

# HARGREAVE HALE AIM VCTs

Joint Offer for Subscription of New Ordinary Shares

Hargreave Hale AIM VCT 1 PLC

Hargreave Hale AIM VCT 2 PLC

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HARGREAVE HALE LIMITED IS AUTHORISED AND REGULATED BY THE FINANCIAL SERVICES AUTHORITY.**

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## **Joint Offer for Subscription**

### **Of approximately £2.65 million, in aggregate, in New Ordinary Shares**

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**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)**

**Joint Offer for subscription of New Ordinary Shares of 1p each to raise, in aggregate, approximately £2.65 million.**

The Offer will open from 12 noon on 9 March 2011 until the earlier of 12 noon on 29 July 2011 or the date on which the Maximum Subscription is reached. The Boards of the relevant Companies may, in their absolute discretion, decide to close the Offer at any point if, in their opinion, the information contained within this Offer Document becomes materially inaccurate through changes in the Net Asset Value, to the detriment of potential investors.

The Boards of the relevant Companies may, in their absolute discretion, decide to extend the Offer. The Offer is not being underwritten and is not subject to reaching a minimum subscription level.

The minimum subscription per investor is £3,000. Completed Application Forms in respect of the Offer should be sent by post or delivered by hand to: Hargreave Hale Limited, 9-11 Neptune Court, Hallam Way, Blackpool, Lancashire FY4 5LZ.

The Offer is not being made, directly or indirectly, in or into the United States, Canada, Australia, Japan or the Republic of South Africa or their respective territories or possessions, and this document should not be distributed, forwarded or transmitted in or into such territories. The New Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) and may not be offered, sold or delivered, directly or indirectly, in or into the United States, Canada, Australia, Japan or the Republic of South Africa.

The procedure for applications under this Offer is set out on pages 11 and 12. An Application Form is included at the end of this document, together with the Terms and Conditions of Application set out in Appendix 3 on pages 15 and 16

**IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS DOCUMENT, YOU SHOULD CONSULT A PERSON  
AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000 IMMEDIATELY.**

# Indicative Statistics of the Offer

## Hargreave Hale AIM VCT 1:

Subject to the relevant Maximum Subscription, 2,668,256 New Ordinary Shares are available for subscription with an approximate aggregate subscription value of £1.93 million (based on the unaudited NAV of 68.85p per Ordinary Share as at 4 March 2011).

## Hargreave Hale AIM VCT 2:

Subject to the relevant Maximum Subscription, 629,880 New Ordinary Shares are available for subscription with an approximate aggregate subscription value of £0.72 million (based on the unaudited NAV of 108.24p per Ordinary Share as at 4 March 2011).

## Important Notes

This document, which constitutes a financial promotion for the purposes of Section 21 of the Financial Services and Markets Act 2000, has been approved for the purposes of that section only by Hargreave Hale (which is regulated by the Financial Services Authority in the United Kingdom pursuant to the Financial Services and Markets Act 2000).

In approving this document Hargreave Hale is acting solely for the Companies and acknowledges no other client relationships pursuant to the Rules of the FSA in relation to its approval of this document. Hargreave Hale or its associates may provide financial advice to Investors who are its clients on the merits of investing in the Companies, but does not thereby owe duties under the Rules of the FSA to Shareholders in the Companies by reason of its involvement with the Offer.

No person has been authorised to issue any promotion or give any information or make any representations in connection with the Offer, other than those contained in this document and if issued, given or made such promotions, information or representations must not be relied upon as having been authorised by the Companies or Hargreave Hale. This document does not constitute either a prospectus or listing particulars.

Hargreave Hale has given, and has not withdrawn, its consent to the inclusion of the reference to its name in the form and context in which it is included.

## Expected Timetable

Offer opens	12 noon on 9 March 2011
First allotment	by 22 March 2011
Dealings commence	within 10 business days of each allotment
Share certificates dispatched and CREST accounts credited	within 10 business days of each allotment
Offer closes	12 noon on 29 July 2011
Latest date of receipt for postal Applications	3pm on 25 July 2011

The Offer will close earlier than the date stated above if it is fully subscribed.

The Directors of each Company reserve the right to close the Offer earlier or to extend the Offer and to accept applications and issue New Ordinary Shares at any time prior to or after the Closing Date.

The Offer is not underwritten. There is no minimum subscription level to the Offer.

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## RISK FACTORS

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Although the significant tax benefits available to Investors in Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2 reduce the risk of the investment, prospective investors should consider carefully the following risk factors in addition to the other information presented in this document. If any of the risks described below were to occur, it could have a material effect on each of the Company's business, financial condition or results of operations. The risks and uncertainties described below are not the only ones the Companies, the Boards or Shareholders will face. Additional risks not currently known to the Companies or the Boards, or that the Companies or the Boards currently believe are not material, may also adversely affect each of the Company's business, financial condition or results of operations. The value of the New Ordinary Shares could decline due to any of the risk factors described below and prospective investors could lose part or all of their investment. This document does not constitute financial advice and prospective investors are recommended to consult an independent financial adviser authorised under the FSMA before deciding whether to apply for New Ordinary Shares under the terms of the Offer.

