qualifying holdings for a VCT as defined in Chapter 4 Part 6 of the Income Tax Act 2007;*
 - o *primarily be made in AIM companies, but the Company's investment manager ("**Investment Manager**") will also consider PLUS-quoted companies and private companies that meet the investment criteria summarised below.*

- o vary in size from £50,000 to £1 million.
- Sovereign debt, quasi-sovereign debt, bonds and other fixed income securities.
- Bank deposits that are readily realisable.
- Hargreave Hale AIM VCT 1 Ordinary Share Fund will have additional non-qualifying equity exposure to UK and international equities.

Investment Strategy

Qualifying Investments

The Investment Manager will maintain the Ordinary Share Fund's diversified and fully invested portfolio of Qualifying Investments, primarily in small UK companies with a quotation on AIM. The primary purpose of the investment strategy is to ensure Hargreave Hale AIM VCT 1 maintains its status as a VCT. To achieve this, the Company must have 70% of all net funds raised from the issue of shares invested in Qualifying Investments throughout accounting periods of the VCT beginning no later than three years after the date on which those shares are issued. Funds raised in April 2012 will therefore be included within the HMRC investment test from 1 October 2014 onwards.

The C Share Fund will start with a completely clean structure with no equity exposure, qualifying or non-qualifying. The Investment Manager will gradually build a diversified portfolio of Qualifying Investments within the C Share Fund over a 2 to 3 year period following the receipt of the proceeds of this Offer.

Although, VCTs are required to invest and maintain a minimum of 70% of their funds invested in Qualifying Investments as measured by the VCT rules, it is likely that the Investment Manager will target a higher threshold of approximately 80% in order to provide some element of protection against an inadvertent breach of the VCT rules. The Company's maximum exposure to a single Qualifying Investment is limited to 15% of the net assets of the C Share Fund or of the Ordinary Share Fund as appropriate.

The Investment Manager has expanded the key selection criteria used in deciding which Qualifying Investments to make. The criteria will include, inter alia:

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

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

The Investment Manager will primarily focus on investments in companies with a quotation on AIM or plans to trade on AIM. The Investment Manager prefers to participate in secondary issues of companies that are

already quoted on AIM as such companies have an established track record that can be more readily assessed and greater disclosure of financial performance. Secondary issues are often priced at an attractive discount to the market price.

Non-Qualifying Investments

The two share classes will have different investment strategies applied to their portfolio of non-VCT Qualifying Investments to reflect their different investment objectives:

- **Ordinary Share Fund.** *The Hargreave Hale AIM VCT 1 Ordinary Share Fund will have additional non-qualifying equity exposure to UK and international equities through targeted investments made on an opportunistic basis to boost the performance of the Ordinary Shares. This will vary in accordance with the Investment Manager's view of the equity markets and may fluctuate between nil and 30% of the net assets of that class of share. The Investment Manager will also invest in Gilts, other fixed income securities and cash.*
- **C Share Fund.** *The Investment Manager will only invest in Gilts, other fixed income securities and cash. Outside the portfolio of Qualifying Investments, the Investment Manager's primary focus will be the preservation of capital rather than capital appreciation.*

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

Borrowings

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

HARGREAVE HALE AIM VCT 2

Proposed Revisions to the Investment Objectives:

The principal investment objective of the VCT will remain unchanged: to maintain a diversified portfolio of Qualifying Investments, primarily being companies which are traded on AIM and which have the opportunity for significant value appreciation.

Hargreave Hale AIM VCT 2 will maintain its existing secondary objective: to boost the performance of the VCT through targeted investment in equities which are non-VCT qualifying equities on an opportunistic basis to boost the performance of the Company's funds.

Subject to Shareholder approval, the Investment Manager intends to introduce a new investment objective relating to the management of the proceeds of the Offer: to maintain the Company's exposure to small companies through an initial investment of new capital into the Marlborough Special Situations Fund pending

investment into Qualifying Companies. The Marlborough Special Situations Fund is an authorised unit trust which is not listed. The Directors of Hargreave Hale AIM VCT 2 expect the Investment Manager to invest up to 75% of the net proceeds of the Hargreave Hale AIM VCT 2 into the Marlborough Special Situations Fund to offset dilution from the funds raised under the Offers, subject to a maximum of 20% of the gross assets of the Company. The Marlborough Special Situations Fund is a £449m fund that sits within the IMA UK Small Cap sector. It has an impressive track record and is sufficiently liquid to allow the Company to invest and withdraw capital without interfering with that fund's investment strategy. This will enable the Company to maintain its exposure to UK small companies indirectly, whilst the Investment Manager identifies opportunities to invest directly into small UK companies through a suitable number of Qualifying Investments. The investment into the Marlborough Special Situations Fund will not be a Qualifying Investment. The Investment Manager manages the Marlborough Special Situations Fund.

Proposed Revisions to the Asset Allocation

There are no material proposed revisions to the Asset Allocation under the Company's investment policy. However, this section of the Investment Policy has been divided into two sections headed "Asset Allocation" and "Investment Strategy" in order to describe this element of the Company's Investment Policy in greater detail.

REVISED INVESTMENT POLICY FOR HARGREAVE HALE AIM VCT 2:

The full text of the proposed revised investment policy of Hargreave Hale AIM VCT 2 with the revised elements set out in *italics* is as follows:

Investment Objectives

The Company's investment objectives are:

- to maintain a diversified portfolio of Qualifying Investments, primarily being small UK companies which are traded on AIM and which have the opportunity for significant value appreciation;
- to invest in smaller companies which may not be readily accessible to private investors;
- to maximise distributions to shareholders from capital gains and income generated from the VCT's investments;
- to boost the performance of the Company through targeted investment in equities which are non-qualifying investments.
- *to maintain the Company's exposure to small companies through an initial investment of new capital into the Marlborough Special Situations Fund pending investment into Qualifying Companies.*

Asset Allocation

Hargreave Hale AIM VCT 2 will have a range of investments in three distinct asset classes:

- *Equity investments in Qualifying Companies, referred to as "**Qualifying Investments**". Qualifying Investment will:*

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

Investment Strategy

Qualifying Investments.

The Investment Manager will maintain the Company's diversified and fully invested portfolio of Qualifying Investments, primarily in small UK companies with a quotation on AIM. The primary purpose of the investment strategy is to ensure Hargreave Hale AIM VCT 2 maintains its status as a VCT. To achieve this, the Company must have 70% of all funds raised from the issue of shares invested in Qualifying Investments throughout accounting periods beginning no later than three years after the date on which those shares are issued. Funds raised in April 2012 will therefore be included within the HMRC investment test from 1 March 2015.

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

The Investment Manager has expanded the key selection criteria used in deciding which Qualifying Investments to make. The criteria will include, inter alia:

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

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

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

Non-Qualifying Investments.

Hargreave Hale AIM VCT 2 will have additional non-qualifying equity exposure to UK and international equities through targeted investments made on an opportunistic basis to boost the performance of the Company. This will vary in accordance with the Investment Manager's view of the equity markets and may fluctuate between nil and 30% of the net assets of the Company. The Investment Manager will also invest in Gilts, other fixed income securities and cash. The Investment Manager will invest up to 75% of the net proceeds of any issue of new shares into the Marlborough Special Situations Fund, subject to a maximum of 20% of the gross assets of the Company. This will enable the Company to maintain its exposure to small companies indirectly, whilst the Investment Manager identifies opportunities to invest directly into small UK companies through a suitable number of Qualifying Investments.

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

Borrowings

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

Deal Flow

The investment team manages approximately £750m, of which approximately £400m is invested in small companies, many of which are quoted on AIM. The breadth of the investment team, the scale of investment in small companies and the Investment Manager's track record and many years of investing in AIM and PLUS-quoted (formerly OFEX) companies help attract deal flow.

The investment team has regular meetings, typically 15 per week, with small companies, a number of which would be suitable for investment by the Funds. These relationships, along with the ability to co-invest alongside the other funds managed by the Investment Manager, should increase the quality and quantity of the investment pipeline.

The Companies will invest primarily in companies trading on AIM, a market associated with young and growing companies.

In 2011, Hargreave Hale AIM VCT 1 made 9 Qualifying Investments, whilst Hargreave Hale AIM VCT 2 made 8 Qualifying Investments.

Co-Investment Policy

The Investment Manager manages other funds that can invest in the same companies as Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2, including the Marlborough Special Situations Fund and the Marlborough UK Micro Cap Growth Fund. Therefore, in appropriate circumstances, the Companies will invest alongside other funds managed by the Investment Manager. When contemplating a co-investment, the Investment Manager will first consider factors such as the risk profiles and investment strategies of the participating funds, the size of the fund raising and anticipated allocations when deciding on how much each fund will subscribe for. Any scaling back of applications made by the Investment Manager for shares in investee companies, on behalf of the different funds it manages, will be pro rata to the amount originally applied for by each fund.

Where the Companies intend to invest in the same companies as other funds managed by the Investment Manager, any such investment must first be approved by those Directors of the Board who are independent of the Investment Manager, unless the investment is made either at the same time and on the same terms, or in accordance with a pre-existing agreement between the Companies and the Investment Manager. The Investment Manager will notify the Boards but will not require approval prior to the co-investment if circumstances prevent full consultation.

Post-Investment Management

The Investment Manager monitors each investment closely and usually expects to meet with the management of Investee Companies twice a year.

As the values of underlying investments increase, the Investment Manager will monitor opportunities for the Funds to realise a proportion of the capital gain, and to make tax-free distributions to Shareholders.

Valuation Policy

Investments in AIM and PLUS-quoted shares will be valued at the prevailing bid price.

All other investments will be valued in accordance with BVCA guidelines.

MANAGEMENT OF SHARE LIQUIDITY

In order to improve the liquidity in the Shares of both Companies, the Boards have established buy-back policies whereby each Company will purchase Shares for cancellation. Hargreave Hale AIM VCT 1 has consistently demonstrated its commitment to improving shareholder liquidity through its regular share buy-back policy, which has seen it acquire 7.8m Ordinary Shares at a discount of approximately 10% to the prevailing Net Asset Value per share.

As a guide, and subject to the Boards' discretion, and providing that in the opinion of the Boards, there is adequate surplus cash available, each Company will consider buying back Shares at a 5% discount to the last published Net Asset Value per share of the relevant class of share. This reduced discount will not come into effect until after the Tender Offer has closed. The target is non-binding and at the Directors' discretion and they reserve the right to return to the previous policies of purchasing shares at 10% below Net Asset Value per share should the move bring instability to the Shareholder base and place the Companies' liquid assets under undue pressure.

Share buy-backs are subject to the Listing Rules, which may restrict the Companies' ability to buy Shares in. For example, the price will be limited by the Listing Rules to a maximum of 105% of the average market value of the Ordinary Shares over the preceding 5 Business Days.

The Directors also believe that, whilst the current policy of buying shares back at 10% below Net Asset Value per share is consistent with several other leading AIM VCTs, the discount still acts as a deterrent to significant investment by some potential investors.

The Boards intend to continue to publish NAV on a weekly basis. Shareholders are reminded that they must hold their Ordinary Shares and C Shares for at least five years. Shareholders are likely to lose their income tax relief if they dispose of their Shares within that period.

RISK MANAGEMENT

The design of the structure of the Companies' funds, and their investment strategies, has been developed to reduce risk as much as possible. The key risk management features are detailed below.

- **Broad portfolio of companies** – These help reduce stock specific risk, but not market risk. Whilst both Companies have stable and diversified portfolios, the Investment Manager will need to build a broad portfolio of Qualifying Investments within the C Share Fund.
- **Significant proportion of investments in gilts, other fixed interest securities and bank deposits** – A significant proportion of funds will be invested by the Investment Manager in this way. This will be a particular feature of the C Share Fund, which could hold in excess of 70% of net assets in these low and medium risk investments in the short-term, pending investment in Qualifying Investments. The two Ordinary Share Funds also hold significant exposure to gilts and other fixed income, although the level of the exposure will vary depending on the Investment Manager's view of the equity markets.
- **Close monitoring of investments** – The Investment Manager will closely monitor the performance of all the investments made by the Companies in order to identify any problems and to enable it to take swift corrective action where possible.
- **Co-investment** – The Investment Manager manages other non-VCT funds that can invest in the same companies as the Companies. In appropriate circumstances, therefore, the Companies will invest alongside such other funds. Further details are set out the paragraph headed "Co-investment policy" on page 36 above.
- **Risk reports** - The Investment Manager prepares and distributes regular risk reports to the boards of directors of the Companies. These reports pay particular attention to the top ten investments and provide an oversight of potential vulnerabilities such as the concentration of balance sheet and earnings risk, free cash flow and valuation risk.

ENHANCED SHARE BUY BACK

The Enhanced Share Buy Back is only open to Existing Shareholders. An Existing Shareholder participating in the Enhanced Share Buy Back will be able to sell their Ordinary Shares back to the Companies at a price per share equal to the Net Asset Value per Ordinary Share as most recently announced to the London Stock Exchange prior to the purchase, subject to the Ordinary Shareholder applying the full proceeds of their share sale to subscribe for New Shares under the relevant Offer. The reinvestment will be at a 5% premium to the same Net Asset Value per share. The funds required for the Enhanced Share Buy Back, and the stamp duty payable by each Company as a result, will be financed from each Company's cash and liquid resources.

The Investment Manager will offer existing Shareholders who subscribe for New Shares under the Enhanced Share Buy Back a rebate through the issue of additional New Shares in the relevant Company equivalent to 2% of the amount subscribed with the proceeds of the Tender Offer(s). Where applicable, the introducing agent or intermediary will receive a 1% initial commission, payable by the Investment Manager.

Existing Ordinary Shareholders who sell their Shares back to either Company under a Tender Offer and subsequently subscribe for New Shares under the Offers should not regard this, for tax purposes, as continuing with their existing holdings. They will be subscribing for New Shares which will carry relief from income tax of up to 30%, but which will also carry the requirement to hold the New Shares for five years from the date of subscription if they are to retain the new income tax relief. Shareholders who sell the New Shares earlier than this time (except in the event of death) will have to repay the 30% income tax relief. Income tax relief on subscription will be subject to an Investor's personal circumstances and is limited to an amount which reduces the Investor's income tax liability to nil, subject to a maximum investment of £200,000 per person per tax year. Ordinary Shareholders who acquired their Ordinary Shares on or after 4 April 2007 will have to repay all of the income tax relief they received on subscription if they dispose of their Ordinary Shares pursuant to the Tender Offer.

The Boards believe that the Enhanced Share Buy Back, combined with the Offers, are in the best interests of the Companies as New Shares issued under the Offers will serve to improve the long-term nature of the Companies' funding.

The Enhanced Share Buy Backs will be open on 29 February 2012 until 6 p.m. on 30 March 2012. The Enhanced Share Buy Backs are not conditional on a minimum application being achieved.

In addition to the New Shares acquired with his or her proceeds from the Tender Offer(s), an Existing Shareholder participating in the Enhanced Share Buy Back is also able to subscribe for additional New Shares in the relevant Company (or C Shares in the case of Hargreave Hale AIM VCT 1), subject to the usual VCT limits on the amount of income tax relief that can be claimed in any one year as described elsewhere in this document.

A copy of this document containing details of the Tender Offers has been submitted to HMRC who have confirmed that subject to the personal circumstances of Investors, they should be eligible for

VCT income tax relief of up to 30% on the total amount subscribed in New Shares under the Offers out of the proceeds of sale of Ordinary Shares disposed of under the Tender Offer.

ALLOTMENT OF ORDINARY SHARES AND C SHARES UNDER THE OFFERS AND THE RELEVANT OFFER PRICE

Timetable

The Offers will open on 29 February 2012. The first allotment under the Offers in respect of the 2011/12 tax year is expected to be on 4 April 2012. Thereafter, in respect of the 2012/13 tax year, the Directors reserve the right to allot Ordinary Shares and C Shares at any time whilst the Offers remains open.

Dealings in New Shares are expected to commence within 10 business days of the relevant allotments. The closing date for the Offers in respect of the 2011/12 tax year will be at 12p.m. on 5 April 2012. If the Offers are not fully subscribed at that time, the Directors reserve the right to allow the Offers to remain open for at least part of the 2012/13 tax year, but not beyond 22 February 2013. The Offers will not be withdrawn after dealings in the New Shares have commenced. The results of the Offers will be announced through a regulatory information service within 3 business days of the closing of the Offers.

Investors are invited to subscribe an amount in pounds Sterling rather than apply for a particular number of Ordinary Shares and/or C Shares.

Pricing Formula

The price of the new Ordinary Shares to be issued pursuant to the Offers (including the Tender Offers) will be calculated by reference to the last Net Asset Value of an existing Ordinary Share as published by the relevant Company prior to the date of allotment. The new Ordinary Shares will be priced according to the Pricing Formula:

$$\text{Price of new Ordinary Share} = \frac{\text{Last Net Asset Value per Ordinary Share}}{0.95}$$

The price will be calculated in pence to two decimal places. New Ordinary Shares will be issued at a 5% premium to the Net Asset Value per Share to make allowance for the costs of the Offers and commission payable to intermediaries.

The C Shares will be issued at 100 pence per Share.

Worked Example:

As at 24 February 2012, the unaudited Net Asset Value per Ordinary Share of Hargreave Hale AIM VCT 1 was 60.53 pence, which would have resulted in an Offer Price of 63.72 pence per new Ordinary Share (60.53 pence divided by 0.95).

As at 24 February 2012, the unaudited net asset value per Ordinary Share of Hargreave Hale AIM VCT 2 was 95.23 pence, which would have resulted in an Offer Price of 100.24 pence per new Ordinary Share (95.23 pence divided by 0.95). Monies which are not sufficient to buy one new Ordinary Share will not be

returned to applicants but will be retained by the relevant Company and fractions of new Ordinary Shares will not be issued. The new Ordinary Shares to be issued pursuant to the Offers will rank pari passu with the existing Ordinary Shares of the relevant Company.

INVESTMENTS OF HARGREAVE HALE AIM VCT 1 AND HARGREAVE HALE AIM VCT 2

Investment Summary

Hargreave Hale AIM VCT 1 The investment portfolio of Hargreave Hale AIM VCT 1 as at 24 February 2012 (being the latest practical date prior to publication of this document) is as follows (all of which information is unaudited):

	Cost	(Unaudited) Valuation	(Unaudited) Valuation
Qualifying Investments	£000	£000	%
Abcam	100	1018	6.44
Adv Computer Software	400	1224	7.74
Advanced Power	149	99	0.63
Animal Care	300	856	5.42
Bglobal	258	124	0.79
Brulines	387	267	1.69
Cohort	800	675	4.27
Corac	150	115	0.73
Craneware	150	346	2.19
Egdon Resources	158	189	1.19
EKF	300	470	2.97
Feedback	194	113	0.72
Hardide	535	228	1.44
Idox	150	585	3.70
In-Deed	234	212	1.34
Infoserve	200	1	0.01
Infrastrata	46	18	0.12
IS E&P	50	50	0.32
IS NV	50	50	0.32
Instem life	298	275	1.74
Intercede	452	931	5.89
Invocas	169	12	0.08
Sinclair IS Pharma	350	253	1.60
Jelf	174	116	0.74
K3	270	459	2.91
Keycom	300	113	0.71
Maxima	251	47	0.30
Mexican Grill A Prefs	185	252	1.60
Mexican Grill Ords	21	28	0.18
Microsaic	246	246	1.56
Mycelx	300	328	2.08
Omega Diagnostics	107	94	0.59
Plastics Cap	250	168	1.06
Pressure Tech	340	329	2.08
Progressive Digital	173	58	0.37
Porta Comms	225	141	0.89
Reneuron	298	148	0.94
Sphere Medical	300	253	1.60
Tangent Comms	300	115	0.73
Tasty	288	165	1.05
TLA	300	300	1.90
TMO	200	200	1.27
Universe	210	45	0.28
Vertu	600	270	1.71
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Total qualifying investments	11216	11986	75.87
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Non-Qualifying Investments			
Treasury 2.25% 2014	978	1038	6.57
UKTI 2.5% 2016	504	600	3.80

Total – UK gilts	1482	1637	10.36
Nationwide 7.971% 2049	242	247	1.56
Scot Ami 8.5% 2049	256	255	1.61
Petrobras 6.25% 2026	247	259	1.64
Total – UK corporate bonds	745	760	4.81
Brady	77	105	0.67
Cap-XX	30	46	0.29
In-Deed	34	31	0.19
Mexican Grill A Prefs	34	34	0.21
OMG	61	47	0.29
Prophotonix	110	118	0.75
Skill P&L	100	58	0.37
Spectra System	58	46	0.29
Microsaic	1	1	0.00
Total – non-qualifying equities	504	485	3.07
Total – Non-Qualifying Investments	2731	2882	18.24
Cash	930	930	5.89
Total investments	14877	15799	100.00

Investment Summary

Hargreave Hale AIM VCT 2 The investment portfolio of Hargreave Hale AIM VCT 2 as at 24 February 2012 (being the latest practical date prior to publication of this document) is as follows (all of which information is unaudited):

Qualifying Investments	Book Cost £000	(Unaudited) Valuation £000	(Unaudited) Valuation %
Adv Computer Software	100	306	4.76
Animal Care	100	285	4.44
Corac	100	77	1.19
Ideagen	100	144	2.25
EKF	150	235	3.66
Electric Word	185	115	1.79
Fulcrum Utility	100	180	2.80
Futura Medical	75	110	1.71
Hardide	110	310	4.83
Image Scan	93	15	0.24
In-Deed	117	106	1.65
Intercede	96	198	3.08
IS E&P	25	25	0.39
IS NV	25	25	0.39
Lidco	146	207	3.23
Lombard Risk	92	196	3.04
Paragon Entertainment	100	83	1.28
Mexican Grill A Prefs	277	379	5.89
Mexican Grill Ords	31	42	0.65
Microsaic	117	117	1.82
Mycelx	150	164	2.56
Omega Diagnostics	151	106	1.65
Photonstar	97	22	0.34
Plastics Cap	100	67	1.04
Porta Comms	100	63	0.97
Reneuron	75	121	1.89
Sphere Medical	150	126	1.97
Synchronica	100	28	0.43
TLA	150	150	2.33
Tristel	100	90	1.40
	-----	-----	-----
Total qualifying investments	3311	4092	63.67
	-----	-----	-----
Non-Qualifying investments			
UK Treasury 2.25% 2014	294	311	4.84
	-----	-----	-----
Total – UK gilts	294	311	4.84
	-----	-----	-----
Nationwide 7.971% 2049	145	148	2.31
Scot Ami 8.5% 2049	154	153	2.38
Petrobras 6.25% 2026	148	155	2.41
	-----	-----	-----
Total – UK corporate bonds	447	456	7.10
	-----	-----	-----
Genargo	26	31	0.47
Cohort	56	66	1.03
Egdon Resources	80	66	1.03

GW Pharma	52	46	0.71
In-Deed	17	15	0.24
Instem Life	35	32	0.50
Mexican Grill A Prefs	3	3	0.05
OMG	31	23	0.36
Prophotonix	40	43	0.67
Skill Ports	50	29	0.45
TMO	50	50	0.78
Westmount	16	18	0.27
Paragon Entertainment	1	1	0.01
Microsaic	1	1	0.01
	-----	-----	-----
Total – non-qualifying equities	458	424	6.60
	-----	-----	-----
Total – Non-Qualifying Investments	1199	1191	18.55
	-----	-----	-----
Cash	1143	1143	17.78
	-----	-----	-----
Total investments	5654	6427	100.00

TOP INVESTMENTS OF HARGREAVE HALE AIM VCT 1 AND HARGREAVE HALE AIM VCT 2

Investments of Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2 representing more than 50% of the net asset value of the relevant Company.

