

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

If you are in any doubt about the action to be taken, you should immediately consult your bank manager, stockbroker, solicitor, accountant or other independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000, as amended ("FSMA").

If you have sold or otherwise transferred all of your Shares in Hargreave Hale AIM VCT 1 plc or Hargreave Hale AIM VCT 2 plc (the "Companies"), please send this document and accompanying documents, as soon as possible, to the purchaser or transferee or to the stockbroker, independent financial adviser or other person through whom the sale or transfer was effected for delivery to the purchaser or transferee.

This document, which constitutes a prospectus relating to the Companies, has been prepared in accordance with the Prospectus Rules made by the Financial Conduct Authority pursuant to Part VI of FSMA, and has been approved by and filed with the Financial Conduct Authority.

Each of the Directors of each Company, whose names are set out on page 17 of this document and the Companies, accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Companies (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

Nplus 1 Singer Advisory LLP (the "Sponsor"), which is authorised and regulated by the Financial Conduct Authority, is acting as sponsor for the Companies in connection with the Offers and is not advising any other person or treating any other person as a customer in relation to the Offers and will not be responsible to any such person for providing the protections afforded to customers of the Sponsor (subject to the responsibilities and liabilities imposed by FSMA and the regulatory regime established there under) or for providing advice in connection with the Offers. The Sponsor does not give any representation, warranty or guarantee that the Companies will qualify as venture capital trusts or that investors will obtain any tax relief in respect of their investment.

**The whole of this document should be read. In particular, your attention is drawn to the risk factors on pages 13 to 14 of this document.**

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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)*

### **Prospectus Relating to the Offers for Subscription**

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

and

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

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The existing Shares issued by each Company are listed on the premium segment of the Official List of the UK Listing Authority (UKLA) and traded on the London Stock Exchange's main market for listed securities. Application has also been made to the UKLA and the London Stock Exchange for the New Ordinary Shares to be issued pursuant to the Offers to be admitted to the premium segment of the Official List of the UKLA and to trading on the London Stock Exchange's market for listed securities. It is expected that such admission will become effective and that dealings in the New Ordinary Shares will commence within 10 business days of their allotment. The New Ordinary Shares will rank pari passu with the existing issued Shares from the date of issue.

The subscription list for those Ordinary Shares which are being offered to the public under the Offers will open on 1 November 2013 and may be closed at any time thereafter but, in any event, not later than 12.00 p.m. on 4 April 2014 for the 2013/14 tax year and 12.00 p.m. on 31 October 2014 for the 2014/15 tax year, unless closed prior to that date. All subscription monies will be payable in full in cash on application. The terms and conditions of the Offers are set out in Part VI of this document followed by an Application Form for use in connection with the Offers.

Completed Application Forms must be posted or delivered by hand to Hargreave Hale Limited at 9-11 Neptune Court, Hallam Way, Blackpool, Lancashire, FY4 5LZ.

The distribution of this document or an Application Form in jurisdictions other than the UK may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any of these restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities laws of any such jurisdiction. Accordingly, no person receiving a copy of this document or an Application Form in any territory other than the UK may treat the same as constituting an offer or invitation to him to subscribe for or purchase New Ordinary Shares unless, in such territory, such offer or invitation could lawfully be made.

## CONTENTS

	Page
Summary	4
Risk Factors	13
Expected Timetable	15
Offer Statistics	16
Directors, Investment Manager and Advisers	17
What is a VCT?	19
<b>PART I</b>	20
A. Introduction	20
B. Reasons for the Offers	20
C. About the Companies	20
D. Dividend History and Policy	21
E. Returns on Previous Offers of the Companies	22
F. Share Buy-Back History and Management of Share Liquidity	22
G. Investment Policies of both Companies	23
H. Management of Investment Policy	25
I. Risk Management	25
J. The Offers	26
K. Investments of Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2	28
L. The Directors	33
M. The Investment Manager: Hargreave Hale Limited	34
N. Management Remuneration and Expenses	35
O. Life of the Companies and Annual Accounts	36

P. VCT Status	36
<b>PART II</b>	37
Taxation Considerations for Investors	37
<b>PART III</b>	39
Conditions to be met by Venture Capital Trusts	39
<b>PART IV</b>	41
Financial Information on the Companies	41
<b>PART V</b>	44
Additional Information	44
Definitions	69
<b>PART VI</b>	72
Terms and Conditions of the Offers	72
Guide to the Application Form	77
Application Form	80

## SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A to E.

This summary contains all of the Elements required to be included in a summary for the type of shares being issued pursuant to this Prospectus and the Companies being closed-ended investment funds. Some of the Elements are not required to be addressed and, as a result, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in this summary, it is possible that no relevant information can be given regarding that Element. In these instances, a short description of the Element is included, together with an appropriate 'Not applicable' statement.

<b>A</b>		<b>Introduction and Warnings</b>
A1	Introduction	<p>This summary should be read as an introduction to this Prospectus.</p> <p>Any decision to invest in the securities of the Companies should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of Member States, have to bear the costs of translating this Prospectus before the legal proceedings are initiated.</p> <p>Civil liability attaches only to those persons who have tabled this summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.</p>
A2	Consent for intermediaries	<p>The Companies consent to the use of this Prospectus by financial intermediaries.</p> <p>The offer period within which any subsequent resale or final placement of securities by financial intermediaries can be made and for which consent to use this Prospectus is given commences on 1 November 2013 and closes at 12.00 p.m. on 31 October 2014, unless closed prior to that date.</p> <p><b>Information on the terms and conditions of the Offers by any financial intermediary is to be provided at the time of the Offers by the financial intermediary. No financial intermediary will act as principal in relation to the Offers.</b></p>
<b>B</b>		<b>Issuer</b>
B1	Legal and commercial name	Hargreave Hale AIM VCT 1 plc and Hargreave Hale AIM VCT 2 plc (the " <b>Companies</b> ").
B2	Domicile / Legal form Legislation / Country of incorporation	<p>Hargreave Hale AIM VCT 1 is a public limited liability company which is registered in England and Wales with registered number 05206425.</p> <p>Hargreave Hale AIM VCT 2 is a public limited liability company which is registered in England and Wales with registered number 05941261.</p> <p>The principal legislation under which each Company operates is the Companies Act 2006 (and regulations made there under) (the "<b>Act</b>").</p>
B5	Group description	Not applicable. Neither Company is part of a group.

B6	Material Shareholders / Differing voting rights / Control	<p>All Shareholders have the same voting rights in respect of the existing share capital of each Company.</p> <p>Save as set out below, as at 30 October 2013 (this being the last practicable date prior to publication of this document), neither Company is aware of any person who, directly or indirectly, has or will have an interest in its share capital or voting rights which is notifiable under UK law (under which, pursuant to the Act and the Listing Rules and Disclosure and Transparency Rules of the FCA, a holding of 3% or more will be notified to it):</p> <table border="1" data-bbox="379 483 1437 1077"> <thead> <tr> <th>Company</th> <th>Name</th> <th>Number of Ordinary Shares</th> <th>Percentage of voting rights</th> </tr> </thead> <tbody> <tr> <td>Hargreave Hale AIM VCT 1</td> <td>Treasury Shares</td> <td>2,711,134</td> <td>Nil</td> </tr> <tr> <td>Hargreave Hale AIM VCT 1</td> <td>Hargreave Hale Nominees</td> <td>2,114,592</td> <td>7.6%</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Hargreave Hale AIM VCT 2</td> <td>Dr Alasdair Gordon Nairn</td> <td>408,040</td> <td>4.0%</td> </tr> <tr> <td></td> <td>HSBC Global Custody Nominee (UK) Limited</td> <td>319,650</td> <td>3.1%</td> </tr> <tr> <td></td> <td>Hargreave Hale Nominees</td> <td>1,228,266</td> <td>12.1%</td> </tr> </tbody> </table>	Company	Name	Number of Ordinary Shares	Percentage of voting rights	Hargreave Hale AIM VCT 1	Treasury Shares	2,711,134	Nil	Hargreave Hale AIM VCT 1	Hargreave Hale Nominees	2,114,592	7.6%					Hargreave Hale AIM VCT 2	Dr Alasdair Gordon Nairn	408,040	4.0%		HSBC Global Custody Nominee (UK) Limited	319,650	3.1%		Hargreave Hale Nominees	1,228,266	12.1%		
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B7	Selected financial information and statement of any significant changes	<p>Certain selected historical information of each Company is set out below:</p> <p><b>Hargreave Hale AIM VCT 1</b></p> <table border="1" data-bbox="363 1249 1498 1998"> <thead> <tr> <th></th> <th>Audited financial statements for the period ended 30 September 2010</th> <th>Audited financial statements for the period ended 30 September 2011</th> <th>Unaudited half yearly financial statements for the six months ended 31 March 2012</th> <th>Audited financial statements for the period ended 30 September 2012</th> <th>Unaudited half yearly financial statements for the six months ended 31 March 2013</th> </tr> </thead> <tbody> <tr> <td>Total profit / (loss) on ordinary activities before taxation (£'000s)</td> <td>73</td> <td>547</td> <td>711</td> <td>933</td> <td>1,021</td> </tr> <tr> <td>Net assets (£'000s)</td> <td>16,552</td> <td>16,234</td> <td>16,032</td> <td>15,339</td> <td>16,785</td> </tr> <tr> <td>NAV per Share (p)</td> <td>62.67</td> <td>61.14</td> <td>62.01</td> <td>61.35</td> <td>63.76</td> </tr> <tr> <td>Cumulative dividends paid per Share (p)</td> <td>19</td> <td>23</td> <td>25</td> <td>26.50</td> <td>28.25</td> </tr> </tbody> </table>		Audited financial statements for the period ended 30 September 2010	Audited financial statements for the period ended 30 September 2011	Unaudited half yearly financial statements for the six months ended 31 March 2012	Audited financial statements for the period ended 30 September 2012	Unaudited half yearly financial statements for the six months ended 31 March 2013	Total profit / (loss) on ordinary activities before taxation (£'000s)	73	547	711	933	1,021	Net assets (£'000s)	16,552	16,234	16,032	15,339	16,785	NAV per Share (p)	62.67	61.14	62.01	61.35	63.76	Cumulative dividends paid per Share (p)	19	23	25	26.50	28.25
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		Total return per share (p)	81.67	84.14	87.01	87.85	92.01
		The Company's Net Asset Value per Ordinary Share has fallen from 62.67p as at 30 September 2010 to 61.35p as at 30 September 2012 and dividends of 9.5p in aggregate were paid per Ordinary Share during the three years ended 30 September 2012. As at 31 March 2013, the Company's Net Asset Value per Ordinary Share (unaudited) was 63.76p.					
		<b>Hargreave Hale AIM VCT 2</b>					
			Audited financial statements for the period ended 28 February 2011	Audited financial statements for the period ended 29 February 2012	Unaudited half yearly financial statements for the six months ended 31 August 2012	Audited financial statements for the period ended 28 February 2013	Unaudited half yearly financial statements for the six months ended 31 August 2013
		Total profit / (loss) on ordinary activities before taxation (£'000s)	510	(402)	(167)	312	566
		Net assets (£'000s)	6,154	6,493	7,143	7,771	9,974
		NAV per Share (p)	107.92	96.80	91.50	95.69	98.28
		Cumulative dividends paid per Share (p)	16	21	24	26	29
		Total return per share (p)	123.92	117.80	115.50	121.69	127.28
		The Company's Net Asset Value per Ordinary Share has fallen from 107.92p as at 28 February 2011 to 95.69p as at 28 February 2013 and dividends of 14p in aggregate were paid per Ordinary Share during the three years ended 28 February 2013. As at 31 August 2013, the Company's Net Asset Value per Ordinary Share (unaudited) was 98.28p.					
B8	Key pro forma financial information	Not applicable. There is no pro forma financial information in the Prospectus.					
B9	Profit forecast	Not applicable. There are no profit forecasts in the Prospectus.					
B10	Qualifications in the audit reports	Not applicable. There were no qualifications in the audit reports for Hargreave Hale AIM VCT 1 for the three years ended September 2012 and there were no qualifications in the audit reports for Hargreave Hale AIM VCT 2 for the three years ended February 2013.					
B11	Insufficient working capital	Not applicable. Each Company is of the opinion that its working capital is sufficient for its present requirements, that is for at least the twelve month period from the date of this document.					

B34	Investment objective and policy, including investment restrictions	<p>Each Company invests in a diversified portfolio of smaller companies in order to generate income and capital growth over the long-term.</p> <p>The principal investment objective of each Company is to maintain a diversified portfolio of Qualifying Investments, primarily being companies which are traded on AIM and have the potential for significant value appreciation.</p> <p>Both Companies have secondary objectives, to boost the performance of each Company through targeted investment in equities which are Non-Qualifying Investments on an opportunistic basis.</p> <p>The primary purpose of the investment strategy of each Company is to ensure that the Companies maintain their status as VCTs. To achieve this, both Companies must have 70% of all net funds raised from the issue of shares invested in Qualifying Investments throughout accounting periods beginning no later than 3 years after the date on which those shares are issued. 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. Each Company's maximum exposure to a single Qualifying Investment is limited to 15% of net assets.</p> <p>Both Companies have additional Non-Qualifying Investments in UK equities and international equities through targeted investments made on an opportunistic basis or through an investment into the Marlborough Special Situations Fund. 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 invest up to 75% of the net proceeds of any issue of new shares of both Companies into the Marlborough Special Situations Fund subject to a maximum of 20% of the gross assets of each Company. 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.</p> <p>Each Company is subject to the investment restrictions relating to a venture capital trust in the Income Trust Act 2007 and in the Listing Rules which specify that (i) the Company must, at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with its published investment policy; (ii) the Company must not conduct any trading activity which is significant in the context of its group as a whole; and (iii) the Company may not invest more than 10%, in aggregate, of the value of the total assets of the issuer at the time an investment is made in other listed closed-ended investment funds.</p>
B35	Borrowing limits	<p>The Articles of Association of each Company restrict borrowings to 15% of the aggregate total amount received from time to time on the subscription for shares of each Company; the current policy however is that investments will normally be made using the shareholders' funds and it is not intended that either Company will take on any long-term borrowings. As at the date of this document neither Company has any borrowings.</p>
B36	Regulatory status	<p>Each Company is subject to the provisions of the Act and UK law generally. Each Company's Ordinary Shares are listed on the premium segment of the Official List and, as a qualifying VCT, each Company is subject to regulation by HMRC in order to retain such a status.</p>
B37	Typical investor	<p>The typical investor for whom investment in the Companies is designed is an individual retail investor aged 18 or over who is resident and a tax payer in the UK.</p>
B38	Investments of 20% or more in a single company	<p>Not applicable. Neither Company has any investments which represent more than 20% of its gross assets in a single company or group.</p>
B39	Investments of 40% or more in a	<p>Not applicable. Neither Company has any investments which represent more than 40% of its gross assets in a single company or group.</p>

	single company	
B40	Service providers	<p>Hargreave Hale Limited ("Hargreave Hale" or the "Investment Manager") is a fund manager with approximately £2.83 billion under management (<i>source: Hargreave Hale, 18 October 2013</i>). Hargreave Hale has been managing investments in UK Small &amp; Micro Cap companies for 15 years and VCTs for 9 years. It has a long established reputation that stems from its management of the Marlborough Special Situations Fund and the Marlborough UK Micro Cap Growth Fund. It has won numerous awards for its management of these funds, most recently the 2012 Quoted Company 'Investor of the Year' Award. The Marlborough Special Situations Fund, in which both Hargreave Hale AIM VCTs will invest, has returned 1,589.02%<sup>1</sup> since Giles Hargreave took responsibility for it in July 1998.</p> <p>Hargreave Hale provides discretionary investment management and advisory services to both Companies in respect of their portfolio of Qualifying Investments and Non-Qualifying Investments.</p> <p>For each Company, the Investment Manager receives investment management fees (exclusive of VAT) equal to 1.5% per annum of the Net Asset Value of the relevant Company as well as a Performance Incentive Fee. Such appointments may be terminated on 12 calendar months' notice by either party.</p> <p>In line with normal VCT practice, a performance related incentive fee will be payable subject to certain criteria. This will be payable at the rate of 20% of any dividends paid to Ordinary Shareholders in excess of 6p per Ordinary Share per annum, provided that the Net Asset Value per Ordinary Share is at least 95p, with any cumulative shortfalls below 6p per Ordinary Share having to be made up in subsequent years.</p> <p>A maximum of 75% of the Investment Manager's annual fee (plus irrevocable VAT, but excluding any incentive fee) will be chargeable against capital reserves, with the remainder of the Investment Manager's annual fee being chargeable against revenue.</p>
B41	Regulatory status of Hargreave Hale	Hargreave Hale is the investment manager of each Company and also provides administration, secretarial and custodian services. Hargreave Hale is registered in England and Wales as a private limited company under number 3146580. Hargreave Hale is authorised and regulated by the Financial Conduct Authority, with registered number 209741.
B42	Calculation of Net Asset Value	Each Company's Net Asset Value is calculated weekly and published on an appropriate regulatory information service. If for any reason valuations are suspended, Shareholders will be notified in a similar manner.
B43	Umbrella collective investment scheme	Not applicable. Neither Company is part of an umbrella collective investment scheme.
B44	Absence of financial statements	Not applicable. Each Company has commenced operations and published financial statements.