- An investment in Hargreave Hale AIM VCT 1 and/or Hargreave Hale AIM VCT 2 should be for a minimum of five years. If a Shareholder disposes of his New Ordinary Shares within five years of issue he will be subject to claw back by HM Revenue & Customs of some or all of the 30 per cent. income tax relief originally claimed.
- Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2 will invest in small companies with gross assets of not more than £7 million prior to investment (£15 million for funds raised before 6 April 2006). This may limit the number of investment opportunities available to the Companies. Small companies generally have a higher risk profile than larger "blue chip" companies on account of various factors such as greater reliance on fewer larger customers, less financial resilience, weak or negative cash flow from operations, less management resource, controlling shareholders and volatile share prices. They may not produce the anticipated returns.
- Since the value of a VCT depends on the performance of the underlying assets, prospective investors should be aware that the value of New Ordinary Shares, and the income from them, might go down as well as up. An investor may not get back the amount originally invested.
- Past performance is no indication of future performance.
- Investments may be made in companies whose shares are not readily marketable and, therefore, may be difficult to realise. PLUS (formerly OFEX) is not regulated by either the UK Listing Authority or the London Stock Exchange. The fact that a share is traded on PLUS or on AIM does not guarantee its liquidity, and an investment in such shares (particularly those listed on PLUS) may be difficult to realise. There may also be constraints imposed on the realisation of investments to maintain the VCT qualifying status of the Companies.
- The Investment Manager's ability to obtain maximum value from the investments (for example, through sale) may be limited by the requirements imposed in order to maintain the VCT qualifying status of the Companies.
- Whilst it is the intention of the Directors that each of the Companies will be managed so as to continue to qualify as a VCT, there can be no guarantee that the status will be maintained. A failure to maintain the VCT qualifying status could result in the Companies losing the tax reliefs previously obtained, resulting in adverse tax consequences for Investors, including a requirement to repay the 30 per cent. income tax relief for those who have not held their shares for 5 years.

- Changes in legislation concerning VCTs in general, and Qualifying Investments and qualifying trades in particular, may restrict or adversely affect the ability of the Companies to meet their objectives and/or reduce the level of returns that would otherwise have been achievable. The levels and basis of, and relief from, taxation may be subject to change. Such changes could be retrospective. Those shown in this document are based upon current legislation, practice and interpretation. The tax reliefs that may be available, if any, for the 2011/12 tax year are not known at the date of this document. Investors should seek their own tax advice appropriate to their individual circumstances – further detail can be found in the section ‘What is a VCT?’ on page 6.
- It is possible for Investors to lose their tax reliefs by themselves taking or not taking certain steps, and Investors are advised to take their own independent financial advice on the tax aspects of their investment.
- Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2 are required under their Articles of Association to put an ordinary resolution to their Shareholders (at their annual general meetings or general meetings in 2011 and 2013 respectively) for approval to continue as a Venture Capital Trust for a further five-year period. In the unlikely event that such a resolution is not passed, the Directors of the respective company are required to draw up proposals for the reorganisation, reconstruction or voluntary winding up of that company. The reorganisation, reconstruction or voluntary winding up of that company may then affect the tax reliefs claimed by Investors in relation to their Ordinary Shares (including income tax relief claimed on their original subscription). In particular, subscribers of New Ordinary Shares may then be required by HMRC to pay back all of their income tax relief.
- Although the Ordinary Shares are already listed on the Official List and are admitted to trading on the London Stock Exchange, it is possible that there may not be a liquid market in the New Ordinary Shares and Shareholders may have difficulty in selling them. The Ordinary Shares usually trade at a discount to the Net Asset Value of the Companies. The Directors intend, subject to liquidity, the rules of the UK Listing Authority, the Acts and VCT regulations, to pursue a policy of purchasing Ordinary Shares in the market in order to facilitate liquidity for Ordinary Shareholders and to manage the level of the discount to NAV at which the Ordinary Shares may be trading. The Companies will endeavour to facilitate such sales at a price which represents a discount of no more than 10 per cent. to the last published NAV of the relevant Company. However, the Directors reserve the right to suspend or amend the buyback arrangement in certain circumstances.

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## WHAT IS A VCT?

