

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt as to what action you should take, you should consult your own independent financial adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all of your shares in Hargreave Hale AIM VCT 1 plc and/or Hargreave Hale AIM VCT 2 plc, please send this document at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into the United States, Canada, Australia or Japan or any other jurisdiction if to do so would constitute a violation of the relevant laws of such jurisdiction.

The Companies, and the Directors whose names appear on page 29, accept responsibility for the information contained in this document. To the best of the knowledge of the Companies and the Directors (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 omissions likely to affect its import .

## **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)*

**General Meetings in connection with Recommended Proposals relating to:**

- (i) tender offers for Hargreave Hale AIM VCT 1 to purchase up to 9,000,000 Ordinary Shares and for Hargreave Hale AIM VCT 2 to purchase up to 3,500,000 Ordinary Shares**
- (ii) offers for the issue of up to £5,000,000 of Ordinary Shares of 1p each and of up to £10,000,000 of 'C' Shares of 5p each in Hargreave Hale AIM VCT 1 and of up to £10,000,000 of Ordinary Shares of 1p each of Hargreave Hale AIM VCT 2**
- (iii) the extension of the life of the Companies to 2018**
- (iv) adoption of new Articles of Association of Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2**
- (v) change of investment policy of Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2**
- (vi) approval of the payment of promoter's fees to Hargreave Hale Limited**
- (vii) approval of variation to investment management fee in respect of Hargreave Hale AIM VCT 2**

Your attention is drawn to the letter from the Chairmen of the Companies set out on pages 5 to 25 which contains a recommendation to vote in favour of the Resolutions to be proposed at the General Meeting.

You will find on pages 43 to 49 a notice of the General Meetings to be held on 26 March 2012 at 11.00 am for Hargreave Hale AIM VCT 1 and 12.00 pm for Hargreave Hale AIM VCT 2 to approve the Resolutions. The General Meetings will be held at 19 Cavendish Square, London W1A 2AW. To be valid, the form of proxy enclosed with this document for the General Meeting should be returned not less than 48 hours before the General Meeting, either by post or by hand (during business hours only) to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

The Ordinary Shares will be purchased under the Tender Offers at the Net Asset Value per Ordinary Share most recently announced to the London Stock Exchange at the time of the purchase. The net proceeds of tendered Ordinary Shares in respect of Hargreave Hale AIM VCT 1 will be applied in subscribing for new

Ordinary Shares in Hargreave Hale AIM VCT 1 and the net proceeds of tendered Ordinary Shares in respect of Hargreave Hale AIM VCT 2 will be applied in subscribing for new Ordinary Shares in Hargreave Hale AIM VCT 2 on the terms of a Prospectus issued by Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2 on 29 February 2012. This Circular does **not** constitute the Prospectus which is a separate document and which sets out the full terms of the Offers. Shareholders are strongly recommended to read the full terms of the Prospectus, a copy of which accompanies this document.

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## CONTENTS

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	<b>Page</b>
Expected Timetable	4
Letter from the Chairmen	5
Terms of the Tender Offers	5
Conditions of the Tender Offers	26
Ordinary Shares Tendered	26
Scaling Back	27
Acceptance Period	27
Settlement	28
Additional Information	29
Responsibility and Registered Office	29
Issued Share Capital	29
Directors' and Other Interests	29
Significant Shareholdings	30
Material Contracts	30
Directors' Service Contracts and Remuneration	34
Unusual/Significant Transactions	35
Significant Changes	35
Litigation	35
Related Party Transactions	35
General	36
Documents Available for Inspection	36
Definitions	38
Appendix 1: Rights attaching to the C Shares	42
Notices of General Meetings of Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2	43 and 48
Forms of Proxy	
Tender Forms	50

## **EXPECTED TIMETABLE**

Publication of Circular	29 February 2012
Offers open	29 February 2012
Record Date for Tender Offers	6 p.m. 30 March 2012
Latest time and date for receipt of proxy forms for General Meeting of Hargreave Hale AIM VCT 1	11 a.m. on 24 March 2012
Latest time and date for receipt of proxy forms for General Meeting of Hargreave Hale AIM VCT 2	12 p.m. on 24 March 2012
General Meeting of Hargreave Hale AIM VCT 1	11 a.m. on 26 March 2012
General Meeting of Hargreave Hale AIM VCT 2	12 p.m. on 26 March 2012
Latest time and date for receipt of Tender Forms	11.00 am on 30 March 2012
Calculation Date and announcement of take up under the Tender Offers	2 April 2012
Deadline for receipt of applications for investment in the Offers for the 2011/12 tax year	12 p.m. on 30 March 2012
Purchase of Ordinary Shares Tendered, allotment of new Ordinary Shares and settlement of amounts due to and owed by a shareholder under the Enhanced Share Buy Back	on or before 5 April 2012
Allotment of new Ordinary Shares and C Shares generally under the Ordinary Share Offers and C Shares Offer	by 5 April 2012
First Admission and dealings expected to commence	Within 10 business days of any allotment
Deadline for receipt of applications for investment in the Offers for the 2012/13 tax year	by 31 August 2012 unless extended (but to no later than 22 February 2013)
Dispatch of Share Certificates	Within 10 business days of any allotment

If there are any significant changes to the above times and/or dates Ordinary Shareholders will be notified by an announcement through a regulatory information service.

**Hargreave Hale AIM VCT  
1 plc and Hargreave  
Hale AIM VCT 2 plc  
19 Cavendish Square,  
London  
W1A 2AW**

29 February 2012

Dear Shareholder,

**Proposals relating to:**

- (i) tender offers for Hargreave Hale AIM VCT 1 to purchase up to 9,000,000 Ordinary Shares and for Hargreave Hale AIM VCT 2 to purchase up to 3,500,000 Ordinary Shares**
- (ii) offers for the issue of up to £5,000,000 of Ordinary Shares of 1p each and of up to £10,000,000 of 'C' Shares of 1p each in Hargreave Hale AIM VCT 1 and of up to £10,000,000 of Ordinary Shares of 1p each of Hargreave Hale AIM VCT 2**
- (iii) the extension of the life of the Companies to 2018**
- (iv) adoption of new Articles of Association of Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2**
- (v) change of investment policy of Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2**
- (vi) approval of the payment of promoter's fees to Hargreave Hale Limited**
- (viii) approval of variation to investment management fee in respect of Hargreave Hale AIM VCT 2**

**Introduction**

The purpose of this Circular is to provide information on and seek Shareholders' formal approval for making the Tender Offers, the Share Offers and the other proposals which the Companies are proposing to undertake, which proposals require Shareholder approval under the Companies Act 2006 and under the Listing Rules.

**The Enhanced Share Buy Backs**

One of the benefits of investing in a VCT is that investors are entitled to receive income tax relief on their subscription for shares, currently at the rate of 30%. Once these shares have been held for five years, investors can sell them without losing the initial income tax relief. Should they wish to, investors may then reinvest the sale proceeds into new VCT shares and obtain further income tax relief currently at the rate of 30%.

As approximately 90% of the Ordinary Shares in issue for Hargreave Hale AIM VCT 1 (including previous 'C' Shares which were converted into Ordinary Shares in 2008), and approximately 67% of the Ordinary Shares in issue for Hargreave Hale AIM VCT 2 were subscribed for more than five years ago, each of the Boards have decided to facilitate this process for Ordinary Shareholders of each of the Companies by holding Tender Offers, under which an Ordinary

Shareholder participating in the Tender Offer will be able to sell his or her Ordinary Shares back to the relevant Company at a price per share equal to that Company's Net Asset Value per Ordinary Share most recently announced to the London Stock Exchange prior to the purchase, subject to the Ordinary Shareholder applying the full proceeds of his or her share sale to subscribe for new Ordinary Shares under the relevant Ordinary Share Offer announced by the Companies today. The Tender Offers are subject to a number of conditions, which are set out below on page 26. The impact of the Tender Offers on each of the Companies will be neutral as the proceeds of the sale of Shares under the Tender Offers will be reinvested in new Ordinary Shares.

Ordinary Shareholders who participate in a Tender Offer and reinvest the proceeds in the Ordinary Share Offers should be entitled to income tax relief in the 2011/12 tax year at the rate of 30% on the amount re-invested, subject to their personal tax circumstances, on which they should take independent tax advice.

**Selling Ordinary Shares in a Tender Offer may, depending on your personal tax position, have adverse tax consequences. If you sell Ordinary Shares which you subscribed for within the past five years, you will have to repay the initial tax relief you received in relation to the subscription for these Ordinary Shares. You should read carefully the section of this letter headed "Taxation" and if you are in any doubt about how to proceed you should consult an authorised financial adviser.**

#### **Details of the Enhanced Share Buy Backs**

At today's date, Hargreave Hale AIM VCT 1 has 25,896,179 Ordinary Shares in issue and Hargreave Hale AIM VCT 2 has 6,708,062 Ordinary Shares in issue. Under the Tender Offers described in this document, Hargreave Hale AIM VCT 1 proposes to purchase up to 9,000,000 Ordinary Shares from those Ordinary Shareholders on the register on the Record Date (being 30 March 2012), and Hargreave Hale AIM VCT 2 proposes to purchase up to 3,500,000 Ordinary Shares from those Ordinary Shareholders on the register on the Record Date (being 30 March 2012). The actual number of Ordinary Shares purchased under each Tender Offer is subject to the discretion of each Company's Directors and will be subject to each Company's distributable reserves available for buying back Ordinary Shares.

If applications under the Hargreave Hale AIM VCT 1 Tender Offer exceed 9,000,000 Ordinary Shares or if applications under the Hargreave Hale AIM VCT 2 Tender Offer exceed 3,500,000 Ordinary Shares in the relevant company (or such lower numbers as the Directors of each Company may, in their discretion, determine), Ordinary Shareholders applying to tender their Ordinary Shares will be scaled back on a pro-rata basis. If part only of a holding of Ordinary Shares is successfully tendered pursuant to the Tender Offers, the relevant Ordinary Shareholder will be entitled to receive either a balance certificate in respect of the unsold Ordinary Shares.