<sup>1</sup> 1 July 1997 to 18 October 2013 source: Marlborough Fund Managers



B45	Investment portfolio	<p>The investment objective of each Company is, (inter alia), to invest in a diversified portfolio of smaller companies in order to generate income and capital growth over the long-term. An unaudited summary of each Company's portfolio by reference to market value is set out below as at 18 October 2013:</p> <p><b>Hargreave Hale AIM VCT 1:</b></p> <table border="1" data-bbox="379 389 1358 797"> <thead> <tr> <th>Asset Class</th> <th>% of Net Assets</th> </tr> </thead> <tbody> <tr> <td>Qualifying Equities</td> <td>82.0</td> </tr> <tr> <td>Non-Qualifying Equities</td> <td>4.3</td> </tr> <tr> <td>Fixed Income</td> <td>3.8</td> </tr> <tr> <td>Cash</td> <td>10.6</td> </tr> <tr> <td>Accruals</td> <td>(0.7)</td> </tr> </tbody> </table> <p><b>Hargreave Hale AIM VCT 2:</b></p> <table border="1" data-bbox="379 860 1358 1267"> <thead> <tr> <th>Asset Class</th> <th>% of Net Assets</th> </tr> </thead> <tbody> <tr> <td>Qualifying Equities</td> <td>68.1</td> </tr> <tr> <td>Non-Qualifying Equities</td> <td>18.9</td> </tr> <tr> <td>Fixed Income</td> <td>7.4</td> </tr> <tr> <td>Cash</td> <td>6.0</td> </tr> <tr> <td>Accruals</td> <td>(0.4)</td> </tr> </tbody> </table>	Asset Class	% of Net Assets	Qualifying Equities	82.0	Non-Qualifying Equities	4.3	Fixed Income	3.8	Cash	10.6	Accruals	(0.7)	Asset Class	% of Net Assets	Qualifying Equities	68.1	Non-Qualifying Equities	18.9	Fixed Income	7.4	Cash	6.0	Accruals	(0.4)
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B46	Most recent Net Asset Value per Share	As at 18 October 2013, the unaudited NAV per Ordinary Share of Hargreave Hale AIM VCT 1 was 74.28p and the unaudited NAV per Ordinary Share of Hargreave Hale AIM VCT 2 was 102.44p.																								
<b>C</b>		<b>Securities</b>																								
C1	Description and class of securities	The securities being offered pursuant to the Offers are Ordinary Shares of 1p each in Hargreave Hale AIM VCT 1 (ISIN: GB00B02WHS05) and Ordinary Shares of 1p each in Hargreave Hale AIM VCT 2 (ISIN: GB00B1GDYS53) (" <b>New Ordinary Shares</b> ").																								
C2	Currency	Each Company's share capital comprises Ordinary Shares of 1p each.																								
C3	Shares in issue	<p>Hargreave Hale AIM VCT 1 has 27,730,188 Ordinary Shares in issue at the date of this document (excluding 2,711,134 Ordinary Shares held in treasury) (all fully paid up) and Hargreave Hale AIM VCT 2 has 10,165,230 Ordinary Shares in issue at the date of this document (all fully paid up).</p> <p>Assuming that the Maximum Subscription is achieved for each Company and that all allotments were made on the basis of the NAV per Ordinary Share as at 18 October 2013, the maximum number of New Ordinary Shares to be issued pursuant to the Offers is 12,992,074 for Hargreave Hale AIM VCT 1 and 9,419,743 for Hargreave Hale AIM VCT 2.</p>																								

C4	Description of the rights attaching to the securities	The New Ordinary Shares will rank equally in all respects with each other and with the existing Ordinary Shares.
C5	Restrictions on transfer	The New Ordinary Shares will be listed on the premium segment of the Official List and, as a result, will be freely transferable.
C6	Admission	Application has been made to the UK Listing Authority for the New Ordinary Shares to be listed on the Official List and will be made to the London Stock Exchange for such shares to be admitted to trading on its main market for listed securities. It is anticipated that dealings in the New Ordinary Shares will commence within 10 business days following allotment.
C7	Dividend policy	Both Companies have well established track records of paying out tax free dividends to their Shareholders. The intention is to continue the existing policy of targeting a 5% distribution yield (referenced to the financial year end Net Asset Value per Share), although the ability to pay dividends will clearly be influenced by various factors, including performance.
<b>D</b>		<b>Risks</b>
D2	Key information on the risks specific to the Companies	<ul style="list-style-type: none"> <li>• The Companies will invest principally in small companies with gross assets of less than £15 million prior to investment and this may limit the number of investment opportunities available to the Companies. In addition small companies generally have a higher risk profile than larger and they may not produce the anticipated returns.</li> <li>• Past performance of the Companies and their investments is no indication of their future performance. The return received by Investors will be dependent on the performance of the underlying investments of the Companies. The value of such investments, and interest income and dividends there from, may rise or fall.</li> <li>• Investments may be made in companies whose shares are not readily marketable and, therefore, may be difficult to realise. There may also be constraints imposed on the realisation of investments to maintain the VCT tax status of the Companies.</li> <li>• The Investment Manager's ability to obtain maximum value from the investments (for example, through sale) may be limited by the requirements imposed in order to maintain the VCT qualification status of the Companies.</li> <li>• Whilst it is the intention of the Directors that the Companies will continue to be managed so as to qualify as VCTs, there can be no guarantee that the VCT status will be maintained, which may result in adverse tax consequences.</li> <li>• The conditions determining whether an investment of the Companies is a Qualifying Investment under the VCT rules may change and such changes could limit the types of investments available to the Companies.</li> <li>• Changes in legislation concerning VCTs in general, and Qualifying Investments and qualifying trades in particular, may restrict or adversely affect the ability of the Companies to meet their objectives and/or reduce the level of returns which would otherwise have been achievable. The levels and basis of, and relief from, taxation are those available for the 2013/14 tax year and are subject to change. Such changes could be retrospective. Those shown in this document are based upon current legislation, practice and interpretation. The tax reliefs for future tax years are subject to change.</li> <li>• In April 2013, the FCA published a policy statement on payments to platform service providers and cash rebates from providers to consumers (PS 13/1). The Companies may operate in, what the FCA terms in PS13/1, an 'adjacent market'. These are essentially non-platform firms which act in a similar capacity to platforms but are not considered to be platforms under the FCA's rules. Due to the feedback that the FCA received to Consultation Paper CP12/12, the FCA has said that it will consider adjacent markets in the future as part of its ongoing work and intends to consult on rules in respect of rebates at a later date if necessary.</li> </ul>

		<ul style="list-style-type: none"> <li>The Finance Act 2012 excludes the use of VCT funds raised on or after 6 April 2012 for the purchase by Qualifying Companies of shares in another company. This may limit the number of Qualifying Investments available to the VCTs.</li> <li>The Finance Act 2012 has increased the maximum annual amount that can be invested in an individual company from £2 million to £5 million. This investment limit extends beyond VCTs and includes all other sources of State-aided risk capital. A breach of this limit may lead to HMRC withdrawing the Companies' status as a VCT with potentially adverse tax consequences, including the claw back of the 30% income tax relief from those investors who have not held their shares for five years.</li> </ul>
D3	Key information on the risks specific to the securities	<ul style="list-style-type: none"> <li>An investment into Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2 should be for a minimum of five years. If a Shareholder disposes of their New Ordinary Shares within five years of issue they will be subject to claw back by HM Revenue &amp; Customs of some or all of the 30% income tax relief originally claimed.</li> <li>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, may go down as well as up. An Investor may not get back the amount originally invested.</li> <li>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.</li> <li>Although the existing Shares are already listed on the premium segment of the Official List and are admitted to trading on the London Stock Exchange, and the New Ordinary Shares will be listed on the premium segment of the Official List and admitted to trading on the London Stock Exchange, the secondary market for VCT shares is generally illiquid and Shareholders may find it difficult to realise their investment. An investment in the Companies should, therefore, be considered as a long-term investment.</li> <li>In July 2013 HMRC issued a consultation paper, "Venture Capital Trusts share buy-backs", which proposes restricting tax relief on subscription for shares in a VCT after 5 April 2014, where, within 6 months, the investor had disposed of shares in that VCT, or a VCT with the same or similar investment management. If introduced, such proposals may lead to a restriction on income tax relief available to an Investor for the issue of Ordinary Shares, if within 6 months the subscriber had disposed of shares in either of the Hargreave Hale AIM VCTs. The paper also suggests that limits may be placed on the amount of tax free dividends a VCT can pay and that such payments may even be restricted.</li> </ul>
<b>E</b>		<b>Offers</b>
E1	Offers net proceeds and expenses	<p>The Boards propose to raise up to £20 million in aggregate through an offer for subscription of New Ordinary Shares in each Company, comprising £10 million through an offer for subscription of New Ordinary Shares in Hargreave Hale AIM VCT 1 and £10 million through an offer for subscription of New Ordinary Shares in Hargreave Hale AIM VCT 2.</p> <p>The costs and expenses relating to the Offers will be 3.5% of gross funds raised by the relevant Company under the Offers, therefore costs and expenses of 3.5% (and the Adviser Charge, if applicable) will be deducted from the Investor's subscription. Assuming full subscription under the Offers, the total net proceeds of the Offers after all fees, are expected to be £9.65 million for Hargreave Hale AIM VCT 1 and £9.65 million for Hargreave Hale AIM VCT 2.</p>
E2a	Reasons for the Offers and use of the proceeds	<p>The raising of further funds by way of the Offers is intended to create the following benefits:</p> <ul style="list-style-type: none"> <li>provide the Companies with new capital for investment into small companies in accordance with the investment policy of each Company;</li> <li>attract new capital to both Companies that will help promote their long time viability, meet expenses and reduce the Total Expense Ratios; and</li> </ul>

		<ul style="list-style-type: none"> <li>provide existing and new investors with the opportunity to invest into small companies through a tax efficient structure and with an award winning Investment Manager that has a long track record of successful investment into small companies.</li> </ul>
E3	Terms and conditions of the Offers	New Ordinary Shares issued under the Offers, the implementation of which are conditional on the Offer Agreement becoming unconditional, will be at an offer price calculated by the most recently published NAV of an Ordinary Share at the time of allotment (to avoid dilution to Existing Shareholders), divided by 0.965 New Ordinary Shares will be issued at a 3.5% premium to the Net Asset Value per Share to make allowance for the costs of the Offer. Proceeds from each Offer will be invested in accordance with the investment policy of each Company.
E4	Description of any interest that is material to the issue	Not applicable. There are no interests that are material to the issue.
E5	Name of persons selling securities	Not applicable. No person or entity is selling securities in the Companies.
E6	Amount and percentage of dilution	If the Offers were fully subscribed, the existing 27,730,188 Shares of Hargreave Hale AIM VCT 1 would represent 68% of the enlarged issued share capital of Hargreave Hale AIM VCT 1 and the existing 10,165,230 Shares of Hargreave Hale AIM VCT 2 would represent 52% of the enlarged issued share capital of Hargreave Hale AIM VCT 2 (assuming, in each case, that all allotments were made on the basis of the NAV per Ordinary Share as at 18 October 2013).
E7	Expenses charged to the Investor	<p>Costs and expenses of 3.5% (and the Adviser Charge, if applicable) will be deducted from the Investor's subscription.</p> <p>If an Investor's financial intermediary provides him with advice in respect of his investment in New Ordinary Shares, such Investor may have agreed to pay an Adviser Charge to such financial intermediary, which the Investor will be responsible for paying.</p> <p>If no advice has been provided by a financial intermediary to an Investor in respect of his application for New Ordinary Shares then Hargreave Hale will pay introductory commission to such financial intermediary at the rate of 1% on the value of successful applications submitted through them (or introductory commission of 0.5% plus trail commission). The introductory commission may be waived by intermediaries and reinvested on behalf of clients through an additional allotment of New Ordinary Shares.</p>

## RISK FACTORS

Although the significant tax benefits available to Investors in Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2 reduce the risk of the investment, prospective Investors should consider carefully the following risk factors. If any of the risks described below were to occur, it could have a material effect on each of the Companies' businesses, financial condition or results of operations. The risks described below are those specific to the Companies and all the material risks in respect of the New Ordinary Shares. 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 Offers.

- An investment into Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2 should be for a minimum of five years. If a Shareholder disposes of their New Ordinary Shares within five years of issue they will be subject to claw back by HM Revenue & Customs of some or all of the 30% income tax relief originally claimed.
- Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2 will invest principally in small companies with gross assets of less than £15 million prior to investment. This may limit the number of investment opportunities available to the Companies. Small companies generally have a higher risk profile than larger 'blue chip' companies on account of various factors such as greater reliance on fewer larger customers, less financial resilience, weak or negative cash flow from operations, less management resource, controlling shareholders and volatile share prices. They may not produce the anticipated returns.
- Since the value of a VCT depends on the performance of the underlying assets, prospective Investors should be aware that the value of New Ordinary Shares, and the income from them, may go down as well as up. An Investor may not get back the amount originally invested.
- Past performance of the Companies and their investments is no indication of their future performance. The return received by Investors will be dependent on the performance of the underlying investments of the Companies. The value of such investments, and interest income and dividends there from, may rise or fall.
- Investments may be made in companies whose shares are not readily marketable and, therefore, may be difficult to realise. ISDX is not regulated by either the UK Listing Authority or the London Stock Exchange. The fact that a share is quoted on ISDX, or on AIM, does not guarantee its liquidity, and an investment in such shares (in particular on ISDX) may be difficult to realise. There may also be constraints imposed on the realisation of investments to maintain the VCT tax status of the Companies.
- The Investment Manager's ability to obtain maximum value from the investments (for example, through sale) may be limited by the requirements imposed in order to maintain the VCT qualification status of the Companies.
- Whilst it is the intention of the Directors that the Companies will be managed so as to continue to qualify as a VCT, there can be no guarantee that the status will be maintained. A failure to maintain the qualifying status could result in the Companies losing the tax reliefs previously obtained, resulting in adverse tax consequences for Investors. Possible adverse consequences include: a requirement to repay the 30% income tax relief for those who have not held their shares for five years; loss of income tax relief on dividends paid (or subsequently payable) by the Companies; loss of tax relief previously obtained in relation to corporation tax on capital gains made by the Companies; a liability to capital gains tax on the disposal of New Ordinary Shares; and the potential cancellation of the shares from the London Stock Exchange's Official List, which would require shareholder approval.
- Changes in legislation concerning VCTs in general, and Qualifying Investments and qualifying trades in particular, may restrict or adversely affect the ability of the Companies to meet their objectives and/or reduce the level of returns which would otherwise have been achievable. The levels and basis of, and relief from, taxation are those available for the 2013/14 tax year and are subject to change. Such changes could be retrospective. Those shown in this document are based upon current legislation, practice and interpretation. The tax reliefs for future tax years are subject to change and

Investors should seek their own tax advice appropriate to their individual circumstances.