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### INTRODUCTION

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

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

### Tax reliefs for individual investors resident in the UK

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

- **Relief from income tax**

#### *On investment*

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

#### *On dividends*

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

- **Relief from capital gains tax**

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

#### *Obtaining tax reliefs*

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

### Investors not resident in the UK

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

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## DEFINITIONS

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“1985 Act”	the Companies Act 1985 (as amended)
“2006 Act”	the Companies Act 2006 (as amended)
“2010/11 Offer”	the offer for subscription under the terms of the Offer Document in respect of New Ordinary Shares to be issued and allotted on or prior to 5 April 2011
“2011/12 Offer”	the offer for subscription under the terms of the Offer Document in respect of New Ordinary Shares to be issued and allotted on or after 6 April 2011
“Acts”	the 1985 Act and the 2006 Act
“AIM”	the AIM Market operated by the London Stock Exchange
“Application”	an application for New Ordinary Shares under the terms of this Offer
“Application Form”	the form of application for New Ordinary Shares under the Offer set out at the end of this document
“Closing Date”	29 July 2011
“Companies” or “Funds” or “VCTs”	Hargreave Hale AIM VCT 1 and/or Hargreave Hale AIM VCT 2 and “Company” or “Fund” or “VCT” means either one of them, as the context requires
“CREST”	the relevant system (as defined in the Regulations) operated by Euroclear
“Directors” or “Board”	the directors of each Company
“FSA”	the Financial Services Authority
“Hargreave Hale AIM VCT 1” or VCT 1	Hargreave Hale AIM VCT 1 plc
“Hargreave Hale AIM VCT 2” or VCT 2	Hargreave Hale AIM VCT 2 plc
“HMRC”	HM Revenue & Customs
“ITA”	Income Tax Act 2007 (as amended)
“Investment Manager” or “Hargreave Hale”	Hargreave Hale Limited, which is authorised and regulated by the FSA
“Investor(s)”	subscriber for New Ordinary Shares under the Offer
“Listing Rules”	the rules relating to admission to the Official List

“London Stock Exchange”	London Stock Exchange plc
“Maximum Subscription”	per Company, the lesser of 10% of the Ordinary Shares in issue at the relevant time or €2.5 million
“Net Asset Value” or “NAV”	the value of each Company’s assets, less its liabilities (divided by the appropriate number of Ordinary Shares in issue) as applicable
“New Ordinary Shares”	Ordinary Shares available for subscription under the terms of this Offer
“Non-Qualifying Investment”	investments made by the Companies which do not qualify as Qualifying Investments
“Offer”	the joint offer for subscription by Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2 as described in this document.
“Offer Document”	this document
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Companies
“Pricing Formula”	the last Net Asset Value of an existing Ordinary Share as published by the relevant Company prior to the date of allotment divided by 0.95 to allow for issue costs of 5 per cent. calculated, in pence, to two decimal places
“Qualifying Investment”	an investment made by a venture capital trust in a trading company which comprises a qualifying holding under Chapter 4 of Part 6 ITA
“Receiving Agents”	Hargreave Hale Limited
“Regulations”	the Uncertificated Securities Regulations 2001 (S.I. 2001/3755)
“Subscription Price”	the price payable for each New Ordinary Share under this Offer in accordance with the Pricing Formula
“Total Return”	the sum of the Net Asset Value per Ordinary Share plus dividends paid per Share
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Markets and Services Act 2000
“VCT”	a venture capital trust as defined in section 259 ITA

## Chairmen's Letter

The Boards of both VCTs have decided to launch a top up offer to give Investors an on-going opportunity to subscribe for New Ordinary Shares in the 2010/11 and 2011/12 tax years following the closing of the share offer launched on 19 March 2010. The basic rationale for the fund raising still stands: namely, to raise a limited amount of new capital into both VCTs to ensure the VCTs have sufficient capital to support their investment objectives of investing in both VCT Qualifying Investments and Non Qualifying Investments. New capital will also help fund the VCT buyback schemes and meet expenses, which should fall as a percentage of net assets as the VCTs increase in size. Older money raised under prior legislation, which can be more readily invested, will be available for investment in Qualifying Investments.

## Structure of the Offer

Each Company is seeking to raise the maximum permitted under the Offer, without the higher costs associated with a full prospectus. Accordingly, the amount that each Company can raise is restricted to 10% of its listed share capital, which means an aggregate total of approximately £2.65 million can be raised. Investors are invited to subscribe an amount in pounds Sterling rather than apply for a particular number of Ordinary Shares. The price of the Ordinary Shares to be issued pursuant to the Offer will be calculated on the basis of the Pricing Formula. The Pricing Formula is:

*The last Net Asset Value of an existing Ordinary Share as published by the relevant Company prior to the date of allotment divided by 0.95 to allow for issue costs of 5 per cent., calculated in pence to two decimal places.*

## Investment Objectives

The investment objectives are:

- to invest in a diversified portfolio of small VCT qualifying 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 make targeted equity investments in companies which are non-VCT qualifying on an opportunistic basis to boost the performance of the VCTs;
- to maximise distributions to Shareholders from capital gains and income generated from the Companies' funds.

## The Investment Manager

The VCTs are managed by Hargreave Hale Limited, a specialist smaller companies fund manager with approximately £1,200 million under management (*source: Hargreave Hale*). Hargreave Hale has been managing investments in UK Small & Micro Cap for 12 years and has a long established reputation that includes its management of the Marlborough Special Situations Fund. The team of six, led by Chief Executive Giles Hargreave, has been managing AIM VCTs for more than six years. In addition to the two VCTs and the Marlborough Special Situations Fund, the investment team also manages the Marlborough UK Micro-Cap Growth Fund and the Marlborough UK Leading Companies Fund.