Each Ordinary Shareholder who is a registered shareholder in the relevant Company as at 30 March 2012 will be able to sell his or her Ordinary Shares back to the relevant Company at a price per Ordinary Share equal to that Company's Net Asset Value per Ordinary Share most recently announced to the London Stock Exchange immediately prior to purchase, subject to the Ordinary Shareholder applying the full proceeds of his or her Ordinary Share sale to subscribe for new Ordinary Shares under the relevant Offer, as described in the Prospectus, a copy of which is enclosed with this document. As at 24 February 2012, the unaudited Net Asset Value per Ordinary Share of Hargreave Hale AIM VCT 1 was 60.53p and per Ordinary Share of Hargreave Hale AIM VCT 2 was 95.23p. Ordinary Shareholders in Hargreave Hale AIM VCT 1 who participate in the Tender Offer will apply the full proceeds of his or her Ordinary Share sale to subscribe for new Ordinary Shares under the Offers in Hargreave Hale AIM VCT 1 and Ordinary Shareholders in Hargreave Hale AIM VCT 2 who participate in the Tender Offer will apply the full proceeds of his or her Ordinary Share sale to

subscribe for new Ordinary Shares under the Offers in Hargreave Hale AIM VCT 2. Applications will be made to the UK Listing Authority for such new Ordinary Shares to be admitted to the premium listing on 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 the admission will become effective, and that dealings in these new Ordinary Shares will commence within 10 business days of the issue of such new Ordinary Shares and that share certificates will be dispatched to Ordinary Shareholders within 10 business days of the issue of such new Ordinary Shares. The new Ordinary Shares will be issued in registered form and evidence of title will be (i) through possession of a share certificate in the Ordinary Shareholder's name or (ii) settlement of the transactions in the new Ordinary Shares - following their admission to the premium listing on the Official List of the UK Listing Authority and to trading on the London Stock Exchange's market for listed securities.

The new Ordinary Shares in each Company will rank pari passu in all respects with each other and with the existing Ordinary Shares in that Company. In accordance with the terms of the Ordinary Share Offers, the new Ordinary Shares will be issued at a price 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 plus 5%, to allow for the issue costs calculated, in pence, to two decimal points. An Ordinary Shareholder who participates in a Tender Offer will be issued additional Ordinary Shares in the relevant Company equal to 2% of the amount subscribed with proceeds from the Tender Offer(s), so for each existing 1,000 Ordinary Shares tendered an Ordinary Shareholder will receive approximately 972 new Ordinary Shares. The Tender Offers will open at the same time as applications can be made under the Ordinary Share Offers but will close at 11.00 am on 30 March 2012.

The Ordinary Shares purchased by the Companies pursuant to the Tender Offers will be cancelled, not held in treasury, and not re-issued and will not rank for any dividends declared or paid on or after completion of the Tender Offers. The issued share capital of the Companies will be reduced by the nominal amount of those Ordinary Shares that are cancelled.

A copy of the Prospectus 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 per cent of the total amount subscribed for in the Ordinary Share Offers out of the proceeds of sale of Ordinary Shares disposed of under the Tender Offers.

A worked example of how the Enhanced Share Buy Back will operate is set out below:

**Hargreave Hale AIM VCT 1**

Number of Ordinary Shares Tendered	NAV* per Ordinary Share (p)	Value of Ordinary Shares tendered (£)	Price of new Ordinary Shares (p)	Number of new Ordinary Shares allotted	Additional Ordinary Shares from rebate	Total new Ordinary Shares allotted
1,000	60.53	605.3	63.556	952	20	972

**Hargreave Hale AIM VCT 2**

Number of Ordinary Shares Tendered	NAV* per Ordinary Share (p)	Value of Ordinary Shares tendered (£)	Price of new Ordinary Shares (p)	Number of new Ordinary Shares allotted	Additional Ordinary Shares from rebate	Total new Ordinary Shares allotted
1,000	95.23	952.3	99.992	952	20	972

\*as announced on 27 February 2012.

### **The Ordinary Share Offers and the C Share Offer**

Hargreave Hale AIM VCT 1 is raising up to £15 million through the issue of up to £5,000,000 of Ordinary Shares of 1p each and of up to £10,000,000 of 'C' Shares of 1p each. Hargreave Hale AIM VCT 2 is raising up to £10 million by way of issue of new Ordinary Shares. In the case of each Company, the Ordinary Share Offers will be offered at a price per new Ordinary Share for each Company 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 the proposed C Share Offer, Hargreave Hale AIM VCT 1 will offer these shares at 100p per C Share.

### **Details of C Shares**

The Board of Hargreave Hale AIM VCT 1 is proposing to raise capital through the creation and issue of a new and separate class of share: the C Shares. These shares will represent a separate pool of assets from the Ordinary Shares of that Company.

It is proposed that the C Shares will convert into Ordinary Shares on a relative Net Asset Value per share basis as at 30 September 2017. If less than £2,000,000 is raised, the C Shares will convert into Ordinary Shares with reference to the Net Asset Value per share basis 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.

### **Duration of Companies and Amendments to the Articles**

To allow the Share Offers to be made, it is proposed that the Articles of both Companies be amended so that the continuation resolution to be put to Shareholders at the annual general meeting of Hargreave Hale AIM VCT 1 in 2016 and Hargreave Hale AIM VCT 2 in 2013 is instead put to Shareholders at the annual general meetings of the Companies to be held in 2018 (and at each annual general meeting of the Company at five year intervals thereafter).

To allow the C Share Offer to proceed, it is proposed that the Articles of Hargreave Hale AIM VCT 1 be amended so that C Shares can be created by the Company. The rights of the C Shares are set out in Appendix 1 to this Circular.

Other amendments to the Articles of HH1 and HH2 are being made as a result of the implementation of the CA 2006 and other legislation.

### **Share Issue Authorities**

In order to proceed with the Ordinary Share Offers and C Share Offer, the relevant Company will need to authorise its Board to allot those Shares pursuant to the Offers. The Companies are also taking the opportunity to authorise the Boards to issue up to 10% of the issued share capital of the relevant Company from time to time.

### **Share Buy Back Authorities**

The Boards intend, subject to liquidity, the rules of the UK Listing Authority and other relevant regulations, to pursue a policy of purchasing Ordinary Shares (and in the case of Hargreave Hale AIM VCT 1, C Shares) in the market in order to facilitate liquidity and to manage the level of the discount to Net Asset Value at which those Shares are traded. 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 target of a 5% buy-back discount is non-binding and at the Director's discretion.

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 should the move bring instability to the Shareholder base and place the Companies' liquid assets under undue pressure. The Boards will retain absolute discretion over the execution of the share buy back policy.

Therefore, as well as the authorities to proceed with the Tender Offer and Share Offers, the Companies are also taking this opportunity to renew their authorities to buy-back up to 14.9% of the issued Shares of relevant Company. The impact of these authorities on the Companies are subject to take up by shareholders and so cannot be predicted.

### **Cancellation of the Share Premium Accounts**

The Companies intend, subject to regulatory and Court approval, to cancel the share premium accounts of the Companies, both in relation to existing share premium on Ordinary Shares and that arising on the issue of the new Ordinary Shares pursuant to the Ordinary Share Offers, and separately that arising on the issue of the C Shares pursuant to the C Share Offer, and to establish new reserves which may be treated as distributable in relation to those classes of shares. The share premium accounts so cancelled can be used, *inter alia*, to fund the buy back of shares, and the payment of dividends, in relation to the relevant class of share. However, the Companies will not rely on the cancellation of their share premium accounts to fund the Enhanced Share Buy Backs, as these will be financed from each Company's cash and liquid resources. Accordingly, resolutions 8 and 9 in the case of Hargreave Hale AIM VCT 1, and resolution 8 in the case of Hargreave Hale AIM VCT 2, as set out in the relevant Notices of General Meetings deal with these proposed cancellations.

### **INVESTMENT POLICY OF THE COMPANIES**

Currently, both Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2 share a common published investment policy as detailed below. 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 new

investors subscribing for 'C' Shares 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 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.

### **Current investment policy**

The Companies' current investment policies are as follows:

#### **Current Investment Objectives**

The Companies' 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 Companies' funds; and
- targeted investment in equities which are non-qualifying investments on an opportunistic basis to boost the performance of the Companies' funds.

#### **Current Asset Allocation**

In order to achieve these objectives, "Qualifying Investments" (being investments which comprise qualifying holdings for a venture capital trust as defined in Chapter 4 Part 6 of the Income Tax Act 2007) will be made in AIM companies, but the Investment Manager will also consider PLUS traded companies and private companies that meet the investment criteria summarised below. The Investment Manager will follow a stock specific, rather than sector specific, investment approach. Individual Qualifying Investments are likely to range from £0.1 million to £1 million. Investments in AIM traded Qualifying Investments will be in new shares issued by the investee

company at the time of its flotation or in new shares issued by existing AIM companies (with a preference for secondary issues of existing AIM companies as they are likely to have an established track record and these issues are often priced at an attractive discount to market price).

Initially, whilst suitable Qualifying Investments are identified the net proceeds of any share offer will be invested in gilts, other fixed interest securities and bank deposits that are readily realisable and targeted investment in equities which are Non-Qualifying Investments on an opportunistic basis to boost the performance of the Companies' funds. Such investments will be realised as suitable Qualifying Investments are indentified and made. Whilst under VCT legislation the Companies must have 70% of its funds invested in Qualifying Investments within 3 years, it is intended to invest up to 80% Accordingly, the Companies' maximum exposure to such investments will be 80% The remaining funds will be retained in "Non-Qualifying Investments" (being investments made by the Companies which do not qualify as Qualifying Investments), such as gilts, other fixed interest securities and bank deposits and targeted investment in equities which are Non-Qualifying Investments on an opportunistic basis to boost the performance of the Companies' funds in order to allow for follow on investments, to fund the annual running costs of the Companies and to reduce the risk of the overall portfolio of each Company. The Investment Manager will be flexible *in its approach, adapting the position of the Companies' funds to reflect market conditions.*

### **Borrowings**

It is not the Companies' intention to have any borrowings. The Companies do, 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 each of the Companies), which is effectively the aggregate of the nominal capital of the Companies issued and paid up and the amount standing to the credit of the consolidated reserves of the Companies, less specified adjustments, exclusions and deductions. There are no plans to utilise this ability at the current time.

## **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:*
  - *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.*
- *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 based 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 subscription proceeds.*

*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. 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 thereby enabling the company to deliver a stream of tax free dividends..

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 new subscriptions (including those under 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 cap of 20% of the gross assets of the Company). The Marlborough Special Situations Fund is a £430m 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.

## **Offer Agreement**

The Companies have entered into an Offer Agreement with the Manager the Directors and Howard Kennedy Corporate Services LLP, in respect of the Offers, conditional upon Shareholder approval. Under this agreement, the Manager will receive a fee equal to 5% of the gross proceeds of each Offer, out of which they will discharge all the costs of the Offers (including commissions payable to intermediaries) (including trail commission). Shareholder approval is being sought for this agreement because it constitutes a related party transaction under the Listing Rules as it is an arrangement with the Companies' fund manager and Giles Hargreave, who is a director of both Companies, is also a director of and shareholder in, the Manager.