- In July 2013 HMRC issued a consultation paper, “Venture Capital Trusts share buy-backs”, which proposes restricting tax relief on subscription for shares in a VCT after 5 April 2014, where, within 6 months, the investor had disposed of shares in that VCT, or a VCT with the same or similar investment management. If introduced, such proposals may lead to a restriction on income tax relief available to an Investor for the issue of Ordinary Shares, if within 6 months the subscriber had disposed of shares in either of the Hargreave Hale AIM VCTs. The paper also suggests that limits may be placed on the amount of tax free dividends a VCT can pay and that such payments may even be restricted.
- In April 2013, the FCA published a policy statement on payments to platform service providers and cash rebates from providers to consumers (PS 13/1). The Companies may operate in, what the FCA terms in PS13/1, an ‘adjacent market’. These are essentially non-platform firms which act in a similar capacity to platforms but are not considered to be platforms under the FCA’s rules. Due to the feedback that the FCA received to Consultation Paper CP12/12, the FCA has said that it will consider adjacent markets in the future as part of its ongoing work and intends to consult on rules in respect of rebates at a later date if necessary.
- It is possible for Investors to lose their tax reliefs by themselves taking or not taking certain steps, and Investors are advised to take their own independent financial advice on the tax aspects of their investment.
- Although the Ordinary Shares are already listed on the premium segment of the Official List and are admitted to trading on the London Stock Exchange, and the New Ordinary Shares will be listed on the premium segment of the Official List and admitted to trading on the London Stock Exchange, it is possible that there may not be a liquid market in the New Ordinary Shares and Shareholders may have difficulty in selling them, primarily because the initial income tax relief is only available to those subscribing for newly issued shares. The Ordinary Shares usually trade at a discount to the Net Asset Value of the Companies. The Directors intend, subject to liquidity, the Listing Rules, the Prospectus Rules, the Act 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 5% to the last published NAV of the relevant Company. However, the Directors reserve the right to suspend or amend the buy-back policy in certain circumstances.
- The conditions determining whether an investment of the Companies is a Qualifying Investment under the VCT rules may change and such changes could limit the types of investments available to the Companies.
- The Finance Act 2012 excludes the use of VCT funds raised on or after 6 April 2012 for the purchase by Qualifying Companies of shares in another company. This may limit the number of Qualifying Investments available to the VCTs.
- The Finance Act 2012 has increased the maximum annual amount that can be invested in an individual company from £2 million to £5 million. This investment limit extends beyond VCTs and includes all other sources of State-aided risk capital. A breach of this limit may lead to HMRC withdrawing the Companies’ status as a VCT with potentially adverse tax consequences, including the claw back of the 30% income tax relief from those investors who have not held their shares for five years.

## EXPECTED TIMETABLE

Offers open	1 November 2013
Closing date for receipt of applications for investment in the Offers for the 2013/14 tax year	12.00 p.m. on 4 April 2014
Closing date for receipt of applications for investment in the Offers for the 2014/15 tax year	12.00 p.m. on 31 October 2014
First allotment	On or before 18 November 2013
Subsequent allotments	Monthly
Admission and dealings expected to commence	Within 10 business days of any allotment
Dispatch of Share and tax certificates	Within 10 business days of any allotment

The closing date for receipt of applications is subject to the Offers not being fully subscribed by an earlier date. The Directors reserve the right to allot and issue New Ordinary Shares at any time whilst the Offers remain open. The Offers are not underwritten.

## OFFER STATISTICS

Offer Price per Ordinary Share in relation to the relevant Company	<p>The price at which the Ordinary Shares in the relevant Company will be allotted will be calculated on the basis of the following formula (the "Pricing Formula"):</p> <p>The last Net Asset Value of an existing Ordinary Share in issue in the relevant Company as published by the relevant Company prior to the date of allotment divided by 0.965 to allow for issue costs of 3.5% calculated, in pence, to two decimal places.</p> <p>Therefore costs and expenses of 3.5% (and the Adviser Charge, if applicable) will be deducted from the Investor's subscription.</p>
Minimum subscription per Investor	<p>The minimum subscription per Investor is £5,000 (and from this amount no less than £2,500 may be invested in each Company if the subscription is to be split equally or otherwise between both Companies). Applications in respect of less than £5,000 in aggregate will not be accepted.</p>

### Hargreave Hale AIM VCT 1

Maximum net proceeds of the Offer of Ordinary Shares*	£9,650,000
Maximum number of Ordinary Shares in issue following the Offer*	40,722,262
Minimum investment in the Company	£2,500

### Hargreave Hale AIM VCT 2

Maximum net proceeds of the Offer of Ordinary Shares*	£9,650,000
Maximum number of Ordinary Shares in issue following the Offer*	19,584,973
Minimum investment in the Company	£2,500

\* Assuming that the Maximum Subscription is achieved for each Company and all the allotments were made on the basis of the NAV per Ordinary Share for the relevant Company as at 18 October 2013, excluding 2,711,134 Ordinary Shares held in treasury in respect of Hargreave Hale AIM VCT 1.



## DIRECTORS, INVESTMENT MANAGER AND ADVISERS

### Directors

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

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

in all cases of:  
Accurist House  
44 Baker Street  
London  
W1U 7AL

### Registered Office

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44 Baker Street  
London  
W1U 7AL

### Registrars

Equiniti  
Aspect House  
Spencer Road  
Lancing  
West Sussex  
BN99 6DA

### Secretary

Stuart Brookes  
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FY4 5LZ

### Principal Bankers

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139 St Vincent Street  
Glasgow  
G2 5JF

### Investment Manager

Hargreave Hale Limited  
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Hallam Way  
Blackpool  
FY4 5LZ

### Marketing Adviser and Receiving Agents in Relation to the Offers

Hargreave Hale Limited  
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Blackpool  
FY4 5LZ

### Sponsor to the Offers

Nplus 1 Singer Advisory LLP  
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London  
EC2N 2AX

### Custodians

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Blackpool  
FY4 5LZ

### VCT Taxation Advisers

PricewaterhouseCoopers LLP  
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London  
WC2N 6RH

**Solicitors to the Offers**

Pinsent Masons LLP  
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London  
EC2A 4ES

**Auditors**

BDO LLP  
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London  
W1U 7EU

**Brokers to the Companies**

Nplus 1 Singer Advisory LLP  
1 Bartholomew Lane  
London  
EC2N 2AX

## WHAT IS A VCT?

### INTRODUCTION

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

A 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 financial adviser. A more detailed explanation of the tax implications relating to VCT's is set out in Part II.

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

##### *On dividends*

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

#### Relief from capital gains tax

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

### OBTAINING TAX RELIEFS

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

### INVESTORS NOT RESIDENT IN THE UK

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

## PART I

### A. INTRODUCTION

Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2 are seeking to raise up to £10 million each through an offer for subscription of New Ordinary Shares. **This will give investors an opportunity to subscribe for New Ordinary Shares and, subject to the satisfaction of relevant criteria, receive income tax relief of up to 30 per cent. in the 2013/14 and/or 2014/15 tax years (as applicable).**

The new money will be invested by the award winning Hargreave Hale investment team which has a proven track record of investment in smaller companies. Most of the investments will be made in small Qualifying Companies which are listed on AIM.

The Directors believe that in respect of both Companies, raising new capital will ensure that they have sufficient liquid funds to support their investment objectives of investing in both Qualifying Investment and Non-Qualifying Investment opportunities and reduce the Total Expense Ratios whilst at the same time having sufficient resources to continue the Companies' dividend and share buy-back policies. Furthermore, the Directors would like to take advantage of the recently amended legislation which enables investment to be made by VCTs in larger companies with assets of up to £15 million and with up to 250 employees.

The two Companies have identical investment policies and are subject to the same VCT legislation. They have established investment portfolios of qualifying investments albeit with some minor differences. In particular, Hargreave Hale AIM VCT 1 has some larger companies on its portfolio and greater exposure to Qualifying Investments. Both Companies have the ability to invest in the Marlborough Special Situations Fund, which is run by the same team as the Companies, and has returned 1,589.02%<sup>2</sup> since Giles Hargreave took responsibility for it in July 1998.

Both Companies have a common dividend policy that targets a distribution of 5% of Net Asset Value annually. To improve liquidity, both Companies have established buy-back policies and, with effect from 6 April 2012, the Companies have been buying-back Ordinary Shares at a 5% discount to the prevailing Net Asset Value per Share, thereby improving Shareholder returns on exit. The dividend and share buy-back policies are non-binding and are at each Board's discretion.

### B. REASONS FOR THE OFFERS

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

- provide the Companies with new capital for investment into Qualifying Companies under the amended and less onerous VCT legislation introduced through the Finance Act 2012 allows investment into more substantial companies than was previously the case;
- attract new capital to both Companies that will help promote their long time viability, meet expenses and reduce the Total Expense Ratios. The extent to which the Total Expense Ratios are reduced will depend on the amount raised under the Offers; and
- provide existing and new investors with the opportunity to invest into small companies through a tax efficient structure and with an award winning Investment Manager that has a long track record of successful investment into small companies.

### C. ABOUT THE COMPANIES

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

In both cases, the Investment Manager has already built an existing and diversified portfolio of Qualifying Investments. Both Companies met the HMRC guidelines for VCTs by the required date and have continued to

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<sup>2</sup> 1 July 1997 to 18 October 2013, source: Marlborough Fund Managers.

do so since. The existing portfolios have a strong bias towards companies with a quotation on AIM, however, there are a limited number of investments in ISDX-quoted and private companies.

#### **Hargreave Hale AIM VCT 1**

Hargreave Hale AIM VCT 1 is an established VCT that was originally launched in August 2004 as the Keydata AIM VCT and on 30 September 2009 was renamed Hargreave Hale AIM VCT 1 plc. The fund raised £14.3 million through an Ordinary Share issue in 2004/5 and then a further £17.9 million in 2005/6 through a C share issue. The C shares were converted into Ordinary Shares on 8 October 2008 based on the audited Net Asset Value per Share on 30 September 2008. Hargreave Hale has been the appointed Investment Manager and custodian from the outset. £4.4 million was raised between 2010 and 2013 through further offers, whilst £5.2 million was raised through the 2012 enhanced share buy-back.

As at 30 September 2013 Hargreave Hale AIM VCT 1 was 94.20% invested in Qualifying Investments (as defined in the ITA).

#### **Hargreave Hale AIM VCT 2**

Hargreave Hale AIM VCT 2 is an established VCT that was originally launched in September 2006 as the Keydata AIM VCT 2 and on 30 September 2009 was renamed Hargreave Hale AIM VCT 2 plc. The Company raised £4.6 million through an Ordinary Share issue in 2006/7. Hargreave Hale has been the appointed Investment Manager and custodian from the outset. £6.5 million was raised between 2010 and 2013 through further offers, whilst £1.7 million was raised through the 2012 enhanced share buy-back.

As at 30 September 2013 Hargreave Hale AIM VCT 2 was 81.17% invested in Qualifying Investments (as defined in the ITA).

### **D. DIVIDEND HISTORY AND POLICY**

Both Companies have well established track records of paying out tax free dividends to their Shareholders. The table below shows the cumulative dividend distributions paid to date to holders of Ordinary Shares. The yields listed are calculated with reference to the closing Net Asset Value per Share in the financial year to which the dividends relate.

#### **Hargreave Hale AIM VCT 1 Ordinary Shareholders**

<i>Financial Year</i>	<i>Dividends Paid</i>	<i>Year End NAV Yield</i>	<i>Cumulative Total</i>	<i>Comments</i>
2005/6	5p	4.7%	5p	First full financial year
2006/7	5p	4.8%	10p	
2007/8	5p	7.6%	15p	
2008/9	2p	3.1%	17p	No final dividend was paid in January 2010 in respect of the financial year ended 30 September 2009
2009/10	4p	6.4%	21p	
2010/11	4p	6.5%	25p	
2011/12	3.25p	5.3%	28.25p	
2012/13	1.5p	2.1%	29.75p	Interim dividend only, final dividend to be announced

## Hargreave Hale AIM VCT 2 Ordinary Shareholders

Financial Year	Dividends Paid	Year End NAV Yield	Cumulative Total	Comments
2007/8 <sup>1</sup>	4p	4.1%	4p	
2008/9	5p	5.2%	9p	No interim dividend was paid in November 2008 in respect of the half-year ended 31 August 2008.
2009/10	5p	4.9%	14p	
2010/11	5p	4.6%	19p	
2011/12	5p	5.2%	24p	
2012/3	5p	5.2%	29p	

1. Due to a change in accounting periods, Hargreave Hale AIM VCT 2 did not present a full set of accounts in February 2008. For ease of reference, this table assumes the VCT's accounting period end has been in February throughout the life of the company.

The intention is to continue the existing policy of targeting a 5% distribution yield (referenced to the Net Asset Value of each Company), although the ability to pay dividends will clearly be influenced by the underlying investment performance of the Ordinary Shares and the relevant Company's available reserves and cash resources, the Act and the Listing Rules. In good years, the Directors may consider a higher dividend payment; in poor years, the Directors may reduce or even pay no dividend.

## E. RETURNS ON PREVIOUS OFFERS OF THE COMPANIES

Below is a table outlining returns as at 18 October 2013 to Shareholders of the Companies. The returns, which assume an initial investment of £10,000 are net of fees and assume a gross price paid of 100 pence per Ordinary Share in the financial year in which the relevant share was launched. When establishing the return net of tax relief, the calculation assumes a net cost to Shareholders of 60p per share for shares in Hargreave Hale AIM VCT 1 and 70 pence per share for shares in Hargreave Hale AIM VCT 2.

Tax Year	Company	NAV	Dividends	Total Return <sup>1</sup>	Return excl. Tax Relief	Return incl. Tax Relief	FTSE AIM All-Share <sup>2</sup>
2004/5	Hargreave Hale AIM VCT 1 (Ordinary Shares)	£7,428	£2,975	£10,403	4.0%	73.4%	-26.6%
2005/6	Hargreave Hale AIM VCT 1 (C shares <sup>3</sup> )	£9,206	£2,272	£11,478	14.8%	91.3%	-33.6%
2006/7	Hargreave Hale AIM VCT 2 (Ordinary Shares)	£10,244	£2,900	£13,144	31.4%	87.8%	-31.0%

Notes:

- Returns based on unaudited NAV of Hargreave Hale AIM VCT and Hargreave Hale AIM VCT 2 as at 18 October 2013.
- Source: Bloomberg— from the closing value of the relevant index on 5 April of the year of issue of the relevant shares to 18 October 2013.
- 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.

## F. SHARE BUY-BACK HISTORY AND MANAGEMENT OF SHARE LIQUIDITY

In order to improve the liquidity in the Ordinary Shares of both Companies, each Board has established buy-back policies whereby each Company will purchase Ordinary Shares for cancellation. Over many years, Hargreave Hale AIM VCT 1 has consistently demonstrated its commitment to improving Shareholder liquidity through its regular share buy-back policy, which has seen it acquire 9,927,522 Ordinary Shares at a discount of approximately 10% to the prevailing Net Asset Value per share. In the case of Hargreave Hale AIM VCT 2, the early Shareholders only emerged from their five year lock-in in March 2012. As a result, Hargreave Hale AIM

VCT 2 has only acquired 917,649 Ordinary Shares through its regular share buy-back policy.

With effect from 6 April 2012, the Companies have been buying back Ordinary Shares at a 5% discount to the prevailing Net Asset Value per share. The Directors believe that the reduced discount between the share price and the Net Asset Value per share improves Shareholder returns on exit. They also believe the current policy is one of the most attractive in the AIM and generalist VCT sector and will help attract potential investors who previously viewed the 10% discount as a deterrent to investment.

The 5% buy-back discount is non-binding and at the Directors' discretion. The Directors reserve the right to return to the previous policies of purchasing shares at 10% below Net Asset Value per share, or in extremis to suspend share buy-backs, if the policy places the Companies' cash and liquid assets under undue pressure or leads to instability within the Shareholder base.

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

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

## **G. INVESTMENT POLICIES OF BOTH COMPANIES**

*The investment policies for each Company are 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; and
- targeted investment in equities which are non-qualifying investments on an opportunistic basis to boost the performance of the Company.
- 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**

The Company 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 ISDX-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 a 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 the Company 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 of the VCT beginning no later than three years after the date on which those shares are issued.

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 key selection criteria used by the Investment Manager in deciding which Qualifying Investments to make 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 are 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 Companies will have 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 Companies to maintain their 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 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 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.



## H. MANAGEMENT OF INVESTMENT POLICY

### Deal Flow

Hargreave Hale manages in total approximately £2.83 billion. The fund management team has approximately £1.6 billion under management, of which approximately £1.4 billion is invested in small companies, many of which are quoted on AIM. The breadth of the investment team, the scale of investment in small companies and the Investment Manager's track record and many years of investing in AIM and ISDX-quoted (formerly OFEX) companies help attract deal flow.

The investment team has regular meetings, typically 14 per week, with small companies, a number of which would be suitable for investment by the Funds. These relationships, along with the ability to co-invest alongside the other funds managed by the Investment Manager, should increase the quality and quantity of the investment pipeline.

In the 12 months prior to 31 October 2013, Hargreave Hale AIM VCT 1 made 10 Qualifying Investments, whilst Hargreave Hale AIM VCT 2 made 12 Qualifying Investments.