Profiles of the investment team are available on the Hargreave Hale AIM VCT 1 website at [http://www.hargreave-hale.co.uk/VCT/aimvct/invest\\_manager.htm](http://www.hargreave-hale.co.uk/VCT/aimvct/invest_manager.htm).

## Performance

Recent performance has been strong with both Funds achieving meaningful NAV appreciation. In the quarter to 31 December 2010, VCT 1's unaudited NAV increased by 9.5%. In the quarter to 30 November 2010 VCT 2's unaudited NAV increased by 12.6% (after adjusting for the payment of a 2p dividend). Both VCTs have published interim management statements which give more detail on their recent performance over those quarters – see Appendices 1 and 2.

Below are three tables outlining unaudited Shareholder returns as at 28 February 2011 for those Shareholders who invested in the VCTs' first three fundraisings; it excludes money raised in 2010 and 2011. The returns, which assume an initial investment of £10,000, are net of fees and assume a gross price paid of 100p per share.

**Table 1 – Total Returns**

Tax Year Of Investment	Company	NAV <sup>1</sup>	Dividends Paid	Total Return <sup>1</sup>
2004/5	Hargreave Hale AIM VCT 1 (Ordinary Shares)	£6,881	£2,100	£8,981
2005/6	Hargreave Hale AIM VCT 1 (C Shares) <sup>2</sup>	£8,528	£1,188	£9,716
2006/7	Hargreave Hale AIM VCT 2 (Ordinary Shares)	£10,792	£1,600	£12,392

**Table 2 – Total Returns relative to the FTSE AIM All-Share Index**

Tax Year Of Investment	Company	Total Return <sup>1</sup> (excl. tax relief)	Total Return <sup>3</sup> (incl. tax relief)	FTSE AIM All-Share <sup>4</sup>
2004/5	Hargreave Hale AIM VCT 1 (Ordinary Shares)	-10%	49.7%	-14.6%
2005/6	Hargreave Hale AIM VCT 1 (C Shares) <sup>2</sup>	-3%	61.9%	-22.7%
2006/7	Hargreave Hale AIM VCT 2 (Ordinary Shares)	24%	77.0%	-19.7%

**Table 3 – Total Returns, Year on Year (movement in NAV adjusted for dividend distributions in the period)**

Tax Year of Investment	Company	02/2010 to 02/2011	02/2009 to 02/2010	02/2008 to 02/2009	02/2007 to 02/2008	02/2006 to 02/2007
2004/5	Hargreave Hale AIM VCT 1 (Ordinary Shares)	15.70%	11.54%	-32.19%	-9.03%	2.31%
2005/6	Hargreave Hale AIM VCT 1 (C Shares) <sup>2</sup>	15.70%	11.54%	-19.08%	-4.37%	n/a
2006/7	Hargreave Hale AIM VCT 2 (Ordinary Shares)	9.73%	14.91%	2.07%	n/a	n/a

Notes:

1. Based on unaudited NAV of Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2 as at 28 February 2011.
2. The C Shares in Hargreave Hale AIM VCT 1 were converted into Ordinary Shares on 8 October 2008 at a ratio of 1.23935 Ordinary Shares for every C share held. The equivalent net cost for every Ordinary Share as a result of the conversion 48.41 pence per share.
3. Assumes a net cost to Shareholders of 60p per share for shares in Hargreave Hale AIM VCT 1 plc (40% income tax relief) and 70p per share for Ordinary Shares in Hargreave Hale AIM VCT 2 plc (30% income tax relief).
4. Based on the closing values of the index on 5 April of the year of issue of the relevant shares and 28 February 2011, *source: Bloomberg*.

## Dividend Policy

Both VCTs have long established track records of paying out tax free dividends to their Shareholders. The table below shows the cumulative dividend distributions paid to date.

Company	Total Dividend Distribution
Hargreave Hale AIM VCT 1 (Ordinary Shares)	21.00p
Hargreave Hale AIM VCT 1 (C Shares)	10.20p
Hargreave Hale AIM VCT 2 (Ordinary Shares)	16.00p

The intention is to continue the existing policy of targeting a 5% distribution yield (referenced to the Net Asset Value of the relevant VCT at the end of its financial year), although the ability to pay dividends will clearly be influenced by the performance of the respective VCTs and their available reserves and cash resources, the 2006 Act and the Listing Rules. In good years, the Directors may consider a higher dividend payment; in poor years, the Directors may reduce or even pay no dividend. Both have happened in the past.

## Costs Relating To The Offer

Each VCT will pay to Hargreave Hale an aggregate fee of 5% of the gross amount raised. Hargreave Hale will meet all the costs of the issue from this fee including the printing, marketing and legal costs of the Offer together with any amounts payable to authorised financial intermediaries as initial commission.