## **Variation to Investment Management Fee in respect of Hargreave Hale AIM VCT 2**

The opportunity is being taken to increase the investment management fee payable to the Manager in respect of Hargreave Hale AIM VCT 2 from 1.3% to 1.5% of net asset value to bring it into line with the investment management fee payable to the Manager in respect of Hargreave Hale AIM VCT 1. Shareholder approval is also being sought in respect of this proposed variation as it constitutes a related party transaction under the Listing Rules and it is an arrangement with the Company's fund manager, and Giles Hargreave, who is a director of Hargreave Hale AIM VCT 2, is also a director of and shareholder in the Manager.

## **Conditionality**

For each Company, the participation of Ordinary Shareholders in the relevant Tender Offer is conditional upon (i) the Ordinary Share Offer for the relevant Company being launched (ii) all of the Resolutions being passed at the relevant General Meeting (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); (iii) the relevant Company having sufficient distributable reserves available to buy back the Ordinary Shares being bought back (iv) a Participating Ordinary Shareholder agreeing that the proceeds of the Tender Offer be invested under the Ordinary Share Offers; and (v) the Ordinary Shares of a Participating Ordinary Shareholder being held in the Participating Ordinary Shareholder's own name; and (vi) the Ordinary Shares continuing to be held by the Participating Ordinary Shareholder until the completion of the Tender Offer.

## **Funding of Tender Offers**

The funds required for the Tender Offers, and the stamp duty payable by each Company as a result (see "Taxation" below), will be financed from each Company's cash and liquid resources.

## **Taxation**

Approximately 90% of the Ordinary Shares in issue for Hargreave Hale AIM VCT 1 (including previous 'C' Shares which were converted into Ordinary Shares in 2008) (as at 24 February 2012, being the most recent practicable date prior to the issue of this Circular), and approximately 67% of the Ordinary Shares in issue for Hargreave Hale AIM VCT 2 were subscribed for more than five years ago. Ordinary Shareholders are able to sell Ordinary Shares allotted before 3 April 2007 without forfeiting the initial income tax relief granted in respect of the subscription for these Shares. However, some Ordinary Shares were subscribed for within the past five years, including all Ordinary Shares subscribed for in the 2010 Offers and the 2011 Top-up Offers. Ordinary Shareholders who sell Ordinary Shares subscribed for after 3 April 2007 will have to repay the initial income tax relief granted in respect of these Shares. Ordinary Shareholders who subscribed for Ordinary Shares on more than one occasion should note that the Ordinary Shares acquired first will be treated for taxation purposes as being disposed of first (i.e., first in, first out).

For example, if an investor who acquired Ordinary Shares in Hargreave Hale AIM VCT 1 (or in Hargreave Hale AIM VCT 2) in the 2010 Offers and subsequently acquired Ordinary Shares in Hargreave Hale AIM VCT 1 (or in Hargreave Hale AIM VCT 2) in the secondary market, and were to tender his or her Ordinary Shares under the Tender Offers, that investor's Ordinary Shares acquired in the 2010 Offers would be treated as having been disposed of first and the investor would therefore be required to forfeit the income tax relief granted in the 2009-10 tax year with respect to those Ordinary Shares.

If you are considering selling Ordinary Shares in the Tender Offers you are strongly advised to seek tax advice from an authorised financial adviser.

The Tender Offers will not adversely affect the Companies' VCT qualifying status.

Stamp duty at the rate of 0.5% will be payable by the Companies on their purchases of Ordinary Shares pursuant to the Tender Offers.

### **Risk Factors**

- The implementation of the Tender Offers is conditional on all of the Resolutions of the relevant Company being passed (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); If these Resolutions are not passed, or the other conditions to the Tender Offer, as set out in paragraph 1 on page 26, are not satisfied, then the Tender Offers will not proceed, and each Company will have incurred abortive costs of approximately £30,000 (plus VAT).
- For those Ordinary Shareholders who subscribed for their Ordinary Shares less than five years ago, the sale of those Ordinary Shares under the Tender Offer will result in their having to repay the initial income tax relief granted.

### **Action to be taken in respect of the Tender Offers**

If you hold one or more share certificate(s) for the Ordinary Shares you wish to sell in either Tender Offer, you should complete the relevant Tender Form(s) and return it to Equiniti, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, as soon as possible and, in any event, not later than 11 a.m. on 30 March 2012, together with the share certificate(s) for the Ordinary Shares being tendered. If you cannot find the relevant share certificate(s), please contact Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA or by telephone on 0871 384 2945 from within the UK or on + 44 121 415 0289 if calling from outside the UK, to obtain a letter of indemnity to request a replacement certificate, which will be subject to an administration fee (calls to the 0871 384 2945 number cost 8 pence per minute from a BT landline). Other network providers' costs may vary. Lines are open 8.30 am to 5.30 pm (London time) Monday to Friday. Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Tender Offers (nor give any financial, legal or tax advice).

**If your Ordinary Shares are in uncertificated form, in order to accept a Tender Offer you must arrange to transfer the Ordinary Shares you wish to tender into your own name.**

**By applying to participate in either Tender Offer, you confirm that you are applying the proceeds of the sale of your Ordinary Shares so tendered in subscribing for Ordinary Shares in the relevant Company under the Offers. This Circular does not constitute the Prospectus containing details of the Offers. Please make sure that you read the full terms of the Prospectus which is a separate document**

If you hold Ordinary Shares in both Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2 you should complete a separate Tender Form for each Company.

If you wish to apply for Hargreave Hale AIM VCT 1 Ordinary Shares and/or Hargreave Hale AIM VCT 2 Ordinary Shares under the Ordinary Share Offers either as an alternative to, or in addition to, participating in a Tender Offer (or both of them), please complete the application form at the end of the Prospectus and return it, with the relevant payment, either through your authorised financial adviser or directly to Hargreave Hale Limited, 9-11 Neptune Court, Hallam Way, Blackpool, FY4 5LZ.

### **The General Meeting of Hargreave Hale AIM VCT 1**

The General Meeting for Hargreave Hale AIM VCT 1 will consider the following Resolutions.

Resolution 1 will, if passed, give the Board authority, pursuant to the Companies Act 2006, to allot Ordinary Shares and C Shares under the Share Offers during the period commencing on the passing of the relevant resolution and expiring on the fifth anniversary of the relevant resolution.

Resolution 2 seeks the approval of Shareholders as required by the Listing Rules for the proposed amendments to the investment policy of the Company as described on page 12 of this document.

Resolution 3 will, if passed, authorise the Company, under the Companies Act 2006 and its Articles of Association, to create the C Shares.

Resolution 4 will, if passed, approve the payment to Hargreave Hale Limited of 5% of the gross proceeds of the Offers under the terms of the Offer Agreement as a “related party arrangement” as required under the Listing Rules.

Resolution 5 will, if passed, authorise the Company, under the Companies Act 2006, to make market purchases of Ordinary Shares pursuant to the Tender Offer.

Resolution 6 will, if passed, authorise the Company, under the Companies Act 2006, to make market purchases of up to 14.9% of the C Shares and 14.9% of the Ordinary Shares in issue after the close of the Share Offers. Any Shares bought back under this authority may be cancelled or held in treasury as may be determined by the Board. The authority conferred by this resolution will expire on 25 March 2013, unless renewed prior to such time.

Resolution 7 will, if passed, give the Board authority under the Companies Act 2006 to allot the Shares referred to in Resolution 1, other than pro rata to existing Shareholders (representing 35% of the Company's Ordinary Shares currently in issue). This authority will expire on the fifth anniversary of the date of this Resolution.

Resolution 8 will, if passed, authorise the Company, under the Companies Act 2006, to cancel the existing share premium account of the Company that arises from the Ordinary Share Offers at the date of the order made confirming such cancellation by the court, in order to establish a new reserve which may be treated as distributable, which can be used, inter alia, to fund the Company's buy back of Ordinary Shares and the payment of future

dividends on those shares.

Resolution 9 will, if passed, authorise the Company, under the Companies Act 2006, to cancel of share premium account arising from the C Share Offer at the date of the order made confirming such cancellation by the court, in order to establish a new reserve which may be treated as distributable, which can be used, inter alia, to fund the Company's buy back of C Shares and the payment of future dividends on those shares.

Resolution 10 will, if passed, under the Companies Act 2006, adopt the articles of association of the Company for the reasons set out under the heading "Duration of Company and Amendments to the Articles" on page 8.

### **The General Meeting of Hargreave Hale AIM VCT 2**

The General Meeting for Hargreave Hale AIM VCT 2 will consider the following Resolutions.

Resolution 1 will, if passed, give the Board authority, pursuant to the Companies Act 2006, to allot Ordinary Shares under the Offers during the period commencing on the passing of the relevant resolution and expiring on the fifth anniversary of the relevant resolution.

Resolution 2 seeks the approval of Shareholders as required by the Listing Rules for the proposed amendments to the investment policy of the Company as described on page 16 of this document.

Resolution 3 will, if passed, approve the payment to Hargreave Hale Limited of 5% of the gross proceeds of the Offers under the terms of the Offer Agreement as a "related party arrangement" as required under the Listing Rules.

Resolution 4 will, if passed, approve a deed of variation which will vary the investment management fee payable to Hargreave Hale Limited and increase the investment management fee payable to Hargreave Hale Limited to 1.5% of net asset value, as a "related party arrangement" as required by the Listing Rules.

Resolution 5 will, if passed, authorise the Company, under the Companies Act 2006, to make market purchases of Ordinary Shares pursuant to the Tender Offer.

Resolution 6 will, if passed, authorise the Company, under the Companies Act 2006, to make market purchases of up to 14.9% of the Ordinary Shares in issue after the close of the Share Offers. Any Shares bought back under this authority may be cancelled or held in treasury as may be determined by the Board. The authority conferred by this resolution will expire on 25 March 2013, unless renewed prior to such time.

Resolution 7 will, if passed, give the Board authority under the Companies Act 2006 to allot the Shares referred to in Resolution 1, other than pro rata to existing Shareholders (representing 49% of each Company's Shares currently in issue). This authority will expire on the fifth anniversary of the date of this Resolution.

Resolution 8 will, if passed, authorise the Company, under the Companies Act 2006, to cancel of the existing share premium account of the Company and that arising from the Ordinary Share Offers at the date of the order made confirming such cancellation by the court, in order to establish a new reserve which may be treated as distributable, which can be used, inter alia, to fund the Company's buy back of Ordinary Shares and the payment of

future dividends on those shares.

Resolution 9 will, if passed, under the Companies Act 2006, adopt the articles of association of the Company for the reasons set out under the heading "Duration of Company and Amendments to the Articles" on page 8.