### Post-Investment Management

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

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

### Co-Investment Policy

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

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

### Valuation Policy

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

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

## I. RISK MANAGEMENT

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

- **Broad portfolio of companies** – These help reduce stock specific risk, but not market risk. Whilst both Companies have stable and diversified portfolios, the Investment Manager may need to add to the portfolios of Qualifying Investments.
- **Significant proportion of investments in gilts, other fixed interest securities and bank deposits** – A significant proportion of funds will be invested by the Investment Manager in this way, although the level of the exposure will vary depending on the Investment Manager's view of the equity markets.
- **Close monitoring of investments** – The Investment Manager will closely monitor the performance

of all the investments made by the Companies in order to identify any problems and to enable it to take swift corrective action where possible.

- **Co-investment** – The Investment Manager manages other non-VCT funds that can invest in the same companies as the Companies. In appropriate circumstances, therefore, the Companies will invest alongside such other funds. Further details are set out the paragraph headed "Co-Investment Policy" at paragraph H (Management of Investment Policy) above.
- **Risk reports** - The Investment Manager prepares and distributes regular risk reports to the boards of directors of the Companies. These reports pay particular attention to the top ten investments and provide an oversight of potential vulnerabilities such as the concentration of balance sheet and earnings risk, free cash flow and valuation risk.

## J. THE OFFERS

### Terms and Conditions

The Offers are conditional on the Offer Agreement referred to in paragraph 9 of Part V becoming unconditional and not being terminated in relation to a Company in accordance with its terms. The Offers are not inter-conditional.

Investors are invited to subscribe an amount in pounds sterling rather than apply for a particular number of Ordinary Shares.

### Personal Investment Levels

The minimum subscription per Investor is £5,000 in respect of the Offers (and from this amount no less than £2,500 may be invested in each Company if the subscription is to be split equally or otherwise between both Companies). Applications in respect of less than £5,000 in aggregate will not be accepted. The maximum investment which can be made in order to qualify for the personal tax reliefs available from a VCT is currently £200,000 per person per tax year. Applicants may make multiple applications under each of the Offers, provided that the investor guidelines for VCTs are followed. The Investor should take appropriate independent financial advice.

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

### Timetable

The Offers will open on 1 November 2013, subject to the conditions set out above. The first allotment under the Offers is expected to be on or before 18 November 2013. Thereafter, the Directors reserve the right to allot Ordinary Shares at any time whilst the Offers remain open.

The closing date for the Offers in respect of the 2013/14 tax year will be at 12.00 p.m. on 4 April 2014. If the Offers are not fully subscribed at that time, the Directors reserve the right to allow the Offers to remain open for at least part of the 2014/15 tax year, but not beyond 12.00 p.m. on 31 October 2014.

The results of the Offers will be announced through a regulatory information service within 3 business days of the closing of the Offers. Dealings in New Ordinary Shares are expected to commence within 10 business days of the relevant allotments.

### Pricing Formula

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

$$\text{Price of New Ordinary Share} = \frac{\text{Last Net Asset Value per Ordinary Share}}{0.965}$$

The price will be calculated in pence to two decimal places. New Ordinary Shares will be issued at a 3.5% premium to the Net Asset Value per Share to make allowance for the costs of the Offers.

Monies which are not sufficient to buy one New Ordinary Share will not be returned to applicants but will be retained by the relevant Company and fractions of New Ordinary Shares will not be issued. The New Ordinary Shares to be issued pursuant to the Offers will rank pari passu with the existing Ordinary Shares of the relevant Company.

#### **Worked Example:**

As at 18 October 2013, the unaudited Net Asset Value per Ordinary Share of Hargreave Hale AIM VCT 1 was 74.28p, which would have resulted in an Offer Price of 76.97p per New Ordinary Share (74.28p divided by 0.965).

As at 18 October 2013, the unaudited Net Asset Value per Ordinary Share of Hargreave Hale AIM VCT 2 was 102.44p, which would have resulted in an Offer Price of 106.16p per New Ordinary Share (102.44p divided by 0.965).

#### **Listing**

Application will be made to the UK Listing Authority and the London Stock Exchange for the New Ordinary Shares to be admitted to the premium segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange. All New Ordinary Shares will be transferable and will rank pari passu in all respects with existing Ordinary Shares of the relevant Company.

In the case of Investors requesting share certificates, it is intended that definitive shares certificates will be despatched within 10 business days of allotment. Prior to despatch of definitive share certificates, transfers will be certified against the register. No temporary documents of title will be issued. Investors who wish to take advantage of the ability to trade New Ordinary Shares in uncertified form, and who have access to a CREST account, may arrange to have their New Ordinary Shares allotted directly to their CREST account, or subsequently to convert their holdings to dematerialised form in CREST. Share certificates may be registered directly to an Investor's nominee company and deposited to CREST, however, applications must be made in the name of the Investor, rather than that of the nominee company.

#### **Category of Potential Investors**

A typical investor for whom the Offers are designed is an individual who is a UK income taxpayer over 18 years of age with an investment range of between £5,000 and £200,000 per tax year who considers the investment policy as detailed in Part I of this document to be attractive and can accept the high level of risk associated with an investment into a VCT. Investment in a VCT will not be suitable for every type of investor and should be considered as a medium to long term investment with a minimum holding period of five years.

**Before deciding whether to subscribe for New Ordinary Shares Investors are strongly encouraged to consult an independent adviser authorised under FSMA and to carefully consider the suitability of an investment into the Companies in light of their personal circumstances.**

#### **Adviser Charges and Commission**

As a consequence of the FCA's Retail Distribution Review, commission is no longer payable to financial intermediaries in respect of advised sales of retail investment products sold to retail investors in the UK. Therefore if an Investor's financial intermediary provides him with advice in respect of his investment in New Ordinary Shares, neither Hargreave Hale nor the Companies will pay commission to his financial intermediary. Instead, the financial intermediary will need to agree an Adviser Charge with the Investor which the Investor will be responsible for paying. The Companies can, however, facilitate the payment of an Adviser Charge on behalf of an Investor so that the Investor does not have to make a separate payment to his financial intermediary. If Investors require the Companies to facilitate the payment of any such Adviser Charge on their behalf they should request a copy of the Adviser Charge Agreement from Hargreave Hale and complete the same in accordance with the terms and return it to Hargreave Hale. Investors should also complete the relevant parts of the Application Form.

If no advice has been provided by a financial intermediary to an Investor in respect of his application for New Ordinary Shares then commission will be paid by Hargreave Hale (which will be paid out of the 3.5% fee received by Hargreave Hale pursuant to the terms of the Offer Agreement). In this regard, introductory commission is being offered to authorised financial intermediaries at the rate of 1% on the value of successful applications submitted through them (or introductory commission of 0.5% plus trail commission). The introductory commission may be waived and reinvested through an additional allotment of New Ordinary Shares.

## Platform Service Remuneration

Following a consultation process, the FCA has introduced new rules on the way in which platform service providers are remunerated in its policy statement on payments to platform service providers and cash rebates from providers to consumers (PS 13/1) which shall come into force with effect from 6 April 2014. This Prospectus has been prepared so as to be compliant with the new rules.

With effect from 6 April 2014, if an Investor makes an investment in the New Ordinary Shares via a platform service provider, neither Hargreave Hale nor the Companies will make any payment to such platform service provider unless such a payment is for pricing error corrections, administering corporate actions, research performed by the platform service provider and management information and/or advertising. The platform service provider will need to agree any Platform Charge with the Investor which the Investor will be responsible for paying. Neither Hargreave Hale nor the Companies will facilitate the payment of a Platform Charge on behalf of the Investor.

## K. INVESTMENTS OF HARGREAVE HALE AIM VCT 1 AND HARGREAVE HALE AIM VCT 2

### HARGREAVE HALE AIM VCT 1

As at 18 October 2013, the unaudited NAV per Ordinary Share of Hargreave Hale AIM VCT 1 was 74.28p.

The investment portfolio of Hargreave Hale AIM VCT 1 as at the date of this document (the values being at 18 October 2013) is as follows (all of which information is unaudited). Save as indicated by any footnotes below, there has been no material change since 18 October 2013.

	Cost	(Unaudited) Valuation	(Unaudited) Valuation
Qualifying Investments	£000	£000	%
Intercede Group plc	314	1377	7.42
Cohort plc	800	1191	6.42
Advanced Computer Software Group plc	212	1058	5.70
Abcam plc	67	1024	5.52
Mycelx Technologies Corporation plc	300	714	3.85
AnimalCare Group plc	220	700	3.77
Idox plc	135	684	3.69
Pressure Technologies Corporation plc	300	660	3.56
EKF Diagnostic Holdings plc	300	600	3.23
Vertu Motors plc	600	587	3.16
WANDisco plc	88	578	3.11
Porta Communications plc	505	555	2.99
Craneware plc	150	539	2.90
TLA Worldwide plc	300	480	2.59
Microsaic Systems plc	350	442	2.38
K3 Business Technology Group plc	270	435	2.34
APC Technology Group plc	148	371	2.00
Quixant plc	160	355	1.91
Reneuron Group plc	518	347	1.87
Hardide plc	535	335	1.80
Tasty plc	288	314	1.69

Outsourcery Group Ltd	300	303	1.63
Fusionex International plc	138	292	1.57
Mexican Grill Ltd (A Preference shares)	185	288	1.55
Instem plc	297	284	1.53
Plastics Capital plc	250	267	1.44
Lidco Group plc	220	253	1.36
Imaginatik plc	180	222	1.19
Tangent Communications plc	400	215	1.16
Flowgroup plc	399	175	0.94
Universe Group plc	210	158	0.85
Jelf Group plc	174	141	0.76
TrakM8 Holdings plc	133	133	0.72
Nektan Ltd	130	130	0.70
Progressive Digital Media Group plc	173	120	0.65
Egdon Resources plc	158	120	0.64
Corac Group plc	135	108	0.58
Sphere Medical Holdings plc	300	97	0.52
Brigantes Energy Ltd	50	50	0.27
Corfe Energy Ltd	50	50	0.27
Redcentric plc	214	45	0.24
DP Poland plc	37	40	0.22
Mexican Grill Ltd (Ordinary shares)	21	32	0.17
Invocas Group plc	169	12	0.07
Infoserve Group plc	200	1	0.01
TMO Renewables Ltd	200	0	0.00
	-----	-----	-----
Total qualifying investments	11,283	16,882	90.94
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<b>Non-Qualifying investments</b>			
Scottish Amicable Finance 8.5% 2049	256	281	1.52
Nationwide Building Society 7.971% 2049	242	258	1.39
Petrobras International Finance 6.25% 2026	247	256	1.38
	-----	-----	-----
Total – UK corporate bonds	745	795	4.29
	-----	-----	-----
MFM Special Situations Fund	200	223	1.2
	-----	-----	-----
Total – MFM	200	223	1.2
	-----	-----	-----

Restore plc	137	149	0.80
Telford Homes plc	100	141	0.76
Hydrodec Group plc	100	100	0.54
Amerisur Resources plc	93	91	0.49
In-Deed Online plc	268	51	0.28
Fastnet Oil & Gas plc	51	46	0.25
Mexican Grill Ltd (A Preference shares)	34	39	0.21
HELIUS energy plc	40	25	0.13
WANDisco plc	17	21	0.11
Flowgroup plc	0	0	0.00
Reneuron Group plc Warrants	0	0	0.00
TMO Renewables Ltd Warrants	0	0	0.00
	-----	-----	-----
Total - non-qualifying equities	840	663	3.57
	-----	-----	-----
Total – non-qualifying investments	1,785	1,681	9.06
	-----	-----	-----
Total investments	13,068	18,563	100.00
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## HARGREAVE HALE AIM VCT 2

As at 18 October 2013, the unaudited NAV per Ordinary Share of Hargreave Hale AIM VCT 2 was 102.44p.

The investment portfolio of Hargreave Hale AIM VCT 2 as at the date of this document (the values being at 18 October 2013) is as follows (all of which information is unaudited). Save as indicated by any footnotes below, there has been no material change since 18 October 2013.

	Book Cost	(Unaudited) Valuation	(Unaudited) Valuation
Qualifying Investments	£000	£000	%
Mexican Grill Ltd (A Preference shares)	277	432	4.39
Intercede Group plc	96	422	4.29
Mycelx Technologies Corporation plc	150	357	3.63
WANDisco plc	53	347	3.52
Advanced Computer Software Group plc	68	339	3.45
AnimalCare Group plc	100	318	3.24
Hardide plc	77	319	3.24
EKF Diagnostic Holdings plc	150	300	3.05
Quixant plc	120	266	2.71
Reneuron Group plc	220	265	2.70
Lombard Risk Management plc	92	265	2.69

Ideagen plc	100	247	2.51
TLA Worldwide plc	150	240	2.44
Lidco Group plc	146	226	2.30
Clean Air Power Ltd	150	225	2.29
Sanderson Group plc	200	225	2.29
Porta Communications plc	200	220	2.24
Microsaic Systems plc	173	218	2.21
Paragon Entertainment Ltd	200	195	1.98
TrakM8 Holdings plc	160	160	1.63
Outsourcery Group Ltd	150	151	1.54
Fusionex International plc	69	146	1.48
Omega Diagnostics Group plc	144	139	1.41
Imaginatik plc	100	123	1.25
Plastics Capital plc*	100	107	1.09
Tangent Communications plc	150	97	0.99
Electric Word plc	185	89	0.91
DP Poland plc	77	85	0.86
Corac Group plc	100	80	0.81
Futura Medical plc	75	73	0.75
Tristel plc	100	71	0.72
Nektan Ltd	70	70	0.71
Flowgroup plc	150	60	0.61
Sphere Medical Holdings plc	150	49	0.50
Mexican Grill Ltd (Ordinary shares)	31	48	0.49
Fulcrum Utility Services Ltd	100	48	0.48
Brigantes Energy Ltd	25	25	0.26
Corfe Energy Ltd	25	25	0.26
Image Scan Holdings plc	93	19	0.19
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Total qualifying investments	4,776	7,091	72.11
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\* A further Qualifying Investment was made in Plastics Capital Plc of 102,000 shares for £102,219 on 31 October 2013.

#### **Non-Qualifying investments**

UK Treasury stock 2.5% 2024	199	190	1.93
	-----	-----	-----
Total – UK gilts	199	190	1.93
	-----	-----	-----
Nationwide Building Society 7.971% 2049	247	258	2.62
Scottish Amicable Finance 8.5% 2049	154	169	1.72

Petrobras International Finance 6.25% 2026	148	153	1.56
	-----	-----	-----
Total – UK corporate bonds	549	580	5.90
	-----	-----	-----
MFM Special Situations Fund	550	668	6.79
	-----	-----	-----
Total – MFM	550	668	6.79
	-----	-----	-----
Advanced Computer Software Group plc	162	169	1.72
Cohort plc	61	124	1.26
Restore plc	114	124	1.26
Vertu Motors plc	76	117	1.19
Hydrodec Group plc	100	100	1.02
Amerisur Resources plc	93	91	0.93
Rolls Royce Holdings plc	87	82	0.83
Daily Mail & General Trust plc	80	79	0.81
Idox plc	69	76	0.77
Telford Homes plc	49	69	0.70
Tasty plc	42	66	0.67
Egdon Resources plc	90	50	0.51
Fastnet Oil & Gas plc	50	46	0.47
Genargo Ltd	22	27	0.28
In-Deed Online plc	134	26	0.26
WANDisco plc	17	21	0.21
HELIUS Energy plc	20	13	0.13
Mycelx Technologies Corporation plc	8	10	0.10
Westmount Energy Ltd	9	9	0.09
Mexican Grill Ltd (A Preference shares)	3	4	0.04
TrakM8 Holdings plc	1	1	0.01
Microsaic Systems plc	1	1	0.01
Paragon Entertainment Ltd*	1	0	0.00
TMO Renewables Ltd*	50	0	0.00
Reneuron Group plc Warrants**	0	0	0.00
TMO Renewables Ltd Warrants**	0	0	0.00
	-----	-----	-----
Total - non-qualifying equities	1,339	1,305	13.27
	-----	-----	-----
	-----	-----	-----
Total – non-qualifying investments	2,637	2,743	27.89



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Total investments	7,413	9,834	100.00
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\* This is an actual holding of less than £500

\*\* Warrants held not exercised

Further information in relation to the investments can be found in the Companies' most recent interim financial statements which can be downloaded at [www.hargreave-hale.co.uk/fund-management/venture-capital-trusts/](http://www.hargreave-hale.co.uk/fund-management/venture-capital-trusts/).