## Commission Payable to Authorised Intermediaries

Commission will be paid on one of the following bases:

- i) 3 per cent. initial commission of the amount invested in the Offer by their client (and no trail commission); or
- ii) 2.25 per cent. of the amount invested by their client in the Offer plus an annual trail. The trail commission will be paid annually on each anniversary of the date of allotment of the relevant New Ordinary Shares (provided that the financial intermediary continues to act for the client and the client continues to hold the relevant New Ordinary Shares) at the rate of 0.375 per cent. per annum of the amount invested by the client, subject to a maximum of 2.25 per cent.

Intermediaries must indicate on the Application Form the basis on which they wish to receive their commission.

## Management Fees

Hargreave Hale receives an annual management charge of 1.5% of NAV for VCT 1 and 1.3% of NAV for VCT 2, payable quarterly in arrears. Hargreave Hale can also receive performance fees in certain circumstances. Further details of the management fees and incentive arrangements for each Company can be found in the annual reports of the Companies available on the Hargreave Hale website at [www.hargreave-hale.co.uk/VCT/aimvct](http://www.hargreave-hale.co.uk/VCT/aimvct) for Hargreave Hale AIM VCT 1 and [www.hargreave-hale.co.uk/VCT/aimvct2](http://www.hargreave-hale.co.uk/VCT/aimvct2) for Hargreave Hale AIM VCT 2.

## Other Fees

Hargreave Hale is also paid fees for the provision of administrative services, execution services, custody services, the company secretary and one Non-Executive Director (Giles Hargreave). Further details can be found in the Companies' annual reports, available on the VCTs' websites (see above).

## Expenses Cap

Total expenses of the VCTs are capped at 3.5% of NAV, by Hargreave Hale, excluding VAT (when applicable), trail payable on subscriptions made in the period 2004 to 2007 and any exceptional expenses.

## Directors

Profiles of the Directors of each of the Companies can be found in the annual reports for the Companies, or are available on the Hargreave Hale website at [www.hargreave-hale.co.uk/VCT/aimvct](http://www.hargreave-hale.co.uk/VCT/aimvct) for Hargreave Hale AIM VCT 1 and [www.hargreave-hale.co.uk/VCT/aimvct2](http://www.hargreave-hale.co.uk/VCT/aimvct2) for Hargreave Hale AIM VCT 2.

## Application Procedure

The Terms and Conditions of Application are set out in Appendix 3 of this document and should be read in full. Investors are invited to subscribe an amount in pounds Sterling rather than apply for a particular number of New Ordinary Shares. The minimum subscription is £3,000 per Investor. There is no maximum individual subscription level under the Offer but the maximum amount of VCT investment on which tax relief is available is currently restricted to £200,000.

Applicants can invest in one or both of the Companies and should complete Section 2 of the Application Form accordingly.

New Ordinary Shares will normally be allocated on a first come first served basis, but the Directors reserve the right in their absolute discretion to determine the basis of allocation. The right is reserved to reject in whole or in part and/or scale down and/or ballot any Application which the Companies or Hargreave Hale receives. Investors and/or authorised financial intermediaries are advised to check the status of the Offer by contacting Hargreave Hale to avoid submitting Applications that may be rejected because the Offer has been closed.

An Application Form is included at the back of this document. Completed Application Forms should be sent or hand delivered to Hargreave Hale at the address shown on the Application Form, together with the remittance for the total sum subscribed.

Payments must be made by cheque or bankers' draft in pounds Sterling drawn on a branch in the United Kingdom of a bank or building society. Cheques, which must be drawn on the personal account of the individual investor where they have sole or joint title to the funds, should be made payable to "**Joint Offer Account of Hargreave Hale AIM VCT 1 plc and Hargreave Hale AIM VCT 2 plc**" and crossed A/C Payee. The account name should be the same as that shown on the Application. Third party cheques will not be accepted with the exception of building society cheques or bankers' drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the building society cheque/bankers' draft to such effect.

The Offer will close at 12 noon on 29 July 2011, unless the Offer is fully subscribed at an earlier date or the Offer is extended. Applications by post cannot be accepted after 3pm on 25 July 2011.

## Notes For Authorised Financial Intermediaries

**Money Laundering Regulations** – if you complete and stamp Section 4 of the Application Form you are warranting that the Applicant is known to you and that you have completed all the verification procedures as required by the relevant rules and guidance of the FSA, the Joint Money Laundering Steering Group Guidance Notes and other anti-money laundering laws and regulations as may be considered appropriate.

You also confirm that this information can be relied upon by Hargreave Hale and will, subject to reasonable notice, be made available to the relevant Company or Equiniti Registrars for inspection upon request. In the event of delay or failure to produce such information, the relevant Company may refuse to accept an application for the Offer.

Application will be made to the UK Listing Authority for the New Ordinary Shares to be admitted to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities.

## Contact Details

If you have any questions about the Offer please contact Oliver Bedford on 020 7009 4900 or email [vct@hargreave.com](mailto:vct@hargreave.com). Please note that no financial advice can be given.