Hargreave Hale AIM VCT 1 (as at 24 February 2012):

Advanced Computer Software (7.7% NAV) 52p

Investment date	July 2008	Unaudited results for six months to	August 2011
Equity held	0.66%	Turnover (£'000)	47
Av. Purchase Price	17.0p	Profit before tax (£'000)	3,700
Cost (£'000)	400	Net assets (£'000)	89
Valuation (£'000)	1,224		
Commercial Sector: Software & Computer Services		Geographical Location: UK	

Company Description:

Advanced Computer Software Group plc is a supplier of software and IT services to the healthcare and commercial sectors with a primary focus on delivering high quality products and services to enable first class delivery of care in the community. Advanced also delivers back-office systems for NHS trusts, local authorities and care providers and is further strengthening its position in the health checks and pharmacy services markets. Working with partners in the NHS, local government and the private sector, Advanced delivers IT in support of safe and efficient care delivery and greater information for both the commissioner and care provider. The company offers a range of integrated health and care solutions from patient-facing IT systems through to back-end operational systems and services. Advanced is also a leading supplier of software and IT services to the commercial sector, which represents 35% of the company's revenues.

UK Treasury 2.25% 2014 (6.6% NAV) 103.77p

Investment date	March 2009
Purchase Price	97.78p
Cost (£'000)	978
Valuation (£'000)	1,038

Abcam (6.4% NAV) 339.25p

Investment date	October 2005	Audited results for year ended	June 2011
Equity held	0.16%	Turnover (£'000)	83,272
Av. Purchase Price	33.4p	Profit before tax (£'000)	32,111
Cost (£'000)	100	Net assets (£'000)	73,920
Valuation (£'000)	1,018		
Commercial Sector: Pharmaceuticals & Biotechnology		Geographical Location: UK	

Company Description:

Abcam is a producer and distributor of high quality protein research tools. The proteins enable scientists to analyse components of living cells at the molecular level, which is essential to understanding health and disease. Abcam produces and distributes its own and third party produced antibodies to academic and commercial users throughout the world. Product ordering is available through their website where customers are also able to access up-to-date and detailed technical product data sheets.

Intercede (5.9% NAV)**68p**

Investment date	May 2007	Unaudited results for six months to	September 2011
Equity held	2.83%	Turnover (£'000)	3,528
Av. Purchase Price	33.0p	Profit before tax (£'000)	653
Cost (£'000)	452	Net assets (£'000)	5,911
Valuation (£'000)	931		
Commercial Sector:	Software & Computer Services		Geographical Location: UK

Company Description:

Intercede is the producer of the MyID® Identity and Credential Management System. MyID is the only IDCMS software product that enables organisations to easily and securely manage the identities of people and their associated identity credentials within a single, integrated, workflow driven platform. This includes enabling and managing: secure registration, biometric capture, application vetting and approval through to smart card personalisation, issuance and management.

Animalcare (5.4%NAV)**157p**

Investment date	December 2007	Audited results for year ended	December 2011
Equity held	2.66%	Turnover (£'000)	5,400
Purchase Price	55.0p	Profit before tax (£'000)	1,090
Cost (£'000)	300	Net assets (£'000)	16,135
Valuation (£'000)	856		
Commercial Sector:	Pharmaceuticals & Biotechnology		Geographical Location: UK

Company Description:

Animalcare is a leading supplier of generic veterinary medicines and animal identification products to companion animal veterinary markets. It develops and sells goods and services to veterinary professionals principally for use in companion animals; operating directly in the UK and through distribution and development partners in key markets in Western Europe. Its principle product lines are licensed veterinary medicines and companion animal identification products and services.

Cohort (4.3% NAV)**110p**

Investment date	October 2007	Unaudited results for six months to	October 2011
Equity held	1.51%	Turnover (£'000)	37,363
Av. Purchase Price	130.2p	Profit before tax (£'000)	1,803
Cost (£'000)	800	Net assets (£'000)	49,182
Valuation (£'000)	675		
Commercial Sector:	Aerospace & Defense		Geographical Location: UK

Company Description:

Cohort is the parent company of three well established, wholly owned subsidiaries providing a wide range of services and products for UK and international customers. Mass designs, manufactures and supports electronic systems and software, and provides specialist services and training. SCS specialises in providing advice and support based on sound technical knowledge coupled with experience of its practical application. SEA delivers systems engineering, software and electronic engineering services and solutions, including specialist design and manufacture.

UK Treasury Index Linked 2.5% 2016 (3.8% NAV)**342.645p**

Investment date	March 2009
Purchase Price	280.65p
Cost (£'000)	504
Valuation (£'000)	600

Idox (3.7% NAV)**29.25p**

Investment date	May 2007	Audited results for six months to	October 2011
Equity held	0.58%	Turnover (£'000)	38,605
Av. Purchase Price	7.5p	Profit before tax (£'000)	5,614
Cost (£'000)	150	Net assets (£'000)	34,371
Valuation (£'000)	585		
Commercial Sector:	Software & Computer Services		Geographical Location: UK

Company Description:

Idox is a leading software and information managements solutions provider. The business consists of four divisions: Public Sector Software, Engineering Information Management Software, Information Solutions and Recruitment Services. The Idox Group provides information management, web development and online publishing products to clients across the public and private sectors. It also provides software solutions and information services to the public sector and is a leading applications provider to local government for core functions relating to land, people and property.

EKF (3.0% NAV)**23.5p**

Investment date	June 2010	Unaudited results for six months to	June 2011
Equity held	0.80%	Turnover (£'000)	7,380
Purchase Price	15.0p	Profit before tax (£'000)	(1,552)
Cost (£'000)	300	Net assets (£'000)	35,740
Valuation (£'000)	470		
Commercial Sector:	Health Care Equipment & Services		Geographical Location: UK

Company Description:

The EKF Group is a worldwide manufacturer of point of care equipment for the measurement of glucose, lactate, haemoglobin, haematocrit and glycated haemoglobin (HbA1c). The range of blood analysers are simple to use and designed to quickly deliver accurate results to aid the diagnosis of anaemia, diabetes and associated conditions. EKF analysers are used in more than 70 countries by healthcare professionals in blood banks, GP surgeries, diabetes clinics, pharmacies, hospitals, sports medicine and laboratories.

K3 (2.9% NAV)**153p**

Investment date	September 2005	Audited results for year ended	June 2011
Equity held	1.05%	Turnover (£'000)	52,800
Av. Purchase Price	90.0p	Profit before tax (£'000)	4,908
Cost (£'000)	270	Net assets (£'000)	37,242
Valuation (£'000)	459		
Commercial Sector:	Software & Computer Services		Geographical Location: UK

Company Description:

K3 supplies integrated business systems encompassing Enterprise Resource Planning (ERP) software, Customer Relationship Management (CRM) software, Business Intelligence and e-commerce, hosting and managed services to the supply chain industry. Focussed on the retail, manufacturing and distribution markets, the company supports more than 3,000 customers in over 20 countries.

Craneware (2.2%NAV)**295p**

Investment date	September 2007	Unaudited results for six months to	December 2011
Equity held	0.43%	Turnover (\$'000)	8,754
Purchase Price	128.0p	Profit before tax (\$'000)	3,821
Cost (£'000)	150	Net assets (\$'000)	33,290
Valuation (£'000)	346		
Commercial Sector:	Software & Computer Services		Geographical Location: UK

Company Description:

Craneware is a leader in automated revenue integrity solutions that improve financial performance for healthcare organisations. Craneware is the leader in automated revenue integrity solutions that improve financial performance for healthcare organisations. Craneware's SAAS solutions help hospitals and other healthcare providers more effectively price, charge, code and retain earned revenue for patient care services and supplies. This optimises reimbursement, increases operational efficiency and minimises compliance risk.

Hargreave Hale AIM VCT 2 (as at 24 February 2012):**Mexican Grill (6.6% NAV)****2804p**

Investment date	October 2009	Preliminary results for year ended	September 2011
Equity held	7.38%	Turnover (£'000)	4,095
Av. Purchase Price	2059.0p	Profit before tax (£'000)	35
Cost (£'000)	311	Net assets (£'000)	1,899
Valuation (£'000)	424		
Commercial Sector:	Travel & Leisure	Geographical Location:	UK

Company Description:

Mexican Grill, is a private company that operates seven fast casual California-Mexican restaurants that provide fresh, made to order cuisine for eat in or take-away. The seven sites are in London at Islington, Bankside (near Tate Modern), Market Place (near Oxford Circus), Canary Wharf, Leadenhall, Hammersmith & Westfield Stratford making it amongst the largest chains within its niche. Bar the most recent opening, each of the sites is profitable, most notably Canary Wharf which is generating an annual return on capital in excess of 50%. The company is profitable as a whole and has a strong balance sheet following the recent £3.5m fundraising from Quilvest Private Equity.

Treasury 2.25% 2014 (4.8% NAV)**103.77p**

Investment date	March 2009
Purchase Price	98.07p
Cost (£'000)	294
Valuation (£'000)	311

Hardide (4.8% NAV)**0.850p**

Investment date	June 2009	Preliminary results for year ended	September 2011
Equity held	3.81%	Turnover (£'000)	1,947
Av. Purchase Price	0.3p	Profit before tax (£'000)	(446)
Cost (£'000)	110	Net assets (£'000)	106
Valuation (£'000)	310		
Commercial Sector:	Chemicals	Geographical Location:	UK

Company Description:

Hardide manufactures and applies tungsten carbide-based coatings to a wide range of engineering components. The patented technology is proven to offer cost savings through reduced downtime and extended part life. Customers include leading companies operating in oil and gas exploration and production, valve and pump manufacturing, general engineering and aerospace. The company recently raised £0.75m from new and existing investors at 0.6p.

Advanced Computer Software (4.8% NAV)**52p**

Investment date	July 2008	Unaudited results for six months to	August 2011
Equity held	0.17%	Turnover (£'000)	47
Purchase Price	17.0p	Profit before tax (£'000)	3,700
Cost (£'000)	100	Net assets (£'000)	89
Valuation (£'000)	306		
Commercial Sector:	Software & Computer Services	Geographical Location:	UK

Company Description:

Advanced Computer Software Group plc is a supplier of software and IT services to the healthcare and commercial sectors with a primary focus on delivering high quality products and services to enable first class delivery of care in the community. Advanced also delivers back-office systems for NHS trusts, local authorities and care providers and is further strengthening its position in the health checks and pharmacy services markets. Working with partners in the NHS, local government and the private sector, Advanced delivers IT in support of safe and efficient care delivery and greater information for both the commissioner

and care provider. The company offers a range of integrated health and care solutions from patient-facing IT systems through to back-end operational systems and services. Advanced is also a leading supplier of software and IT services to the commercial sector, which represents 35% of the company's revenues.

Animalcare (4.4% NAV)

157p

Investment date	December 2007	Unaudited results for six months to	December 2011
Equity held	0.89%	Turnover (£'000)	5,400
Av. Purchase Price	55.0p	Profit before tax (£'000)	1,090
Cost (£'000)	100	Net assets (£'000)	16,135
Valuation (£'000)	285		
Commercial Sector:	Pharmaceuticals & Biotechnology		Geographical Location: UK

Company Description:

Animalcare is a leading supplier of generic veterinary medicines and animal identification products to companion animal veterinary markets. It develops and sells goods and services to veterinary professionals principally for use in companion animals; operating directly in the UK and through distribution and development partners in key markets in Western Europe. Its principle product lines are licensed veterinary medicines and companion animal identification products and services.

EKF (3.7% NAV)

23.5p

Investment date	June 2010	Unaudited results for six months to	June 2011
Equity held	0.40%	Turnover (£'000)	7,380
Purchase Price	15.0p	Profit before tax (£'000)	(1,552)
Cost (£'000)	150	Net assets (£'000)	35,740
Valuation (£'000)	235		
Commercial Sector:	Health Care Equipment & Services		Geographical Location: UK

Company Description:

The EKF Group is a worldwide manufacturer of point of care equipment for the measurement of glucose, lactate, haemoglobin, haematocrit and glycated haemoglobin (HbA1c). The range of blood analysers are simple to use and designed to quickly deliver accurate results to aid the diagnosis of anaemia, diabetes and associated conditions. EKF analysers are used in more than 70 countries by healthcare professionals in blood banks, GP surgeries, diabetes clinics, pharmacies, hospitals, sports medicine and laboratories

Lidco (3.2% NAV)

14.25p

Investment date	May 2009	Unaudited results for six months to	July 2011
Equity held	0.84%	Turnover (£'000)	3,215
Purchase Price	10.0p	Profit before tax (£'000)	(242)
Cost (£'000)	146	Net assets (£'000)	4,338
Valuation (£'000)	207		
Commercial Sector:	Health Care Equipment & Services		Geographical Location: UK

Company Description:

LiDCO is a supplier of minimally invasive hemodynamic monitoring equipment and disposables to hospitals. These products are used primarily for the management of hospital patients requiring critical care or at major cardiovascular risk. LiDCO's computer-based technology significantly reduces the complications (particularly infections) and costs associated with major surgery. The technology was invented in the Department of Applied Physiology based at St Thomas' Hospital, London. LiDCO is based in the UK.

Intercede (3.1% NAV)

68.0p

Investment date	May 2007	Unaudited results for six months to	September 2011
Equity held	0.60%	Turnover (£'000)	3,528
Av. Purchase Price	33.0p	Profit before tax (£'000)	653
Cost (£'000)	96	Net assets (£'000)	5,911
Valuation (£'000)	198		

Commercial Sector: Software & Computer Services

Geographical Location: UK

Company Description:

Intercede is the producer of the MyID® Identity and Credential Management System. MyID is the only IDCMS software product that enables organisations to easily and securely manage the identities of people and their associated identity credentials within a single, integrated, workflow driven platform. This includes enabling and managing: secure registration, biometric capture, application vetting and approval through to smart card personalisation, issuance and management.

Lombard Risk (3.0% NAV)

8.50p

Investment date	September 2009	Unaudited results for six months to	September 2011
Equity held	1.09%	Turnover (£'000)	6,352
Av. Purchase Price	4.0p	Profit before tax (£'000)	1,752
Cost (£'000)	92	Net assets (£'000)	4,287
Valuation (£'000)	196		
Commercial Sector:	Software & Computer Services	Geographical Location:	UK

Company Description:

Lombard Risk is a provider of collateral management and regulatory compliance solutions to financial organizations and large corporations. They currently serve over 300 financial businesses around the world. Clients include over 20 of the world's top 50 banks, as well as other investment firms, asset managers, hedge funds, fund administrators, and global corporations.

Fulcrum Utility (2.8% NAV)

18p

Investment date	July 2010	Unaudited results for six months to	September 2011
Equity held	0.65%	Turnover (£'000)	19,600
Purchase Price	10.0p	Profit before tax (£'000)	(3,750)
Cost (£'000)	100	Net assets (£'000)	1,477
Valuation (£'000)	180		
Commercial Sector:	Utilities	Geographical Location:	UK

Company Description:

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

Mycelx (2.6% NAV)

230p

Investment date	August 2011	Unaudited results for six months to	June 2011
Equity held	0.55%	Turnover (\$'000)	3,027
Purchase Price	210.0p	Profit before tax (\$'000)	103
Cost (£'000)	150	Net assets (\$'000)	1,428
Valuation (£'000)	164		
Commercial Sector:	Oil Equipment, Services & Distribution	Geographical Location:	US

Company Description:

Mycelx is a, clean water technology company. It provides clean water solutions to the oil, gas and petrochemical industries, as well as marine, power, utilities and heavy manufacturing. Its patented polymer is capable of permanently removing free, emulsified and dissolved hydrocarbons in water

Petrobras 6.25% 2026 (2.4% NAV)**103.436p**

Investment date	December 2011
Purchase Price	98.647p
Cost (£'000)	148
Valuation (£'000)	155

Scottish Amicable 8.5% 2049 (2.4% NAV)**101.882p**

Investment date	April 2010
Purchase Price	102.402p
Cost (£'000)	154
Valuation (£'000)	153

TLA Worldwide (2.3% NAV)**20p**

Investment date	November 2011	Unaudited results	-
Equity held	1.17%		
Purchase Price	20.0p		
Cost (£'000)	150		
Valuation (£'000)	150		
Commercial Sector:	Support Services	Geographical Location:	US

Company Description:

TLA Worldwide is a newly formed company that has used its IPO proceeds to consolidate/merge two sports agencies focused on dominating the fragmented US baseball space. TLA's aim is to become the pre-eminent, fully integrated representation and marketing services provider initially to the baseball industry and, over time, to a range of other sports. The Group, which will have offices in London, Los Angeles and New York, will combine baseball talent representation with sport marketing, management and event capabilities.

Note:

Investment and portfolio information on pages 44 to 55 has been derived from the relevant Company's accounting records and, in respect of the information on the portfolio companies, from available published information in respect of those companies the latest financial accounts published by those companies. In respect of the information on the portfolio companies, the Companies confirm that this information has been accurately reproduced and, as far as the Companies are aware and able to ascertain from the information published, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The portfolio analysis on pages 48 to 55 represents not less than 50% of the NAV of each Company as at 24 February 2012 (being the latest practical date prior to publication of this document).

TAX BENEFITS FOR INVESTORS

The tax reliefs set out below are available to individuals aged 18 or over who subscribe under the Offer for New Shares. Tax reliefs will only be given to the extent that an individual's total investments in VCTs in any tax year do not exceed the qualifying limit, which is currently £200,000. Investors who intend to invest more than £200,000 in VCTs in any one tax year should seek professional advice.

- **Relief from income tax**

On investment

Income tax relief at the rate of 30% will be available on subscriptions for shares up to a maximum investment of £200,000 in any one tax year, or that amount which reduces the investor's income tax liability to nil. This relief must be repaid should the shares be sold or otherwise disposed of within five years, other than in the event of death.

On dividends

An investor who subscribes for or acquires up to a maximum of £200,000 of New Shares in a VCT in any given tax year will not be liable to UK income tax on dividends paid by the VCT on those shares. This tax relief applies to shares acquired through the Offers and shares acquired through subsequent acquisition.

- **Relief from capital gains tax**

A disposal by an Investor of Shares (whether acquired by subscription for new shares or subsequent acquisition) in a VCT will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. This relief is limited to disposals of New Shares acquired within the limit of £200,000 for any tax year. This tax relief applies to shares acquired through the Offers and shares acquired through subsequent acquisition.