## L. THE DIRECTORS

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

### HARGREAVE HALE AIM VCT 1

#### Sir Aubrey Brocklebank

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

#### David Brock

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

#### Giles Hargreave

See page 34 for Giles Hargreave's CV.

### HARGREAVE HALE AIM VCT 2

#### David Hurst-Brown FSI

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

executive chairman of Foresight Solar VCT Plc.

### **Giles Hargreave**

See below for Giles Hargreave's CV.

### **Philip Cammerman**

Philip has over 20 years experience in engineering and high-tech industries and has worked in both the UK and USA. He has spent the last 30 years in the venture capital industry, playing a major part in the development of the YFM Group into the most active investor in UK SME's. He retired from all YFM Group business in April 2008 following its disposal. Philip has been responsible for a wide range of venture capital deals in a variety of industries including software, computer maintenance, engineering, printing, safety equipment, design and textiles. In addition to his directorship of Hargreave Hale AIM VCT 2 plc, Philip is a non executive director of Pressure Technologies plc, British Smaller Companies VCT plc and Howmac Ltd.

## **DIRECTORS' SUBSCRIPTIONS**

Giles Hargreave is intending to subscribe £25,000 for New Ordinary Shares in Hargreave Hale AIM VCT 1 under the Offer relating to that Company.

Giles Hargreave is intending to subscribe £25,000 for New Ordinary Shares in Hargreave Hale AIM VCT 2 under the Offer relating to that Company.

## **M. THE INVESTMENT MANAGER: HARGREAVE HALE LIMITED**

The Companies are managed by Hargreave Hale Limited, a fund manager with approximately £2.83 billion under management (source: Hargreave Hale, 18 October 2013). Hargreave Hale has been managing investments in UK Small and Micro Cap companies for 15 years and VCTs for 9 years. It has a long established reputation that stems from its management of the Marlborough Special Situations Fund and the Marlborough UK Micro Cap Fund, and more recently the VCTs. It has won numerous awards for its management of small cap funds, most recently the 2012 Quoted Company 'Investor of the Year' Award. In accordance with the investment policy, both Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2 have made investments in the Marlborough Special Situations Fund, which has returned 1,589.02% since Giles Hargreave took responsibility for it in July 1998.

The investments of the Companies are co-managed by Giles Hargreave and Oliver Bedford, with support from the rest of the firm's investment team together comprising a total investment team of 9. The investment team manages approximately £1.6 billion, of which approximately £1.4 billion is invested in small companies, many of which are quoted on AIM. The breadth of the investment team, the scale of investment in small companies and the Investment Manager's track record help attract deal flow.

### **Giles Hargreave**

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

### **Oliver Bedford BSc MCSI**

Oliver Bedford graduated from Durham University in 1995 with a degree in Chemistry. He served in the British Army for 9 years before joining Hargreave Hale in 2004. Oliver co-manages the Companies with Giles Hargreave and supports the other unit trusts through the investment committee. He also runs a multi asset portfolio service.

### **George Finlay MA Oxon**

George Finlay has been involved in institutional research and fund management since graduating from

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

#### **Guy Feld MA Oxon FCSI**

Guy Feld, a graduate of Oxford University, has over 17 years City experience in both fund management and broking at BZW, UBS and Teather & Greenwood. Guy joined the team as a research adviser in 2003 and has a particular focus on the technology sector and other "New Economy" and growth companies. Guy co-manages the Marlborough UK Micro Cap Growth Fund and the Marlborough UK Nano-Cap Growth Fund with Giles Hargreave.

#### **Richard Hallett FCA**

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

#### **Siddarth Chand Lall MA**

Siddarth Chand Lall graduated from Edinburgh University with a Masters in Economics in 2002. Sid is the co-manager of the Marlborough Multi Cap Income Fund with Giles Hargreave. He also supports the other Marlborough funds in an advisory role. Formerly of DSP, Sid joined Hargreave Hale in 2007.

#### **David Walton MA Cantab ASIP**

David Walton, a graduate of Cambridge University, joined Hargreave Hale in January 2013. Prior to joining Hargreave Hale, David held fund management positions at M&G and Baillie Gifford, where he managed small and mid-cap European equity funds. David manages the Marlborough European Trust and is co-manager of the Marlborough UK Nano-Cap Growth Fund and the Marlborough UK Nano-Cap Growth Fund.

#### **Jean Roche MSc CFA**

Jean Roche achieved a First Class MSc in Financial Mathematics from Dublin City University after graduating from the National University of Ireland, Galway, with a First Class double honours degree. She has more than 14 years' experience as a financial analyst including Morgan Stanley and Panmure Gordon and was named Europe's Best Retail Analyst by the Wall Street Journal in May 2013.

#### **Will Searle BSc**

Will Searle joined Hargreave Hale in September 2010 as a junior analyst. Prior to joining Hargreave Hale, he studied Accounting & Finance at Southampton University. He holds both the Investment Management Certificate and Investment Advice Diploma.

### **N. MANAGEMENT REMUNERATION AND EXPENSES**

#### **Management Agreements**

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

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

For Hargreave Hale AIM VCT 2, the Investment Manager receives investment management fees (exclusive of VAT) equal to 1.5% per annum of the Net Asset Value of the Company and a Performance Incentive Fee.

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

In line with normal VCT practice, a performance related incentive fee will be payable subject to certain

criteria. This will be payable at the rate of 20% of any dividends paid to Ordinary Shareholders in excess of 6p per Ordinary Share per annum, provided that the Net Asset Value per Ordinary Share is at least 95p, with any cumulative shortfalls below 6p per Ordinary Share having to be made up in subsequent years.

### **Charging Expenses to Capital**

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

## **O. LIFE OF THE COMPANIES AND ANNUAL ACCOUNTS**

### **Hargreave Hale AIM VCT 1**

Hargreave Hale AIM VCT 1's annual report and accounts are made up to 30 September in each year and are normally sent to shareholders in December of each year. It is the current intention of the Directors that the first report to be sent to Investors after the close of the Offers will be the audited annual accounts for the year ending 30 September 2014.

It is intended that Hargreave Hale AIM VCT 1 should have an unlimited life, but the Directors consider that it is desirable for shareholders to have the opportunity to review the future of the Company at appropriate intervals. Hargreave Hale AIM VCT 1's Articles of Association require the Directors to put a proposal to shareholders concerning the continuation of that company at the annual general meeting in 2019 and, if passed, at every fifth anniversary thereafter. As there is a risk for new Shareholders under the Offers that if the continuation vote is passed in favour of discontinuance, they will thereby be deemed to have disposed within their five year holding period, it is a condition to the Offers therefore that prior Shareholder approval is granted to delay the continuation vote until 2020 and to adopt the new articles of association accordingly.

### **Hargreave Hale AIM VCT 2**

Hargreave Hale AIM VCT 2's annual report and accounts are made up to 28 February in each year and are normally sent to Shareholders in June of each year. It is the current intention of the Directors that the first report to be sent to Investors after the close of the Offers will be the audited annual accounts for the year ending 28 February 2015.

It is intended that Hargreave Hale AIM VCT 2 should have an unlimited life, but the Directors consider that it is desirable for Shareholders to have the opportunity to review the future of the Company at appropriate intervals. Hargreave Hale AIM VCT 2's Articles of Association require the Directors to put a proposal to Shareholders concerning the continuation of the Company at the annual general meeting in 2019 and, if passed, at every fifth anniversary thereafter. As there is a risk for new Shareholders under the Offers that if the continuation vote is passed in favour of discontinuance, they will thereby be deemed to have disposed within their five year holding period, it is a condition to the Offers therefore that prior Shareholder approval is granted to delay the continuation vote until 2020 and to adopt the new articles of association accordingly.

## **P. VCT STATUS AND MONITORING**

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

As at 30 September 2013 Hargreave Hale AIM VCT 1 was 94.20% invested in Qualifying Investments. As at 30 September 2013 Hargreave Hale AIM VCT 2 was 81.17% invested in Qualifying Investments (as defined in the ITA).

## PART II

### TAXATION CONSIDERATIONS FOR INVESTORS

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

#### Tax reliefs

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

#### (a) *Income tax*

##### (i) *Relief from income tax on investment*

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

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

	Value £
Initial investment	10,000
Less income tax relief at 30%	(3,000)
<b>Effective net cost to investor</b>	<b>7,000</b>

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

##### (ii) *Dividend relief*

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

##### (iii) *Purchases made through the market*

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

##### (iv) *Withdrawal of relief*

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

#### (b) *Capital gains tax*

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

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

(ii) *Purchases made through the market*

An individual who purchases existing VCT shares through the secondary market will be entitled to claim relief from capital gains tax on disposal (as described in paragraph (b)(i) above).

### **Illustrative example of effect of income tax relief**

The following tables show what an Investor would need to earn on a gross basis from both bank interest and taxable income from investments in bonds and equities to achieve the same equivalent net yield from a dividend distribution by a VCT. The yields detailed below, which are for illustration purposes only, are calculated with reference to the cost of investment net of the initial 30% income tax relief. In these illustrative examples, the price of the new shares is taken to be 100 pence, this will not be the case under the Offers.

They are presented for:

(i) an additional rate taxpayer, with a marginal income tax rate on interest income of 45% and a marginal income tax rate on dividend income of 37.5%. After adjusting for the 10% tax credit, the effective tax rate on dividend income falls to 30.6%.

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

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

### **Equivalent Gross Yields based on a dividend distribution of 5% of NAV p.a.**

<b>Income Tax Rate</b>	<b>Basic Rate (20%)</b>	<b>Higher Rate (40%)</b>	<b>Additional Rate (45%)</b>
VCT Yield (assuming 30% income tax relief)	7.1%	7.1%	7.1%
Equivalent Gross Interest Yield	8.9%	11.9%	12.9%
Equivalent Gross Dividend Yield	7.1%	9.5%	10.2%

### **Obtaining tax reliefs**

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

### **Investors not resident in the UK**

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

### **Withholding taxation**

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

### **Withdrawal of approval**

If a company which has been granted approval as a VCT subsequently fails to comply with the conditions for approval, approval as a VCT may be withdrawn or treated as never having been given. In these circumstances, relief from income tax on the initial investment is repayable unless loss of approval occurs more than five years after the issue of the relevant VCT shares. In addition, relief ceases to be available on any dividend paid in respect of profits or gains in any accounting period ending when VCT status has been lost and any gains on the VCT shares up to the date from which loss of VCT status is treated as taking effect will be exempt, but gains thereafter will be taxable.

## PART III

### CONDITIONS TO BE MET BY VENTURE CAPITAL TRUSTS

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

#### Qualification as a VCT

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

- (a) not be a close company;
- (b) have each class of its ordinary share capital quoted on any regulated market in the EU or European Economic Area;
- (c) derive its income wholly or mainly from shares or securities;
- (d) have at least 70% by value of its investments in shares or securities in Qualifying Investments;
- (e) for funds raised after 5 April 2011, have at least 70% by value of Qualifying Investments in 'eligible shares', which are ordinary shares which carry no preferential rights to assets on a winding up and no rights to be redeemed, although they may have certain preferential rights to dividends. For funds raised before 6 April 2011, at least 30% by value of Qualifying Investments have to be in 'eligible shares', which are ordinary shares which carry no preferential rights to dividends or to assets on a winding up and no rights to be redeemed;
- (f) have at least 10% by value of each Qualifying Investment in any single company or group in 'eligible shares';
- (g) not have more than 15% by value of its investments in a single company or group (other than a VCT or a company which would, if its shares were listed, qualify as a VCT);
- (h) not retain more than 15% of its income derived from shares and securities in any accounting period; and
- (i) not make an investment in any company which causes that company to receive more than £5 million from State Aid investment sources in the 12 month period ending on the date of the investment.

#### Qualifying Investments

A Qualifying Investment consists of shares or securities first issued to the VCT (and held by it ever since) by a company satisfying certain conditions. The conditions are detailed but include that the company must be a Qualifying Company, have gross assets not exceeding £15 million immediately before and £16 million immediately after the investment, apply the money raised for the purposes of a qualifying trade within a certain time period and not be controlled by another company. In any twelve month period the company can receive no more than £5 million from VCT funds and Enterprise Investment Schemes, and any other European State-aided risk capital source. The company must have fewer than 250 full time (or equivalent) employees at the time of making the investment. VCT funds raised after 5 April 2012 cannot be used by a Qualifying Company to fund the purchase of shares in another company.

There is also a 'no disqualifying arrangements' requirement under which an investment will not be a Qualifying Investment if the investee company has been set up for the purpose of accessing tax reliefs or is in substance a financing business, although the Boards believe that these measures are unlikely to affect the Companies.

#### Qualifying Companies

A Qualifying Company must be unquoted (for VCT purposes this includes companies whose shares are traded on certain ISDX Markets and AIM) and must carry on a qualifying trade. For this purpose certain activities are excluded (such as dealing in land or shares or providing financial services). The qualifying trade must either be carried on by, or be intended to be carried on by, the Qualifying Company or by a Relevant Qualifying Subsidiary (see below) at the time of the issue of shares or securities to the VCT (and at

all times thereafter). A Qualifying Company must have a permanent establishment in the UK. A company intending to carry on a qualifying trade must begin to trade within two years of the issue of shares or securities to the VCT and continue it thereafter.

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

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

### **Approval as a VCT**

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

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

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

### **Withdrawal of Approval**

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

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



## PART IV

### FINANCIAL INFORMATION ON THE COMPANIES

#### A. HARGREAVE HALE AIM VCT 1

Full audited financial information on the Company for the accounting years ended 30 September 2010, 30 September 2011 and 30 September 2012 and unaudited information for the half-year accounts for the six months ended 31 March 2012 and 31 March 2013 are available free of charge at the Company's registered office or can be downloaded at <http://www.hargreave-hale.co.uk/fund-management/venture-capital-trusts/hargreave-hale-aim-vct-1/offer-documents-and-reports/>

The annual reports for the years ended 30 September 2010, 30 September 2011 and 30 September 2012 were audited by BDO LLP of 55 Baker Street, London W1U 7EU. All audit reports were unqualified under the Act.

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

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

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

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

	Audited financial statements for the period ended 30 September 2010	Audited financial statements for the period ended 30 September 2011	Unaudited half yearly financial statements for the six months ended 31 March 2012	Audited financial statements for the period ended 30 September 2012	Unaudited half yearly financial statements for the six months ended 31 March 2013
	Page numbers	Page numbers	Page numbers	Page numbers	Page numbers
Income statements	26	25	5	28	5
Statement of changes in equity	28-29	27-28	7-8	30-31	7-8
Balance sheets	27	26	6	29	6
Cash flow statements	28	27	7	30	7
Accounting policies	30-31	29-30	n/a	32-33	n/a
Notes to the accounts	30-39	29-38	8	32-42	8
Independent auditor's report	24-25	23-24	n/a	26-27	n/a

## Operating and Financial Review

	Audited financial statements for the period ended 30 September 2010	Audited financial statements for the period ended 30 September 2011	Unaudited half yearly financial statements for the six months ended 31 March 2012	Audited financial statements for the period ended 30 September 2012	Unaudited half yearly financial statements for the six months ended 31 March 2013
	Page numbers	Page numbers	Page numbers	Page numbers	Page numbers
Chairman's statement	5-6	4-5	1-2	5-6	1-2
Investment Manager's report	7	7	3-4	8-9	3-4

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

### Other

As at the date of this document, there has been no significant change in the financial or trading position of Hargreave Hale AIM VCT 1 since 31 March 2013 (being the date on which unaudited interim financial information was last published).

### B. HARGREAVE HALE AIM VCT 2

Full audited financial information on the Company for the accounting years ended 28 February 2011 and 29 February 2012 and 28 February 2013 and unaudited information for the half-year accounts for the six months ended 31 August 2012 and 31 August 2013 are available free of charge at the Company's registered office or can be downloaded at <http://www.hargreave-hale.co.uk/fund-management/venture-capital-trusts/hargreave-hale-aim-vct-2/offer-documents-and-reports/>

The annual reports for the years ended 28 February 2011, 29 February 2012 and 28 February 2013 were audited by BDO LLP of 55 Baker Street, London W1U 7EU. All audit reports were unqualified under the Act.