## Availability of this document

Copies of this document and the Application Form are available until the Offer closes from:

- Hargreave Hale Limited, 9-11 Neptune Court, Hallam Way, Blackpool, Lancashire FY4 5LZ
- Hargreave Hale AIM VCT 1 plc's website: [www.hargreave-hale.co.uk/VCT/aimvct](http://www.hargreave-hale.co.uk/VCT/aimvct)
- Hargreave Hale AIM VCT 2 plc's website: [www.hargreave-hale.co.uk/VCT/aimvct2](http://www.hargreave-hale.co.uk/VCT/aimvct2)

Sir Aubrey Brocklebank Bt  
Chairman, Hargreave Hale AIM VCT 1

David Hurst-Brown  
Chairman, Hargreave Hale AIM VCT 2

Date:

Appendices:

1. Extract from Hargreave Hale AIM VCT 1 Interim Management Statement, 15 February 2011.
2. Extract from Hargreave Hale AIM VCT 2 Interim Management Statement, 23 December 2010.
3. Terms and Conditions of Application.

## Appendix 1

### Extract from Hargreave Hale AIM VCT 1 Interim Management Statement, 15 February 2011.

#### *Trading Statement for 3 months to 31 December 2010*

In the first quarter of the financial year the NAV rose from 62.67p to 68.61p, an increase of 5.94p or 9.5%. The FTSE All-Share rose 6.8%, the FTSE Small Cap (Ex-IT) rose 7.9% whilst AIM continued its strong run to record a gain of 19.4%. For investors into the 2004/5 Ordinary Share issue, the total return increased from 81.67p to 87.61p. For investors that came into the VCT through the 2005/6 Convertible Share issue, the total return increased from 87.07p to 94.44p.

The total gain across both qualifying and non-qualifying portfolios amounted to £1.72m: £1.45m from unrealised gains in the portfolio of qualifying investments and £0.11m from the non-qualifying investment strategy. Net realised profits across both strategies in the period were a modest £0.16m.

The stronger performance within the portfolio of qualifying investments was broad based with 27 of the 44 qualifying investments increasing in value, 3 unchanged and 14 falling in value. Intercede was the stand out performer, delivering an unrealised gain of £0.5m in the quarter, whilst Animalcare, EKF and K3 added another £0.44m between them. There were no significant losses, realised or unrealised, in the period. The largest fall in value was Abcam, whose shares fell 6.7% after announcing that trading remained consistent with market expectations; disappointing news to those who anticipated another earnings upgrade. Hargreave Hale remains a strong supporter of the company.

The VCT remains in a very strong position against the investment test with no requirement to increase our exposure to qualifying investments. We remain very selective buyers. We lost two qualifying investments over the quarter (Mount Engineering and Neutrahealth) to cash bids and replaced them with three investments in Corac, IS Pharma and Instem. In addition, Enfis was subject to a reverse takeover from Photonstar, although the holding remains of negligible economic value. We ended the quarter with 44 qualifying investments.

The gains in non-qualifying investments amounted to around 1p per share which, although a little short of what we would like to deliver, once again proves the potential of the strategy. We ended the quarter with c. 8% of net assets committed to non-qualifying equity investments, marginally down on the previous quarter.

The cash position increased from £1.1m to £1.9m (6.5% to 10.5%) as we reduced the VCT's fixed income exposure from £4.1m to £3.1m, down from 25% of net assets to 17% of net assets.

## Appendix 2

### Extract from Hargreave Hale AIM VCT 2 Interim Management Statement, 23 December 2010.

*Trading Statement for 3 months to 30 November 2010*

In the third quarter of the financial year the NAV rose from 92.97p to 102.64p. Including the 2p dividend distribution in October, the gain amounted to 11.67p per share (+12.6%). Shareholders' total return increased from 106.97p to 118.64p (10.9%). By way of comparison, the FTSE 100 rose 5.8% and the FTSE Small Cap (Ex-IT) rose 5.5% whilst AIM managed a gain of 23.4%.

The total gain across both qualifying and non-qualifying portfolios amounted to £0.74m: split £0.49m qualifying and £0.26m non-qualifying.

The recovery in the qualifying portfolio was broad based with 15 of the 23 investments growing in value, although Hardide and Intercede accounted for about half of the overall rise in the value of the qualifying portfolio. Hardide remains a special situation with substantial risks to both the upside and downside. Having previously warned in April 2010, Intercede staged an impressive turnaround and delivered contract wins, better than anticipated trading and strong share price performance. Animalcare, another to have suffered a de-rating earlier this year, also bounced back strongly, whilst Reneuron became the first company in the world to start a clinical trial involving the injection of stem cells into the brain.

We continue to make selective investments in qualifying companies, adding Corac and a second investment in Omega Diagnostics to our portfolio of qualifying investments. We lost one qualifying investment, Mount Engineering, to a cash bid. We ended the quarter with 23 qualifying investments.

The gains in non-qualifying investments amounted to 4.61p per share, once again proving the potential of the strategy. Of the 4.61p, 2.96p per share were unrealised gains and 1.65p were realised gains. Gains were spread across a range of investments but notable performers included Craneware, Western Coal Corp, Cape and City of London. We have c. 20% of net assets committed to non-qualifying equity investments.