### **Action to be taken in respect of the General Meetings**

Shareholders will find forms of proxy attached at the end of this document for the General Meetings. Whether or not you propose to attend the General Meetings, you are requested to complete and return the enclosed form of proxy to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, so as to be received not less than 48 hours before the time appointed for holding the relevant General Meeting. Completion and return of the form of proxy will not prevent a Shareholder from attending and voting in person at the relevant General Meeting should a Shareholder wish to do so.

### **Recommendations and Intentions**

The Boards of each Company consider that the Proposals are in the best interests of the Shareholders of the relevant Company as a whole and unanimously recommend that Shareholders of their respective Company vote in favour of the Resolutions for that Company. Giles Hargreave, a director of both Companies, and who is a director of and a shareholder in the Manager, which is a related party of the Companies under the Listing Rules, has not taken part in the Board's consideration of the new Offer Agreement and the proposed increase in the investment management fee payable to the Manager in respect of Hargreave Hale AIM VCT 2 (as described on page 19).

The Boards believe that the new Offer Agreement is fair and reasonable so far as the Shareholders of both Companies are concerned, and have been so advised by Howard Kennedy Corporate Services LLP. In providing its advice, Howard Kennedy Corporate Services LLP have taken into account the Boards' commercial assessment of this agreement.

The Board of Hargreave Hale AIM VCT 2 believes that the proposed increase in the investment management fee payable to the Manager is fair and reasonable so far as the Shareholders of the Company are concerned, and have been so advised by Howard Kennedy Corporate Services LLP. In providing its advice, Howard Kennedy Corporate Services LLP have taken into account the Board's commercial assessment of this proposed increase.

The Directors of each Company intend voting in favour of the Resolutions in respect of their own beneficial shareholdings which are set out in paragraph 3.1 of the Additional Information section on page 29 of this Circular, and will also, collectively, participate in the Tender Offer, in the case of Hargreave Hale AIM VCT 1, in respect of 114,163 Ordinary Shares, and David Brock, a director of Hargreave Hale AIM VCT 1 plc will also be subscribing for £10,000 of C Shares under the C Share Offer. In the case of Hargreave Hale AIM VCT 2 David Hurst-Brown, a director, will be subscribing for £20,000 of Ordinary Shares under the Ordinary Share Offer and Philip Cammerman, who is also a director of Hargreave Hale AIM VCT 2, will be subscribing for £3,000 of Ordinary Shares under the Ordinary Share Offer..

The Manager is a related party of both Companies under the Listing Rules and is interested in the new Offer Agreement and the proposed increase in the investment management fee in

respect of Hargreave Hale AIM VCT 2. The Manager does not hold any Shares in either Company and will not, therefore, be voting at the General Meetings. The Manager has undertaken to take all reasonable steps to ensure that its associates will not vote on Resolution 4 in the case of Hargreave Hale AIM VCT 1 and resolutions 3 and 4 in the case of Hargreave Hale AIM VCT 2, to be proposed at the General Meetings.

Yours sincerely

**Sir Aubrey Brocklebank Bt**  
Chairman  
Hargreave Hale AIM VCT 1 plc

**David Hurst-Brown**  
Chairman  
Hargreave Hale AIM VCT 2 plc

## **TERMS OF THE TENDER OFFERS**

Ordinary Shareholders on the register of members of either Company (or both of them) on the Record Date are hereby invited to participate in the Tender Offer(s) on the terms and subject to the conditions set out in this Circular. Hargreave Hale AIM VCT 1 will purchase up to 9,000,000 Ordinary Shares representing approximately 35 per cent of its issued Ordinary Shares as at close of business on 24 February 2012 (being the latest practicable date before publication of this Circular) at the latest published Net Asset Value per Ordinary Share immediately prior to allotment calculated, in pence, to two decimal places. Hargreave Hale AIM VCT 2 will purchase up to 3,500,000 Ordinary Shares representing approximately 52 per cent of its issued Ordinary Shares as at close of business on 24 February 2012 (being the latest practicable date before publication of this Circular) at the latest published Net Asset Value per Ordinary Share immediately prior to allotment, calculated, in pence, to two decimal places. The Ordinary Shares purchased by the Companies pursuant to the Tender Offers will be cancelled and not re-issued. Ordinary Shares acquired by the Companies under the Tender Offer will be on-market purchases in accordance with the rules of London Stock Exchange and the UK Listing Authority.

The following conditions and further terms apply, unless the context otherwise requires, to the Tender Offers.

### **1. Conditions of the Tender Offers**

Each Company's Tender Offer and the purchase by the relevant Company of Ordinary Shares offered for sale is conditional upon (i) the Ordinary Share Offer for the Company being launched, (ii) all of the Resolutions being passed at that Company's General Meeting (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), (iii) the Company having sufficient distributable reserves available to buy back the Ordinary Shares being bought back; (iv) the Participating Ordinary Shareholder agreeing that the proceeds of the Tender Offer can be invested under the relevant Ordinary Share Offer, (v) the Ordinary Shares being tendered being held in the participating Ordinary Shareholder's own name if certificated and (vi) the Ordinary Shares continuing to be held by the Participating Ordinary Shareholder until the completion of the Tender Offer. If the Tender Offer and the purchase by the relevant Company of Ordinary Shares offered for sale pursuant to it does not become unconditional and lapses, certificates and other documents of title will be returned by post not later than 14 business days after the date of such lapse.

### **2. Ordinary Shares Tendered**

Each Participating Ordinary Shareholder by whom, or on whose behalf, a Tender Form is executed irrevocably undertakes, represents, warrants and agrees to and with the relevant Company (so as to bind him, his personal representatives, heirs, successors and assigns) that:

- (a) the execution of the Tender Form shall constitute an offer to sell to the Company those Ordinary Shares tendered therein, on and subject to the terms and conditions set out or referred to in this Circular and the Tender Form and, once lodged, shall be irrevocable;
- (b) the Ordinary Shares to be offered for sale pursuant to the Tender Offer will, if such offers are accepted by the Company, be sold free from all liens, equities, charges and encumbrances and, save as otherwise provided by the terms of the Tender Offer, together with all rights attaching thereto;

- (c) he or she shall do all such acts and things as shall be necessary or expedient and execute any other additional documents deemed by the Company to be desirable, in each case to complete the purchase of the Ordinary Shares and/or to perfect any of the authorities expressed to be given hereunder for the purpose of, or in connection with, the Tender Offer and to vest such Ordinary Shares in the Company;
- (d) the proceeds of the Tender Offer will be invested under the Ordinary Share Offer;
- (e) the provisions of the Tender Form shall be deemed to be incorporated into the terms and conditions of the Tender Offer;
- (f) he or she is the registered holder of the Ordinary Shares offered for sale pursuant to the Tender Offer on both the Record Date and on the latest date for the receipt of Tender Forms and
- (g) the execution of the Tender Form will, subject to the Tender Offer becoming unconditional, in respect of the Ordinary Shares held in certificated form, constitute the irrevocable appointment of any director or officer of the relevant Company as such Participating Ordinary Shareholder's attorney and/or agent (the "attorney"), and an irrevocable instruction and authority to the attorney to complete and execute all or any instruments of transfer and/or other documents at the attorney's discretion in relation to the Ordinary Shares so tendered in favour of the relevant Company or such other person or persons as the relevant Company may direct and to deliver such instrument(s) of transfer and/or other documents at the discretion of the attorney, together with the share certificate(s) and/or other document(s) relating to such Ordinary Shares, for registration within six months of the Tender Offer becoming unconditional and to do all such other acts and things as may in the opinion of such attorney be necessary or expedient for the purpose of, or in connection with, the Tender Offer and to vest in the relevant Company or its nominee(s) or such other person(s) as the relevant Company may direct such Ordinary Shares.

Any existing rights of Shareholders will be unaffected. The Ordinary Shares purchased by the Companies pursuant to a Tender Offer will be cancelled and not re-issued. All the Ordinary Shares so purchased will not rank for any dividends for which the record date is on or after completion of the Tender Offer.

### **3. Scaling Back**

If applications under the Hargreave Hale AIM VCT 1 Tender Offer exceed 9,000,000 Ordinary Shares or if applications under the Hargreave Hale AIM VCT 2 Tender Offer exceed 3,500,000 Ordinary Shares (or such lower numbers as the Directors of each Company may, in their discretion, determine), Participating Ordinary Shareholders will be scaled back on a pro-rata basis. If part only of a holding of Ordinary Shares is successfully tendered pursuant to the Tender Offers, the relevant Participating Ordinary Shareholder will be entitled to receive a balance certificate in respect of the unsold Ordinary Shares.

#### **4. Acceptance Period**

The Tender Offers will close at 11.00 a.m on 30 March 2012, and Tender Forms will not be capable of acceptance after that time and date. Participating Ordinary Shareholders who hold their Ordinary Shares in certificated form should complete the Tender Form in accordance with the instructions thereon and return the completed document together with their share certificate(s) in respect of the Ordinary Shares which the Shareholders are tendering.

All questions as to the number of Ordinary Shares, and the validity, form, eligibility (including the time of receipt) and acceptance for payment of any tender of Ordinary Shares will be determined by the relevant Company, in its sole discretion, which determination shall be final and binding on all of the parties (except as otherwise required under any applicable law or regulation). Each Company reserves the absolute right to reject any or all tenders it determines not to be in proper form or any payment (or the acceptance of any payment) which may, in the opinion of the relevant Company, be unlawful. Each Company also reserves the absolute right to waive any of the terms or conditions of its Tender Offer and any defect or irregularity in the application in relation to any particular Ordinary Shares or any particular holder thereof. Otherwise, no tender for the sale of Ordinary Shares will be deemed to be validly made until any defects or irregularities have been cured or waived. In the event of a waiver, the consideration under the Tender Offer will not be credited to the Participating Ordinary Shareholder until after the Tender Form is complete in all respects and the share certificates have been received. Neither of the Companies, the Registrar, the Receiving Agent, the Escrow Agent or any other person is or will be obliged to give notice of any defects or irregularities in tenders, and none of them will incur any liability for failure to give any such notice.

Each Company reserves the right not to proceed with its Tender Offer if the Directors of that Company have concluded that implementation of the Tender Offer is no longer in the best interests of that Company and/or the Shareholders as a whole. This right may only be exercised prior to the passing of the relevant Company's Resolutions.

#### **5. Settlement**

Subject to a Tender Offer becoming unconditional in all respects, the sale of the Ordinary Shares under a Tender Offer will take place and the proceeds arising on the sale will be applied in subscribing for new Ordinary Shares under the Ordinary Share Offer, as described in the Prospectus.