Spousal Transfer

An Investor can transfer their shares to their spouse within 5 years of subscription without triggering the repayment of the initial income tax relief. Shares acquired through spousal transfer will continue to benefit from capital gains tax relief and income tax relief.

Obtaining tax reliefs

Each investor will be issued with a certificate which can be used to claim income tax relief, either immediately by obtaining an adjustment to their tax coding from HMRC or by waiting until the end of the tax year and using their tax return to claim relief.

Investors not resident in the UK

Investors who are not resident in the UK, or who may cease to be resident in the UK, should seek their own professional advice as to the consequences of making an investment.

The following table illustrates the effect of the increased tax reliefs for an individual who subscribes £10,000 through the Offers:

	Value £
Initial investment	10,000
Less income tax relief at 30%	(3,000)
Effect net cost to investor	7,000

The following tables show what an Investor would need to earn on a gross basis from both bank interest and taxable income from investments in bonds and equities to achieve the same equivalent net yield from a dividend distribution by a VCT. The yields detailed below, which are for illustration purposes only, are calculated with reference to the cost of investment net of the initial 30% income tax relief.

They are presented for

(i) an additional rate taxpayer, with a marginal income tax rate on interest income of 50% and a marginal income tax rate on dividend income of 42.5% on dividends. After adjusting for the 10% tax credit, the effective tax rate on dividend income falls to 36.1%.

(ii) a higher rate taxpayer, with a marginal income tax rate on interest income of 40% and a marginal income tax rate on dividend income of 32.5%. After adjusting for the 10% tax credit, the effective tax rate on dividend income falls to 25.0%.

(iii) a basic rate taxpayer, with a marginal income tax rate on interest income of 20% and a marginal income tax rate on dividend income of 10%. After adjusting for the 10% tax credit, the effective tax rate on dividend income falls to nil.

	Tax Rate	Effective Tax Rate (adjusting for tax credit)	3 p	5 p	7 p
Additional Rate					
VCT Yield	Nil	Nil	4.3	7.1	10.0
Equivalent Gross Interest Yield	50%	50%	8.6	14.3	20.0
Equivalent Gross Dividend Yield	42.5%	36.1%	6.7	11.2	15.6
Higher Rate					
VCT Yield	Nil	Nil	4.3	7.1	10.0
Equivalent Gross Interest Yield	40%	40%	7.1	11.9	16.7
Equivalent Gross Dividend Yield	32.5%	25%	5.7	9.5	13.3

Tax Rate		Effective Tax Rate (adjusting for tax credit)	3 p	5 p	7 p
Basic Rate		Tax Rate			
VCT Yield	Nil	Nil	4.3	7.1	10.0
Equivalent Gross Interest Yield	20%	20%	5.4	8.9	12.5
Equivalent Gross Dividend Yield	10%	0%	4.3	7.1	10.0

Investors should obtain their own independent financial advice on their eligibility for tax relief. A general guide to the conditions to be met in order for the tax reliefs to be available is given in Part II of this document.

DIRECTORS

The Boards of the Companies both comprise three Directors, two of whom are independent of the Investment Manager. The Directors operate in a non-executive capacity and are responsible for overseeing the investment strategy of the Companies and ensuring high levels of corporate governance. The Boards have a wide range of investment experience and are actively engaged in the management of VCTs. Whilst the Investment Manager operates under a discretionary fund management mandate, it will, where possible, disseminate an investment report for a proposed Qualifying Investment to the boards of Directors for consideration before making an investment. The Investment Manager will not commit to an investment into a private company with no firm intention to float without the prior approval of the board of Directors.

Hargreave Hale AIM VCT 1

Sir Aubrey Brocklebank

After qualifying as a chartered accountant Sir Aubrey Brocklebank worked for Guinness Mahon from 1981 to 1986, initially in its corporate finance department before assisting in the establishment of a specialist development capital department. From 1986 to 1990 he was a director of Venture Founders Limited, managing a £12m venture capital fund, which had been raised to invest in early stage ventures. He managed the Avon Enterprise Fund (a venture capital fund of £4.5m, investing in approximately 20 companies) from 1990 until all investments had been realised in 1997. He is on the board of two other VCTs, Downing Planned Exit VCT 2011 Plc and Puma VCT 8 plc as chairman of each company. He is, and has also been, a director of a number of companies, some of which are, or have been, quoted on AIM.

David Brock

David was, until July 1997, a main board director of MFI Furniture Group plc and managing director of MFI International Limited having been involved at a senior level in both MFI's management buyout and its subsequent floatation. He started his career at Marks & Spencer Group plc. He is currently chairman of Kitwave Limited, Episys Group Limited and Elderstreet VCT plc and is a non executive director of Puma VCT 8 plc.

Giles Hargreave

See page 61 for Giles Hargreave's CV.

Hargreave Hale AIM VCT 2

David Hurst-Brown FSI

David worked for over 25 years in the investment banking industry starting as an investment analyst with Rowe and Pitman and becoming a partner of the firm in 1985. Following takeovers by SG Warburg and Swiss Bank Corporation and the subsequent merger with Union Bank of Switzerland, David in the corporate finance division of UBS Warburg. In this capacity, amongst his various duties, he was responsible for

establishing a smaller companies business unit. He was a consultant to UBS from 1999 to 2002. David is presently a non executive director of Imagination Technologies Group Plc, Anite Plc and FFastfill Plc.

Giles Hargreave

See page 61 for Giles Hargreave's CV.

Philip Cammerman

Philip has over 20 years experience in engineering and high-tech industries and has worked in both the UK and USA. He has spent the last 27 years in the venture capital industry, playing a major part in the development of the YFM Group into the most active investor in UK SME's. He retired from all YFM Group business in April 2008 following their disposal to GLE Capital. Philip has been responsible for a wide range of venture capital deals in a variety of industries including software, computer maintenance, engineering, printing, safety equipment, design and textiles. In addition to his directorship of Hargreave Hale AIM VCT 2 plc, Philip is a non executive director of Pressure Technologies plc and British Smaller Companies VCT plc.

DIRECTORS SUBSCRIPTIONS / TENDER OFFERS

Aubrey Brocklebank has committed to participate in the Enhanced Share Buy Back in respect of 5,000 Hargreave Hale AIM VCT 1 Ordinary Shares.

Giles Hargreave has committed to participate in the Enhanced Share Buy Back in respect of 109,163 Hargreave Hale AIM VCT 1 Ordinary Shares and 51,500 Hargreave Hale AIM VCT 2 Ordinary Shares.

David Hurst-Brown and his associates have committed to participate in the Enhanced Share Buy Back in respect of 25,750 Hargreave Hale AIM VCT 1 Ordinary Shares and 26,250 Hargreave Hale AIM VCT 2 Ordinary Shares and to subscribe for a further £20,000 of Hargreave Hale AIM VCT 2 Ordinary Shares under the Offers.

David Brock is intending to invest £10,000 into the Hargreave Hale AIM VCT 1 C Share Fund, under the Offers.

Philip Cammerman is intending to invest £3,000 into Hargreave Hale AIM VCT 2, under the Offers.

THE INVESTMENT MANAGER: HARGREAVE HALE LIMITED

The Companies are managed by Hargreave Hale Limited, a fund manager with approximately £1,528m under management (*source: Hargreave Hale*). Hargreave Hale has been managing investments in UK Small and Micro Cap companies for 13 years and VCTs for 7 years. It has a long established reputation that stems from its management of the Marlborough Special Situations Fund and the Marlborough UK Micro Cap Fund, and more recently the VCTs. It has won numerous awards for its management of small cap funds, most recently the 2012 Quoted Company 'Investor of the Year' Award. The Marlborough Special Situations Fund, in which Hargreave Hale AIM VCT 2 will invest, has returned 1089% since coming under the management of Hargreave Hale in July 1998.

The investments of the two Companies are co-managed by Giles Hargreave and Oliver Bedford, with support from the rest of the firm's investment team of six. The investment team manages approximately £750m, of which approximately £400m is invested in small companies, many of which are quoted on AIM. The breadth of the investment team, the scale of investment in small companies and the Investment Manager's track record help attract deal flow:

Giles Hargreave

Giles Hargreave is the chief executive of Hargreave Hale Limited. After leaving Cambridge in 1969, Giles began his career as a trainee analyst with James Capel before moving to Management Agency and Music Plc as a private fund manager in 1974. In 1986 he founded Hargreave Investment Management, which he then merged with Hargreave Hale & Co in 1988. In 1998, Giles took over as the fund manager of the Marlborough Special Situations Fund. He also manages the Marlborough UK Micro Cap Growth Fund, the Marlborough Multi Cap Income Fund and both VCTs. Giles heads up Hargreave Hale's investment committee and chairs the weekly meetings in which the team reviews existing and potential investments.

Oliver Bedford BSc MSCI

Oliver Bedford graduated from Durham University in 1995 with a degree in Chemistry. He served in the British Army for 9 years before joining Hargreave Hale in 2004. Oliver co-manages the Hargreave Hale AIM VCTs with Giles Hargreave and supports the other unit trusts through the investment committee. He also runs the Hargreave Hale Multi Asset Model Portfolio Service.

George Finlay MA Oxon

George has been involved in institutional research and fund management since graduating from Oxford University in 1970. He joined Hargreave Hale in 1988 following positions at both Kemp Gee and GT Management. George, who specialises in 'Old Economy' and resource companies, enjoys a particularly broad mandate that allows him to unearth thematic plays and under-researched companies, often with an international dimension.

Guy Feld MA Oxon FSCI

Guy Feld, a graduate of Oxford University, has over 16 years City experience in both fund management and broking at BZW, UBS and Teather & Greenwood. Guy joined the team as a research adviser in 2003 and has a particular focus on the technology sector and other “New Economy” and growth companies. Guy co-manages the Marlborough UK Micro Cap Growth Fund with Giles Hargreave.

Richard Hallett FCA

Richard qualified as a Chartered Accountant at Ernst & Young in 1994 and subsequently joined Singer & Friedlander in 1995 as a small companies fund manager. He moved to Hargreave Hale in 2005 and now co-manages the Marlborough UK Leading Companies Fund with Giles Hargreave whilst also deputising for him on the Marlborough Special Situations Fund. He manages a substantial private mandate and runs Hargreave Hale's IHT portfolio service.

Siddarth Chand Lall MA

Sid graduated from Edinburgh University with a masters in economics in 2002. Sid co-manages the Marlborough Multi Cap Income Fund with Giles Hargreave and also supports the other funds, where his background in Pan European (including UK) small and mid-cap equities and understanding of Indian companies brings an additional new dimension to the team. Formerly of DSP, Sid joined Hargreave Hale in 2007.

Gracie Chen BA MMath

Gracie joined Hargreave Hale in 2010 after spending nearly 4 years at Morgan Stanley in Foreign Exchange Strategy and CDO Structuring. Gracie holds a BA Hons and MMath in Mathematics from the University of Cambridge and provides investment support to the VCTs. She also runs the valuations and provides wider management support to VCTs.

MANAGEMENT REMUNERATION AND EXPENSES

Management Agreements

Hargreave Hale provides discretionary investment management and advisory services to both Companies in respect of their portfolio of Qualifying Investments and Non-Qualifying Investments.

For Hargreave Hale AIM VCT 1, the Investment Manager receives investment management fees (exclusive of VAT) equal to 1.5% per annum of the Net Asset Value of the relevant Company and a Performance Incentive Fee.

For Hargreave Hale AIM VCT 2, the Investment Manager receives investment management fees (exclusive of VAT) equal to 1.3% per annum of the Net Asset Value of the Company and a Performance Incentive Fee. At the General Meeting, Shareholders will be asked to approve an increase in the investment management fee from 1.3% per annum of the Net Asset Value of the Company to 1.5% per annum of the Net Asset Value.

The appointment may be terminated on 12 calendar months' notice by either party.

In line with normal VCT practice, a performance related incentive fee will be payable subject to certain criteria. This will be payable at the rate of 20% of any dividends paid to Ordinary Shareholders in excess of 6 pence per Ordinary Share per annum, provided that the Net Asset Value per Ordinary Share is at least 95p, with any cumulative shortfalls below 6 pence per Ordinary Share having to be made up in subsequent years.

Additionally, a performance related incentive fee will be payable at the rate of 20% of any dividends paid to C Shareholders in excess of 6 pence per C Share per annum, provided that the Net Asset Value per C Share is at least 95p, with any cumulative shortfalls below 6 pence per C Share having to be made up in subsequent years.

Charging Expenses to Capital

A maximum of 75% of the Investment Manager's annual fee (plus irrevocable VAT, but excluding any incentive fee) will be chargeable against capital reserves, with the remainder of the Investment Manager's annual fee being chargeable against revenue.

LIFE OF THE COMPANIES AND ANNUAL ACCOUNTS

Hargreave Hale AIM VCT 1's annual report and accounts are made up to 30 September in each year and are normally sent to shareholders in December of each year. It is the current intention of the Directors that the first report to be sent to Investors after the close of the Offers will be the audited annual accounts for the year ending 30 September 2012.

It is intended that Hargreave Hale AIM VCT 1 should have an unlimited life, but the Directors consider that it is desirable for shareholders to have the opportunity to review the future of the Company at appropriate intervals. Hargreave Hale AIM VCT 1's articles of association require the Directors to put a proposal to shareholders concerning the continuation of that company at the annual general meeting in 2016 and, if passed, at every fifth anniversary thereafter. As there is a risk for Shareholders who participate in the Enhanced Share Buy Back and for new Shareholders under the Offers that if the continuation vote is passed in favour of discontinuance, they will thereby be deemed to have disposed within their five year holding period, it is a condition to the Offers therefore that prior Shareholder approval is granted to delay the continuation vote until 2018 and to adopt new articles of association accordingly. The Directors have also taken this opportunity to update the new articles of association to reflect the Companies Act 2006.

Hargreave Hale AIM VCT 2's annual report and accounts are made up to 28 February in each year and are normally sent to shareholders in June of each year. It is the current intention of the Directors that the first report to be sent to Investors after the close of the Offers will be the unaudited half yearly reports in respect of the six month period ending 31 August 2012.

It is intended that Hargreave Hale AIM VCT 2 should have an unlimited life, but the Directors consider that it is desirable for shareholders to have the opportunity to review the future of the Company at appropriate intervals. Hargreave Hale AIM VCT 2's articles of association require the Directors to put a proposal to shareholders concerning the continuation of the Company at the annual general meeting in 2013 and, if passed, at every fifth anniversary thereafter. As there is a risk for Shareholders who participate in the Enhanced Share Buy Back and for new Shareholders under the Offers that if the continuation vote is passed in favour of discontinuance, they will thereby be deemed to have disposed within their five year holding period, it is a condition to the Offers therefore that prior Shareholder approval is granted to delay the continuation vote until 2018 and to adopt new articles of association accordingly. The Directors have also taken this opportunity to update the new articles of association to reflect the Companies Act 2006.

TAXATION

The Directors intend to continue conducting the affairs of the Companies so that they satisfy the conditions for approval as a VCT laid down in section 274 of ITA. Whilst it is the intention of the Directors that the Companies will continue to be managed so as to qualify as VCTs, there can be no guarantee that they will continue to qualify or that such status will be maintained. A failure to meet the qualifying criteria could result in the Companies losing the tax reliefs previously obtained, resulting in adverse tax consequences for investors, including a requirement to repay the 30% income tax relief.

Any potential Investors in doubt as to the personal tax reliefs which are available as a result of investing in a VCT, or the taxation consequences of the investment, disposal or holding of shares in a VCT, should consult an appropriately qualified professional adviser.

Further details of the tax position of VCTs are set out in Part II of this document.

VCT STATUS AND MONITORING

Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2 have retained PricewaterhouseCoopers to advise on tax matters generally and, in particular, the maintenance of VCT status. HMRC has confirmed that both of the Companies qualify as VCTs, PricewaterhouseCoopers will assist the Investment Manager in establishing the status of investments as Qualifying Investments and monitoring these investments and will report directly to the Board. In order to continue comply with VCT requirements, both Companies must have 70% of all net funds raised from the issue of shares invested in Qualifying Investments throughout accounting periods beginning no later than 3 years after the date on which those shares are issued. As at 31 January 2012 Hargreave Hale AIM VCT 1 was 93.9% invested in Qualifying Investments. As at 31 January 2012 Hargreave Hale AIM VCT 2 was 90.4% invested in Qualifying Investments

FURTHER DETAILS RELATING TO THE OFFERS AND THE TENDER OFFERS

Listing

Application will be made to the UK Listing Authority and the London Stock Exchange for the New Shares to be admitted to the premium segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange. All New Shares will be issued in registered form, will be transferable and will rank pari passu in all respects with each other. In the case of Investors requesting share certificates, it is intended that definitive shares certificates will be despatched within 10 business days of allotment. Prior to despatch of definitive share certificates, transfers will be certified against the register. No temporary documents of title will be issued. The Companies will allot and issue New Shares in certificated form.

Category of Potential Investors

A typical investor for whom the Offers are designed is a high net worth or retail individual who is a UK income taxpayer over 18 years of age with an investment range of between £3,000 and £200,000 per tax year who considers the investment policy as detailed in Part I of this document to be attractive and can accept the high level of risk associated with an investment into a VCT. Investment in a VCT will not be suitable for every type of investor and should be considered as a medium to long term investment with a minimum holding period of five years. **Before deciding whether to apply for New Shares under the terms of the Offers Investors are strongly encouraged to consult an independent adviser authorised under FSMA and to carefully consider the suitability of an investment into the Companies in light of their personal circumstances.**

Introductory Commission

Introductory commission is being offered to authorised financial intermediaries at the rate of 2.25% on the value of successful applications submitted through them. The initial introductory commission may be waived and reimbursed by cheque or through an additional allotment of New Shares.

Existing Shareholders participating in the Enhanced Share Buy Back will not be paid any introductory commission, but instead they will receive additional New Shares equivalent to 2% of the amount subscribed with the proceeds of their Tender Offer.

PART II

Taxation Considerations for Investors

The following is only a summary of the law concerning the tax position of individual investors in VCTs. Potential investors who are in any doubt about the taxation consequences of investing in a VCT are recommended to consult a professional adviser.

Tax reliefs

The tax reliefs set out below are available to individuals aged 18 or over who subscribe for Ordinary Shares under the Offers. Whilst there is no specific limit on the amount of an individual's acquisition of shares in a VCT, tax reliefs will only be given to the extent that the total of an individual's subscriptions or other acquisitions of shares in VCTs in any tax year do not exceed £200,000. Investors who intend to invest more than £200,000 in VCTs in any one tax year should seek professional advice.

(a) *Income tax*

(i) *Relief from income tax on investment*

Income tax relief at the rate of 30% will be available on subscriptions for Ordinary Shares up to a maximum of £200,000 in any tax year. This relief is limited to the amount which reduces the investor's income tax liability to nil.

The effect of this relief for an investor subscribing £10,000 for Ordinary Shares is shown below:

	Value £
Initial investment	10,000
Less income tax relief at 30%	(3,000)
Effect net cost to investor	7,000

To obtain relief an investor must subscribe on his own behalf although the Ordinary Shares may subsequently be transferred to a nominee. Investments to be used as security for or financed by loans may not qualify for relief, depending on the circumstances.

(ii) *Dividend relief*

An investor who acquires in any tax year VCT shares having a value of up to £200,000 will not be liable to income tax on dividends paid by the VCT on those shares.

(iii) *Purchasers in the market*

An individual purchaser of existing VCT shares in the market will be entitled to claim dividend relief (as described in paragraph (ii) above) but not relief from income tax on investment (as described in paragraph (i) above).

(iv) Withdrawal of relief

Relief from income tax on a subscription for VCT shares will be withdrawn if the VCT shares are disposed of (other than between spouses or in the event of death) within five years of issue or if the VCT loses its approval within this period.

(b) Capital gains tax

(i) Relief from capital gains tax on the disposal of shares

A disposal by an investor of Ordinary Shares will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. The relief is limited to the disposal of VCT shares acquired within the limit of £200,000 for any tax year.

(ii) Purchasers in the market

An individual purchaser of Ordinary Shares in the market will be entitled to claim relief from capital gains tax on disposal (as described in paragraph (b)(i) above).

Obtaining tax reliefs

The Companies will provide to each investor a certificate which the investor may use to claim income tax relief, either by obtaining from HMRC an adjustment to his tax coding under the PAYE system or by waiting until the end of the tax year and using his tax return to claim relief.

Investors not resident in the UK

Investors not resident in the UK should seek professional advice as to the consequences of making an investment in a VCT as they may be subject to tax in other jurisdictions as well as in the UK.

Withholding taxation

No taxation will be withheld at source on any income arising from the Ordinary Shares and the Companies assume no responsibility for such withholding.

Withdrawal of approval

If a company which has been granted approval as a VCT subsequently fails to comply with the conditions for approval, approval as a VCT may be withdrawn or treated as never having been given. In these circumstances, relief from income tax on the initial investment is repayable unless loss of approval occurs more than five years after the issue of the relevant VCT shares. In addition, relief ceases to be available on

any dividend paid in respect of profits or gains in any accounting period ending when VCT status has been lost and any gains on the VCT shares up to the date from which loss of VCT status is treated as taking effect will be exempt, but gains thereafter will be taxable.