Our cash position reduced from 16% to 11% as a result of the additional qualifying investments. Our fixed income allocation reduced from 17% to 15% as a result of dilution. The actual sum of fixed income invested increased marginally to £0.87m.

## Appendix 3

### Terms and Conditions of Application

- (a) The right is reserved by the Companies to present all cheques and bankers' drafts for payment on receipt and to retain surplus application monies pending clearance of successful applicants' cheques. The Companies also reserve the right to reject, in whole or in part, any Application. If any Application is not accepted in full or if any contract created by acceptance does not become unconditional, the Application monies or, as the case may be, the balance thereof will be returned by crossed cheque in favour of the applicant through the post at the risk of the person entitled thereto. The Directors reserve the right to withdraw the Offer at any time prior to satisfaction of the conditions set out in paragraph (a) above.
- (b) By completing and delivering an Application Form you:
- (i) offer to subscribe for the number of New Ordinary Shares as will be determined by the amount specified in your Application Form (or such lesser number for which your Application is accepted) divided by the price of the New Ordinary Shares in accordance with the Pricing Formula on the terms of and subject to this document, including these terms and conditions, and the Memorandum and Articles of Association of the Companies;
  - (ii) agree that, in consideration of the Companies agreeing that they will not issue or allot any New Ordinary Shares which are subject to the Offer to any person other than by means of the procedures referred to in this document, your Application will not be revoked until after 29 July 2011 and this paragraph shall constitute a collateral contract between you and the Companies which will become binding upon despatch by post to, or (in the case of delivery by hand) on receipt by, Hargreave Hale of your Application Form;
  - (iii) warrant that your remittance will be honoured on first presentation and agree that if it is not so honoured you will not be entitled to receive a share certificate or have your CREST account credited, in respect of the New Ordinary Shares applied for, unless and until you make payment in cleared funds for such New Ordinary Shares and such payment is accepted by the Companies in their absolute discretion (which acceptance may be on the basis that you indemnify it against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and you agree that, at any time prior to the unconditional acceptance by the Companies, it may (without prejudice to other rights) avoid the agreement to allot such New Ordinary Shares and may allot such New Ordinary Shares to some other person, in which case you will not be entitled to any payment in respect of such New Ordinary Shares;
  - (iv) agree that, in respect of those New Ordinary Shares for which your Application has been received and is not rejected, acceptance of your application shall be constituted, at the election of the Companies either (i) by notification to the London Stock Exchange of the basis of allocation (in which case acceptance shall be on that basis) or (ii) by notification of acceptance thereof to Hargreave Hale;
  - (v) agree that any monies returnable to you may be retained by Hargreave Hale pending clearance of your remittance and the completion of any verification of identity required by the Money Laundering Regulations 2007 and that such monies will not bear interest;
  - (vi) subject as provided in paragraphs (iii) and (iv) above, authorise Hargreave Hale to send a share certificate or credit your CREST account in respect of the number of New Ordinary Shares for which your Application is accepted and/or to send a crossed cheque for any monies returnable, by post, at the risk of the person entitled thereto, to the address of the person named as the applicant in the Application Form;
  - (vii) warrant that if you sign the Application Form on behalf of somebody else you have due authority to do so on behalf of that other person and such person will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained herein and undertake to enclose your power of attorney or a copy thereof duly certified by a solicitor with the Application Form;
  - (viii) agree that all Applications, acceptances of Applications and contracts resulting therefrom under the Offer shall be governed by and construed in accordance with English law, and that you submit to the jurisdiction of the English Courts and agree that nothing shall limit the right of the Companies to bring any action, suit or proceedings arising out of or in connection with any such Applications, acceptances

of Applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;

- (ix) confirm that in making such Application you are not relying on any information or representation in relation to the Companies other than the information contained in this document and, accordingly, you agree that no person responsible solely or jointly for this document or any part thereof or involved in the preparation thereof shall have any liability for any such other information or representation;
- (x) authorise Hargreave Hale, or any persons authorised by them, as your agent, to do all things necessary to effect registration of any New Ordinary Shares subscribed by you into your name or into the name of any person in whose favour the entitlement to any such New Ordinary Shares has been transferred and authorise any representative of Hargreave Hale to execute any document required therefore;
- (xi) agree that, having had the opportunity to read this document, you shall be deemed to have had notice of all information and representations concerning the Companies contained herein;
- (xii) confirm and warrant that you have read and complied with paragraph (c) below;
- (xiii) confirm that you have read the restrictions contained in paragraph (d) below and warrant as provided therein;
- (xv) warrant that you are not under the age of 18; and

agree that all documents and cheques sent by post to, by or on behalf of the Companies or Hargreave Hale, will be sent at the risk of the person(s) entitled thereto.