Ordinary Shares will be purchased under the Tender Offers free of commissions and dealing charges.

## ADDITIONAL INFORMATION

### 1. Responsibility and Registered Office

The Companies and the Directors, whose names appear below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Companies and the Directors (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 does not omit anything likely to affect the import of such information.

**Directors of Hargreave Hale AIM VCT 1:**  
Sir Aubrey Thomas Brocklebank Bt (Chairman)  
David Michael Brock  
Giles St George Hargreave

**Directors of Hargreave Hale AIM VCT 2:**  
David Alan Hurst-Brown (Chairman)  
Philip Simon Cammerman  
Giles St George Hargreave

The registered office of both Companies is 19 Cavendish Square, London, W1A 2AW.

### 2. Issued Share Capital

The number of issued Ordinary Shares at 24 February 2012 (being the latest practicable date before publication of this Circular) were:

	Hargreave Hale AIM VCT 1	Hargreave Hale AIM VCT 2
Ordinary Shares	25,896,179	6,708,062

Hargreave Hale AIM VCT 1 holds 2,711,134 Ordinary Shares in treasury  
Hargreave Hale AIM VCT 2 do not hold any shares in treasury.

### 3. Directors' and Other Interests

3.1 The interests of the Directors, or persons connected with such Directors, (all of which are beneficial unless otherwise stated) in the issued share capital of the Companies as at 24 February 2012 (being the latest practicable date before publication of this Circular) were:

	Hargreave Hale AIM VCT 1	Hargreave Hale AIM VCT 2
<b>Hargreave Hale AIM VCT 1</b>		
Sir Aubrey Brocklebank Bt	5,000	-
David Brock	-	-
Giles Hargreave	109,163	143085
<b>Hargreave Hale AIM VCT 2</b>		
David Hurst-Brown	25,750	26,250*
Philip Cammerman	-	-
Giles Hargreave	109,163	143085

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

3.2 Save as disclosed above, no Director nor any person connected with a Director has any interest in the share capital of either Company.

#### **4. Significant Shareholdings**

As at 24 February 2012 (being the latest practicable date prior to the publication of this Circular) the Directors of Hargreave Hale AIM VCT 1 were aware that Hargreave Hale Nominees Limited held 1,268,574 Ordinary Shares representing **4.39% of the issued share capital** and voting rights of the Hargreave Hale AIM VCT 1 Ordinary Shares and that Hargreave Hale AIM VCT 1 held (in treasury) 2,711,134 Ordinary Shares representing **9.39% of the issued share capital** and 0% of the voting rights of the Hargreave Hale AIM VCT 1 Ordinary Shares. The Directors of Hargreave Hale AIM VCT 1 were not aware of any other persons who were or will be immediately following the Tender Offers (assuming the maximum number of Hargreave Hale AIM VCT 1 Ordinary Shares are acquired pursuant to the Tender Offers), directly or indirectly, interested in 3% or more of the issued Hargreave Hale AIM VCT 1 Ordinary Shares.

As at 24 February 2012 (being the latest practicable date prior to the publication of this Circular) the Directors of Hargreave Hale AIM VCT 2 were aware that Mrs Patricia Davenport held 203,000 Ordinary Shares representing 3.02% of the issued share capital and voting rights of the Hargreave Hale AIM VCT 2 Ordinary Shares, Dr Alasdair Gordon Nairn held 239,181 Ordinary Shares representing 3.56% of the issued share capital and voting rights of the Hargreave Hale AIM VCT 2 Ordinary Shares, Frank Nominees Limited held 263,900 Ordinary Shares representing 3.93% of the issued share capital and voting rights of the Hargreave Hale AIM VCT 2 Ordinary Shares and Hargreave Hale Nominees Limited held 808,503 Ordinary Shares representing 12.04% of the issued share capital and voting rights of the Hargreave Hale AIM VCT 2 Ordinary Shares. The Directors of Hargreave Hale AIM VCT 2 were not aware of any other persons who were or will be immediately following the Tender Offers (assuming the maximum number of Hargreave Hale AIM VCT 2 Ordinary Shares are acquired pursuant to the Tender Offers), directly or indirectly, interested in 3% or more of the issued Hargreave Hale AIM VCT 2 Ordinary Shares.

#### **5. 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**

- 5.1 The Offer Agreement, details of which are set out on page 20 above.
- 5.2 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.

5.3 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.

5.4 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.

5.5 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 5.12 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).

5.6 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 5.3 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.

5.7 Under an agreement between Hargreave Hale AIM VCT 1 (1), and the Investment Manager (2), dated 24 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**

5.8 The Offer Agreement, details of which are set out on page 20 above.

5.9 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.

- 5.10 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.
- 5.11 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.
- 5.12 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.

- 5.13 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 5.9 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.
- 5.6 Save as otherwise disclosed in this paragraph 5, 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.
- 5.7 Under an agreement between Hargreave Hale AIM VCT 2 (1), and the Investment Manager (2), dated 24 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 5.11 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.

## **6. Directors' Service Contracts and Remuneration**

None of the Directors has a service contract with either Company and no such contract is proposed. The services of the Directors are provided to each Company pursuant to letters of appointment each of which is terminable upon 3 months' notice given by either party at any time.

The Directors of Hargreave Hale AIM VCT 1 each receive annual fees as follows:

	£
Sir Aubrey Brocklebank Bt	18,000
David Brock	15,000
Giles Hargreave	<u>15,000</u>
	<u>48,000</u>

The Directors of Hargreave Hale AIM VCT 2 each receive annual fees as follows:

	£
David Hurst-Brown	18,000
Philip Cammerman	15,000
Giles Hargreave	<u>15,000</u>
	<u>48,000</u>

## **7. Unusual/Significant Transactions**

No Director has any interest in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Companies and which was effected by either Company during the current financial period or during an earlier financial year and remains in any respect outstanding or unperformed.

## **8. Significant Changes**

- 8.1 In relation to Hargreave Hale AIM VCT 1, since 30 September 2011, being the end of the last financial period of that company for which audited financial information has been published, there has been no significant change in the trading or financial position of that company.
- 8.2 In relation to Hargreave Hale AIM VCT 2, since 31 August 2011, being the end of the last financial period of that company for which unaudited interim financial information has been published, there has been no significant change in the trading or financial position of that company.

## **9. Litigation**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are or were pending or threatened of which the Companies are aware) during the 12 months immediately preceding the date of this document, in each case which may have, or have had in the recent past, a significant effect on the financial position or profitability of either Company.

## **10. Related Party Transactions**

- 10.1 The Investment Manager is a related party, as it is the investment manager to each of the Companies.
- 10.2 In relation to Hargreave Hale AIM VCT 1, for each of the financial periods ended 30 September 2009, 30 September 2010 and 30 September 2011 and for the current financial year to date, apart from the agreements which are summarised in paragraph 5 above, that Company has not been a party to any related party transactions for the purposes of Regulation (EC) No. 1606 / 2002 since 1 March 2008
- 10.3 In relation to Hargreave Hale AIM VCT 2, for each of the financial periods ended 28 February 2009, 28 February 2010 and 28 February 2011 and for the current financial year to date, apart from the agreements which are summarised in paragraph 5 above, that Company has not been a party to any related party transactions for the purposes of Regulation (EC) No. 1606 / 2002 since 1 March 2008.

## **11. General**

- 11.1 The instructions, authorities and provisions contained or deemed to be incorporated in the Tender Forms constitute part of the terms of the Tender Offers.
- 11.2 The Tender Offers and the Tender Forms shall be governed by and construed in accordance with English law and shall be subject to the non-exclusive jurisdiction of the English courts.

- 11.3 The failure of any Shareholder to receive a copy of this Circular will not invalidate any aspect of the Tender Offers.
- 11.4 All documents and remittances sent by or to Shareholders will be sent at their risk.
- 11.5 An offer to tender pursuant to a Tender Offer by certain persons not resident in the UK may be affected by the laws of the relevant jurisdictions. Participating Ordinary Shareholders not resident in the UK should inform themselves about and observe any applicable legal requirements. It is the responsibility of any person outside the UK wishing to offer for sale Ordinary Shares pursuant to the Tender Offer to satisfy himself or herself as to the full observance of the laws of the relevant territory in connection therewith, including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities.
- 11.6 The Tender Offers are not being made, directly or indirectly, in or into, of, or by use of the mail or by any means of instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or by any facilities of a national state or other securities exchange of, the United States, Canada, Australia or Japan or other jurisdiction if to do so would constitute a violation of the relevant laws of such jurisdiction and the Tender Offers cannot be accepted by any such use, means or instrumentality or otherwise from or within the United States, Canada, Australia or Japan or other such jurisdiction. Accordingly, this document and the Tender Forms or any accompanying document are not being, and must not be, mailed or otherwise distributed or sent in or into or from the United States, Canada, Australia or Japan or other jurisdiction.
- 11.7 As at 24 February 2012 (being the latest practicable date before publication of this Circular), no share or loan capital of the Companies is under option or warrant or agreed, conditionally or unconditionally, to be put under option or warrant.
- 11.8 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 such name in the form and context in which they appear.

## **12. Documents Available for Inspection**

Copies of the following documents will be available for inspection from the date of this Circular until the conclusion of the General Meetings during normal business hours and on any weekday (Saturdays and public holidays excepted) at the registered offices of the Companies (being the offices of Howard Kennedy LLP, 19 Cavendish Square, London, W1A 2AW):

- 12.1 the proposed articles of association to be adopted by each of the Companies'
- 12.2 the Offer Agreement; and
- 12.3 the Circular.