PART III

Conditions to be met by Venture Capital Trusts

The Companies have to satisfy a number of tests to qualify as VCTs. A summary of these tests is set out below.

Qualification as a VCT

To qualify as a VCT, a company must be approved as such by HMRC. To obtain such approval it must:

- (a) not be a close company;
- (b) have each class of its ordinary share capital quoted on any regulated market in the EU or European Economic Area;
- (c) derive its income wholly or mainly from shares or securities;
- (d) have at least 70% by value of its investments in shares or securities in Qualifying Investments;
- (e) for funds raised after 5 April 2011, have at least 70% by value of Qualifying Investments in 'eligible shares', which are ordinary shares which carry no preferential rights to assets on a winding up and no rights to be redeemed, although they may have certain preferential rights to dividends. For funds raised before 6 April 2011, at least 30% by value of Qualifying Investments have to be in 'eligible shares', which are ordinary shares which carry no preferential rights to dividends or to asset on a winding up and no rights to be redeemed;
- (f) have at least 10% by value of its Qualifying Investments in any single company or group in 'eligible shares';
- (g) not have more than 15% by value of its investments in a single company (other than a VCT or a company which would, if its shares were listed, qualify as a VCT); and
- (h) not retain more than 15% of its income derived from shares and securities in any accounting period.

Qualifying Investments

A Qualifying Investment consists of shares or securities first issued to the VCT (and held by it ever since) by a company satisfying certain conditions and for which not more than £1 million was subscribed by the VCT in any one tax year (nor more than £1 million in, broadly, any period of 6 months straddling two tax years). The conditions are detailed but include that the company must be a Qualifying Company, have gross assets not exceeding £7 million immediately before and £8 million immediately after the investment, apply the money raised for the purposes of a Qualifying Trade within certain time periods and not be controlled by another company. In any twelve month period the company can receive no more than £2 million from VCT funds and

Enterprise Investment Schemes, raised after 5 April 2007. The company must have fewer than 50 full time (or equivalent) employees at the time of making the investment. In certain circumstances, an investment in a company by a VCT can be split into part Qualifying Investment and part non-Qualifying Investment.

Qualifying Companies

A Qualifying Company must be unquoted (for VCT purposes this includes companies whose shares are traded on the PLUS Market and AIM) and must carry on a Qualifying Trade. For this purpose certain activities are excluded (such as dealing in land or shares or providing financial services). The Qualifying Trade must either be carried on by, or be intended to be carried on by, the Qualifying Company or by a Relevant Qualifying Subsidiary (see below) at the time of the issue of shares or securities to the VCT (and at all times thereafter). A Qualifying Company must have a permanent establishment in the UK. A company intending to carry on a Qualifying Trade must begin to trade within two years of the issue of shares or securities to the VCT and continue it thereafter.

A Qualifying Company may have no subsidiaries other than Qualifying Subsidiaries, which must be more than 50% owned.

A Relevant Qualifying Subsidiary must be a 90% directly held subsidiary of the company invested in, its wholly owned subsidiary, or a wholly owned subsidiary of a 90% directly held subsidiary.

Approval as a VCT

A VCT must be approved at all times by HMRC. Approval has effect from the time specified in the approval.

A VCT cannot be approved unless the tests detailed above are met throughout the most recent complete accounting period of the VCT and HMRC is satisfied that they will be met in relation to the accounting period of the VCT which is current when the application is made. However, in order to facilitate the launch of a VCT, HMRC may approve a VCT notwithstanding that certain of the tests are not met at the time of application, provided HMRC is satisfied that the tests will be met within certain time limits. In particular, in the case of the test described at (d) under the heading "Qualification as a VCT" above, approval may be given if HMRC is satisfied that this will be met throughout an accounting period of the VCT beginning no more than three years after the date on which approval takes effect.

The Directors intend to conduct the affairs of the Companies so that they satisfy the conditions for approval as VCTs and that such approval will be maintained. HMRC has granted the Companies approval under section 274 ITA as VCTs. The Companies intend to comply with section 274 ITA and have retained PricewaterhouseCoopers LLP to advise them on VCT taxation matters.

Withdrawal of Approval

Approval of a VCT may be withdrawn by HMRC if the various tests set out above are not satisfied. Withdrawal of approval generally has effect from the time when notice is given to the VCT but, in relation to capital gains of the VCT only, can be backdated to not earlier than the first day of the accounting period commencing immediately after the last accounting period of the VCT in which all of the tests were satisfied.

Proposed Changes to rules regarding Qualifying Investments

On 6 December 2011, the draft Finance Bill 2012 was published which contained measures, in respect of investments made on or after 6 April 2012 (subject to EU State Aid approval), to increase certain limits on restrictions relating to Qualifying Investments. Subject to EU State Aid approval, the Government plans to increase the limit on the number of employees from 50 to 250, the limit on gross assets immediately prior to investment from £7 million to £15 million, the limit on gross assets immediately after investment from £8 million to £16 million and the limit on the amount that can be invested in an individual company from £2 million to £10 million. Other measures include removing the annual £1 million limit on the amount a VCT can invest in a Qualifying Investment and a “disqualifying purpose” test under which an investment will not be a Qualifying Investment if the investee company has been set up for the purpose of accessing tax reliefs, although the details of how this will be implemented have not yet been published. For VCT funds raised after 5 April 2012 it is proposed that there be an exclusion on the use of VCT funds for the purchase of shares in another company.

The above is only a summary of the conditions to be satisfied for a company to be treated as a VCT.

PART IV

FINANCIAL INFORMATION ON THE COMPANIES

HARGREAVE HALE AIM VCT 1

Full audited financial information on the Company for the accounting years ended 30 September 2009, 30 September 2010 and 30 September 2011 are available free of charge at the Company's registered office or can be downloaded at <http://www.hargreave-hale.co.uk/fund-management/venture-capital-trusts/hargreave-hale-aim-vct-1/factsheets-and-reports/>

The annual reports for the years ended 30 September 2009, 30 September 2010 and 30 September 2011 were audited by BDO LLP of 55 Baker Street, London W1U 7EU. All audit reports were unqualified under the the Act.

The annual reports referred to above were prepared in accordance with UK generally accepted accounting practice (GAAP) and the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies'. The annual reports contain a description of the relevant Company's financial condition, changes in financial condition and results of operation for each relevant financial year and are being incorporated by reference and can be accessed at the following website:

<http://www.hargreave-hale.co.uk/fund-management/venture-capital-trusts/hargreave-hale-aim-vct-1/factsheets-and-reports/>

Where these documents make reference to other documents, such other documents are not incorporated into and do not form part of this document.

The information indicated below is incorporated by reference into this document (excluding such other information as may be included in those documents)

	Audited financial statements for the period ended 30 September 2009	Audited financial statements for the period ended 30 September 2010	Audited financial statements for the period ended 30 September 2011
Page numbers			
Income statements	25	26	25
Statement of changes in equity	27-28	28-29	27-28
Balance sheets	26	27	26
Cash flow statements	27	28	27
Accounting policies	29	30	29-30
Notes to the accounts	29-37	30-39	29-38
Independent auditor's report	23-24	24-25	23-24

Operating and Financial Review

	Audited financial statements for the period ended 30 September 2009	Audited financial statements for the period ended 30 September 2010	Audited financial statements for the period ended 30 September 2011
Page numbers			
Chairman's statement	4	5-6	4-5
Investment Manager's report	6-7	8-9	7

This information in the annual reports has been prepared in a form consistent with that which will be adopted in the Company's next published annual financial statements having regard to accounting standards and policies and legislation applicable to those financial statements.

Other

As at the date of this document, there has been no significant change in the financial or trading position of Hargreave Hale AIM VCT 1 since 30 September 2011 (being the date on which audited financial information was last published).

HARGREAVE HALE AIM VCT 2

Full audited financial information on the Company for the accounting years ended 28 February 2009, 28 February 2010 and 28 February 2011 and audited information for the half-year accounts for the six months ended 31 August 2010 and 31 August 2011 are available free of charge at the Company's registered office or can be downloaded at <http://www.hargreave-hale.co.uk/fund-management/venture-capital-trusts/hargreave-hale-aim-vct-2/factsheets-and-reports/>

The annual reports for the years ended 28 February 2009, 28 February 2010 and 28 February 2011 were audited by BDO LLP of 55 Baker Street, London W1U 7EU. All audit reports were unqualified under the Act.

The annual reports referred to above were prepared in accordance with UK generally accepted accounting practice (GAAP) and the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies'. The annual reports and half-yearly accounts contain a description of the relevant company's financial condition, changes in financial condition and results of operation for each relevant financial year and, together with the half-yearly reports referred to, are being incorporated by reference and can be accessed at the following website: <http://www.hargreave-hale.co.uk/fund-management/venture-capital-trusts/hargreave-hale-aim-vct-2/factsheets-and-reports/>

Where these documents make reference to other documents, such other documents are not incorporated into and do not form part of this document.

The information indicated below is incorporated by reference into this document (excluding such other information as may be included in those documents):

	Audited financial statements for the period ended 28 February 2009	Audited financial statements for the period ended 28 February 2010	Audited financial statements for the period ended 28 February 2011	Unaudited half yearly financial statements for the six months ended 31 August 2010	Unaudited half yearly financial statements for the six months ended 31 August 2011
Page numbers					
Income statements	24	25	24	4	3
Statement of changes in equity	26	27-28	26-27	7	5-6
Balance sheets	25	26	25	5	4
Cash flow statements	26	27	26	6	5
Accounting policies	27	29	28	n/a	n/a
Notes to the accounts	27-34	29-37	28-37	8	6
Independent auditor's report	22-23	23-24	22-23	n/a	n/a

Operating and Financial Review

	Audited financial statements for the period ended 28 February 2009	Audited financial statements for the period ended 28 February 2010	Audited financial statements for the period ended 28 February 2011	Unaudited half yearly financial statements for the six months ended 31 August 2010	Unaudited half yearly financial statements for the six months ended 31 August 2011
Page numbers					
Chairman's statement	5	5	4-5	2	1
Investment Manager's report	7	7	7	3	2

This information in the annual reports has been prepared in a form consistent with that which will be adopted in the Company's next published annual financial statements having regard to accounting standards and policies and legislation applicable to those financial statements.

As at 31 August 2011, the date to which the most recent unaudited half-yearly financial information on the Company has been drawn up, the Company had unaudited net assets of £6.3 million or 93.84 pence per Ordinary Share.

Other

As at the date of this document, there has been no significant change in the financial or trading position of Hargreave Hale AIM VCT 2 since 31 August 2011 (being the date on which unaudited interim financial information was last published).

PART V

Additional Information

The Companies

- 1.1 Hargreave Hale AIM VCT 1 was incorporated and registered in England and Wales on 16 August 2004 under the 1985 Act with registered number 5206425 as a public company limited by shares. It was incorporated with the name Keydata AIM VCT plc, which was changed to Hargreave Hale AIM VCT 1 plc on 7 October 2009.
- 1.2 Hargreave Hale AIM VCT 2 was incorporated and registered in England and Wales on 20 September 2006 under the 1985 Act with registered number 5941261 as a public company limited by shares. It was incorporated with the name Keydata AIM VCT 2 plc, which was changed to Hargreave Hale AIM VCT 2 plc on 7 October 2009
- 1.3 On 2 September 2004, the Registrar of Companies issued Hargreave Hale AIM VCT 1 with a certificate under section 117 of the 1985 Act entitling it to commence business.
- 1.4 On 30 November 2006, the Registrar of Companies issued Hargreave Hale AIM VCT 2 with a certificate under section 117 of the 1985 Act entitling it to commence business

2 Registered Offices and Principal Legislation

- 2.1 The registered office of both Companies is at 19 Cavendish Square, London, W1A 2AW. The administration office of both Companies is at 19 Cavendish Square, London, W1A 2AW. Their telephone number is +44 (0) 20 7009 4900
- 2.2 The principal legislation under which the Companies operate and which govern the Ordinary Shares are the Acts.

3 Share and loan capital

Hargreave Hale AIM VCT 1

- 3.1 Hargreave Hale AIM VCT 1 was incorporated with an authorised share capital of £500,000 divided into 50,000,000 Ordinary Shares of 1p each, of which two Ordinary Shares ("Hargreave Hale AIM VCT 1 Subscriber Shares") were issued, nil paid, to the subscribers to the memorandum of association.
- 3.2 The subscribers to the memorandum of association were Oyez Professional Services Limited of Oyez House, 7 Spar Road, London SE16 3QQ, a company formation agent and Howard Kennedy Limited of 19 Cavendish Square, London W1A 2AW.
- 3.3 Ordinary and special resolutions were passed on 11 October 2005:

- 3.3.1 to authorise the Directors to allot securities under Section 80 of the Companies Act 1985;
 - 3.3.2 to increase the authorised share capital of the Company;
 - 3.3.3 to authorise the Directors pursuant to Section 95 of the Companies Act 1985 to allot equity securities for cash without regard to pre-emption rights;
 - 3.3.4 to amend the Articles of Association;
 - 3.3.5 (on the conversion date) to divide the C Shares into C Shares of 1p each;
 - 3.3.6 (on the conversion date) to alter the share capital by the conversion of C Shares into Ordinary Shares and deferred shares and the repurchase and redesignation of the deferred shares;
 - 3.3.7 to authorise the purchase of C Shares;
 - 3.3.8 to cancel the share premium account to be created upon the issue of the C shares;
 - 3.3.9 to authorise the Directors to offer Shareholders the right to receive Shares in lieu of dividends in terms of the Dividend Reinvestment Schemes;
 - 3.3.10 to approve the proposed management and performance incentive arrangements for Hargreave Hale Limited in relation to the proposed C Share Fund; and
 - 3.3.11 to approve the appointment of Keydata Investment Services Limited as the Promoter in relation to the C Share Offer.
- 3.4 Ordinary and special resolutions were passed on 19 May 2009:
- 3.4.1 to ratify and approve the purchase of Ordinary Shares by the Company in the period from 22 January to 30 September 2008;
 - 3.4.2 to ratify and approve the conduct of all the Directors of the Company in relation to the purchase of Ordinary Shares by the Company in the period from 22 January to 30 September 2008;

- 3.4.3 to approve an amendment to the Company's investment policy;
 - 3.4.4 to adopt new Articles of Association;
 - 3.4.5 to authorise the tender offer proposal to purchase up to 8,000,000 of the Company's Ordinary Shares; and
 - 3.4.6 to authorise the Company to call general meetings (other than an annual general meetings) on not less than 14 clear day's notice.
- 3.5 At a general meeting of the shareholders of Hargreave Hale AIM VCT 1 held on 17 March 2010, resolutions were passed to:
- 3.5.1 authorise the Directors to allot shares and grant rights to subscribe for shares under Section 551 of the Companies Act;
 - 3.5.2 authorise the Directors pursuant to Section 571 of the Companies Act 2006 to allot equity securities for cash without regard to pre-emption rights:

At the Annual General Meeting held on 20 December 2011 the following resolutions were passed:

authorise the Directors to allot Ordinary Shares under Section 551 of the Companies Act 2006.

authorise the continuation of the Company as a venture capital trust for a further five year period.

authorise the Directors pursuant to Section 570 of the Companies Act 2006 to allot equity securities for cash without regard to pre-emption rights.

- 3.6 the following resolutions will be proposed at the Hargreave Hale AIM VCT 1 GM:
- 3.6.1 THAT, in substitution for existing authorities, the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the capital of the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal value of £600,000 during the period commencing on the passing of this resolution and

expiring on the fifth anniversary of this resolution (unless previously revoked, varied or extended by the Company in general meeting), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares to be allotted after such expiry.

Provided however that the power conferred by this Resolution shall be limited:

- (i) to the allotment of equity securities in connection with the offers for subscription of up to £5,000,000 of ordinary shares of 1 pence each in the capital of the Company (the "Ordinary Shares") (the "Ordinary Share Offer") and in connection with the offers for subscription of up to £10,000,000 of C shares of 1 pence each in the capital of the Company (the "C Shares") (the "C Share Offer") pursuant to a prospectus issued by the Company and Hargreave Hale AIM VCT 2 plc on or around 29 February 2012 (the "Offers");
- (ii) to the allotment of equity securities in connection with or pursuant to an offer by way of rights to the holders of Ordinary Shares and/or C Shares or other persons entitled to participate therein for cash in proportion (as nearly as may be) to the holdings of Ordinary Shares or C Shares of such holders (or, as appropriate, to the numbers of Ordinary Shares or C Shares which such other persons are for these purposes deemed to hold), subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body in any territory; and
- (iii) otherwise than pursuant to sub-paragraphs (i) – (ii) above, to the allotment of equity securities to:
 - (a) an aggregate nominal amount of 10% of the issued Ordinary Share capital of the Company immediately following the close of the Ordinary Share Offer;
 - (b) an aggregate nominal amount of 10% of the issued C Share Company immediately following the closing of the C Share Offer.

The power and authority conferred by this resolution shall be in substitution for all previous authorities.

3.6.2 THAT, the proposed amendments to the investment policy of the Company as set out on pages 12 to 15 of the Circular dated 29 February 2012 (produced to the meeting, and for the purpose of identification signed by the chairman, the "Circular") be and hereby are approved.

3.6.3 THAT, a class of C Shares of 5p each in the capital of the Company shall be and are hereby created, having attached thereto the right and being subject to the restrictions set out in the new Articles of Association to be adopted pursuant to the resolution described at paragraph 3.6.10 below

- 3.6.4 THAT, an offer agreement entered into between (1) the Company, (2) the Directors of the Company, (3) Hargreave Hale Limited and (4) Howard Kennedy Corporate Services LLP, be approved.
- 3.6.5 THAT, in substitution for existing authorities, the Company be authorised 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 in connection with a tender offer (details of which are set out in the Circular) to all holders of ordinary shares to purchase up to 9,000,000 Ordinary Shares (representing approximately 35% of the issued ordinary shares capital of the Company as at the date of this notice) at a price equal to the latest published net asset value per ordinary share immediately prior to purchase calculated in pence to two decimal places, (which price shall, for the purposes of section 701(3)(b) of the Act constitute both the maximum and minimum price that may be paid for the ordinary share purchased) provided that the authority conferred by this resolution shall expire on the first anniversary of the passing of this resolution save that the Company may, before the expiry of the authority granted by this resolution, enter into a contract to purchase Ordinary Shares which will or may be executed wholly or partly after the expiry of such authority.
- 3.6.6 THAT, without prejudice to the authority set out in 3.6.5 above, the Company be authorised in accordance with Section 701 of the Act to make market purchases (within the meaning of Section 693(4) of the Act) of C Shares and Ordinary Shares provided that;
- (a) the maximum number of C Shares hereby authorised to be purchased shall not exceed the lesser of 1,499,999 C Shares and 14.99% of the issued C Share capital of the Company following the close of the Share Offers; and
 - (b) the maximum number of Ordinary Shares hereby authorised to be purchased shall not exceed 3,884,420, being 14.99% of the issued Ordinary Share capital of the Company following the close of the Share Offers;
 - (c) the minimum price which may be paid for a C Share or an Ordinary Share shall be 5p and 1p respectively;
 - (d) the maximum price (exclusive of expenses) which may be paid for a C Share or an Ordinary Share shall be 105% of the average of the middle market prices shown in the quotations for a share in The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that share is purchased and

- (e) the authority conferred by this resolution shall expire on 25 March 2013 save that the Company may, before the expiry of the authority granted by this resolution, enter into a contract to purchase C Shares or Ordinary Shares (as applicable) which will or may be executed wholly or partly after the expiry of such authority.
- 3.6.7 THAT, in substitution for existing authorities, the Directors be and are hereby empowered in accordance with section 570(1) of the Act during the period commencing on the passing of this resolution and expiring on the fifth anniversary of this resolution (unless previously revoked, varied or extended by the Company in general meeting), to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the general authority conferred upon the Directors in resolution (1) above as if section 561 of the Act did not apply to any such allotment provided that this power shall expire on the fifth anniversary of the resolution but so that this authority shall allow the Company to make offers or agreements before the expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired.
- 3.6.8 THAT, the amount standing to the credit of the share premium account in relation to the Ordinary Shares of the Company at the date the order is made confirming such cancellation by the court, be and is hereby cancelled.
- 3.6.9 THAT, the amount standing to the credit of the share premium account in relation to the C Shares of the Company at the date the order is made confirming such cancellation by the court, be and is hereby cancelled.
- 3.6.10 THAT, the draft regulations contained in the document marked "A" produced to the meeting, and for the purpose of identification signed by the chairman, be approved and adopted as the articles of association of the Company in substitution for and to the exclusion of the existing articles of association.

Hargreave Hale AIM VCT 2

- 3.7 Hargreave Hale AIM VCT 2 was incorporated under the name Keydata AIM VCT 2 plc with an authorised share capital of £500,000 divided into 50,000,000 Ordinary Shares of 1p each, of which two Ordinary Shares were issued, nil paid, to the subscribers to the memorandum of association.
- 3.8 The subscribers to the memorandum of association were Oyez Professional Services Limited of Oyez House, 7 Spar Road, London SE16 3QQ, a company formation agent and Howard Kennedy Limited of 19 Cavendish Square, London W1A 2AW.