- (c) No person receiving a copy of this document or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an Application hereunder to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
- (d) The New Ordinary Shares have not been and will not be registered under the United States Securities Act 1933 (as amended) and, subject to certain exceptions, the New Ordinary Shares may not be offered, sold, renounced, transferred or delivered, directly or indirectly, in the United States or to any person in the United States. Persons subscribing for New Ordinary Shares shall be deemed, and (unless the Companies are satisfied that their respective New Ordinary Shares can be allotted without breach of United States securities laws) shall be required, to represent and warrant to the Companies that they are not a person in the United States and that they are not subscribing for such New Ordinary Shares for the account of any such person and will not offer, sell, renounce, transfer or deliver, directly or indirectly, such New Ordinary Shares in the United States or to any such person. As used herein, "United States" means the United States of America (including each of the States and the District of Columbia), its territories or possessions or other areas subject to its jurisdiction. In addition, the Companies have not been and will not be registered under the United States Investment Company Act of 1940 (as amended). The Investment Manager is not registered under the United States Investment Advisers Act of 1940 (as amended).
- (e) Applicants are encouraged to submit their Application Forms early in order to be confident that their Applications will be successful. In the event that Applications are received for an amount in excess of the Maximum Subscription, the Directors reserve the right to exercise their discretion in the allocation of successful Applications although the allocation will usually be on a first come first served basis. The right is also reserved to reject in whole or in part any Application or any part thereof and to treat as valid any application not in all respects completed in accordance with the instructions relating to the Application Form.
- (f) Save where the context otherwise requires, words and expressions defined in this document have the same meaning when used in the Application Form and any explanatory notes in relation thereto.

# Joint VCT Offer – New Ordinary Share Application Form

Before completing this Application Form you should read the Terms and Conditions of Application. The Offer opens on 9 March 2011 and the closing date in respect of the Offer will be 12 noon on 29 July 2011 unless the Offer is extended beyond that date, or earlier if the Maximum Subscription has been reached before then. Please send this Application Form together with your cheque or bankers' draft, if appropriate, and proof of identity if required, to Hargreave Hale Limited, 9-11 Neptune Court, Hallam Way, Blackpool, Lancashire FY4 5LZ.

Please complete in **BLOCK** capitals

Section 1	
Title (Mr/Mrs/Miss/Ms/Other):	Surname:
Forename(s) in full:	
Date of Birth: <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	National Insurance Number: <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>

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

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

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

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

Section 2
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I offer to subscribe the following amount for New Ordinary Shares on the Terms and Conditions of Application set out in this document dated 9 March 2011 and the Memoranda and Articles of Association of the Companies. Applications must be for a minimum of £3,000 in total and may be made for any higher amount in multiples of £1,000.

	Hargreave Hale AIM VCT 1	Hargreave Hale AIM VCT 2	Total
2010/2011 Offer (tax year 2010/2011)	£	£	£
2011/2012 Offer (tax year 2011/2012)	£	£	£
<b>TOTAL</b>	£	£	£

Please mark with an 'x' as appropriate:

- I consent to the reallocation of all or part of my investment from VCT 1 to VCT 2 in the event and to the extent that the Offer for VCT 1 is fully subscribed, and vice versa.
- I enclose a cheque or bankers' draft(s) drawn on a UK clearing bank made payable to:  
**"Joint Offer Account of Hargreave Hale AIM VCT 1 plc and Hargreave Hale AIM VCT 2 plc"**
- I have instructed my bank to make an electronic payment to:

**Account Name: Joint Offer Account of Hargreave Hale AIM VCT 1 plc and Hargreave Hale AIM VCT 2 plc**  
**Bank: RBS (Glasgow City Branch)**  
**Account Number: 10565882**  
**Sort Code: 83-07-06**

**Please quote your surname as a reference when making this electronic payment**

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

Signature:	Date:
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# ORDINARY SHARE APPLICATION FORM

Continued

## Section 4

For completion by authorised financial intermediaries ONLY

Name of Firm: Allenbridge Limited	Stamp:
Address: 17 Hill Street Mayfair	
Postcode: W1J 5NZ	
Telephone: 02074091111	
Fax:	
Name of Contact:	
Email Address:	
Signature of authorised signatory of authorised financial intermediary:	Date:

### Commission payment details

(to be used if commission to be paid to a Network or other third party)

Name:

Contact:

Address:

Postcode:

Email:

### Commission options

Choose either options A or B, but not both

#### A. Introductory Commission of 3 per cent.

(A1) to receive introductory commission of 3 per cent. place an 'X' in this box

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

#### B. Introductory Commission of 2.25 per cent. plus trail commission

(B1) to receive introductory commission of 2.25 per cent. place an 'X' in this box

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

**Section 5**

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

Title (Mr/Mrs/Miss/Ms/Other):	Surname:
Forename(s) in full:	
Company Name:	
Reference (if required):	
Address:	
Postcode:	

**Section 6**

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

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

**Bank or Building Society reference number and details**

Name of Bank/Building Society:	
Title of Branch:	
Address of Branch:	
Account Number:	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Sort Code Number:	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Account Name (BLOCK capitals please):	
Signature:	
Date:	
Applicant's name and Postcode:	
(in BLOCK capitals please, as given in Section 1)	Postcode:

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