Dated 29 February 2012

## **DEFINITIONS**

"2010 Offer"	the joint offer for subscription by the Companies of Ordinary Shares to raise up to, in aggregate, £10,000,000, pursuant to a prospectus dated 19 March 2010
"Board" or "Directors"	(i) with respect to Hargreave Hale AIM VCT 1: Sir Aubrey Brocklebank Bt, David Brock, and Giles Hargreave and (ii) with respect to Hargreave Hale AIM VCT 2: David Hurst-Brown, Philip Cammerman and Giles Hargreave
"C Share Offer"	the offer for subscription for C Shares in Hargreave Hale AIM VCT 1 as set out in the Prospectus
"C Shares"	'C' ordinary shares of 1p 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
"Circular"	this document
"Companies"	Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2, and "Company" means either one of them as the context requires
"CREST"	the relevant system (as defined in the Regulations) in respect of which Euroclear is the Operator (as defined in the Regulations)
"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
"Euroclear"	Euroclear UK and Ireland Limited
"General Meetings"	the general meetings of the Companies to be held on 26 March 2012 (or any adjournment thereof), and a "General Meeting" means either of the general meetings as the context requires
"Hargreave Hale" or "the Manager" or "Investment Manager"	Hargreave Hale Limited, which is authorised and regulated by the FSA
"Hargreave Hale AIM VCT 1"	Hargreave Hale AIM VCT 1 plc
"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 participating Ordinary

	Shareholders at the Net Asset Value per Ordinary Share most recently announced to the London Stock Exchange
“Hargreave Hale AIM VCT 2”	Hargreave Hale AIM VCT 2 plc
“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 participating Ordinary Shareholders at the Net Asset Value per Ordinary Share most recently announced to the London Stock Exchange
“Listing Rules”	the listing rules of the UK Listing Authority made under section 73A of the Financial Services and Markets Act 2000
“Net Asset Value” or “NAV”	the value of each Company’s assets, less its liabilities (divided by the appropriate number of shares in issue when referred to on a per-share basis)
“Notice of General Meetings”	the notice of the General Meetings set out on pages 43 and 48 of this document
“Offer Price”	in the case of each Company, the Net Asset Value per Ordinary Share most recently announced to the London Stock Exchange, divided by 0.95
“Ordinary Share Fund”	the assets of Hargreave Hale AIM VCT 1 attributable to the Ordinary Shares
“Ordinary Shares”	ordinary shares of 1p each in the capital of the relevant Company
“Ordinary Shareholder”	a holder of Ordinary Shares in the relevant Company
“Ordinary Share Offers”	the offers for subscription for Ordinary Shares in the Companies as set out in the Prospectus, and an “Ordinary Share Offer” means either the offer for subscription by Hargreave Hale AIM VCT 1 or the offer for subscription by Hargreave Hale AIM VCT 2, as the context requires
“Proposals”	the recommended proposals relating to: <ul style="list-style-type: none"> <li>(i) tender offers for Hargreave Hale AIM VCT 1 to purchase up to 9,000,000 Ordinary Shares and for Hargreave Hale AIM VCT 2 to purchase up to 3,500,000 Ordinary Shares</li> <li>(ii) offers for the issue of up to £5,000,000 of Ordinary Shares of 1p</li> </ul>

	each and of up to £10,000,000 of 'C' Shares of 1p each in Hargreave Hale AIM VCT 1 and of up to £10,000,000 of Ordinary Shares of 1p each of Hargreave Hale AIM VCT 2
(iii)	the extension of the life of the Companies to 2018
(iv)	adoption of new Articles of Association of Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2
(v)	change of investment policy of Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2
(vi)	approval of the payment of promoter's fees to Hargreave Hale Limited
(vii)	approval of variation to investment management fee in respect of Hargreave Hale AIM VCT 2
"Prospectus"	the prospectus dated the date of this document relating to the Ordinary Share Offers and the C Share Offer
"Receiving Agent"	Hargreave Hale
"Record Date"	the Record Date for the Tender Offers being 6 p.m. on 30 March 2012
"Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
"Resolutions"	the resolutions set out in the Notice of General Meetings for each of the Companies
"Participating Ordinary Shareholder(s)"	those Ordinary Shareholders who are selling Ordinary Shares pursuant to the Tender Offer
"Share Offers"	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
"Shares"	shares in the capital of the Companies
"Shareholders"	holders of Ordinary Shares in the capital of the Companies
"Tender Offers"	the Hargreave Hale AIM VCT 1 Tender Offer and the Hargreave Hale AIM VCT 2 Ordinary Shares Tender Offer as set out in this Circular, and "Tender Offer" means either one of them as the context requires

“Tender Form”	the tender form for use in respect of an acceptance of a Tender Offer by Shareholders holding Ordinary Shares as set out at the end of this Circular
“uncertificated”	for the time being recorded on the register of members of the Companies as being held in uncertificated form in CREST and title to which, by virtue of the Regulations, may be transferred by means of CREST
“VCT”	a venture capital trust as defined in section 259 of the Income Tax Act 2007

## **APPENDIX 1**

### **Proposed Rights of C Shares in Hargreave Hale AIM VCT 1**

#### **1. Voting Rights**

The C Shareholders are entitled to receive notice of, to attend, speak and vote at any General Meeting, pari passu, in such respect to the holders of Ordinary Shares.

#### **2. Rights to be paid dividends**

The holders of the Ordinary Shares and the C Shares shall have the following rights to be paid dividends:-

- (a) The holders of the Ordinary Shares shall be entitled to receive in that capacity such dividends as the directors may resolve to pay out of the net assets attributable to the Ordinary Shares and from income received and accrued which is attributable to the Ordinary Shares.
- (b) The holders of C Shares shall be entitled to receive in that capacity such dividends as the directors may resolve to pay out of the net assets attributable to the C Shares and from income received and accrued which is attributable to the C Shares.

#### **3. Distribution of Assets on a Winding Up and Return of Capital**

The capital and assets of the Company shall on a winding up or on a return of capital be distributed between the Ordinary Shares and C Shares on the same basis as set out in 2 above.

#### **4. Conversion**

- 4.1 In the event that the "C" Share Offer does not receive valid subscriptions in respect of an amount of at least £2 million before 5 April 2012, then the "C" Shares will be converted into Ordinary Shares shortly thereafter by reference to the relative net asset value per "C" Share and per Ordinary Share as at 30 September 2012.
- 4.2 If the "C" Share Offer raises an amount in excess of £2 million by 5 April 2012, then the "C" Shares will convert into Ordinary Shares shortly after 30 September 2017 by reference to the relative net assets of the C and Ordinary Shares as at that date.

#### **5. Miscellaneous**

In all other respects, the Ordinary Shares and C Shares shall have the same rights and liabilities as the Ordinary Shares.

## Hargreave Hale AIM VCT 1 plc

### Notice of the General Meeting

**NOTICE IS HEREBY GIVEN** that a General Meeting of Hargreave Hale AIM VCT 1 plc (the "Company") will be held at the offices of Howard Kennedy LLP, 19 Cavendish Square, London W1A 2AW, at 11.00 am on 26 March 2012 to consider and, if thought fit, pass the following resolutions which will be proposed as ordinary resolutions as to resolutions (1) to (4) and as special resolutions as to resolutions (5) to (10):

#### *Ordinary Resolutions*

(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 5 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 per cent 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 per cent 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.

(2) THAT, the proposed amendments to the investment policy of the Company as set out on pages 12 to 25 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) 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 Resolution 10.
- (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.

*Special Resolutions*

- (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 per cent 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.
- (6) THAT, without prejudice to the authority set out in Resolution 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 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;
  - (b) the maximum number of Ordinary Shares hereby authorised to be purchased shall not exceed 3,884,420 Ordinary Shares 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.
- (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.

- (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.
- (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.
- (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.

By order of the Board

Stuart Brookes

Secretary

Registered Office:

19 Cavendish Square

London

W1A 2AW

Information regarding the General Meeting, including the information required by section 311A of the Act, is available from <http://www.hargreave-hale.co.uk/fund-management/venture-capital-trusts>

29 February 2012

#### **Notes**

1. To be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the votes they may cast), members must be registered in the register of members of the Company at 6:00pm on 23 March 2012 (or, in the event of any adjournment, 6:00pm on the date which is two days before the date of the adjourned meeting). Changes to the register of members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member but must attend the meeting to represent the member. Details of how to appoint the chairman of the meeting or another person as a proxy using the form of proxy are set out in the notes on the form of proxy. If a member wishes a proxy to speak on the member's behalf at the meeting the member will need to appoint his or her own choice of proxy (not the chairman) and give his or her instructions directly to them. Under section 319A of the CA 2006, the Company must answer any question a member asks relating to the business being dealt with at the General Meeting unless:
  - answering the question would interfere unduly with the preparation for the General Meeting or involve the disclosure of confidential information;
  - the answer has already been given on a website in the form of an answer to a question; or
  - it is undesirable in the interests of the Company or the good order of the General Meeting that the question be answered.

3. A form of proxy is attached to this document. To be valid, a form of proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Equiniti at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA not less than 48 hours before the time appointed for holding the General Meeting or adjourned meeting at which the person named in the form of proxy proposes to vote. In the case of a poll taken more than 48 hours after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours before the time appointed for taking the poll, or where the poll is taken not more than 48 hours after it was demanded, the document(s) must be delivered at the meeting at which the demand is made. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting to be held on 26 March 2012 and any adjournment(s) thereof by using the procedures described in the CREST Manual on the Euroclear website ([www.euroclear.com/CREST](http://www.euroclear.com/CREST)). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by 11a.m. on 24 March 2012. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
4. As at 24 February 2012 (being the last business day prior to the publication of this notice), the Company's issued voting share capital was 25,896,179 Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 24 February 2012 was 25,896,179.
5. Any person to whom this notice is sent who is a person nominated under section 146 of the CA 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
6. The statement of the rights of members in relation to the appointment of proxies in paragraph 2 above does not apply to Nominated Persons. The rights described in this paragraph can only be exercised by members of the Company.
7. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
8. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should the member subsequently decide to do so. A member can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.
9. Except as provided above, members who have general queries about the General Meeting should call Equiniti Limited on 0871 384 2945 or for overseas callers on +44 121 415 0289 (no other methods of communication will be accepted): Calls to this number are charged at 8p per minute from a BT landline. Other telephony provider costs may vary. Lines open 8.30am to 5.30pm, Monday to Friday.
10. Members may not use any electronic address provided either in this notice of General Meeting, or any related documents (including the Chairman's letter and form of proxy), to communicate with the Company for any purposes other than those expressly stated.

11. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the General Meeting.
12. A copy of this Notice, and other information required by Section 311A of the Companies Act 2006, can be found on the Company's website <http://www.hargreave-hale.co.uk/>

## Hargreave Hale AIM VCT 2 plc

### Notice of the General Meeting

**NOTICE IS HEREBY GIVEN** that a General Meeting of Hargreave Hale AIM VCT 1 plc (the "Company") will be held at the offices of Howard Kennedy LLP, 19 Cavendish Square, London W1A 2AW, at 12.00 pm on 26 March 2012 to consider and, if thought fit, pass the following resolutions which will be proposed as ordinary resolutions as to resolutions (1) to (4) and as special resolutions as to resolutions (5) to (9):

#### *Ordinary Resolutions*

(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.

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

*Special Resolutions*

(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 per cent 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.

(6) THAT, without prejudice to the authority set out in Resolution 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 25 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.

(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.

(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.

(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.