- 3.9 Ordinary and special resolutions were passed on 21 November 2006:
- 3.9.1 to authorise the Directors to allot securities under Section 80 of the Companies Act 1985;
 - 3.9.2 to authorise the Directors pursuant to Section 95 of the Companies Act 1985 to allot equity securities for cash without regard to pre-emption rights;
 - 3.9.3 to amend the Articles of Association;
 - 3.9.4 to authorise the purchase of Ordinary Shares;
 - 3.9.5 to cancel the share premium account to be created upon the issue of the C shares;
- 3.10 Ordinary and special resolutions were passed on 17 March 2010:
- 3.10.1 authorise the Directors to allot shares and grant rights to subscribe for shares under Section 551 of the Companies Act;
 - 3.10.2 authorise the Directors pursuant to Section 571 of the Companies Act 2006 to allot equity securities for cash without regard to pre-emption rights;
- 3.11 At the Annual General Meeting held on 22 July 2011 resolutions were passed to:
- 3.11.1 authorise the Directors to allot shares and grant rights to subscribe for shares under Section 551 of the Companies Act 2006;
 - 3.11.2 approve the proposed amendments to the authorise the Directors pursuant to Section 571 of the Companies Act 2006 to allot equity securities for cash without regard to pre-emption rights; and
 - 3.11.3 authorise the purchase of Ordinary Shares;
- 3.12 the following resolutions will be proposed at the Hargreave Hale AIM VCT 2 GM:

Ordinary Resolutions

- 3.12.1 THAT, in substitution for existing authorities, the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act

2006 (the “Act”) to exercise all the powers of the Company to allot shares in the capital of the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal value of £110,000 during the period commencing on the passing of this resolution and expiring on the fifth anniversary of this resolution (unless previously revoked, varied or extended by the Company in general meeting), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares to be allotted after such expiry. Provided however that the power conferred by this Resolution shall be limited:

- (i) to the allotment of equity securities in connection with the offers for subscription of up to £10,000,000 of ordinary shares of 1 pence each in the capital of the Company (the “Ordinary Shares”) (the “Ordinary Share Offer”) pursuant to a prospectus issued by the Company and Hargreave Hale AIM VCT 2 plc on or around 29 February 2012 (the “Offers”);
- (ii) to the allotment of equity securities in connection with or pursuant to an offer by way of rights to the holders of Ordinary Shares or other persons entitled to participate therein for cash in proportion (as nearly as may be) to the holdings of Ordinary Shares of such holders (or, as appropriate, to the numbers of Ordinary Shares which such other persons are for these purposes deemed to hold), subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body in any territory; and
- (iii) otherwise than pursuant to sub-paragraphs (i) – (ii) above, to the allotment of equity securities to an aggregate nominal amount of 10% of the issued Ordinary Share capital of the Company immediately following the close of the Ordinary Share Offer;

The power and authority conferred by this resolution shall be in substitution for all previous authorities.

3.12.2 THAT, the proposed amendments to the investment policy of the Company as set out on pages 16 to 19 of the Circular dated 29 February 2012 (produced to the meeting, and for the purpose of identification signed by the chairman, the “Circular”) be and hereby are approved.

3.12.3 THAT, an offer agreement entered into between (1) the Company, (2) the Directors of the Company, (3) Hargreave Hale Limited and (4) Howard Kennedy Corporate Services LLP, be approved.

- 3.12.4 THAT, on the terms set out on page 20 of the Circular the deed of variation entered into between (1) the Company and (2) Hargreave Hale Limited be approved.

Special Resolutions

- 3.12.5 THAT, in substitution for existing authorities, the Company be authorised 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 in connection with a tender offer (details of which are set out in the Circular) to all holders of ordinary shares to purchase up to 3,500,000 Ordinary Shares (representing approximately 52% of the issued ordinary shares capital of the Company as at the date of this notice) at a price equal to the latest published net asset value per ordinary share immediately prior to purchase calculated in pence to two decimal places, (which price shall, for the purposes of section 701(3)(b) of the Act constitute both the maximum and minimum price that may be paid for the ordinary share purchased) provided that the authority conferred by this resolution shall expire on the first anniversary of the passing of this resolution save that the Company may, before the expiry of the authority granted by this resolution, enter into a contract to purchase Ordinary Shares which will or may be executed wholly or partly after the expiry of such authority.
- 3.12.6 THAT, without prejudice to the authority set out in 3.12.5, the Company be authorised 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 provided that;
- (a) the maximum number of Ordinary Shares hereby authorised to be purchased is 1,006,209 Ordinary Shares;
 - (b) the minimum price which may be paid for an Ordinary Share shall be 1p;
 - (c) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall be 105% of the average of the middle market prices shown in the quotations for a share in The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that share is purchased and
 - (d) the authority conferred by this resolution shall expire on March 2013 save that the Company may, before the expiry of the authority granted by this resolution, enter into a contract to purchase Ordinary Shares (as applicable) which will or may be executed wholly or partly after the expiry of such authority.

- 3.12.7 THAT, in substitution for existing authorities, the Directors be and are hereby empowered in accordance with section 570(1) of the Act during the period commencing on the passing of this resolution and expiring on the fifth anniversary of this resolution (unless previously revoked, varied or extended by the Company in general meeting), to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the general authority conferred upon the Directors in 3.12.1 above as if section 561 of the Act did not apply to any such allotment provided that this power shall expire on the fifth anniversary of the resolution but so that this authority shall allow the Company to make offers or agreements before the expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired.
- 3.12.8 THAT, the amount standing to the credit of the share premium account in relation to the Ordinary Shares of the Company at the date the order is made confirming such cancellation by the court, be and is hereby cancelled.
- 3.12.9 THAT, the draft regulations contained in the document marked "A" produced to the meeting, and for the purpose of identification signed by the chairman, be approved and adopted as the articles of association of the Company in substitution for and to the exclusion of the existing articles of association.
- 3.13 At the date of this document the issued fully paid share capital of each of the Companies is:
- | <i>Class of shares</i> | | | | <i>Nominal value</i> | <i>Issued (fully paid)</i> | |
|------------------------|------|-----|-----------------|----------------------|----------------------------|------------|
| | | | | | <i>£</i> | <i>no</i> |
| Hargreave VCT 1 | Hale | AIM | Ordinary Shares | £0.01 | 258,961.79 | 25,896,179 |
| Hargreave VCT 2 | Hale | AIM | Ordinary Shares | £0.01 | 67,080.62 | 6,708,062 |
- *Including 2,711,134.00 Ordinary Shares held in treasury
- 3.14 The issued fully paid share capital of the Companies immediately after the Offers have closed (assuming the Offers are fully subscribed and excluding any additional Ordinary Shares issued to Shareholders (and in the case of Hargreave Hale AIM VCT 1 C Shares) in accordance with the section entitled "Introductory Commissions" on page 66) will be as follows:

			<i>Class of shares</i>	<i>Nominal value</i>	<i>Issued (fully paid)</i>	
					<i>£</i>	<i>no</i>
Hargreave VCT 1	Hale	AIM	Ordinary Shares	£0.01	256,441.79	25,644,179
			'C' Shares	£0.01	500,000.00	10,000,000
Hargreave VCT 2	Hale	AIM	Ordinary Shares	£0.01	166891.19	16,689,199

- 3.15 Other than the issue of Ordinary Shares (and also in the case of Hargreave Hale AIM VCT 1, 'C' Shares) pursuant to the Offers, the Companies have no present intention to issue any of the share capital of the Companies.
- 3.16 The Companies do not have in issue any securities not representing share capital.
- 3.17 The provisions of section 561(1) of the Act (to the extent not disapplied pursuant to section 570(1) of the Act) confer on shareholders certain rights of pre-emption in respect of the allotment of equity securities (as defined in section 570(1) of the Act) which are, or are to be, paid up in cash and will apply to the authorised but unissued share capital of the Companies, except to the extent disapplied by the resolutions referred to in paragraphs 3.6.4 and 3.12.7 above. Subject to certain limited exceptions, unless the approval of Shareholders in a general meeting is obtained, the Companies must normally offer shares to be issued for cash to holders on a pro rata basis.
- 3.18 No shares of the Companies are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 3.19 Save as disclosed in this paragraph, there has been no issue of share or loan capital of the Companies in the three years immediately preceding the date of this document and (other than pursuant to the Offers) no such issues are proposed.
- 3.20 No share or loan capital of the Companies is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 3.21 Save as disclosed in paragraph 12 below, no commissions, discounts, brokerages or other special terms have been granted by the Companies in connection with the issue or sale of any share or loan capital of the Companies in the three years immediately preceding the date of this document.
- 3.22 Other than pursuant to the Offers, none of the Ordinary Shares (and also in the case of Hargreave Hale AIM VCT 1, 'C' Shares) have been sold or are available in whole or in part to the public in

conjunction with the application for the Ordinary Shares (and also in the case of Hargreave Hale AIM VCT 1, 'C' Shares) to be admitted to the Official List.

- 3.23 The Ordinary Shares (and also in the case of Hargreave Hale AIM VCT 1, 'C' Shares) will be in registered form. No temporary documents of title will be issued and prior to the issue of definitive certificates, transfers will be certified against the register. It is expected that definitive share certificates for the Ordinary Shares and 'C' Shares will be posted to allottees as soon as practicable following allotment of the Ordinary Shares and 'C' Shares. Ordinary Shares.
- 3.24 The ISIN and SEDOL Code of Hargreave Hale AIM VCT 1 Shares is GB00B02WHS05 and B02WHS0, respectively. The ISIN and SEDOL Code of Hargreave Hale AIM VCT 1 'C' Shares is GB00B5TPH328 and B5TPH32, respectively. The ISIN and SEDOL Code of Hargreave Hale AIM VCT 2 Ordinary Shares is GB00B1GDYS53 and B1GDYS5, respectively.

4 Memorandum and articles of association

- 4.1 The memorandum of association of each Company provides that the Company's principal object is to carry on the business of a VCT. The objects of each Company are set out in full in clause 4 of its memorandum of association.

- 4.2 The articles of association of each Company ("the Articles"), contain, inter alia, the following provisions. In this paragraph 4, "the Company" means each of the Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2.

4.3 Voting Rights

Subject to any special terms as to voting on which any Shares may be issued, on a show of hands every member present in person (or being a corporation, present by authorised representative) shall have one vote and, on a poll, every member who is present in person or by proxy shall have one vote for every Share of which he is the holder. The Shares shall rank *pari passu* as to rights to attend and vote at any general meeting of the relevant Company.

4.4 Transfer of Shares

The Ordinary Shares are in registered form and will be freely transferable. All transfers of Ordinary Shares must be effected by a transfer in writing in any usual form or any other form approved by the Directors. The instrument of transfer of an Ordinary Share shall be executed by or on behalf of the transferor and, in the case of a partly paid share by or on behalf of the transferee. The Directors may refuse to register any transfer of a partly paid Share, provided that such refusal does not prevent dealings taking place on an open and proper basis and may also refuse to register any instrument of transfer unless:

- 4.4.1 it is duly stamped (if so required), is lodged at the relevant Company's registered office or with its registrars or at such other place as the Directors may appoint and is accompanied by the certificate for the shares to which it relates and such other

evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

4.4.2 it is in respect of only one class of share; and

4.4.3 the transferees do not exceed four in number.

4.5 Dividends

Each Company may in general meeting by ordinary resolution declare dividends in accordance with the respective rights of the members, provided that no dividend shall be payable in excess of the amount recommended by the Directors. The Directors may pay such interim dividends as appear to them to be justified. No dividend or other monies payable in respect of an Ordinary Share shall bear interest as against the relevant Company. There are no fixed dates on which entitlement to a dividend arises.

All dividends unclaimed for a period of twelve years after being declared or becoming due for payment shall be forfeited and shall revert to the relevant Company.

4.6 Disclosure of Interest in Ordinary Shares

If any member or other person appearing to be interested in shares of either of the Companies is in default in supplying within 42 days (or 28 days where the shares represent at least 0.25% of the share capital) after the date of service of a notice requiring such member or other person to supply to the relevant Company in writing all or any such information as is referred to in section 793 of the Act, the Directors may, for such period as the default shall continue, impose restrictions upon the relevant shares.

The restrictions available are the suspension of voting or other rights conferred by membership in relation to meetings of the Companies in respect of the relevant shares and additionally in the case of a shareholder representing at least 0.25% by nominal value of any class of shares of the relevant Company then in issue, the withholding of payment of any dividends on, and the restriction of transfer of, the relevant shares.

4.7 Distribution of Assets on Liquidation

On a winding-up any surplus assets of each Company respectively will be divided amongst the holders of its Shares according to the respective numbers of Shares held by them in the relevant Company and in accordance with the provisions of the Act, subject to the rights of any shares which may be issued with special rights or privileges. The articles of association provide that the liquidator may, with the sanction of a resolution and any other sanction required by the Act, divide amongst the members in specie the whole or any part of the assets of the relevant Company in such manner as he may determine.

4.8 Changes in Share Capital

4.8.1 Without prejudice to any rights attaching to any existing shares, any share may be issued with such rights or restrictions as each Company may by ordinary resolution determine or in the absence of such determination, as the Directors may determine. Subject to the Act, each Company may issue shares, which are, or at the option of the relevant Company or the holder are, liable to be redeemed.

4.8.2 Each Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amount, sub-divide its shares or any of them into shares of smaller amounts, or cancel or reduce the nominal value of any shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount so cancelled or the amount of the reduction.

4.8.3 Subject to the Act, each Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account, and may also, subject to the Act (and by resolution of the holders of the shares repurchased where such shares are convertible shares), purchase its own shares.

4.9 Variation of Rights

Whenever the capital of either Company is divided into different classes of shares, the rights attached to any class may (unless otherwise provided by the terms of issue of that class) be varied or abrogated either with the consent in writing of the holders of not less than three-fourths of the nominal amount of the issued shares of the class or with the sanction of a resolution passed at a separate meeting of such holders.

4.10 Directors

Unless and until otherwise determined by either Company in General Meeting pursuant to Article 122 the number of Directors shall not be less than two nor more than ten. The continuing Directors may act notwithstanding any vacancy in their body, provided that if the number of the Directors be less than the prescribed minimum the remaining Director or Directors shall forthwith appoint an additional Director or additional Directors to make up such minimum or shall convene a General Meeting of that Company for the purpose of making such appointment.

Any Director may in writing under his hand appoint (a) any other Director, or (b) any other person who is approved by the Board of Directors as hereinafter provided to be his alternate. A Director may at any time revoke the appointment of an alternate appointed by him. Every person acting as an alternate Director shall be an officer of the Company, and shall alone be responsible to the Company for his own acts and defaults, and he shall not be deemed to be the agent of or for the Director appointing him.

Subject to the provisions of the Act, the Directors may from time to time appoint one or more of their body to be Managing Director or Joint Managing Directors of either Company or to hold such other executive office in relation to the management of the business of that Company as they may decide.

A Director of a Company may continue or become a Director or other officer, servant or member or any company promoted by that Company or in which it may be interested as a vendor shareholder, or otherwise, and no such Director shall be accountable for any remuneration or other benefits derived as director or other officer, servant or member of such company.

The Directors may from time to time appoint a President of a Company (who need not be a Director of the Company) and may determine his duties and remuneration and the period for which he is to hold office.

The Directors may from time to time provide for the management and transaction of the affairs of the Company in any specified locality, whether at home or abroad, in such manner as they think fit.

4.11 Directors' Interests

4.11.1 A Director who is in any way, directly or indirectly, interested in a transaction or arrangement with either Company shall, at a meeting of the Directors, declare, in accordance with the Act, the nature of his interest.

4.11.2 Provided that he has declared his interest, a Director may be a party to or otherwise interested in any transaction or arrangement with the relevant Company or in which that Company is otherwise interested and may be a director or other officer or otherwise interested in any body corporate promoted by the Company or in which the Company is otherwise interested. No Director so interested shall be accountable to the Company, by reason of his being a Director, for any benefit that he derives from such office or interest or any such transaction or arrangement.

4.11.3 A Director shall not vote nor be counted in the quorum at a meeting of the Directors in respect of a matter in which he has any material interest otherwise than by virtue of his interest in shares, debentures or other securities of, or otherwise in or through either Company, unless his interest arises only because the case falls within one or more of the following paragraphs:

4.11.3.1 the giving to him of any guarantee, security or indemnity in respect of money lent or an obligation incurred by him at the request of or for the benefit of the relevant Company or any of its subsidiary undertakings;

4.11.3.2 the giving to a third party of any guarantee, security or indemnity in respect of a debt or an obligation of the relevant Company or any of its subsidiary undertakings for which he has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

4.11.3.3 any proposal concerning the subscription by him of shares, debentures or other securities of the relevant Company or any of its subsidiary undertakings or by virtue of his participating in the underwriting or sub-underwriting of an offer of such shares, debentures or other securities;

4.11.3.4 any proposal concerning any other company in which he is interested, directly or indirectly, whether as an officer or shareholder or otherwise, provided that he and any persons connected with him do not to his knowledge hold an interest in shares representing one % or more of any class of the equity share capital of such company or of the voting rights available to members of the relevant company;

- 4.11.3.5 any proposal relating to an arrangement for the benefit of the employees of the relevant Company or any subsidiary undertaking which does not award to any Director as such any privilege or advantage not generally awarded to the employees to whom such arrangement relates; and
 - 4.11.3.6 any arrangement for purchasing or maintaining for any officer or auditor of the relevant Company or any of its subsidiaries insurance against any liability which by virtue of any rule of law would otherwise attach to him in respect of any negligence, breach of duty or breach of trust for which he may be guilty in relation to the relevant Company or any of its subsidiaries of which he is a director, officer or auditor.
- 4.11.4 When proposals are under consideration concerning the appointment of two or more Directors to offices or employment with either Company or any company in which that Company is interested the proposals may be divided and considered in relation to each Director separately and (if not otherwise precluded from voting) each of the Directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment.
- 4.12 Remuneration of Directors
 - 4.12.1 The ordinary remuneration of the Directors shall be such amount as the Directors shall from time to time determine (provided that unless otherwise approved by the relevant Company in general meeting the aggregate ordinary remuneration of such Directors, including fees from both Companies, shall not exceed £200,000 per year) to be divided among them in such proportion and manner as the Directors may determine. The Directors shall also be paid by that Company all reasonable travelling, hotel and other expenses they may incur in attending meetings of the Directors or general meetings or otherwise in connection with the discharge of their duties.
 - 4.12.2 Any Director who, by request of the Directors, performs special services for any purposes of either Company may be paid such reasonable extra remuneration as the Directors may determine.
 - 4.12.3 The emoluments and benefits of any executive director for his services as such shall be determined by the Directors and may be of any description, including membership of any pension or life assurance scheme for employees or their dependants or, apart from membership of any such scheme, the payment of a pension or other benefits to him or his dependants on or after retirement or death.
- 4.13 Retirement of Director

A Director shall also retire from office at or before the third annual general meeting following the annual general meeting at which he last retired and was re-elected. A retiring Director shall be eligible for re-election. A Director shall be capable of being appointed or re-appointed a Director despite having attained any particular age.
- 4.14 Borrowing powers

Subject as provided below, the Directors may exercise all the powers of each Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital.

The Directors shall restrict the borrowings of each Company and exercise all voting and other rights or powers of control over its subsidiary undertakings (if any) so as to secure that the aggregate amount at any time outstanding in respect of money borrowed by the group, being that Company and its subsidiary undertakings for the time being (excluding intra-group borrowings), shall not without the previous sanction of an ordinary resolution of the Company exceed a sum equal to 15 % of the aggregate total amount received from time to time on the subscription of shares of that Company.

4.15 Distribution of Realised Capital Profits

At any time when either Company has given notice in the prescribed form (which has not been revoked) to the Registrar of Companies of its intention to carry on business as an investment company ("a Relevant Period") the distribution of that Company's capital profits (within the meaning of section 266(2)(c) of the 1985 Act) shall be prohibited. The Board shall establish a reserve to be called the capital reserve. During a Relevant Period, all surpluses arising from the realisation or revaluation of investments and all other monies realised on or derived from the realisation, payment or other dealing with any capital asset in excess of the book value thereof and all other monies which are considered by the Board to be in the nature of accretion to capital shall be credited to the capital reserve. Subject to the 1985 Act, the Board may determine whether any amount received by the relevant Company is to be dealt with as income or capital or partly one way and partly the other. During a Relevant Period, any loss realised on the realisation or payment or other dealing with investments, or other capital losses, and, subject to the 1985 Act, any expenses, loss or liability (subscription therefore) which the Board considers to relate to a capital item or which the Board otherwise considers appropriate to be debited to the capital reserve shall be carried to the debit of the capital reserve. During a Relevant Period, all sums carried and standing to the credit of the capital reserve may be applied for any of the purposes for which sums standing to any revenue reserve are applicable except and provided that during a Relevant Period no part of the capital reserve or any other money in the nature of accretion to capital shall be transferred to the revenue reserves of the relevant Company or be regarded or treated as profits of that Company available for distribution (as defined in section 263(2) of the 1985 Act) or be applied in paying dividends on any shares in that Company. In periods other than a Relevant Period, any amount standing to the credit of the capital reserve may be transferred to the revenue reserves of the relevant Company or be regarded or treated as profits of the Company available for distribution (as defined by section 263(2) of the 1985 Act) or applied in paying dividends on any shares in the Company.