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

<http://www.hargreave-hale.co.uk/fund-management/venture-capital-trusts/hargreave-hale-aim-vct-2/offer-documents-and-reports/>

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

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

	Audited financial statements for the period ended 28 February 2011	Audited financial statements for the period ended 29 February 2012	Unaudited half yearly financial statements for the six months ended 31 August 2012	Audited financial statements for the period ended 28 February 2013	Unaudited half yearly financial statements for the six months ended 31 August 2013
	Page numbers	Page numbers	Page numbers	Page numbers	Page numbers
Income statements	24	27	4	29	5
Statement of changes in equity	26-27	29-30	6-7	31-32	7-8
Balance sheets	25	28	5	30	6
Cash flow statements	26	29	6	31	7
Accounting policies	28-29	31-32	n/a	33-34	n/a
Notes to the accounts	28-37	31-42	7	33-34	8
Independent auditor's report	22-23	22-23	n/a	27	n/a

## Operating and Financial Review

	Audited financial statements for the period ended 28 February 2011	Audited financial statements for the period ended 29 February 2012	Unaudited half yearly financial statements for the six months ended 31 August 2012	Audited financial statements for the period ended 28 February 2013	Unaudited half yearly financial statements for the six months ended 31 August 2013
	Page numbers	Page numbers	Page numbers	Page numbers	Page numbers
Chairman's statement	5	4	1	5-6	1-2
Investment Manager's report	7	7	2-3	8-9	3-4

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

As at 31 August 2013, the date to which the most recent unaudited half-yearly financial information on the Company has been drawn up, the Company had unaudited net assets of £10.0 million or 98.28p per Ordinary Share.

## Other

As at the date of this document, there has been no significant change in the financial or trading position of Hargreave Hale AIM VCT 2 since 31 August 2013 (being the date on which unaudited interim financial information was last published).

## PART V

### ADDITIONAL INFORMATION

#### 1. The Companies

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

#### 2. Registered Offices and Principal Legislation

- 2.1 The registered office of both Companies is at Accurist House, 44 Baker Street, London W1U 7AL. The administration office of both Companies is at 9-11 Neptune Court, Hallam Way, Blackpool, Lancashire, FY4 5LZ. Their telephone number is +44 (0) 20 7009 4900.
- 2.2 The principal legislation under which the Companies operate and which govern the Ordinary Shares is the Act.

#### 3. Share and loan capital

##### Hargreave Hale AIM VCT 1

- 3.1 Hargreave Hale AIM VCT 1 was incorporated with an authorised share capital of £500,000 divided into 50,000,000 Ordinary Shares of 1p each, of which two Ordinary Shares were issued, nil paid, to the subscribers to the memorandum of association.
- 3.2 The subscribers to the memorandum of association were Oyez Professional Services Limited of Oyez House, 7 Spar Road, London SE16 3QQ, a company formation agent and Howard Kennedy Limited of 19 Cavendish Square, London W1A 2AW.
- 3.3 Ordinary and special resolutions were passed on 11 October 2005:
  - 3.3.1 to authorise the Directors to allot securities under Section 80 of the Companies Act 1985;
  - 3.3.2 to increase the authorised share capital of the Company;
  - 3.3.3 to authorise the Directors pursuant to Section 95 of the Companies Act 1985 to allot equity securities for cash without regard to pre-emption rights;
  - 3.3.4 to amend the articles of association;
  - 3.3.5 (on the conversion date) to divide the C shares into C shares of 1p each;
  - 3.3.6 (on the conversion date) to alter the share capital by the conversion of C shares into Ordinary Shares and deferred shares and the repurchase and redesignation of the deferred shares;
  - 3.3.7 to authorise the purchase of C shares;
  - 3.3.8 to cancel the share premium account to be created upon the issue of the C shares;
  - 3.3.9 to authorise the Directors to offer Shareholders the right to receive Shares in lieu of

- dividends in terms of the Dividend Reinvestment Schemes;
- 3.3.10 to approve the proposed management and performance incentive arrangements for Hargreave Hale Limited in relation to a proposed C share fund; and
  - 3.3.11 to approve the appointment of Keydata Investment Services Limited as the Promoter in relation to a proposed C share offer.
- 3.4 Ordinary and special resolutions were passed on 19 May 2009:
- 3.4.1 to ratify and approve the purchase of Ordinary Shares by the Company in the period from 22 January to 30 September 2008;
  - 3.4.2 to ratify and approve the conduct of all the Directors of the Company in relation to the purchase of Ordinary Shares by the Company in the period from 22 January to 30 September 2008;
  - 3.4.3 to approve an amendment to the Company's investment policy;
  - 3.4.4 to adopt new articles of association;
  - 3.4.5 to authorise the tender offer proposal to purchase up to 8,000,000 of the Company's Ordinary Shares; and
  - 3.4.6 to authorise the Company to call general meetings (other than an annual general meetings) on not less than 14 clear day's notice.
- 3.5 At a general meeting of the shareholders of Hargreave Hale AIM VCT 1 held on 17 March 2010, resolutions were passed to:
- 3.5.1 authorise the Directors to allot shares and grant rights to subscribe for shares under Section 551 of the Act;
  - 3.5.2 authorise the Directors pursuant to Section 571 of the Act to allot equity securities for cash without regard to pre-emption rights:
- 3.6 At the Annual General Meeting held on 20 December 2011 the following resolutions were passed:
- 3.6.1 authorise the Directors to allot Ordinary Shares under Section 551 of the Act;
  - 3.6.2 authorise the continuation of the Company as a venture capital trust for a further five year period;
  - 3.6.3 authorise the Directors pursuant to Section 570 of the Act to allot equity securities for cash without regard to pre-emption rights.
- 3.7 At a general meeting of the Shareholders of Hargreave Hale AIM VCT 1 held on 26 March 2012, resolutions were passed to:
- 3.7.1 authorise the Directors to allot Ordinary Shares under Section 551 of the Act;
  - 3.7.2 authorise proposed amendments to the investment policy of the Company;
  - 3.7.3 authorise the creation of a class of C shares of 5p each in the capital of the Company;
  - 3.7.4 authorise the entry into by the Company of an offer agreement;
  - 3.7.5 authorise the Company in accordance with Section 701 of the Act to make market purchases in connection with a tender offer;
  - 3.7.6 authorise the Company in accordance with Section 701 of the Act to make market purchases of C shares and Ordinary Shares;
  - 3.7.7 authorise the Directors pursuant to Section 570 of the Act to allot equity securities for cash without regard to pre-emption rights;
  - 3.7.8 authorise the cancellation of the amount standing to the credit of the share premium account in relation to the Ordinary Shares of the Company at the date of the court order;
  - 3.7.9 authorise the cancellation of the amount standing to the credit of the share premium account in relation to the C shares of the Company at the date of the court order; and
  - 3.7.10 authorise the adoption of new articles of association of the Company in substitution for

and to the exclusion of the existing articles of association.

3.8 At a general meeting of the Shareholders of Hargreave Hale AIM VCT 1 held on 29 November 2012, resolutions were passed to:-

3.8.1 authorise the Directors to allot shares and grant rights to subscribe for shares under Section 551 of the Act;

3.8.2 approve an amendment to the Company's investment policy;

3.8.3 authorise the Directors pursuant to Section 570 of the Act to allot equity securities for cash without regard to pre-emption rights; and

3.8.4 authorise the adoption of new articles of association of the Company in substitution for and to the exclusion of the existing articles of association.

3.9 At the Annual General Meeting held on 23 January 2013 the following resolutions were passed to:-

3.9.1 authorise the Directors to allot shares and grant rights to subscribe for shares under Section 551 of the Act;

3.9.2 authorise the Directors pursuant to Section 570 of the Act to allot equity securities for cash without regard to pre-emption rights; and

3.9.3 authorise the Directors to make market purchases of ordinary shares.

3.10 In connection with the Offer relating to Hargreave Hale AIM VCT 1, at a general meeting of Hargreave Hale AIM VCT 1 held on 31 October 2013, resolutions were passed to:-

3.10.1 authorise the Directors to allot shares and grant rights to subscribe for shares under Section 551 of the Act;

3.10.2 authorise the Directors pursuant to Section 570 of the Act to allot equity securities for cash without regard to pre-emption rights; and

3.10.3 authorise the adoption of new articles of association of the Company in substitution for and to the exclusion of the existing articles of association.

### **Hargreave Hale AIM VCT 2**

3.11 Hargreave Hale AIM VCT 2 was incorporated under the name Keydata AIM VCT 2 plc with an authorised share capital of £500,000 divided into 50,000,000 Ordinary Shares of 1p each, of which two Ordinary Shares were issued, nil paid, to the subscribers to the memorandum of association.

3.12 The subscribers to the memorandum of association were Oyez Professional Services Limited of Oyez House, 7 Spar Road, London SE16 3QQ, a company formation agent and Howard Kennedy Limited of 19 Cavendish Square, London W1A 2AW.

3.13 Ordinary and special resolutions were passed on 21 November 2006:

3.13.1 to authorise the Directors to allot securities under Section 80 of the Companies Act 1985;

3.13.2 to authorise the Directors pursuant to Section 95 of the Companies Act 1985 to allot equity securities for cash without regard to pre-emption rights;

3.13.3 to amend the articles of association;

3.13.4 to authorise the purchase of Ordinary Shares;

3.13.5 to cancel the share premium account to be created upon the issue of the C shares;

3.14 Ordinary and special resolutions were passed on 17 March 2010:

- 3.14.1 authorise the Directors to allot shares and grant rights to subscribe for shares under Section 551 of the Act;
- 3.14.2 authorise the Directors pursuant to Section 571 of the Act to allot equity securities for cash without regard to pre-emption rights;
- 3.15 At the Annual General Meeting held on 22 July 2011 resolutions were passed to:
  - 3.15.1 authorise the Directors to allot shares and grant rights to subscribe for shares under Section 551 of the Act;
  - 3.15.2 approve the proposed amendments to the authorise the Directors pursuant to Section 571 of the Act to allot equity securities for cash without regard to pre-emption rights; and
  - 3.15.3 authorise the purchase of Ordinary Shares;
- 3.16 At a general meeting of Hargreave Hale AIM VCT 2 held on 26 March 2012, resolutions were passed to:
  - 3.16.1 authorise the Directors to allot Ordinary Shares under Section 551 of the Act;
  - 3.16.2 authorise proposed amendments to the investment policy of the Company;
  - 3.16.3 authorise the entry into by the Company of an offer agreement;
  - 3.16.4 authorise the entry into by the Company of a deed of variation to an investment management agreement;
  - 3.16.5 authorise the Company in accordance with Section 701 of the Act to make market purchases in connection with a tender offer;
  - 3.16.6 authorise the Company in accordance with Section 701 of the Act to make market purchases of Ordinary Shares;
  - 3.16.7 authorise the Directors pursuant to Section 570 of the Act to allot equity securities for cash without regard to pre-emption rights;
  - 3.16.8 authorise the cancellation of the amount standing to the credit of the share premium account in relation to the Ordinary Shares of the Company at the date of the court order; and
  - 3.16.9 authorise the adoption of new articles of association of the Company in substitution for and to the exclusion of the existing articles of association.
- 3.17 At a general meeting of Hargreave Hale AIM VCT 2 held on 29 November 2012 resolutions were passed to:
  - 3.17.1 authorise the Directors to allot shares and grant rights to subscribe for Shares under Section 551 of the Act;
  - 3.17.2 authorise the Directors pursuant to Section 570 of the Act to allot equity securities for cash without regards to pre-emption rights; and
  - 3.17.3 authorise the adoption of new articles of association of the Company in substitution for and to the exclusion of the existing articles of association.
- 3.18 At the Annual General Meeting held on 8 July 2013 resolutions were passed to:-
  - 3.18.1 authorise the Directors to allot shares and grant rights to subscribe for shares under Section 551 of the Act;
  - 3.18.2 authorise the Directors pursuant to Section 570 of the Act to allot equity securities for cash without regard to pre-emption rights;
  - 3.18.3 authorise the Directors to make market purchases or ordinary shares; and
  - 3.18.4 authorise the Directors to cancel the capital redemption and share premium reserves of the Company.
- 3.19 Pursuant to the authority provided by the passing of the special resolution referred to at paragraph 3.18.4 above, the capital redemption and the share premium reserves of Hargreave Hale AIM VCT

2 were cancelled by order of the Companies Court on 18 September 2013.

3.20 In connection with the Offer relating to Hargreave Hale AIM VCT 2, at a general meeting of Hargreave Hale AIM VCT 2 held on 31 October 2013 resolutions were passed to:

3.20.1 authorise the Directors to allot shares and grant rights to subscribe for Shares under Section 551 of the Act;

3.20.2 authorise the Directors pursuant to Section 570 of the Act to allot equity securities for cash without regards to pre-emption rights; and

3.20.3 authorise the adoption of new articles of association of the Company in substitution for and to the exclusion of the existing articles of association.

3.21 At 30 October 2013 (being the latest practical date prior to the publication of this document) the issued fully paid share capital of each of the Companies is:

	<i>Class of shares</i>	<i>Nominal value</i>	<i>Issued (fully paid)</i>	
			<i>£</i>	<i>number</i>
Hargreave Hale AIM VCT 1*	Ordinary Shares	£0.01	277,301.88	27,730,188
Hargreave Hale AIM VCT 2	Ordinary Shares	£0.01	101,652.30	10,165,230

\*excluding 2,711,134 Ordinary Shares held in treasury

3.22 The issued fully paid share capital of the Companies immediately after the Offers have closed (assuming the Offers are fully subscribed) will be as follows:

	<i>Class of shares</i>	<i>Nominal value</i>	<i>Issued (fully paid)</i>	
			<i>£</i>	<i>number</i>
Hargreave Hale AIM VCT 1*	Ordinary Shares	£0.01	407,222.62	40,722,262
Hargreave Hale AIM VCT 2	Ordinary Shares	£0.01	195,849.73	19,584,973

\*excluding 2,711,134 Ordinary Shares held in treasury.

3.23 Other than the issue of Ordinary Shares pursuant to the Offers, the Companies have no present intention to issue any of the share capital of the Companies.

3.24 The Companies do not have in issue any securities not representing share capital.

3.25 The provisions of section 561(1) of the Act (to the extent not disapplied pursuant to section 570(1) of the Act) confer on shareholders certain rights of pre-emption in respect of the allotment of equity securities (as defined in section 570(1) of the Act) which are, or are to be, paid up in cash and will apply to the authorised but unissued share capital of the Companies, except to the extent disapplied by the resolutions referred to in paragraphs 3.10.2 and 3.20.2 above. Subject to certain limited exceptions, unless the approval of Shareholders in a general meeting is obtained, the Companies must normally offer shares to be issued for cash to holders on a pro rata basis.

3.26 No shares of the Companies are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.

3.27 Save as disclosed in this paragraph, there has been no issue of share or loan capital of the Companies in the three years immediately preceding the date of this document and (other than



pursuant to the Offers) no such issues are proposed.

- 3.28 No share or loan capital of the Companies is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 3.29 Save as disclosed in paragraph 12 below, no commissions, discounts, brokerages or other special terms have been granted by the Companies in connection with the issue or sale of any share or loan capital of the Companies in the three years immediately preceding the date of this document.
- 3.30 Other than pursuant to the Offers, none of the Ordinary Shares have been sold or are available in whole or in part to the public in conjunction with the application for the Ordinary Shares to be admitted to the Official List.
- 3.31 The Ordinary Shares will be in registered form. No temporary documents of title will be issued and prior to the issue of definitive certificates, transfers will be certified against the register. It is expected that definitive share certificates for the Ordinary Shares will be posted to allottees as soon as practicable following allotment of the Ordinary Shares.
- 3.32 The ISIN and SEDOL Code of Hargreave Hale AIM VCT 1 Ordinary Shares are GB00B02WHS05 and B02WHS0, respectively. The ISIN and SEDOL Code of Hargreave Hale AIM VCT 2 Ordinary Shares is GB00B1GDYS53 and B1GDYS5, respectively.

#### 4. **Articles of association**

- 4.1 The memorandum of association of each Company, which by virtue of Section 28 of the Act is now treated as being part of the Articles of Association of the relevant Company ("the Articles"), provides that each Company's principal object is to carry on the business of a VCT.
- 4.2 The Articles of each Company, contain, inter alia, the following provisions. In this paragraph 4, "the Company" means each of the Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2, (save for paragraph 4.18 which only applies to Hargreave Hale AIM VCT 1).

#### 4.3 Voting Rights

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

#### 4.4 Transfer of Shares

The Ordinary Shares are in registered form and will be freely transferable. All transfers of Ordinary Shares must be effected by a transfer in writing in any usual form or any other form approved by the Directors. The instrument of transfer of an Ordinary Share shall be executed by or on behalf of the transferor and, in the case of a partly paid share by or on behalf of the transferee. The Directors may refuse to register any transfer of a partly paid Share, provided that such refusal does not prevent dealings taking place on an open and proper basis and may also refuse to register any instrument of transfer unless: it is in respect of a fully paid share; it is in respect of shares on which the relevant Company does not have a lien; it is in respect of only one class of share; and the transferees do not exceed four in number.