By order of the Board

Stuart Brookes

Secretary

Registered Office:

19 Cavendish Square

London

W1A 2AW

Information regarding the General Meeting, including the information required by section 311A of the Act, is available from <http://www.hargreave-hale.co.uk/fund-management/venture-capital-trusts>

29 February 2012

#### **Notes**

1. To be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the votes they may cast), members must be registered in the register of members of the Company at 6:00pm on 23 March 2012 (or, in the event of any adjournment, 6:00pm on the date which is two days before the date of the adjourned meeting). Changes to the register of members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member but must attend the meeting to represent the member. Details of how to appoint the chairman of the meeting or another person as a proxy using the form of proxy are set out in the notes on the form of proxy. If a member wishes a proxy to speak on the member's behalf at the meeting the member will need to appoint his or her own choice of proxy (not the chairman) and give his or her instructions directly to them. Under section 319A of the CA 2006, the Company must answer any question a member asks relating to the business being dealt with at the General Meeting unless:
  - answering the question would interfere unduly with the preparation for the General Meeting or involve the disclosure of confidential information;
  - the answer has already been given on a website in the form of an answer to a question; or
  - it is undesirable in the interests of the Company or the good order of the General Meeting that the question be answered.
3. A form of proxy is attached to this document. To be valid, a form of proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Equiniti at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA not less than 48 hours before the time appointed for holding the General Meeting or adjourned meeting at which the person named in the form of proxy proposes to vote. In the case of a poll taken more than 48 hours after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours before the time appointed for taking the poll, or where the poll is taken not more than 48 hours after it was demanded, the document(s) must be delivered at the meeting at which the demand is made. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting to be held on 26 March 2012 and any adjournment(s) thereof by using the procedures described in the CREST Manual on the Euroclear website ([www.euroclear.com/CREST](http://www.euroclear.com/CREST)). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by 12pm on 24 March 2012. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that

Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

4. As at 24 February 2012 (being the last business day prior to the publication of this notice), the Company's issued voting share capital was 6,708,062, carrying one vote each. Therefore, the total voting rights in the Company as at 24 February 2012 was 6,708,062
5. Any person to whom this notice is sent who is a person nominated under section 146 of the CA 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
6. The statement of the rights of members in relation to the appointment of proxies in paragraph 2 above does not apply to Nominated Persons. The rights described in this paragraph can only be exercised by members of the Company.
7. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
8. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should the member subsequently decide to do so. A member can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.
9. Except as provided above, members who have general queries about the General Meeting should call Equiniti Limited on 0871 384 2945 or for overseas callers on +44 121 415 0289 (no other methods of communication will be accepted): Calls to this number are charged at 8p per minute from a BT landline. Other telephony provider costs may vary. Lines open 8.30am to 5.30pm, Monday to Friday.
10. Members may not use any electronic address provided either in this notice of General Meeting, or any related documents (including the Chairman's letter and form of proxy), to communicate with the Company for any purposes other than those expressly stated.
11. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the General Meeting.
12. A copy of this Notice, and other information required by Section 311A of the Companies Act 2006, can be found on the Company's website <http://www.hargreave-hale.co.uk/>

**HARGREAVE HALE AIM VCT 1 PLC**

**TENDER FORM**

**Use this form only for the tender of existing Ordinary Shares and subsequent subscription for new Ordinary Shares using the proceeds of the Tender Offer.**

**For subscriptions for Ordinary Shares under the Share Offers other than from the proceeds of the Tender Offers, use the application forms at the end of the Ordinary Share Prospectus.**

Tender Offer for the Company to purchase up to 9,000,000 of its Ordinary Shares on the terms of the circular sent to Shareholders dated 29 February 2012 (the "Circular").

This Tender Form should be read together with the Circular of which it forms part including the notes set out on pages 60 to 61. The definitions used in the Circular apply in this Tender Form.

(a) If you do not wish to participate in the Tender Offer you do not need to take any action.

**HOWEVER, AS STATED IN THE CIRCULAR, THE DIRECTORS OF THE COMPANY RECOMMEND THAT SHAREHOLDERS VOTE IN FAVOUR OF RESOLUTION 3 IN RELATION TO THE TENDER OFFER AT THE GENERAL MEETING.**

(b) If you wish to participate in the Tender Offer and your Ordinary Shares are in certificated form please:

- (i) complete the required information in the Tender Form overleaf;
- (ii) sign and date the Tender Form as a deed (that is, in front of an independent witness who is over 18 years of age and who has no financial interest in the Ordinary Shares or in the issue of new Ordinary Shares under the Ordinary Share Offer resulting from their sale, who will need to sign and complete the necessary details below their signature);
- (iii) enter a daytime telephone number on which you can be contacted in the event of any query arising from completion of this Form; and
- (iv) return the completed Tender Form, along with the relevant share certificates or completed letter of indemnity (see (v) below), to Equiniti, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA as soon as possible, but in any event so as to arrive not later than 11 am on 30 March 2012. A reply paid envelope is enclosed for your use.
- (v) If your share certificate(s) has been lost or destroyed, you should write to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA as soon as possible or call them on 0871 384 2945 from inside the UK and +44 121 415 0289 from outside the UK to obtain, at your cost, a letter of indemnity which you will need to complete and return along with the Tender Form (according to the instructions in (iv) above) so as to arrive not later than 11 am on 30 March 2012. Calls to the helpline on the 0871 384 2945 number are charged at 8p per minute from a BT landline. Calls to the helpline from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purpose.

(c) You should note that you should complete separate Tender Forms for each holding in certificated form. In addition, you should complete separate Tender Forms for Ordinary Shares held in certificated form, but under different designations. Additional Tender Forms are available from Equiniti, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, telephone number 0871 384 2945 from inside the UK and +44 121 415 0289 from outside the UK. Calls to the helpline on 0871 384 2945 charged at 8 pence per minute from a BT landline. Calls to the helpline from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes.

**TENDER FORM (continued)**  
Hargreave Hale AIM VCT 1 PLC

PLEASE READ THESE INSTRUCTIONS AND THE TERMS AND CONDITIONS ON PAGES 26 to 28 CAREFULLY  
BEFORE COMPLETING THIS APPLICATION FORM

PLEASE ENSURE THAT YOUR APPLICATION FORM IS RETURNED TO EQUNITI, CORPORATE ACTIONS,  
ASPECT HOUSE, SPENCER ROAD, LANCING, WEST SUSSEX BN99 6DA BY NO LATER THAN 11 AM ON 30  
MARCH 2012

**1**

If you were the registered holder(s) of Ordinary Shares at the close of business on 29 February 2012  
please complete details of your name(s) and address and the number of Ordinary Shares registered in  
your name(s) at that time in box **1**, as detailed on your share certificate.

**2**

If you wish to participate in the Enhanced Share Buyback in respect of all of your holding of Existing  
Ordinary Shares, tick Box **2A**

If you wish to participate in the Enhanced Share Buyback in respect of a different number of Ordinary  
Shares, insert in Box **2B** the number of Ordinary Shares in respect of which you wish to participate.

**3**

You must sign in box **3** in front of a witness, who should also sign where indicated, and date the  
signatures. In the case of a body corporate, this Application Form may be executed under the common  
seal or under the hand of an officer or attorney duly authorised.

Please also insert a daytime telephone number where you may be contacted in the event of a query  
regarding your Application Form.

By signing and delivering this Application Form, and in consideration of the Company agreeing to  
process this Application Form, you agree that the application(s) made on this Application Form shall be  
irrevocable and you warrant that your application is valid and binding and is/are made in accordance  
with any applicable legal requirements, and you agree as follows:

*Subject to the scaling back provisions outlined on page 27 of the Circular, I understand that the  
proceeds from any shares sold will not be returned to me but will be invested in new Ordinary Shares  
under the offer for new Ordinary Shares set out in a prospectus dated 29 February 2012 issued by  
Hargreave Hale AIM VCT 1 plc and Hargreave Hale AIM VCT 2 plc (the "Prospectus").*

*By applying to participate in either Tender Offer, I confirm that I am applying the proceeds of the sale of  
my Ordinary Shares so tendered in subscribing for Ordinary Shares in Hargreave Hale AIM VCT 2 plc  
under the Offers. I acknowledge that I have read the full terms of the Prospectus which is a separate  
document.*

*The execution of this Tender Form (shall constitute the irrevocable appointment of any Director or  
officer of the Company or member of the Manager as such Participating Ordinary Shareholder's  
attorney and/or agent ("attorney"), and an irrevocable instruction to the attorney to complete and  
execute all or any instrument of transfer, subscription and/or other documents at the attorney's  
discretion in relation to the subscription for Ordinary Shares under the Ordinary Share Offers from the  
proceeds of the Tender Offers.*

Holder URN:

**1**

**TOTAL NUMBER OF SHARES HELD  
AS AT CLOSE OF BUSINESS ON 30  
MARCH 2012**

**2**

IF YOU WISH TO PARTICIPATE IN THE ENHANCED SHARE BUYBACK IN RESPECT OF ALL OF YOUR SHARES  
Tick Box 2A to participate in respect of all of your Existing Ordinary Shares in Hargreave Hale AIM VCT  
the proceeds being invested in New Ordinary Shares on your behalf

**2A**

IF YOU WISH TO PARTICIPATE IN THE ENHANCED SHARE BUYBACK IN RESPECT OF A DIFFERENT NUMBER  
OF  
SHARES

Enter the number of Existing Ordinary Shares you wish to participate in respect of in Box 2B. This  
Number cannot be more than the total number of Existing Ordinary Shares you hold as detailed  
above.

**2B**

SHARE CERTIFICATES

Tick Box 2C to confirm that you have enclosed your share certificate(s) with the completed  
Application Form

**2C**

**3**

Sign and insert the date(s) on the lines provided below

Please give your daytime telephone number where you may be contacted in the event of a query.

PLEASE NOTE that by signing this box 3 you are deemed to declare that, if you are not resident in, or a citizen or  
citizens of, the United Kingdom, your election(s) as set out on this Application Form are not made in violation of any  
applicable law or the requirements of any jurisdiction or government authority including, without limitation, any  
exchange control regulations.

Signed and delivered as a deed by:

.....

Signature

Date: .....

in the presence of:

Signature of Witness: .....

Name of Witness: .....

[full name in block capitals]

Address of Witness: .....

Occupation of Witness: .....

**HARGREAVE HALE AIM VCT 2 PLC**

**TENDER FORM**

**Use this form only for the tender of existing Ordinary Shares and subsequent subscription for new Ordinary Shares using the proceeds of the Tender Offer.**

**For subscriptions for Ordinary Shares under the Share Offers other than from the proceeds of the Tender Offers, use the application forms at the end of the Ordinary Share Prospectus.**

Tender Offer for the Company to purchase up to 3,500,000 of its Ordinary Shares on the terms of the circular sent to Shareholders dated 29 February 2012 (the "Circular").