4.16 General Meetings

Annual general meetings shall be held at such time and place as may be determined by the Directors and not more than fifteen months shall elapse between the date of one general meeting and that of the next.

The Directors may, may whenever they think fit, convene a general meeting of a Company, and general meetings shall also be convened on such requisition or in default may be convened by such requisitionists as are provided by the Act. Any meeting convened under

this Article by requisitionists shall be convened in the same manner as near to as possible as that in which meetings are to be convened by the Directors.

An annual general meeting shall be called by not less than twenty-one days notice in writing, and all other general meetings of a Company shall be called by not less than fourteen days notice in writing. The notice shall be exclusive of the day on which it is given and of the day of the meeting and shall specify the place, the day and hour of meeting, and in case of special business the general nature of such business. The notice shall be given to the members, other than those who, under the provisions of the articles or the terms of issue of the shares they hold, are not entitled to receive notice from the Company, to the Directors and to the Auditors. A notice calling an annual general meeting shall specify the meeting as such and the notice convening a meeting to pass a special resolution or an ordinary resolution as the case may be shall specify the intention to propose the resolution as such.

In every notice calling a meeting of a Company or any class of the members of a Company there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him, and that a proxy need not also be a member.

If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened by or upon the requisition of members, shall be dissolved. In any other case it shall stand adjourned to such time (being not less than fourteen days and not more than twenty-eight days hence) and at such place as the Chairman shall appoint. At any such adjourned meeting the member or members present in person or by proxy and entitled to vote shall have power to decide upon all matters which could properly have been disposed of at the meeting from which the adjournment took place. A Company shall give not less than seven clear days notice of any meeting adjourned for the want of a quorum and the notice shall state that the member or members present as aforesaid shall form a quorum.

The Chairman may, with the consent of the meeting (and shall, if so directed by the meeting) adjourn any meeting from time to time and from place to place. No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

4.17 Duration of the Company

The Directors shall put an ordinary resolution to the annual general meeting of the Company in 2016 (in respect of the Hargreave Hale Aim VCT 1) and 2013 (in respect of Hargreave Hale Aim VCT 2) and, if passed, to every fifth subsequent annual general meeting, proposing that the Company should continue as a Venture Capital Trust for a further five year period. If any such resolution is not passed, the Directors shall draw up proposals for the reorganisation, reconstruction or voluntary winding up of the Company for submission to the members of the Company at an extraordinary general meeting to be convened by the Directors on a date not more than 9 months after such annual general meeting. Implementation of the proposals will require the approval of members by ordinary resolution. For the purposes of this, an ordinary resolution will not have been carried only if those members in person or by proxy who vote against such resolution hold in aggregate not less

than twenty five % of the issued share capital of the Company at such time entitled to attend and vote at such a meeting.

4.18 C Shares

The C Shares to be issued by Hargreave Hale AIM VCT1 under the Offers will be created pursuant to a resolution passed at the General Meeting of the Companies convened for 26 March 2012 and will represent C Ordinary Shares of 5p each in the capital of Hargreave Hale AIM VCT 1. They will be created under the Act and will have the rights and liabilities set out in the New Articles of Association to be adopted pursuant to that General Meeting. They will rank pari passu in all respects with the Ordinary Shares except that the assets and liabilities of the separate share class pools will be segregated and represented by the respective assets and liabilities attributable to the relevant share pool.

4.19 Other amendments to the Articles:

The Directors have also taken the opportunity to update the Articles of Association which are proposed to be adopted at the relevant General Meeting, to reflect the implementation of the Companies Act 2006.

5 **CREST**

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument.

6 **Directors' interests**

6.1 As at the date of this document the Directors and their immediate families (all of which are beneficial) in the share capital of the Companies which:

6.1.1 are or will be notified to the Companies in accordance with rule 3 of the Disclosure and Transparency Rules ("DTR 3") by each Director; or

6.1.2 are interests of a connected person (within the meaning in DTR 3) of a Director which are or will be required to be disclosed under paragraph 6.1.1 above and the existence of which is known to or could with reasonable diligence be ascertained by that Director;

are or are expected to be as follows:

	<i>Director</i>	<i>As at the date of this Document</i>		<i>After the Offer has closed**</i>	
		<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital*</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital*</i>
Hargreave Hale AIM VCT 1	Aubrey Brocklebank	5,000	0.02	4,860	0.02
	David Brock	0	0.00	10,000	0.10
	Giles Hargreave	109,163	0.42	106,106	0.41
Hargreave Hale AIM VCT 2	David Hurst-Brown***	26,250	0.39	45,467	0.27
	Phillip Cammerman	0	0.00	2,992	0.02
	Giles Hargreave	143,085	2.13	141,643	0.85

* excluding 2,711,134 Ordinary Shares held in treasury in relation to Hargreave Hale VCT 1

** assuming that the Maximum Subscription is achieved in relation to Ordinary Shares, that the Tender Offers are fully subscribed and that all the allotments are made on the basis of the NAV per Ordinary Share for the relevant Company as at 24 February 2012

*** includes 26,250 Ordinary Shares held by Jacqueline Mary Hurst-Brown

6.2 At the date of this document and after the Offer has closed, the Companies are aware of the following persons who are or will hold, directly or indirectly, voting rights representing 3 % or more of the issued share capital of the Companies to which voting rights are attached (assuming that the Offer is fully subscribed):

	<i>Name</i>	<i>As at the date of this Document</i>		<i>After the Offer has closed**</i>	
		<i>Number of Ordinary Shares*</i>	<i>Percentage of voting rights*</i>	<i>Number of Ordinary Shares*</i>	<i>Percentage of voting rights of the Ordinary Shares*</i>
Hargreave Hale AIM VCT 1	Treasury Shares	2,711,134	Nil	2,711,134	Nil
Hargreave Hale AIM VCT 1	Hargreave Hale Nominees	1,268,574	4.85	1,268,574	3.6
Hargreave Hale AIM VCT 2	Mrs Patricia Davenport	203,000	3.02%	203,000	0.79
	Dr Alisdair Gordon Nairn	239,181	3.56%	239,181	1.43

Frank Nominees Ltd	263,900	3.93%	263,900	1.58
Hargreave Hale Nominees	808,503	12.04	808,503	4.84

* excluding 2,711,134 Ordinary Shares held in treasury in relation to Hargreave Hale VCT 1

** assuming that the Maximum Subscription is achieved, that the Tender Offers are fully subscribed and that all the Shareholders listed above do not participate in the Enhanced Share Buy-Back or subscribe for any shares under the Offers.

- 6.3 Save as disclosed in paragraphs 6.1 and 6.2 above, the Companies are not aware of any person who will, immediately following Admission, hold (for the purposes of rule 5 of the Disclosure and Transparency Rules ("DTR 5")) directly or indirectly voting rights representing 3% or more of the issued share capital of either Company to which voting rights are attached or could, directly or indirectly, jointly or severally, exercise control over either Company.
- 6.4 The persons, including the Directors, referred to in paragraphs 6.1 and 6.2 above, do not have voting rights in respect of the share capital of either of the Companies (issued or to be issued) which differ from any other Shareholder.
- 6.5 The Companies and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Companies.
- 6.6 Save in respect of the arrangements referred to in paragraphs 7 and 9 no Director has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of the Companies and which were effected by the Companies in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed
- 6.7 Giles Hargreave, is a director and shareholder of Hargreave Hale Limited, and, therefore, has an interest in the arrangements referred to in paragraph 9 below. Giles Hargreave is also a director of each of the Companies and as such there may be a potential conflict of interest between his duties owed to the Companies and to Hargreave Hale Limited in relation to these arrangements. Save as set out in this paragraph, there are no potential conflicts of interest between any duties owed to the Companies by the Directors and their private and/or other duties.
- 6.8 In addition to their directorships of the Companies, the Directors currently hold, and have during the five years preceding the date of this document held, the following directorships, partnerships or been a member of the senior management:

Name	Current Directorships/Partnership Interests	Past Directorships/ Partnership Interests
Sir Aubrey Brocklebank	Aubrey Brocklebank & Associates Limited Downing Planned Exit VCT 2011 Plc Hargreave Hale AIM VCT 1 Plc Puma VCT VIII Plc The Media Vehicle Group plc The Classic 2CV Racing Club Limited Epiquest Live Inc Innventive Property Holdings Limited NGS Corporation PLC	AT Communications Group Plc Backglass Limited Bar Room Bar Limited Brocklebank & Co. Limited Downing Distribution VCT 1 Plc Grasshopper Management LLP (dissolved) Hargreave Hale AIM VCT 2 Plc Innvotec Limited Legacy Associates Plc Octopus Second AIM VCT Plc (dissolved) Old Park Lane Plc Pennine AIM VCT 6 Plc (dissolved) Puma VCT Plc (in liquidation) Puma VCT II Plc (in liquidation) Puma VCT III Plc (in liquidation) Puma VCT IV Plc(in liquidation) Reinventure Limited Liability Partnership (dissolved) Top Ten Holdings Plc Vetcell Bioscience Limited
David Hurst-Brown*	Acuity VCT 3 Plc Anite Plc Ffastfill Plc Hargreave Hale AIM VCT 2 Plc Imagination Technologies Group Plc Leadhall Bay Limited Woodham School Limited	Grove House Publishing Limited Hargreave Hale AIM VCT 1 Plc Key Data Income VCT 2 Plc(in liquidation) Keydata Income VCT 1 Plc (in liquidation) MGHB Investments Limited Red Labell Limited Woodham Catering Limited (dissolved) Woodham House Limited
Giles Hargreave	Hargreave Hale AIM VCT 1 Plc Hargreave Hale AIM VCT 2 Plc Hargreave Hale Limited Hargreave Hale Nominees Limited Progress Nominees Limited	
Philip Cammerman	British Smaller Companies VCT Plc Clarendon Fund Managers Limited Clarendon Fund Nominees Limited Connect Yorkshire Hargreave Hale AIM VCT 2 Plc Howmac Limited N I Venture Partners Limited Nitech Venture Partners Limited	British Smaller Companies VCT 2 Plc British Smaller Technology Companies VCT Plc (dissolved) Chandos Fund GP Limited Cornblow Limited(dissolved) GCC GP (Development) Limited GCC GP (Investment) Limited GCC London Limited GCC South West Limited

	Pressure Technologies Plc	GCC Yorkshire Limited JKN 138 GP Limited London Fund Managers Limited London GP Limited NWBIS General Partner Limited PIF GP No 1 Limited PIF GP No 2 Limited PIF GP No 3 Limited PIF GP No 4 Limited PIF GP No 5 Limited PIF GP No 6 Limited South West GP Limited South West Venures Limited White Rose Investments Limited White Rose Nominee Investments Limited White Rose Ventures Limited YFM Equity Partners Limited YFM Group (Holdings) Limited YFM Private Equity Limited YFM Venture Finance Limited YFM Workspace Limited Yorkshire and Humber GP Limited Yorkshire Enterprise Finance (Holdings) Limited Yorkshire Enterprise Finance Limited Yorkshire Enterprise Small Firms Fund Limited Yorkshire Enterprise Limited Yorkshire Fund Managers (General Partner) Limited Yorkshire Fund Managers (Investments) Limited YVF GP (Development) Limited YVF GP (Investment) Limited
David Michael Brock	Elderstreet VCT Plc Episys Group Limited Hargreave Hale AIM VCT 1 Plc Puma VCT 8 Plc Kitwave Limited	Jane Norman (Holdings) Limited (in administration/administrative receiver) Americana International Limited JN Group Limited (proposal to strike off) Americana International Group Limited Puma VCT IV Plc (in liquidation) Phase Eight EBT Trustee Company Patsy Seddon Limited Phase Eight (Fashion & Designs) Limited Blackstar Group Plc (converted/closed) Actif Group Plc Conveco Limited (dissolved) Inhoco 4071 Limited (dissolved) Ossian Retail Group Limited (dissolved) Inhoco 4055 Limited (dissolved) Phase Eight Bidco Limited (dissolved) Phase Eight Holdco Limited (dissolved)

Elderstreet Millennium Venture
Capital Trust Plc (dissolved)

Puma VCT Plc (in liquidation)

Puma VCT III Plc (in liquidation)

* David Hurst-Brown was a director of Smart Approach Group Plc when it went into administration in February 2006. It was subsequently dissolved on 2 November 2007 after its business was sold by the administrator.

The business address of all the Directors is: 19 Cavendish Square London W1A 2AW

6.9 None of the Directors has at any time within the last five years:

6.9.1 had any convictions (whether spent or unspent) in relation to offences involving fraud or dishonesty;

6.9.2 been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated recognised professional bodies) or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;

6.9.3 been a director or senior manager of a company which has been put into receivership, compulsory liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors; or

6.9.4 been the subject of any bankruptcy or been subject to an individual voluntary arrangement or a bankruptcy restrictions order.

6.10 There are no arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which any Director was selected as a member of the administrative, management or supervisory bodies or member of senior management.

6.11 There are no restrictions agreed by any Director on the disposal within a certain period of time of their holdings in the Companies' securities.

6.12 There are no outstanding loans or guarantees provided by either of the Companies for the benefit of any of the Directors nor are there any loans or any guarantees provided by any of the Directors for either of the Companies.

7 Directors' remuneration and service agreements

7.1 In the financial year ended 30 September 2011, the remuneration of the Directors from Hargreave Hale AIM VCT 1 was £48,000 and for financial year ended 29 February 2011, the remuneration of the Directors from Hargreave Hale AIM VCT 2 was £48,000. The remuneration of the Directors in

respect of the current financial year (under the arrangements in force at the date of this document) is expected to be £48,000 for each Company.

- 7.2 The Directors, other than Sir Aubrey Brocklebank Bt., are entitled to receive £15,000 per annum (exclusive of VAT, if any) from Hargreave Hale AIM VCT 1 and £15,000 per annum (exclusive of VAT, if any) from Hargreave Hale AIM VCT 2. Sir Aubrey Brocklebank Bt., as Chairman of Hargreave Hale AIM VCT 1, is entitled to receive £18,000 per annum (exclusive of VAT, if any), and David Hurst-Brown, Chairman of Hargreave Hale AIM VCT 2, is entitled to receive £18,000 per annum (exclusive of VAT, if any) from Hargreave Hale AIM VCT 2. Payments in respect of Giles Hargreave as Non-Executive Director will be paid to the Investment Manager, Hargreave Hale Limited.
- 7.3 None of the Directors has a service contract with either of the Companies and no such contract is proposed. Each of the Directors have been appointed on terms which can be terminated by either party on three months' notice.
- 7.4 The Directors are not entitled to compensation on termination of their directorships and no amounts have been set aside or accrued for their pensions, retirement or similar benefits.
- 7.5 Sir Aubrey Brocklebank Bt. has entered into a consultancy agreement with Hargreave Hale AIM VCT 1 (being entered into separately with him and through his associated company, Aubrey Brocklebank & Associates Ltd). David Hurst-Brown has entered into a consultancy agreement with Hargreave Hale AIM VCT 2. The fees payable in relation to these agreements are included in the fees referred to in paragraph 7.2 above.

8 The Companies and their subsidiaries

The Companies do not have any subsidiaries.

9 Offer Agreement

Under the Offer Agreement dated 29 February 2012 and made between the Companies (1), the Directors (2), the Sponsor (3), and the Investment Manager (4), the Sponsor has agreed to act as sponsor to the Offers and the Investment Manager has undertaken as agent of the Companies to use its reasonable endeavours to procure subscribers under the Offers. Under the Offer Agreement, subject to Shareholder approval, the Companies will pay the Investment Manager a commission of 5 % of the aggregate value of accepted applications for Ordinary Shares and 'C' Shares received pursuant to the Offers.

Out of this fee, the Investment Manager will pay all other costs and expenses of or incidental to the Offers.

Under the Offer Agreement, which may be terminated by the parties in certain circumstances, the Investment Manager, the Companies and the Directors have given certain warranties and indemnities to the Sponsor. Warranty claims must be made by no later than 3 months after the second annual general meeting of the relevant Company following the closing date of the Offers at

which Shareholders approve the relevant Company's accounts or by the date the relevant Company is subject to a takeover. The warranties and indemnities are in usual form for a contract of this type and the warranties are subject to limits of the total proceeds of the Offers for the Investment Manager, and one year's director fees for each Director. The Companies have also agreed to indemnify the Sponsor in respect of its role as Sponsor and under the Offer Agreement. The Offer Agreement may be terminated, inter alia, if any statement in the Prospectus is untrue, any material omission from the Prospectus arises or any breach of warranty occurs.

10 **The City Code**

10.1 **Mandatory takeover bids**

The City Code on Takeovers and Mergers (the "Code") applies to all takeover and merger transactions in relation to the Companies, and operates principally to ensure that shareholders are treated fairly and are not denied an opportunity to decide on the merits of a takeover, and that shareholders of the same class are afforded equivalent treatment. The Code provides an orderly framework within which takeovers are conducted and the Panel on Takeovers and Mergers has now been placed on a statutory footing. The Takeovers Directive was implemented in the UK in May 2006 and since 6 April 2007 has effect through the Companies Act 2006. The Directive applies to takeovers of companies registered in an EU member state and admitted to trading on a regulated market in the EU or EEA.

The Code is based upon a number of General Principles which are essentially statements of standards of commercial behaviour. General Principle One states that all holders of securities of an offeree company of the same class must be afforded equivalent treatment and if a person acquires control of a company the other holders of securities must be protected. This is reinforced by Rule 9 of the Code which requires a person, together with persons acting in concert with him, who acquires shares carrying voting rights which amount to 30% or more of the voting rights to make a general offer. "Voting rights" for these purposes means all the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting. A general offer will also be required where a person who, together with persons acting in concert with him, holds not less than 30% but not more than 50% of the voting rights, acquires additional shares which increase his percentage of the voting rights. Unless the Panel consents, the offer must be made to all other shareholders, be in cash (or have a cash alternative) and cannot be conditional on anything other than the securing of acceptances which will result in the offeror and persons acting in concert with him holding shares carrying more than 50% of the voting rights.

There are not in existence any current mandatory takeover bids in relation to the Companies.

10.2 **Squeeze out**

Section 979 of the Act provides that if, within certain time limits, an offer is made for the share capital of either Company, the offeror is entitled to acquire compulsorily any remaining shares if it has, by virtue of acceptances of the offer, acquired or unconditionally contracted to acquire not less

than 90% in value of the shares to which the offer relates and in a case where the shares to which the offer relates are voting shares, not less than 90%, of the voting rights carried by those shares. The offeror would effect the compulsory acquisition by sending a notice to outstanding shareholders telling them that it will compulsorily acquire their shares and then, six weeks from the date of the notice, pay the consideration for the shares to the relevant Company to hold on trust for the outstanding shareholders. The consideration offered to shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration available under the takeover offer.

10.3 Sell out

Section 983 of the Act permits a minority shareholder to require an offeror to acquire its shares if the offeror has acquired or contracted to acquire shares in either Company which amount to not less than 90%, in value of all the voting shares in the relevant Company and carry not less than 90%, of the voting rights. Certain time limits apply to this entitlement. If a shareholder exercises its rights under these provisions, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

11 Notifications of shareholdings

The provisions of DTR 5 will apply to the Companies and their shareholders. DTR 5 sets out the notification requirements for shareholders and the Companies where the voting rights of a shareholder exceed, reach or fall below the threshold of 3% and each 1% thereafter up to 100%. DTR 5 provides that disclosure by a shareholder to the relevant Company must be made within two trading days of the event giving rise to the notification requirement and the relevant Company must release details to a regulatory information service as soon as possible following receipt of a notification and by no later than the end of the trading day following such receipt.

12 Material contracts

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the Companies in the two years immediately preceding the date of this document or which are expected to be entered into prior to Admission and which are, or may be, material or which have been entered into at any time by the Companies and which contain any provision under which either Company has any obligation or entitlement which is, or may be, material to the relevant Company as at the date of this document:

HARGREAVE HALE AIM VCT 1

- 12.1 The Offer Agreement, details of which are set out in paragraph 9 above.
- 12.2 Under an offer agreement dated 19 March 2010 (the "2010 Offer Agreement" and made between the Companies (1), the directors of the Companies at the time (being Sir Aubrey Brocklebank Bt., David Hurst-Brown and Giles Hargreave) (2), the Sponsor (3), and the Investment Manager (4), the

Sponsor agreed to act as sponsor to the 2010 Offers and the Investment Manager undertook as agent of the Companies to use its reasonable endeavours to procure subscribers under the 2010 Offer. Under the 2010 Offer Agreement, the Companies each paid the Investment Manager a commission of 5 % of the aggregate value of accepted applications for Ordinary Shares received by that Company pursuant to the 2010 Offers.