#### 4.5 Dividends

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

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

#### 4.6 Disclosure of Interest in Ordinary Shares

If any member or other person appearing to be interested in shares of either of the Companies is

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

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

#### 4.7 Distribution of Assets on Liquidation

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

#### 4.8 Changes in Share Capital

4.8.1 Without prejudice to any rights attaching to any existing shares, any share may be issued with such rights or restrictions as each Company may by ordinary resolution determine or in the absence of such determination, as the Directors may determine.

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

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

#### 4.9 Variation of Rights

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

#### 4.10 Directors

Unless and until otherwise determined by either Company in General Meeting pursuant to Article 120 the number of Directors shall not be less than two nor more than ten. The continuing Directors may act notwithstanding any vacancy in their body, provided that if the number of the Directors be less than the prescribed minimum the remaining Director or Directors shall forthwith appoint an additional Director or additional Directors to make up such minimum or shall convene a General Meeting of that Company for the purpose of making such appointment.

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

Subject to the provisions of the Act, the Directors may from time to time appoint one or more of their body to be Managing Director or Joint Managing Directors of either Company or to hold such

other executive office in relation to the management of the business of that Company as they may decide.

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

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

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

#### 4.11 Directors' Interests

- 4.11.1 A Director who is in any way, directly or indirectly, interested in a transaction or arrangement with either Company shall, at a meeting of the Directors, declare, in accordance with the Act, the nature of his interest.
- 4.11.2 Provided that he has declared his interest, a Director may be a party to or otherwise interested in any transaction or arrangement with the relevant Company or in which that Company is otherwise interested and may be a director or other officer or otherwise interested in any body corporate promoted by the Company or in which the Company is otherwise interested. No Director so interested shall be accountable to the Company, by reason of his being a Director, for any benefit that he derives from such office or interest or any such transaction or arrangement.
- 4.11.3 A Director shall not vote nor be counted in the quorum at a meeting of the Directors in respect of a matter in which he has any material interest otherwise than by virtue of his interest in shares, debentures or other securities of, or otherwise in or through either Company, unless his interest arises only because the case falls within one or more of the following paragraphs:
- (a) the giving to him of any security or indemnity in respect of money lent or an obligation incurred by him at the request of or for the benefit of the relevant Company or any of its subsidiary undertakings;
  - (b) the giving to a third party of any security or indemnity in respect of a debt or an obligation of the relevant Company or any of its subsidiary undertakings for which he has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
  - (c) any proposal concerning the subscription by him of shares, debentures or other securities of the relevant Company or any of its subsidiary undertakings or by virtue of his participating in the underwriting or sub-underwriting of an offer of such shares, debentures or other securities;
  - (d) any proposal relating to an arrangement for the benefit of the employees of the relevant Company or any subsidiary undertaking which does not award to any Director as such any privilege or advantage not generally awarded to the employees to whom such arrangement relates; and
  - (e) any arrangement for purchasing or maintaining for any officer or auditor of the relevant Company or any of its subsidiaries insurance against any liability which by virtue of any rule of law would otherwise attach to him in respect of any negligence, breach of duty or breach of trust for which he may be guilty in relation to the relevant Company or any of its subsidiaries of which he is a director, officer or auditor.
- 4.11.4 When proposals are under consideration concerning the appointment of two or more Directors to offices or employment with either Company or any company in which that Company is interested the proposals may be divided and considered in relation to each

Director separately and (if not otherwise precluded from voting) each of the Directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment.

#### 4.12 Remuneration of Directors

4.12.1 The ordinary remuneration of the Directors shall be such amount as the Directors shall from time to time determine (provided that unless otherwise approved by the relevant Company in general meeting the aggregate ordinary remuneration of such Directors, including fees from both Companies, shall not exceed £200,000 per year) to be divided among them in such proportion and manner as the Directors may determine. The Directors shall also be paid by that Company all reasonable travelling, hotel and other expenses they may incur in attending meetings of the Directors or general meetings or otherwise in connection with the discharge of their duties.

4.12.2 Any Director who, by request of the Directors, performs special services for any purposes of either Company may be paid such reasonable extra remuneration as the Directors may determine.

4.12.3 The emoluments and benefits of any executive director for his services as such shall be determined by the Directors and may be of any description, including membership of any pension or life assurance scheme for employees or their dependants or, apart from membership of any such scheme, the payment of a pension or other benefits to him or his dependants on or after retirement or death.

#### 4.13 Retirement of Director

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

#### 4.14 Borrowing powers

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

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

#### 4.15 Distribution of Realised Capital Profits

At any time when either Company has given notice in the prescribed form (which has not been revoked) to the Registrar of Companies of its intention to carry on business as an investment company ("a Relevant Period") the distribution of that Company's capital profits (within the meaning of section 833 of the Act) shall be prohibited. The Board shall establish a reserve to be called the capital reserve. During a Relevant Period, all surpluses arising from the realisation or revaluation of investments and all other monies realised on or derived from the realisation, payment or other dealing with any capital asset in excess of the book value thereof and all other monies which are considered by the Board to be in the nature of accretion to capital shall be credited to the capital reserve. Subject to the Act, the Board may determine whether any amount received by the relevant Company is to be dealt with as income or capital or partly one way and partly the other. During a Relevant Period, any loss realised on the realisation or payment or other dealing with investments, or other capital losses, and, subject to the Act, any expenses, loss or liability (subscription therefore) which the Board considers to relate to a capital item or which the Board otherwise considers appropriate to be debited to the capital reserve shall be carried to the debit of the capital reserve. During a Relevant Period, all sums carried and standing to the credit of the capital reserve may be applied for any of the purposes for which sums standing to any revenue reserve are applicable except and provided that during a Relevant Period no part of the

capital reserve or any other money in the nature of accretion to capital shall be transferred to the revenue reserves of the relevant Company or be regarded or treated as profits of that Company available for distribution (as defined in section 829 of the Act) or be applied in paying dividends on any shares in that Company. In periods other than a Relevant Period, any amount standing to the credit of the capital reserve may be transferred to the revenue reserves of the relevant Company or be regarded or treated as profits of the Company available for distribution (as defined by section 829 of the Act) or applied in paying dividends on any shares in the Company.

#### 4.16 General Meetings

Annual general meetings shall be held at such time and place as may be determined by the Directors and within a period of six months beginning on the day following the relevant Company's accounting reference date.

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

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

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

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

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

#### 4.17 Duration of the Company

The Directors shall put an ordinary resolution to the annual general meeting of the Company in 2020 and, if passed, to every fifth subsequent annual general meeting, proposing that the Company should continue as a Venture Capital Trust for a further five year period. If any such resolution is not passed, the Directors shall draw up proposals for the reorganisation, reconstruction or voluntary winding up of the Company for submission to the members of the Company at an extraordinary general meeting to be convened by the Directors on a date not more than 9 months after such annual general meeting. The Directors shall use all reasonable endeavours to ensure that the proposals for the reorganisation, reconstruction or voluntary winding up of the Company as are approved by special resolution are implemented as soon as is reasonably practicable after passing of such a resolution.

For the purposes of this, an ordinary resolution will not have been carried only if those members in person or by proxy who vote against such resolution hold in aggregate not less than twenty five

per cent. of the issued share capital of the Company at such time entitled to attend and vote at such a meeting.

4.18 C shares (in respect of Hargreave Hale AIM VCT 1 only)<sup>3</sup>

Holders of C shares 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. 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.

The capital and assets of the Company shall on a winding up or on a return of capital be applied amongst the ordinary shareholders *pro rata* according to the nominal capital paid up on their holdings of ordinary shares after having deducted an amount calculated by a defined conversion ratio.

5. **CREST**

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

6. **Directors' interests and other significant shareholdings**

- 6.1 As at the date of this document the Directors and their immediate families (all of which are beneficial) in the share capital of the Companies which (i) are or will be notified to the Companies in accordance with rule 3 of the Disclosure and Transparency Rules ("**DTR 3**") by each Director; or (ii) are interests of a connected person (within the meaning in DTR 3) of a Director which are or will be required to be disclosed under DTR 3 and the existence of which is known to or could with reasonable diligence be ascertained by that Director; are or are expected to be as follows:

Company	Director	As at 30 October 2013 (being the latest practical date prior to the publication of this document)		After the Offer has closed**	
		Number of Ordinary Shares	Percentage of issued share capital*	Number of Ordinary Shares	Percentage of issued share capital*
Hargreave Hale AIM VCT 1	Aubrey Brocklebank	4,845	0.02	4,845	0.01
Hargreave Hale AIM VCT 1	David Brock	15,325	0.06	15,325	0.04
Hargreave Hale AIM VCT 1	Giles Hargreave	105,784	0.38	105,784	0.26
Hargreave Hale AIM VCT 2	David Hurst-Brown***	45,836	0.45	45,836	0.23
Hargreave Hale AIM VCT 2	Philip Cammerman	8,190	0.08	8,190	0.04
Hargreave Hale AIM VCT 2	Giles Hargreave	141,487	1.39	141,487	0.75

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

\*\* assuming that the Maximum Subscription is achieved in relation to Ordinary Shares and that all the allotments are made on the basis of the NAV per Ordinary Share for the relevant Company as at 18 October 2013.

<sup>3</sup> No C shares are in issue and no C shares will be issued pursuant to the Offer.

\*\*\* includes 25,435 Ordinary Shares held by Jacqueline Mary Hurst-Brown. David Hurst-Brown also holds 24,952 shares in Hargreave Hale AIM VCT 1.

6.2 As at 30 October 2013 (being the latest practical date prior to the publication of this document) and after the Offer has closed, the Companies are aware of the following persons who are or will hold, directly or indirectly, voting rights representing 3% or more of the issued share capital of the Companies to which voting rights are attached (assuming that the Offer is fully subscribed):

Company	Name	As at the date of this Document		After the Offer has closed**	
		Number of Ordinary Shares	Percentage of voting rights*	Number of Ordinary Shares	Percentage of voting rights of the Ordinary Shares
Hargreave Hale AIM VCT 1	Treasury Shares	2,711,134	Nil	2,711,134	Nil
Hargreave Hale AIM VCT 1	Hargreave Hale Nominees	2,114,592	7.6	2,114,592	5.2
Hargreave Hale AIM VCT 2	Dr Alasdair Gordon Nairn	408,040	4.0	408,040	2.1
Hargreave Hale AIM VCT 2	HSBC Global Custody Nominee (UK) Limited	319,650	3.1	319,650	1.6
Hargreave Hale AIM VCT 2	Hargreave Hale Nominees	1,228,266	12.1	1,228,266	6.2

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

\*\* assuming that the Maximum Subscription is achieved and that all the Shareholders listed above do not subscribe for any shares under the Offers.

6.3 Save as disclosed in paragraphs 6.1 and 6.2 above, the Companies are not aware of any person who will, immediately following Admission, hold (for the purposes of rule 5 of the Disclosure and Transparency Rules ("DTR 5")) directly or indirectly voting rights representing 3% or more of the issued share capital of either Company to which voting rights are attached or could, directly or indirectly, jointly or severally, exercise control over either Company.

6.4 The persons, including the Directors, referred to in paragraphs 6.1 and 6.2 above, do not have voting rights in respect of the share capital of either of the Companies (issued or to be issued) which differ from any other Shareholder.

6.5 The Companies and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Companies.

6.6 Save in respect of the arrangements referred to in paragraphs 7 and 9 no Director has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of the Companies and which were effected by the Companies in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed

6.7 Giles Hargreave, is a director and shareholder of Hargreave Hale Limited, and, therefore, has an interest in the arrangements referred to in paragraph 9 below. Giles Hargreave is also a director of each of the Companies and as such there may be a potential conflict of interest between his duties owed to the Companies and to Hargreave Hale Limited in relation to these arrangements. Save as set out in this paragraph, there are no potential conflicts of interest between any duties owed to the Companies by the Directors and their private and/or other duties.

6.8 In addition to their directorships of the Companies, the Directors currently hold, and have during the five years preceding the date of this document held, the following directorships, partnerships or been a member of the senior management:

Name	Current Directorships/Partnership Interests	Past Directorships/ Partnership Interests
Sir Aubrey Brocklebank	Aubrey Brocklebank & Associates Limited	AT Communications Group Plc (in liquidation)

	Downing Planned Exit VCT 2011 Plc	Backglass Limited (dissolved)
	Hargreave Hale AIM VCT 1 Plc	Bar Room Bar Limited (dissolved)
	Puma VCT VIII Plc	Downing Distribution VCT 1 Plc
	The Classic 2CV Racing Club Limited (as treasurer)	Grasshopper Management LLP (dissolved)
	Epiquestlive Inc	Hargreave Hale AIM VCT 2 Plc
	Mast Investment Holdings Ltd	Legacy Associates Plc (in liquidation)
	Epiquestlive UK Limited	Octopus Second AIM VCT Plc (dissolved)
		Pennine AIM VCT VI Plc (dissolved)
		Puma VCT Plc (dissolved)
		Puma VCT II Plc (dissolved)
		Puma VCT III Plc (in liquidation)
		Puma VCT IV plc (in liquidation)
		ReInventure Limited Liability Partnership (dissolved)
		Top Ten Holdings Plc
		Urban and Country Leisure Limited
		Vetcell Bioscience Limited
		Premier Fireserve Engineering Ltd (in administration)
		Premier Fireserve Ltd (in administration)
		NGS Corporation PLC
		Continental Shelf 547 Limited (dissolved)
		Continental Shelf 548 Limited (dissolved)
		AB and A Investments Limited (dissolved)
		The Media Vehicle Group Limited (dissolved)
		Innventive Property Holdings Limited
David Hurst-Brown	Hargreave Hale AIM VCT 2 Plc	Acuity VCT 3 Plc (liquidation)
	Imagination Technologies Group Plc	Grove House Publishing Limited
	Leadhall Bay Limited	Hargreave Hale AIM VCT 1 Plc
	Foresight Solar VCT Plc	Keydata Income VCT 2 Plc (in liquidation)
	Anite Plc	Keydata Income VCT 1 Plc (in liquidation)
		MGHB Investments Limited
		Red Labell Limited
		Woodham House Limited
		Woodham School Limited
		Nevin Energy Resources Ltd
		Boyle Electrical Generation Ltd (in liquidation)
		Burley Energy Ltd
		Cooke Generation Ltd
		Hughes Power Ltd
		Spencer Energy Services Ltd
		Withion Power Ltd (in liquidation)
		Docherty Heat and Energy Distributor Ltd
		FFastfill Plc



Giles Hargreave	<p>Hargreave Hale AIM VCT 1 Plc  Hargreave Hale AIM VCT 2 Plc  Hargreave Hale Limited  Hargreave Hale Nominees Limited  Progress Nominees Limited</p>	
Philip Cammerman	<p>British Smaller Companies VCT Plc  Clarendon Fund Managers Limited  Clarendon Fund Nominees Limited  Hargreave Hale AIM VCT 2 Plc  Howmac Limited  N I Venture Partners Limited  Nitech Venture Partners Limited  Pressure Technologies Plc  Evince Technology Limited</p>	<p>British Smaller Companies VCT 2 Plc  Connect Yorkshire Limited</p>
David Michael Brock	<p>Elderstreet VCT Plc  Episys Group Limited  Hargreave Hale AIM VCT 1 Plc  Puma VCT VIII Plc  Kitwave Limited</p>	<p>Jane Norman (Holdings) Limited (in administration)  JN Group Limited (dissolved)  Phase Eight EBT Trustee Company (dissolved)  Patsy Seddon Limited  Phase Eight (Fashion &amp; Designs) Limited  Inhoco 4071 Limited (dissolved)  Ossian Retail Group Limited (dissolved)  Inhoco 4055 Limited (dissolved)  Phase Eight Bidco Limited (dissolved)  Phase Eight Holdco Limited (dissolved)  Elderstreet Millennium Venture Capital Trust Plc (dissolved)  Puma VCT Plc (dissolved)  Puma VCT II Plc (dissolved)  Puma VCT III Plc (in liquidation)  Puma VCT IV Plc (in liquidation)</p>

The business address of all the Directors is: Accurist House, 44 Baker Street, London, W1U 7AL.