This Tender Form should be read together with the Circular of which it forms part including the notes set out on pages 60 to 61. The definitions used in the Circular apply in this Tender Form.

(a) If you do not wish to participate in the Tender Offer you do not need to take any action.

**HOWEVER, AS STATED IN THE CIRCULAR, THE DIRECTORS OF THE COMPANY RECOMMEND THAT SHAREHOLDERS VOTE IN FAVOUR OF RESOLUTION 3 IN RELATION TO THE TENDER OFFER AT THE GENERAL MEETING.**

(b) If you wish to participate in the Tender Offer and your Ordinary Shares are in certificated form please:

- (i) complete the required information in the Tender Form overleaf;
- (ii) sign and date the Tender Form as a deed (that is, in front of an independent witness who is over 18 years of age and who has no financial interest in the Ordinary Shares or in the issue of new Ordinary Shares under the Ordinary Share Offer resulting from their sale, who will need to sign and complete the necessary details below their signature);
- (iii) enter a daytime telephone number on which you can be contacted in the event of any query arising from completion of this Form; and
- (iv) return the completed Tender Form, along with the relevant share certificates or completed letter of indemnity (see (v) below), to Equiniti, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA as soon as possible, but in any event so as to arrive not later than 11.00 am on 30 March 2012.
- (v) If your share certificate(s) has been lost or destroyed, you should write to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA as soon as possible or call them on 0871 384 2945 from inside the UK and +44 121 415 0289 from outside the UK to obtain, at your cost, a letter of indemnity which you will need to complete and return along with the Tender Form (according to the instructions in (iv) above) so as to arrive not later than 11.00 am on 30 March 2012. Calls to the helpline on the 0871 384 2945 number are charged at 8p per minute from a BT landline. Calls to the helpline from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purpose.

(c) You should note that you should complete separate Tender Forms for each holding in certificated form, and Tender Forms for each holding in uncertificated form. In addition, you should complete separate Tender Forms for Ordinary Shares held in certificated form, but under different designations. Additional Tender Forms are available from Equiniti, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, telephone number 0871 384 2945 from inside the UK and +44 121 415 0289 from outside the UK. Calls to the 0871 384 2945 are charged at 8 pence per minute from a BT landline. Calls to the helpline from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes.

## TENDER FORM (continued)

Hargreave Hale AIM VCT 2 PLC

PLEASE READ THESE INSTRUCTIONS AND THE TERMS AND CONDITIONS ON PAGES 26 to 28 CAREFULLY  
BEFORE COMPLETING THIS APPLICATION FORM

PLEASE ENSURE THAT YOUR APPLICATION FORM IS RETURNED TO EQUNITI, CORPORATE ACTIONS,  
ASPECT HOUSE, SPENCER ROAD, LANCING, WEST SUSSEX BN99 6DA BY NO LATER THAN 11 AM ON 30  
MARCH 2012

**1**

If you were the registered holder(s) of Ordinary Shares at the close of business on 29 February 2012  
please complete details of your name(s) and address and the number of Ordinary Shares registered in  
your name(s) at that time in box **1**, as detailed on your share certificate.

**2**

If you wish to participate in the Enhanced Share Buyback in respect of all of your holding of Existing  
Ordinary Shares, tick Box **2A**

If you wish to participate in the Enhanced Share Buyback in respect of a different number of Ordinary  
Shares, insert in Box **2B** the number of Ordinary Shares in respect of which you wish to participate.

**3**

You must sign in box **3** in front of a witness, who should also sign where indicated, and date the  
signatures. In the case of a body corporate, this Application Form may be executed under the common  
seal or under the hand of an officer or attorney duly authorised.

Please also insert a daytime telephone number where you may be contacted in the event of a query  
regarding your Application Form.

By signing and delivering this Application Form, and in consideration of the Company agreeing to  
process this Application Form, you agree that the application(s) made on this Application Form shall be  
irrevocable and you warrant that your application is valid and binding and is/are made in accordance  
with any applicable legal requirements, and you agree as follows:

*Subject to the scaling back provisions outlined on page 27 of the Circular, I understand that the  
proceeds from any shares sold will not be returned to me but will be invested in new Ordinary Shares  
under the offer for new Ordinary Shares set out in a prospectus dated 29 February 2012 issued by  
Hargreave Hale AIM VCT 1 plc and Hargreave Hale AIM VCT 2 plc (the "Prospectus").*

*By applying to participate in either Tender Offer, I confirm that I am applying the proceeds of the sale of  
my Ordinary Shares so tendered in subscribing for Ordinary Shares in Hargreave Hale AIM VCT 2 plc  
under the Offers. I acknowledge that I have read the full terms of the Prospectus which is a separate  
document.*

*The execution of this Tender Form (shall constitute the irrevocable appointment of any Director or  
officer of the Company or member of the Manager as such Participating Ordinary Shareholder's  
attorney and/or agent ("attorney"), and an irrevocable instruction to the attorney to complete and  
execute all or any instrument of transfer, subscription and/or other documents at the attorney's  
discretion in relation to the subscription for Ordinary Shares under the Ordinary Share Offers from the  
proceeds of the Tender Offers.*

Holder URN:		
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**1**

**TOTAL NUMBER OF SHARES HELD  
AS AT CLOSE OF BUSINESS ON 30  
MARCH 2012**

--	--	--	--	--	--	--	--

**2**

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IF YOU WISH TO PARTICIPATE IN THE ENHANCED SHARE BUYBACK IN RESPECT OF ALL OF YOUR SHARES  
Tick Box 2A to participate in respect of all of your Existing Ordinary Shares in Hargreave Hale AIM VCT  
the proceeds being invested in New Ordinary Shares on your behalf

**2A**

IF YOU WISH TO PARTICIPATE IN THE ENHANCED SHARE BUYBACK IN RESPECT OF A DIFFERENT NUMBER  
OF  
SHARES

Enter the number of Existing Ordinary Shares you wish to participate in respect of in Box 2B. This  
Number cannot be more than the total number of Existing Ordinary Shares you hold as detailed  
above.

**2B**

**SHARE CERTIFICATES**

Tick Box 2C to confirm that you have enclosed your share certificate(s) with the completed  
Application Form

**2C**

**3**

Sign and insert the date(s) on the lines provided below

Please give your daytime telephone number where you may be contacted in the event of a query.

PLEASE NOTE that by signing this box **3** you are deemed to declare that, if you are not resident in, or a citizen or  
citizens of, the United Kingdom, your election(s) as set out on this Application Form are not made in violation of any  
applicable law or the requirements of any jurisdiction or government authority including, without limitation, any  
exchange control regulations.

Signed and delivered as a deed by:

.....

Signature

Date: .....

in the presence of:

Signature of Witness: .....

Name of Witness: .....

[full name in block capitals]

Address of Witness: .....

Occupation of Witness: .....

**Notes:**

1. Each Ordinary Shareholder by whom, or on whose behalf, a Tender Form is executed irrevocably undertakes, represents, warrants and agrees to and with the Company to the following effect:
  - 1.1 that once Tender Forms have been duly completed and submitted to the Receiving Agent, he will be deemed to have agreed that, in consideration of the Company agreeing to process the Tender Form, he will not revoke his tender or withdraw his Ordinary Shares from the Tender Offer except with the Company's consent, and that once tendered, Ordinary Shares may not be sold, transferred, charged or otherwise disposed of;
  - 1.2 that the Ordinary Shareholder has full power and authority to sell the Ordinary Shares in respect of which the Tender Offer is accepted and that such Ordinary Shares are sold free from all liens, equities, charges and encumbrances and, save as otherwise provided by the terms of the Tender Offer, together with all rights attaching thereto;
  - 1.3 that the execution of a Tender Form constitutes, subject to the Tender Offer becoming unconditional in all respects in accordance with its terms and to a Participating Ordinary Shareholder not having validly withdrawn his acceptance, an irrevocable authority and request to the Company or its agents to invest the proceeds on the Participating Ordinary Shareholder's behalf under the Ordinary Share Offer; and
  - 1.4 that the execution of the Tender Form takes effect as a deed and the Ordinary Shareholder submits, in relation to all matters arising out of the Tender Offer, to English law and the jurisdiction of the courts of England.
2. The execution of the Tender Form shall constitute the irrevocable appointment of any Director or officer of the Company or member of the Manager as such Participating Ordinary Shareholder's attorney and/or agent ("attorney"), and an irrevocable instruction to the attorney to complete and execute all or any instrument of transfer and/or other documents at the attorney's discretion in relation to:
  - 2.1 the Ordinary Shares tendered in the Tender Form in favour of the Company or such other person or persons as the Company may direct and to deliver such instrument of transfer together with any share certificates and/or any other documents relating to such Ordinary Shares for registration and do all other acts and things as may in the opinion of the attorney be necessary or expedient for the purpose of, or in connection with, the Tender Offer and to vest such Ordinary Shares in the Company; and
  - 2.2 the subscription for Ordinary Shares under the Ordinary Share Offers from the proceeds of the Tender Offers.
3. All powers of attorney and authorities on the terms conferred by or referred to in this part or in the Tender Form are given by way of security for the performance of the obligations of Ordinary Shareholders concerned and are irrevocable in accordance with section 4 of the Powers of Attorney Act 1971.
4. An offer to tender Ordinary Shares pursuant to the Tender Offer by certain persons not resident in the UK may be affected by the laws of the relevant jurisdictions. Ordinary Shareholders not resident in the UK should inform themselves about and observe any applicable legal requirements. It is the responsibility of any person outside the UK wishing to sell Ordinary Shares pursuant to the Tender Offer to satisfy himself as to the full observance of the laws of the relevant territory in connection therewith, including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities.
5. The Company reserves the right to treat as valid in whole or in part any offer to sell Ordinary Shares pursuant to the Tender Offer which is not entirely in order or which is not accompanied by the relevant share certificate(s), deed of indemnity or other document(s) of title. However, the consideration under the Tender Offer may only be applied in the manner set out in this Circular when the share certificate(s), deed of indemnity or other document(s) of title satisfactory to the Company have been received by the Company.

6. A verification of the Companies' share registers will be carried out as at the Record Date. Only Tender Forms relating to Ordinary Shares owned at the Record Date will be accepted.
7. All documents and remittances sent by or to Ordinary Shareholders will be sent at their risk.

**Ordinary Shares in uncertificated form (that is, in CREST)**

**If your Ordinary Shares are in uncertificated form, in order to accept a Tender Offer you must arrange to transfer the Ordinary Shares you wish to tender into your own name.**