Out of this fee, the Investment Manager was paid all other costs and expenses of or incidental to the 2010 Offers.

Under the 2010 Offer Agreement, the Companies and their directors gave certain warranties and indemnities to the Sponsor. Warranty claims must be made by no later than 3 months after the second annual general meeting of the relevant Company following the closing date of the 2010 Offers at which Shareholders approved the relevant Company's accounts or by the date the company is subject to a takeover. The warranties and indemnities were in usual form for a contract of this type and the warranties are subject to limits of the total proceeds of the 2010 Offer for the Investment Manager, and one year's director fees for each of the relevant directors. The Companies also agreed to indemnify the Sponsor in respect of its role as Sponsor and under the 2010 Offer Agreement.

- 12.3 An agreement (the "HH1 Investment Management Agreement") dated 10 September 2004 (as amended) between Hargreave Hale AIM VCT 1 (1) and the Investment Manager (2) under which the Investment Manager agreed to provide discretionary investment management and advisory services to the Company in respect of its portfolio of Qualifying Investments and Non-Qualifying Investments. This was amended by a deed of variation dated 13 October 2005 in relation to the previous offer of C shares (which have since converted into Ordinary Shares).

Under the agreement, the Investment Manager received fees (exclusive of VAT) equal to 0.9% per annum of the net asset value of the Company until the termination of the HH1 Investment Management Agreement, payable quarterly in arrears. The Investment Manager is also entitled to receive the Performance Incentive Fees and reimbursement of expenses incurred in performing its obligations. In respect of investments made in companies that are not quoted on AIM, the Investment Manager is entitled to charge expenses and initial management fees to investee companies that, without the Board's consent, will not exceed 1% of the value of the total investment by the Company (and any other investor to whom the Company syndicates any part of its investment) plus, in the case of periodical fees, £10,000 per annum (plus VAT, if applicable).

In line with normal VCT practice, a performance related incentive fee will be payable to the Investment Manager. This annual performance related incentive fee will payable at the rate of 20 % of any dividends paid to Shareholders in excess of 6 pence per Ordinary Share per annum, provided that the Net Asset Value per Ordinary Share is at least 95 pence. The first payment of the performance related incentive fee was payable after 30 September 2007 and would be payable provided cumulative distributions in the first three accounting periods exceeded 18 pence per Ordinary Share. Thereafter, a performance related incentive fee will be payable annually, provided

the hurdles have been exceeded, with any cumulative shortfalls below 6 pence per Ordinary Share having to be made up in subsequent years before the incentive fee becomes payable. No performance related incentive fee will be payable unless the NAV per Ordinary Share is at least 95 pence.

The appointment may be terminated on 12 calendar months' notice by either party. No benefits are payable on termination.

- 12.4 Under supplemental management agreements between Hargreave Hale AIM VCT 1 (1) and the Investment Manager (2) dated 10 September 2009, Hargreave Hale agreed to provide administrative and custodian services to that company and the services of Stuart Brookes, as company secretary and Giles Hargreave, as a non-executive director for an annual fee of £77,000 (plus VAT) terminable on 3 months' notice either side. Giles Hargreave is interested in this agreement as a director and shareholder of the Investment Manager.
- 12.5 Further to Keydata Investment Services Limited (the former administrator of the Companies) going into administration on 8 June 2009, under an agreement between Hargreave Hale AIM VCT 1 (1), the directors of Hargreave Hale AIM VCT 1 at the time of its 2004 and 2005 offers for subscription (Sir Aubrey Brocklebank Bt., Stewart Ford and David Hurst-Brown) (2), the Investment Manager (3), Williams De Broe Plc (4) and Keydata Investment Services Limited (In Administration) (the promoter of those offers) ("KIS")(5), dated 29 September 2010, the Company agreed to the variation of the offer agreements entered into between those parties in relation to the above offers (the "2004 and 2005 Offer Agreements") whereby the company agreed to (i) pay to KIS the sum of £60,000 in relation to compensation to KIS for the loss of any annual commissions and performance incentive fees that would have become due to KIS under the 2004 and 2005 Offer Agreements, (ii) discharge all obligations of KIS to pay trail commissions that became due on or before 29 September 2010 (iii) compensate KIS in full and final settlement of all sums due to be paid to KIS by the Company as at 8 June 2009 (being the date of the appointment of the administrator of KIS) under an administration agreement between KIS and Hargreave Hale AIM VCT 1 dated 10 September 2004, notwithstanding that that agreement was terminated by reason of the appointment of the administrator. KIS and Hargreave Hale AIM VCT 1 also agreed that the Company shall, out of the £60,000 due to KIS referred to above, assume responsibility to pay the trail commissions referred to above in this paragraph on behalf of KIS, and to pay to Hargreave Hale AIM VCT 2 £20,000 due to be paid to KIS in relation to the agreement referred to in paragraph 12.2 below. The Company also agreed to assume liability for all trail commissions payable after 29 September 2010, with KIS undertaking to indemnify the Hargreave Hale AIM VCT 1 and the directors against all claims resulting from inaccuracy of information provided by KIS to the Company, with the waiver of certain obligations of KIS under the 2004 and 2005 Offer Agreements (including the giving of an indemnity provided to the Company by KIS in relation to Annual Running Costs exceeding 3.5 % of the company's net asset value).
- 12.6 Under an agreement between Hargreave Hale AIM VCT 1 (1), and the Investment Manager (2), dated 15 December 2010, the Company agreed to the variation of the terms of the HH1 Investment

Management Agreement referred to in paragraph 12.3 above with (i) the Investment Manager providing an indemnity in relation to Annual Running Costs of the company exceeding 3.5% of the net assets of the Company with effect from 1 October 2010 and (ii) the annual management fee payable to the Investment Manager increasing to 1.5 % of the net asset of the Company.

- 12.7 Under an agreement between Hargreave Hale AIM VCT 1 (1), and the Investment Manager (2), dated 27 February 2012, the Company agreed, subject to Shareholder approval, to the variation of the terms of the HH1 Investment Management Agreement referred to in paragraph whereby that agreement was varied so as to extend the rights and obligations of the Managers to the assets attributable to the new Ordinary Shares and the C Shares in Hargreave Hale AIM VCT 2. Under the relevant Deed of Variation, the Investment Manager will receive an annual investment management fee of 1.5% of the net assets attributable to the new Ordinary Shares and the C Shares and a Performance Incentive Fee in respect of the new Ordinary Shares and the C Shares.

HARGREAVE HALE AIM VCT 2

- 12.8 The Offer Agreement, details of which are set out in paragraph 9 above.
- 12.9 An agreement (“the HH2 Investment Management Agreement”) dated 8 December 2006 between the Hargreave Hale AIM VCT 2 (1) and the Investment Manager (2) under which the Investment Manager agreed to provide discretionary investment management and advisory services to the Company in respect of its portfolio of Qualifying Investments and Non-Qualifying Investments.

Under the agreement, the Investment Manager received fees (exclusive of VAT) equal to 0.9 % per annum of the net asset value of the Company until the termination of the HH2 Investment Management Agreement, payable quarterly in arrears. The Investment Manager is also entitled to receive Performance Incentive Fees and reimbursement of expenses incurred in performing its obligations. In respect of investments made in companies that are not quoted on AIM, the Investment Manager is entitled to charge expenses and initial management fees to investee companies that, without the Board’s consent, will not exceed 1 % of the value of the total investment by the Company (and any other investor to whom the Company syndicates any part of its investment) plus, in the case of periodical fees, £10,000 per annum (plus VAT, if applicable).

In line with normal VCT practice, a performance related incentive fee will be payable to the Investment Manager. This annual performance related incentive fee will be payable at the rate of 20 % of any dividends paid to Shareholders in excess of 6 pence per Ordinary Share per annum, provided that the Net Asset Value per Ordinary Share is at least 95p. The first payment of the performance related incentive fee was payable after 28 February 2010 and would be payable provided cumulative distributions in the first three accounting periods exceeded 18 pence per Ordinary Share. Thereafter, a performance related incentive fee will be payable annually, provided the hurdles have been exceeded, with any cumulative shortfalls below 6 pence per Ordinary Share having to be made up in subsequent years before the incentive fee becomes payable. No

performance related incentive fee will be payable unless the NAV per Ordinary Share is at least 95p.

The appointment may be terminated on 12 calendar months' notice by either party. No benefits are payable on termination.

- 12.10 Under supplemental management agreements between Hargreave Hale AIM VCT 2 (1) and the Investment Manager (2) dated 10 September 2009, Hargreave Hale agreed to provide administrative and custodian services to that company and the services of Stuart Brookes, as company secretary and Giles Hargreave, as a non-executive director for an annual fee of £77,000 (plus VAT) terminable on 3 months' notice either side. Giles Hargreave is interested in this agreement as a director and shareholder of the Investment Manager.
- 12.11 Pursuant to an irrevocable undertaking dated 19 March 2010, Giles Hargreave committed to invest a total of £50,000 in Hargreave Hale AIM VCT 2 under the 2010 Offer.
- 12.12 Further to Keydata Investment Services Limited (the former administrator of the Companies) going into administration on 8 June 2009, under an agreement between Hargreave Hale AIM VCT 2 (1), the directors of Hargreave Hale AIM VCT 2 at the time of its 2006 offer for subscription (Sir Aubrey Brocklebank Bt., Stewart Ford and David Hurst-Brown) (2), the Investment Manager (3) and Keydata Investment Services Limited (In Administration) (the promoter of that offer) ("KIS")(5), dated 29 September 2010, the Company agreed to the variation of the offer agreement entered into between those parties in relation to the above offer (the "2006 Offer Agreement") whereby KIS agreed to pay the Company the sum of £20,000 to (i) compensate to the Company in respect of any amount by which the Annual Running Costs exceeded 3.5% of its net assets on or before 29 September 2010, (ii) to compensate KIS for the loss of any annual commissions and performance incentive fees that would have become due to KIS under the 2006 Offer Agreement, (iii) the Company to discharge all obligations of KIS to pay trail commissions that became due on or before 29 September 2010 and (iv) compensate KIS in full and final settlement of all sums due to be paid to KIS by the Company as at 8 June 2009 (being the date of the appointment of the administrator of KIS) under an administration agreement between KIS and Hargreave Hale AIM VCT 2 dated 8 December 2006, notwithstanding that that agreement was terminated by reason of the appointment of the administrator. KIS and Hargreave Hale AIM VCT 2 also agreed that the Company shall assume responsibility to pay the trail commissions referred to above in this paragraph on behalf of KIS. The Company also agreed to assume liability for all trail commissions payable after 29 September 2010, with KIS undertaking to indemnify the Hargreave Hale AIM VCT 2 and the directors against all claims resulting from inaccuracy of information provided by KIS to the Company, with the waiver of certain obligations of KIS under the 2006 Offer Agreement.
- 12.13 Under an agreement between Hargreave Hale AIM VCT 2 (1), and the Investment Manager (2), dated 15 December 2010, the Company agreed to the variation of the terms of the HH2 Investment Management Agreement referred to in paragraph 12.9 above with (i) the Investment Manager providing an indemnity in relation to Annual Running Costs of the company exceeding 3.5% of the

net assets of the Company with effect from 1 October 2010 and (ii) the annual management fee payable to the Investment Manager increasing to 1.3 % of the net asset of the Company.

- 12.14 Save as otherwise disclosed in this paragraph 12, as at the date of this document there are no contracts (not being contracts entered into in the ordinary course of business) entered into by the Companies which contain any provision under which the Companies have any obligation or entitlement which is material to the Companies.
- 12.15 Under an agreement between Hargreave Hale AIM VCT 2 (1), and the Investment Manager (2), dated 29 February 2012, the Company agreed, subject to Shareholder approval, to the variation of the terms of the HH2 Investment Management Agreement referred to in paragraph 12.9 whereby that agreement was varied so as to extend to the rights and obligations of the Managers to the assets attributable to the new Ordinary Shares in Hargreave Hale AIM VCT 2. Under the relevant Deed of Variation, the Investment Manager will receive an annual investment management fee of 1.5% of the net assets attributable to the new Ordinary Shares and a Performance Incentive Fee in respect of the new Ordinary Shares.

13 **Related party transactions**

Other than the agreements, deeds and shareholdings referred to in paragraphs 12.1 and 12.2, paragraphs 12.4 to 12.6, and paragraphs 12.8 to 12.15 and paragraph 6.1, there have been no related party transactions relating to the Companies between 1 October 2008 (in the case of Hargreave Hale AIM VCT 1) and 1 March 2008 (in the case of Hargreave Hale AIM VCT 2) and the date of this document.

14 **Specific Disclosures in respect of Closed Ended Funds**

- 14.1 The Manager intends to structure the investments of the Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2 Ordinary Share funds, and the Hargreave Hale AIM VCT 1 'C' Share fund, in accordance with the Companies' objects of spreading investment risk and in accordance with their respective published investment policies as set out in the sections of Part I entitled "About The Hargreave Hale AIM VCTs" and "Investment and Borrowing Policy". These investment policies are in line with the VCT rules and neither of the Companies will deviate from them, in any material respect. Further, in accordance with the VCT rules, the Companies will invest in ordinary shares, in some cases a small number of preference shares where applicable, and always in accordance with such rules.
- 14.2 The Companies are not regulated by the FSA (or equivalent overseas regulator) although VCTs need to meet a number of conditions set out in tax legislation in order for the VCT tax reliefs to apply, and comply with the continuing obligations of listed companies under the Listing Rules and the Disclosure and Transparency Rules.
- 14.3 Each of the Companies is regulated by the VCT rules in respect of the investments they make as described in Part III of this document. Each of the Companies has appointed PricewaterhouseCoopers LLP as its VCT status monitor. PricewaterhouseCoopers LLP will report

twice yearly to the Companies as a part of their annual and interim reporting obligations. In respect of any breach of the VCT rules, the relevant Company, together with PricewaterhouseCoopers LLP, will report directly and immediately to HMRC to rectify the breach and announce the same immediately to the relevant Company's shareholders via a Regulatory News Service provider. In addition, the Companies intend to maintain the investment approach as detailed in the section entitled "Investment Policy" in Part I of this document.

- 14.4 Neither Company will invest more than 15% of its gross assets in any single company, in accordance with the VCT legislation, nor will either Company control the companies in which it invests in such a way as to render them subsidiary undertakings until it has obtained approval as a VCT from HMRC.
- 14.5 The Companies will not conduct any trading activity which is significant in the context of their groups (if any) as a whole. No more than 10%, in aggregate, of the value of the total assets of the Companies at the time an investment is made may be invested in other listed closed-ended investment funds, except where those funds themselves have published investment policies which permit them to invest no more than 15% of their total assets in other listed closed-ended investment funds. The Companies will, at all times, invest and manage their assets in a way which is consistent with their objective of spreading investment risk and in accordance with their published investment policies. The Companies will also invest and manage their assets to ensure compliance with the Listing Rules, the Prospectus Rules and the VCT rules and restrictions.
- 14.6 Each Board must be able to demonstrate that they will act independently of the Investment Manager. A majority of the Boards (including the Chairman) must not be directors, employees, partners, officers, or professional advisors of or to, the Manager or any company in the Manager's group or any other investment entity which they manage.
- 14.7 Neither Company will invest directly in physical commodities.
- 14.8 Neither Company will invest in any property collective investment undertaking.
- 14.9 Neither Company will invest in any derivatives, financial instruments, money market instruments or currencies other than for the purposes of efficient portfolio management (i.e. solely for the purpose of reducing, transferring or eliminating investment risk in the underlying investments of the collective investment undertaking, including any technique or instrument used to provide protection against exchange and credit risks).
- 14.10 The Investment Manager is responsible for the determination and calculation of the Net Asset Value of the Companies on a weekly basis.
- 14.11 The Net Asset Value of the Companies' investments will be determined weekly. The value of investments will be determined according to their listing status. Quoted securities will be valued at mid-market price unless the investment is subject to restrictions or the holding is significant in relation to the share capital of a small quoted company, in which case a discount may be appropriate as per the BVCA guidelines. Unquoted investments will be valued on a cost basis in the first year and reviewed subsequently on the basis of the progression of the business. The Net Asset Value of the Companies will be communicated to Investors in Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2 through a Regulatory News Service provider at the same frequency as the determinations.

In the event of any suspension, valuations are held at the suspended price and a view is taken with consideration to best market practice and information from advisers.

- 14.12 The Directors do not anticipate any circumstances arising under which the valuations may be suspended. Should the determination of net asset value differ from that set out above then this will be communicated to investors in Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2 through a Regulatory News Service provider.

15 Information on Investment Manager

15.1 Further information on Hargreave Hale Limited

Hargreave Hale Limited is regulated and authorised by the Financial Services Authority. It was incorporated as a private limited company in England and Wales on 16 January 1996 under number 209741 and operates under the Acts and the regulations made under those Acts. Hargreave Hale Limited is domiciled in the UK. Its registered office is Marsden House, 4-10 Springfield Road, Blackpool FY1 1QW. The telephone number is 01253 621575.

The original administrator of each Company was Keydata Investment Services Limited. Keydata Investment Services Limited went into administration on 8 June 2009. The assets and business of the Companies were ring fenced from the activities of Keydata Investment Services Limited and as such were not affected by the administration. The investment, management and custody of the Companies' assets was at all times undertaken by Hargreave Hale Limited.

16 Working capital

- 16.1 Hargreave Hale AIM VCT 1 is of the opinion that the working capital of Hargreave Hale AIM VCT 1 is sufficient for its present requirements, that is, for at least the period of 12 months from the date of this document.
- 16.2 Hargreave Hale AIM VCT 2 is of the opinion that the working capital of Hargreave Hale AIM VCT 2 is sufficient for its present requirements, that is, for at least the period of 12 months from the date of this document.

17 Capitalisation and Indebtedness

- 17.1 The capitalisation and indebtedness of the Companies as at 24 February 2012 was as follows:

	Hargreave Hale AIM VCT 1	Hargreave Hale AIM VCT 2
Shareholders' equity:	(£'000)	(£'000)
Share capital	19,905	6,053
Reserves	(4,219)	783
Total	15,686	6,836
Cash at bank	545	846

	Hargreave Hale AIM VCT 1	Hargreave Hale AIM VCT 2
	(£'000)	(£'000)
A Cash	545	846
B Cash equivalents	-	-
C Trading securities	2,398	766
D Liquidity (A+B+C)	2,943	1,612
E Current financial receivable	44	21
F Current bank debt	-	-
G Current position of non-current debt	-	-
H Other current financial debt	(179)	(76)
I Current financial debt (F+G+H)	(179)	(76)
J Net current financial indebtedness (I-E-D)	2,808	1,557
K Non-current bank loans	-	-
L Bonds issued	-	-
M Other non-current loans	-	-
N Non-current financial indebtedness (K+L+M)	-	-
O Net financial indebtedness (J+N)	2,808	1,557

- 17.2 All of the indebtedness of the Companies is unsecured and unguaranteed. The Companies have incurred no indirect or contingent indebtedness. Each Company has power to borrow under its respective articles of association, details of which are set out in the paragraph entitled "Borrowing powers" on page 91.

18 Corporate Governance

Each Board is accountable to shareholders for the governance of each Company's affairs and is committed to maintaining the highest standards of corporate governance. Accordingly, each Board has adopted the 2010 FRC Combined Code on Corporate Governance and reports against the principles and recommendations of this Code (the "Code"). Considering the principles detailed in the Code the Boards believe that, insofar as they are relevant to the size and structure of each Company's business, each Company as at the date of this document complies, save as disclosed below in relation to committees, with the provisions of the Code throughout the financial year (in the case of Hargreave Hale AIM VCT 1 ended 30 September 2011 (as detailed on pages 18-21 of its Annual Report and Accounts for the period ended 30 September 2011) and in the case of Hargreave Hale AIM VCT 2 ended 28 February 2011 (as detailed on pages 18 to 21 of its Annual Report and Accounts for the period ended 28 February 2011) which can both be downloaded at

These Accounts are incorporated by reference, as set out below:

	Hargreave Hale AIM VCT 1 Audited financial statements for the period ended 30 September 2011	Hargreave Hale AIM VCT 2 Audited financial statements for the period ended 28 February 2011
Page numbers		
Corporate Governance Statement:	18-21	18-21
Departures from the Code:	18	20

Committees

Due to the size of the Boards, each Board has not set up separate audit, nomination and remuneration committees (as required by Code C3.1, A4.1 and B2.1 respectively) on the grounds that the Board as a whole considers these matters. As all Directors are non-executives, each Board has not appointed a senior independent non-executive director (Code A3.3) as the Chairman performs the role.

19. Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Companies are aware) during the 12 months preceding the date of this document, which may have, or have had in the recent past, significant effects on either of the Companies' financial positions or profitability.

20. General

- 20.1 The estimated costs and expenses relating to the Offers and Enhanced Share Buy Back, assuming full subscription under the Offers and Tender Offers, payable by each Company will be 5% of gross funds raised by the relevant Company under the Offers. The total net proceeds of the Offers and Enhanced Share Buy Back, after all fees, are expected to be ££14,250,000 (inclusive of VAT) for Hargreave Hale AIM VCT 1 and £9,500,000 (inclusive of VAT) for Hargreave Hale AIM VCT 2 (assuming full subscription). The net proceeds of the Offers (excluding any proceeds from the Enhanced Share Buy Back), assuming maximum subscription, after all fees, are expected to be £9,500,000 (inclusive of VAT) for Hargreave Hale AIM VCT 1 and £9,500,000 (inclusive of VAT) for Hargreave Hale AIM VCT 2. The net proceeds of the Offers (excluding any proceeds from subscriptions), assuming maximum proceeds from the Enhanced Share Buy Back, after all fees, are expected to be £4,750,000 (inclusive of VAT) for Hargreave Hale AIM VCT 1 and £2,850,000 (inclusive of VAT) for Hargreave Hale AIM VCT 2. There is no minimum subscription for either Company in relation to the Offers made with respect to the Ordinary Shares. In the case of the 'C' Share Offer of Hargreave Hale AIM VCT 1, the minimum net subscription will be £700,000.
- 20.2 BDO LLP, chartered accountants of 55 Baker Street, London, W1U 7EU were auditors of the Companies in respect of the audited financial information set out in Part IV and have given unqualified audit reports on the statutory accounts of the Companies for those financial years referred to in Part IV within the meaning of section 495 of the Companies Act 2006. None of those reports contained any statements under section 237(2) or (3) of the Act. Statutory accounts of the

Companies for those financial years have been delivered to the Registrar of Companies in England and Wales pursuant to section 242 of the Act.

- 20.3 The Companies shall take all reasonable steps to ensure that its auditors are independent of them and will obtain written confirmation from their auditors that they comply with guidelines on independence issued by their national accountancy and auditing bodies.
- 20.4 Howard Kennedy Corporate Services LLP's office address is at 19 Cavendish Square, London W1A 2AW. Howard Kennedy Corporate Services LLP is regulated by the Financial Services Authority and is acting in the capacity as Sponsor to the Companies.
- 20.5 Howard Kennedy Corporate Services LLP has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.
- 20.6 The statements attributed to the Investment Manager in this document have been included in the form and context in which they appear with the consent and authorisation of the Investment Manager. The Investment Manager accepts responsibility for those statements, and to the best of the knowledge of the Investment Manager (which has taken all reasonable care to ensure that such is the case) those statements are in accordance with the facts and contains no omission likely to affect its import.
- 20.7 The Companies do not assume responsibility for the withholding of tax at source.
- 20.8 The Offers will result in a significant gross change in each Company, including an increase in its earnings and in the net assets of an amount that is equal to the net proceeds it receives under the Offers (namely £9,500,000 for Hargreave Hale AIM VCT 1 and £ 9,500,000 for Hargreave Hale AIM VCT 2 assuming full subscription under the Offers and ignoring the Enhanced Share Buy Back). Subject to the level of subscription of the Offers, an increase in net assets would have certain consequences, potentially including a reduction in the annual expenses ratio of each Company, increasing the size and range of investments which each Company could undertake and increasing the number of investments each Company would be required to make in order to meet the VCT eligibility rules.
- 20.9 On the basis of full subscription under the Offers and the Tender Offers, Hargreave Hale AIM VCT 1 Ordinary Shares will be diluted by 27% and Hargreave Hale AIM VCT 2 Ordinary Shares will be diluted by 51 %.
- 20.10 All third party information in this prospectus has been identified as such by reference to its source and in each instance has been accurately reproduced and, so far as the Companies are aware and able to ascertain from information published by the relevant party, no facts have been omitted which would render the reproduced information inaccurate or misleading

21 Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the registered office of each Company at the offices of Howard Kennedy LLP, 19 Cavendish Square, London W1A 2AW whilst the Offers remain open:

- 21.1 the memorandum of association of each of the Companies and the Articles;
- 21.2 the material contracts referred to in paragraph 12 above;
- 21.3 the annual accounts Hargreave Hale AIM VCT 1 for the periods ending 30 September 2009, 30 September 2010 and 30 September 2011;
- 21.4 the interim results of Hargreave Hale AIM VCT 2 for the periods ending 31 August 2010 and 31 August 2011, and the annual accounts for the periods ending 28 February 2009, 28 February 2010 and 28 February 2011;
- 21.5 the consent letter referred to in paragraph 20.5 above; and
- 21.6 this Prospectus.

Dated 29 February 2012

PART VI

TERMS AND CONDITIONS

- (a) The contract created by the acceptance of applications under the Offers will be conditional upon:
 - (i) the Offer Agreement referred to in paragraph 9 of Part V becoming unconditional and not being terminated in accordance with its terms.
 - (ii) the passing of all the Resolutions (other than the Resolutions (a) authorising the Boards to issue up to 10 % of the issued share capital of each Company from time to time, and (b) cancelling the amounts standing to the credit of the share premium accounts of the Companies after the close of the Offers).
- (b) The right is reserved by the Companies to present all cheques and bankers' drafts for payment on receipt and to retain surplus application monies pending clearance of successful applicants' cheques. The Companies also reserve the right to reject, in whole or in part, any application. If any application is not accepted in full or if any contract created by acceptance does not become unconditional, the application monies or, as the case may be, the balance thereof will be returned by crossed cheque in favour of the applicant through the post at the risk of the person entitled thereto. The Directors reserve the right to withdraw the Offers at any time prior to satisfaction of the conditions set out in paragraph (a) above.
- (c) By completing and delivering an Application Form you:
 - (i) offer to subscribe for the number of Ordinary Shares and/or C Shares specified in your Application Form (or such lesser number for which your application is accepted) at the relevant Offer Price on the terms of and subject to this document, including these terms and conditions, and the Memorandum and Articles of Association of the Companies;
 - (ii) agree that, in consideration of the Companies agreeing that they will not issue or allot any Ordinary Shares and/or C Shares which are subject to the Offers to any person other than by means of the procedures referred to in this document, your application shall not be revoked until after 30 March 2012 and this paragraph shall constitute a collateral contract between you and the Companies which will become binding upon despatch by post to, or (in the case of delivery by hand) on receipt by, Hargreave Hale Limited of your Application Form;
 - (iii) warrant that your remittance will be honoured on first presentation and agree that if it is not so honoured you will not be entitled to receive a share certificate, in respect of the Ordinary Shares and/or C Shares applied for unless and until you make payment in cleared funds for such Ordinary Shares and/or C Shares and such payment is accepted by the Companies in their absolute discretion (which acceptance may be on the basis

that you indemnify it against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and you agree that, at any time prior to the unconditional acceptance by the Companies, it may (without prejudice to other rights) avoid the agreement to allot such Ordinary Shares and/or C Shares and may allot such Ordinary Shares and/or C Shares to some other person, in which case you will not be entitled to any payment in respect of such Ordinary Shares and/or C Shares;

- (iv) agree that if, following the issue of all or any Ordinary Shares and/or C Shares applied for pursuant to the Offer (the "Issued Ordinary Shares"), your remittance is not honoured on first presentation, the Issued Ordinary Shares may, forthwith upon payment by Hargreave Hale of the Offer Price of the Issued Ordinary Shares to the Companies, be transferred to Hargreave Hale at the Offer Price per Issued Ordinary Share and any director of Hargreave Hale or any director of the Sponsor is hereby irrevocably appointed and instructed to complete and execute all or any form(s) of transfer and/or any other documents in relation to the transfer of Issued Ordinary Shares to Hargreave Hale or such other person as Hargreave Hale may direct and to do all such other acts and things as may be necessary or expedient, for the purpose of or in connection with, transferring title to the Issued Ordinary Shares to Hargreave Hale, or such other person, in which case you will not be entitled to any payment in respect of such Ordinary Shares;
- (v) agree that, in respect of those Ordinary Shares for which your application has been received and is not rejected, acceptance of your application shall be constituted, at the election of the Companies either (i) by notification to the London Stock Exchange of the basis of allocation (in which case acceptance shall be on that basis) or (ii) by notification of acceptance thereof to Hargreave Hale Limited;
- (vi) agree that any monies returnable to you may be retained by Hargreave Hale Limited pending clearance of your remittance and the completion of any verification of identity required by the Money Laundering Regulations 2007 and that such monies will not bear interest;
- (vii) subject as provided in paragraphs (iii) and (iv) above, authorise Hargreave Hale Limited to send a share certificate in respect of the number of Ordinary Shares for which your application is accepted and/or to send a crossed cheque for any monies returnable, by post, at the risk of the person entitled thereto, to the address of the person named as the applicant in the Application Form;
- (viii) warrant that if you sign the Application Form on behalf of somebody else you have due authority to do so on behalf of that other person and such person will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained herein and undertake to enclose your power of attorney or a copy thereof duly certified by a solicitor with the Application Form;

- (ix) agree that all applications, acceptances of applications and contracts resulting therefrom under the Offers shall be governed by and construed in accordance with English law, and that you submit to the jurisdiction of the English Courts and agree that nothing shall limit the right of the Companies to bring any action, suit or proceedings arising out of or in connection with any such applications, acceptances of applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;
 - (x) confirm that in making such application you are not relying on any information or representation in relation to the Companies other than the information contained in this document and accordingly you agree that no person responsible solely or jointly for this document or any part thereof or involved in the preparation thereof shall have any liability for any such other information or representation;
 - (xi) authorise the Hargreave Hale Limited, or any persons authorised by either of them, as your agent, to do all things necessary to effect registration of any Ordinary Shares subscribed by you into your name or into the name of any person in whose favour the entitlement to any such Ordinary Shares has been transferred and authorise any representative of Hargreave Hale Limited to execute any document required therefor;
 - (xii) agree that, having had the opportunity to read this document, you shall be deemed to have had notice of all information and representations concerning the Companies contained herein;
 - (xiii) confirm and warrant that you have read and complied with paragraph (d) below;
 - (xiv) confirm that you have read the restrictions contained in paragraph (e) below and warrant as provided therein;
 - (xv) warrant that you are not under the age of 18; and
 - (xvi) agree that all documents and cheques sent by post to, by or on behalf of the Companies or Hargreave Hale Limited, will be sent at the risk of the person(s) entitled thereto.
- (d) No person receiving a copy of this document or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application hereunder to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.

- (e) The Ordinary Shares have not been and will not be registered under the United States Securities Act 1933 (as amended) and, subject to certain exceptions, the Ordinary Shares may not be offered, sold, renounced, transferred or delivered, directly or indirectly, in the United States or to any person in the United States. Persons subscribing for Ordinary Shares shall be deemed, and (unless the Companies are satisfied that their respective Ordinary Shares can be allotted without breach of United States securities laws) shall be required, to represent and warrant to the Companies that they are not a person in the United States and that they are not subscribing for such Ordinary Shares for the account of any such person and will not offer, sell, renounce, transfer or deliver, directly or indirectly, such Ordinary Shares in the United States or to any such person. As used herein, "United States" means the United States of America (including each of the States and the District of Columbia), its territories or possessions or other areas subject to its jurisdiction. In addition, the Companies have not been and will not be registered under the United States Investment Company Act of 1940, as amended. The Manager is not registered under the United States Investment Advisers Act of 1940, as amended.
- (f) Applicants are encouraged to submit their Application Forms early in order to be confident that their applications will be successful. In the event that applications are received for an amount in excess of the maximum subscription, the Directors reserve the right to exercise their discretion in the allocation of successful applications although the allocation will usually be on a first come first served basis. The right is also reserved to reject in whole or in part any application or any part thereof and to treat as valid any application not in all respects completed in accordance with the instructions relating to the Application Form.
- (g) Save where the context otherwise requires, words and expressions defined in this document have the same meaning when used in the Application Form and any explanatory notes in relation thereto.

Availability of this Prospectus

Copies of this document and the Application Form are available until the Offers close from:

Hargreave Hale Limited, 9-11 Neptune Court, Hallam Way, Blackpool FY4 5LZ; and Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2 (at www.hargreave-hale.co.uk/fund-management/venture-capital-trusts/).

GUIDE TO THE APPLICATION FORM

**To be used for subscriptions for Ordinary Shares under the Offers other than from
proceeds of the Tender Offers – Not to be used for subscriptions for Ordinary Shares
from proceeds of the Tender Offers**

The following instructions should be read in conjunction with the Application Form.

1. Insert your full name, address and date of birth and national insurance number in Block Capitals in Section 1. No joint applications are permitted.

Applications may only be made by persons aged 18 or over.

2. Insert in Section 2 the sums you are subscribing.

Your cheque or bankers' draft must be payable to "Office Account of Hargreave Hale AIM VCT 1 plc/Hargreave Hale AIM VCT 2 plc" and should be crossed "A/C Payee". Receipt of your application will be acknowledged within a day of its having been received. Your cheque or bankers' draft must be drawn in sterling on an account at a bank, and must bear the appropriate sort code number in the top right hand corner. The right is reserved to reject any application. Applications may be accompanied by a cheque or bankers' draft drawn by someone other than the applicant(s), but any monies to be returned will be sent by crossed cheque in favour of the person(s) named in Section 1.

Money Laundering Regulations

It is a term of the Offers that, to ensure compliance with the Money Laundering Regulations 2007, Hargreave Hale Limited may at its absolute discretion require verification of identity from any person lodging an Application Form (the "Applicant") in an amount greater than £11,000 and without prejudice to the generality of the foregoing, in particular any person who either (i) tenders payment by way of cheque or bankers' draft drawn on an account in the name of a person or persons other than the Applicant or (ii) appears to be acting on behalf of some other person. In the former case, verification of the identities of both the Applicant and the third party may be required. In the latter case, verification of the identity of any person on whose behalf the Applicant appears to be acting may be required.

If within a reasonable period of time following a request for verification of identity and in any case by no later than 3.00 p.m. on the relevant date of allotment Hargreave Hale Limited have not received evidence satisfactory to them as aforesaid, the Companies with the agreement of Hargreave Hale may, at their absolute discretion, reject any such application in which event the remittance submitted in respect of that application will be returned to the Applicant (without prejudice to the rights of the Companies to undertake proceedings to recover any loss suffered by them as a result of the failure to produce satisfactory evidence of identity).

Where possible Applicants should make payment by their own cheque. If a third party cheque, bankers' draft or building society cheque is used, the Applicant should:

- (a) write his/her name and address on the back of the draft or cheque and, in the case of an individual, record his/her date of birth against his/her name; and
- (b) ask the bank or building society (if relevant) to endorse on the reverse of the draft or cheque the full name and account number of the person whose account is being debited and stamp such endorsement

The above information is provided by way of guidance to reduce the likelihood of difficulties, delays and potential rejection of an Application Form (but without limiting Hargreave Hale Limited's right to require verification of identity as indicated above).

- 3. Sign and date the Application Form in Section 3. The Application Form may be signed by someone else on your behalf, if duly authorised by power of attorney to do so, but any power of attorney pursuant to which it is done (or a duly certified copy thereof) must be endorsed for inspection.
- 4. Agents who are entitled to receive commission should stamp and complete Section 4, giving their full name and address, telephone number and details of their authorisation under the Financial Services and Markets Act 2000. The right is reserved to withhold payment of any commission if Hargreave Hale Limited are not, in their sole discretion, satisfied that the agent is so authorised.

Commission will be paid at 3% of the amount paid for the Ordinary Shares issued in respect of such valid Application Form.

No commission is payable on Ordinary Shares subscribed for out of the proceeds of the Tender Offers. Authorised financial intermediaries may agree to waive part or all of their initial commission in respect of an application. If this is the case, then such application will be treated as an application to subscribe the amount stated in Section 2 together with the amount of commission waived. Commission will be paid only in respect of the amount stated in Section 2. Financial intermediaries should keep a record of such Application Form submitted bearing their stamp to substantiate any claim for introductory commission. Claims for introductory commission must be made and substantiated on submission of an Application Form.

- 5. If you wish to have your share and income tax relief certificates sent to someone other than yourself, please complete Section 5 accordingly. Copy certificates will not be sent to you.
- 6. Dividend payments directly to Bank or Building Society Accounts; if you would like all future dividends to be paid directly into your bank or building society account, please complete the mandate instruction form in Section 6.
- 7. If you have any queries on the procedure for application and payment, you should contact Hargreave Hale Limited (telephone 0207 009 4937) or your normal financial adviser.

8. Delivery of Application Form

Send the completed Application Form together with your cheque or bankers' draft by post, or deliver it by hand (during normal business hours only), to Hargreave Hale Limited, 9-11 Neptune Court, Blackpool, FY4 5LZ so as to be received no later than 12 pm. on 5 April 2012 (unless the Offer is otherwise closed earlier)

If you post your Application Form you are recommended to use first class post and to allow at least two working days for delivery.

Share Application Form

Before completing this Application Form you should read the Terms and Conditions of Application. The Offers open on 29 February 2012 and will close at 12 p.m. on 31 August 2012 unless previously extended beyond that date, or earlier if the Maximum Subscription has been reached before then. Please send this Application Form together with your cheque or bankers' draft, if appropriate, and proof of identity if required, to Hargreave Hale Limited, 9-11 Neptune Court, Hallam Way, Blackpool, Lancashire FY4 5LZ.

Please complete in **BLOCK** capitals

Section 1	
Title (Mr/Mrs/Miss/Ms/Other):	Surname:
Forename(s) in full:	
Date of Birth:	National Insurance Number:

You should be able to find your NI number on a payslip, form P45 or P60, a letter from the HMRC, a letter from the DSS, or pension order book

Permanent residential address:	
Postcode:	
Email:	
Telephone (work):	Telephone (home):

These contact details will be used for all communications, distributions and dividends.

If you wish to nominate another address to receive your share and income tax relief certificates, please complete Section 5.

Section 2

I offer to subscribe the following amount for New Shares on the Terms and Conditions of Application set out in this document dated 29 February 2012 and the Memoranda and Articles of Association of the Companies. Applications must be for a minimum of £3,000 in total and may be made for any higher amount in multiples of £1,000.

	Hargreave Hale AIM VCT 1 C Share Offer	Hargreave Hale AIM VCT 2 Ordinary Share Offer	Total
Offers for the 2011/2012 tax year	£	£	£
Offers for the 2012/2013 tax year	£	£	£
TOTAL	£	£	£

Please mark with an 'x' as appropriate:

☐ I enclose a cheque or bankers' draft(s) drawn on a UK clearing bank made payable to:
"Joint Offer Account of Hargreave Hale AIM VCT 1 plc and Hargreave Hale AIM VCT 2 plc"

☐ I have instructed my bank to make an electronic payment to:
Account Name: Joint Offer Account of Hargreave Hale AIM VCT 1 plc and Hargreave Hale AIM VCT 2 plc
Bank: RBS (Glasgow City Branch)
Account Number: 10565882
Sort Code: 83-07-06
Please quote your surname as a reference when making this electronic payment

Section 3
By signing this form I hereby declare that I have read the terms and conditions of subscription contained in the Offer Document and agree to be bound by them.

Signature:	Date:
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SHARE APPLICATION FORM

Continued

Section 4

For completion by authorised financial intermediaries ONLY

Name of Firm:	Stamp:
Address:	
Postcode:	
Telephone:	
Fax:	
Name of Contact:	
Email Address:	Date:
Signature of authorised signatory of authorised financial intermediary:	

Commission payment details
(to be used if commission to be paid to a Network or other third party)
Name:
Contact:
Address:
Postcode:
Email:

Commission options	
Choose either options A or B, but not both	
A. Introductory Commission of 3 per cent.	B. Introductory Commission of 2.25 per cent. plus trail commission
☐ (A1) to receive introductory commission of 3 per cent. place an 'X' in this box	☐ (B1) to receive introductory commission of 2.25 per cent. place an 'X' in this box

(A2) Insert the amount of 3 per cent. commission you wish to be waived and reinvested in additional New Ordinary Shares for your client (e.g. 0%, 1%, 1.5%, 2%, 3%).

(B2) Insert the amount of 2.25 per cent. introductory commission you wish to be waived and reinvested in additional New Ordinary Shares for your client (e.g. 0%, 1%, 2.25%).

Section 5

Please complete Section 5 if you wish to nominate an alternative address, such as an accountant or financial adviser, for your share and income tax relief certificates

Title (Mr/Mrs/Miss/Ms/Other):

Surname:

Forename(s) in full:

Company Name:

Reference (if required):

Address:

Postcode:

Section 6

All dividends paid on Shares held in Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2 may be paid directly into bank and building society accounts. In order to facilitate this, please complete the dividend mandate instruction form below. Dividends paid directly to your account will be paid in cleared funds on the dividend payment dates. Your bank or building society statement will identify details of the dividend as well as the dates and amounts paid

Please forward until further notice, all dividends that may from time to time become due on any Shares now standing, or which may hereafter stand, in my name in the register of members of each of the Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2 to:

Bank or Building Society reference number and details

Name of Bank/Building Society:

Title of Branch:

Address of Branch:

Account Number:

Sort Code Number:

Account Name (BLOCK capitals please):

Signature:

Date:

Applicant's name and Postcode:

(in BLOCK capitals please, as given in Section 1)

Postcode:

The Companies and their Registrars 'Equiniti' cannot accept responsibility if any details provided by you are in incorrect.