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

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

dishonesty;

- 6.9.2 been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated recognised professional bodies) or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;
  - 6.9.3 been a director or senior manager of a company which has been put into receivership, compulsory liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors (save as set out in paragraph 6.8 above); or
  - 6.9.4 been the subject of any bankruptcy or been subject to an individual voluntary arrangement or a bankruptcy restrictions order.
- 6.10 There are no arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which any Director was selected as a member of the administrative, management or supervisory bodies or member of senior management.
- 6.11 There are no restrictions agreed by any Director on the disposal within a certain period of time of their holdings in the Companies' securities.
- 6.12 There are no outstanding loans or guarantees provided by either of the Companies for the benefit of any of the Directors nor are there any loans or any guarantees provided by any of the Directors for either of the Companies.

## **7. Directors' remuneration and service agreements**

- 7.1 In the financial year ended 30 September 2012, the total remuneration of the Directors from Hargreave Hale AIM VCT 1 was £48,000. From this, Giles Hargreave and David Brock each received £15,000 per annum (exclusive of VAT, if any), and Sir Aubrey Brocklebank Bt. received £18,000 per annum (exclusive of VAT, if any). Payments in respect of Giles Hargreave as Non-Executive Director were paid to the Investment Manager, Hargreave Hale Limited.
- 7.2 In the financial year ended 28 February 2013, the total remuneration of the Directors from Hargreave Hale AIM VCT 2 was £48,000. From this, Giles Hargreave and Philip Cammerman each received £15,000 per annum (exclusive of VAT, if any), and David Hurst-Brown received £18,000 per annum (exclusive of VAT, if any). Payments in respect of Giles Hargreave as Non-Executive Director were paid to the Investment Manager, Hargreave Hale Limited.
- 7.3 None of the Directors has a service contract with either of the Companies and no such contract is proposed. Each of the Directors have been appointed on terms which can be terminated by either party on three months' notice.
- 7.4 The Directors are not entitled to compensation on termination of their directorships and no amounts have been set aside or accrued for their pensions, retirement or similar benefits.
- 7.5 Sir Aubrey Brocklebank Bt. has entered into a consultancy agreement with Hargreave Hale AIM VCT 1 (being entered into separately with him and through his associated company, Aubrey Brocklebank & Associates Ltd). The fees payable in relation to these agreements are included in the fees referred to in paragraphs 7.1 and 7.2 above.

## **8. The Companies and their subsidiaries**

The Companies do not have any subsidiaries.

## **9. Offer Agreement**

Under the Offer Agreement dated on or around 29 October 2013 and made between the Companies (1), the Directors (2), the Sponsor (3), and the Investment Manager (4), the Sponsor has agreed to act as sponsor to the Offers and the Investment Manager has undertaken as agent of the Companies to use its reasonable endeavours to procure subscribers under the Offers. Under the Offer Agreement, subject to Shareholder approval, the Companies will pay the Investment Manager a commission of 3.5% of the aggregate value of accepted applications for Ordinary Shares received pursuant to the Offers.

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

Under the Offer Agreement, which may be terminated by the parties in certain circumstances, the Investment Manager, the Companies and the Directors have given certain warranties and indemnities to the Sponsor. Warranty claims must be made by no later than 3 months after the second annual general meeting of the relevant Company following the closing date of the Offers at which Shareholders approve the relevant Company's accounts or by the date the relevant Company is subject to a takeover. The warranties and indemnities are in usual form for a contract of this type and the warranties are subject to limits of the total proceeds of the Offers for the Investment Manager, and one year's director fees for each Director. The Companies have also agreed to indemnify the Sponsor in respect of its role as Sponsor and under the Offer Agreement. The Offer Agreement may be terminated, inter alia, if any statement in this Prospectus is untrue, any material omission from this Prospectus arises or any breach of warranty occurs.

## 10. **The City Code**

### 10.1 *Mandatory takeover bids*

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

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

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

### 10.2 *Squeeze out*

Section 979 of the Act provides that if, within certain time limits, an offer is made for the share capital of either Company, the offeror is entitled to acquire compulsorily any remaining shares if it has, by virtue of acceptances of the offer, acquired or unconditionally contracted to acquire not less than 90% in value of the shares to which the offer relates and in a case where the shares to which the offer relates are voting shares, not less than 90%, of the voting rights carried by those shares. The offeror would effect the compulsory acquisition by sending a notice to outstanding shareholders telling them that it will compulsorily acquire their shares and then, six weeks from the date of the notice, pay the consideration for the shares to the relevant Company to hold on trust for the outstanding shareholders. The consideration offered to shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration available under the takeover offer.

### 10.3 *Sell out*

Section 983 of the Act permits a minority shareholder to require an offeror to acquire its shares if the offeror has acquired or contracted to acquire shares in either Company which amount to not less than 90%, in value of all the voting shares in the relevant Company and carry not less than

90%, of the voting rights. Certain time limits apply to this entitlement. If a shareholder exercises its rights under these provisions, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

**11. Notifications of shareholdings**

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

**12. Material contracts**

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

**Hargreave Hale AIM VCT 1**

12.1 The Offer Agreement, details of which are set out in paragraph 9 above.

12.2 Under an offer agreement dated 5 November 2012 (the "2012 Offer Agreement" and made between the Companies (1), the Directors (2), the Sponsor (3), and the Investment Manager (4), the Sponsor agreed to act as sponsor to the 2012 Offers and the Investment Manager undertook as agent of the Companies to use its reasonable endeavours to procure subscribers under the 2012 Offer. Under the 2012 Offer Agreement, the Companies each paid the Investment Manager a commission of 3% of the aggregate value of accepted applications for Ordinary Shares received by that Company pursuant to the 2012 Offers.

Out of this fee, the Investment Manager paid all other costs and expenses of or incidental to the 2012 Offers.

Under the 2012 Offer Agreement, the Investment Manager, the Companies and the 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 2012 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 were subject to limits of the total proceeds of the 2012 Offer for the Investment Manager, and one year's director fees for each of the Directors. The Companies also agreed to indemnify the Sponsor in respect of its role as Sponsor and under the 2012 Offer Agreement.

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

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

In line with normal VCT practice, a performance related incentive fee will be payable to the Investment Manager. This annual performance related incentive fee will payable at the rate of 20% of any dividends paid to Shareholders in excess of 6p 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 30 September 2007 and would be payable provided cumulative distributions in the first three accounting periods exceeded 18p per Ordinary Share. Thereafter, a performance related incentive fee will be payable annually, provided the hurdles have been exceeded, with any cumulative shortfalls below 6p per Ordinary Share having to be made up in subsequent years before the incentive fee becomes payable. No performance related incentive fee will be payable unless the NAV per Ordinary Share is at least 95p.

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

- 12.4 Under supplemental management agreements between Hargreave Hale AIM VCT 1 (1) and the Investment Manager (2) dated 10 September 2009, Hargreave Hale agreed to provide administrative and custodian services to that company and the services of Stuart Brookes, as company secretary and Giles Hargreave, as a non-executive director for an annual fee of £77,000 (plus VAT) terminable on 3 months' notice either side. Giles Hargreave is interested in this agreement as a director and shareholder of the Investment Manager.
- 12.5 Further to Keydata Investment Services Limited (the former administrator of the Companies) going into administration on 8 June 2009, under an agreement between Hargreave Hale AIM VCT 1 (1), the directors of Hargreave Hale AIM VCT 1 at the time of its 2004 and 2005 offers for subscription (Sir Aubrey Brocklebank Bt., Stewart Ford and David Hurst-Brown) (2), the Investment Manager (3), Williams De Broe Plc (4) and Keydata Investment Services Limited (In Administration) (the promoter of those offers) ("KIS")(5), dated 29 September 2010, the Company agreed to the variation of the offer agreements entered into between those parties in relation to the above offers (the "2004 and 2005 Offer Agreements") whereby the company agreed to (i) pay to KIS the sum of £60,000 in relation to compensation to KIS for the loss of any annual commissions and performance incentive fees that would have become due to KIS under the 2004 and 2005 Offer Agreements, (ii) discharge all obligations of KIS to pay trail commissions that became due on or before 29 September 2010 (iii) compensate KIS in full and final settlement of all sums due to be paid to KIS by the Company as at 8 June 2009 (being the date of the appointment of the administrator of KIS) under an administration agreement between KIS and Hargreave Hale AIM VCT 1 dated 10 September 2004, notwithstanding that that agreement was terminated by reason of the appointment of the administrator. KIS and Hargreave Hale AIM VCT 1 also agreed that the Company shall, out of the £60,000 due to KIS referred to above, assume responsibility to pay the trail commissions referred to above in this paragraph on behalf of KIS, and to pay to Hargreave Hale AIM VCT 2 £20,000 due to be paid to KIS in relation to the agreement referred to in paragraph 12.12 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).
- 12.6 Under an agreement between Hargreave Hale AIM VCT 1 (1), and the Investment Manager (2), dated 15 December 2010, the Company agreed to the variation of the terms of the HH1 Investment Management Agreement referred to in paragraph 12.3 above with (i) the Investment Manager providing an indemnity in relation to Annual Running Costs of the company exceeding 3.5% of the net assets of the Company with effect from 1 October 2010 and (ii) the annual management fee payable to the Investment Manager increasing to 1.5% of the net asset of the Company.
- 12.7 Under an agreement between Hargreave Hale AIM VCT 1 (1), and the Investment Manager (2), dated 27 February 2012, the Company agreed, subject to Shareholder approval, to the variation of the terms of the HH1 Investment Management Agreement referred to in paragraph 12.2 whereby that agreement was varied so as to extend the rights and obligations of the Managers to the assets attributable to the New Ordinary Shares and the C shares in Hargreave Hale AIM VCT 2. Under the relevant Deed of Variation, the Investment Manager will receive an annual investment management fee of 1.5% of the net assets attributable to the New Ordinary Shares and the C

shares and a Performance Incentive Fee in respect of the New Ordinary Shares and the C shares.

## **Hargreave Hale AIM VCT 2**

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

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

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

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

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

payable after 29 September 2010, with KIS undertaking to indemnify the Hargreave Hale AIM VCT 2 and the directors against all claims resulting from inaccuracy of information provided by KIS to the Company, with the waiver of certain obligations of KIS under the 2006 Offer Agreement.

12.12 Under an agreement between Hargreave Hale AIM VCT 2 (1), and the Investment Manager (2), dated 15 December 2010, the Company agreed to the variation of the terms of the HH2 Investment Management Agreement referred to in paragraph 12.9 above with (i) the Investment Manager providing an indemnity in relation to Annual Running Costs of the company exceeding 3.5% of the net assets of the Company with effect from 1 October 2010 and (ii) the annual management fee payable to the Investment Manager increasing to 1.3% of the net asset of the Company.

12.13 Under an agreement between Hargreave Hale AIM VCT 2 (1), and the Investment Manager (2), dated 29 February 2012, the Company agreed, subject to Shareholder approval, to the variation of the terms of the HH2 Investment Management Agreement referred to in paragraph 12.9 whereby that agreement was varied so as to extend to the rights and obligations of the Managers to the assets attributable to the New Ordinary Shares in Hargreave Hale AIM VCT 2. Under the relevant Deed of Variation, the Investment Manager will receive an annual investment management fee of 1.5% of the net assets attributable to the New Ordinary Shares and a Performance Incentive Fee in respect of the New Ordinary Shares.

### 13. **Related party transactions**

Other than the agreements, deeds and shareholdings referred to in paragraphs 12.1, 12.2, 12.6, 12.7 (in the case of Hargreave Hale AIM VCT 1) and 12.8, 12.12, 12.13 (in the case of Hargreave Hale AIM VCT 2), there have been no related party transactions relating to the Companies between 1 October 2008 (in the case of Hargreave Hale AIM VCT 1) and 1 March 2009 (in the case of Hargreave Hale AIM VCT 2) and the date of this document.

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

14.1 The Investment Manager intends to structure the investments of the Hargreave Hale AIM VCT 1 and the Hargreave Hale AIM VCT 2 Ordinary Share funds in accordance with the Companies' objects of spreading investment risk and in accordance with their respective published investment policies as set out in the sections of Part I entitled "About The Hargreave Hale AIM VCTs" and "Investment and Borrowing Policy". These investment policies are in line with the VCT rules and neither of the Companies will deviate from them, in any material respect. Further, in accordance with the VCT rules, the Companies will invest in ordinary shares, in some cases a small number of preference shares where applicable, and always in accordance with such rules.

14.2 The Companies are not regulated by the FCA (or equivalent overseas regulator) although VCTs need to meet a number of conditions set out in tax legislation in order for the VCT tax reliefs to apply, and comply with the continuing obligations of listed companies under the Listing Rules and the Disclosure and Transparency Rules.

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

14.4 The Companies will not conduct any trading activity which is significant in the context of their groups (if any) as a whole. No more than 10%, in aggregate, of the value of the total assets of the Companies at the time an investment is made may be invested in other listed closed-ended investment funds, except where those funds themselves have published investment policies which permit them to invest no more than 15% of their total assets in other listed closed-ended investment funds. The Companies will, at all times, invest and manage their assets in a way which is consistent with their objective of spreading investment risk and in accordance with their published investment policies. The Companies will also invest and manage their assets to ensure

compliance with the Listing Rules, the Prospectus Rules and the VCT rules and restrictions.

14.5 Each Board must be able to demonstrate that they will act independently of the Investment Manager. A majority of the Boards (including the Chairman) must not be directors, employees, partners, officers, or professional advisors of or to, the Investment Manager or any company in the Investment Manager's group or any other investment entity which they manage.

14.6 Neither Company will:

14.6.1 invest more than 15% of its gross assets in any single company, in accordance with the VCT legislation, nor will either Company control the companies in which it invests in such a way as to render them subsidiary undertakings until it has obtained approval as a VCT from HMRC;

14.6.2 invest directly in physical commodities;

14.6.3 invest in any property collective investment undertaking; or

14.6.4 invest in any derivatives, financial instruments, money market instruments or currencies other than for the purposes of efficient portfolio management (i.e. solely for the purpose of reducing, transferring or eliminating investment risk in the underlying investments of the collective investment undertaking, including any technique or instrument used to provide protection against exchange and credit risks).

14.7 The Investment Manager is responsible for the determination and calculation of the Net Asset Value of the Companies on a weekly basis. The value of investments will be determined according to their listing status. Quoted securities will be valued at bid price unless the investment is subject to restrictions or the holding is significant in relation to the share capital of a small quoted company, in which case a discount may be appropriate as per the EVCA guidelines. Unquoted investments will be valued on a cost basis in the first year and reviewed subsequently on the basis of the progression of the business. The Net Asset Value of the Companies will be communicated to Investors in Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2 through a Regulatory News Service provider at the same frequency as the determinations. In the event of any suspension, valuations are held at the suspended price and a view is taken with consideration to best market practice and information from advisers. The Directors do not anticipate any circumstances arising under which the valuations may be suspended. Should the determination of Net Asset Value differ from that set out above then this will be communicated to investors in Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2 through a Regulatory News Service provider.

## 15. **Further Information on Investment Manager**

15.1 Hargreave Hale Limited is regulated and authorised by the Financial Conduct Authority. It was incorporated as a private limited company in England and Wales on 16 January 1996 under number 3146580 and operates under the Act and the regulations made under the Act. Hargreave Hale Limited is domiciled in the UK. Its registered office is 9-11 Neptune Court, Hallam Way, Blackpool, Lancashire, FY4 5LZ. The telephone number is 01253 754700.

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

## 16. **Working capital**

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

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

## 17. **Capitalisation and Indebtedness**



17.1 The (unaudited) capitalisation and indebtedness of the Companies as at 18 October 2013 was as follows:

	Hargreave Hale AIM VCT 1 (£'000)	Hargreave Hale AIM VCT 2 (£'000)
<i>Shareholder equity:</i>		
Share capital	19,680	8,671
Reserves	920	1,742
Total	20,600	10,413
Cash	2,182	627
Cash equivalents	-	-
Trading securities	795	770
Liquidity	2,977	1,397
Current financial receivable	48	29
Current bank debt	-	-
Current position of non-current debt	-	-
Other current financial debt	(195)	(77)
Current financial debt	(195)	(77)
Net current financial cash/(indebtedness)	2,830	1,349
Non-current bank loans	-	-
Bonds issued	-	-
Other non-current loans	-	-
Non-current financial indebtedness	-	-
Net financial cash/(indebtedness)	2,830	1,349

17.2 All of the indebtedness of the Companies is unsecured and unguaranteed. The Companies have incurred no indirect or contingent indebtedness. Each Company has power to borrow under its respective Articles of Association, details of which are set out under the heading "Borrowing

powers" at paragraph 4.14 above.

## 18. Corporate Governance

- 18.1 Each Board is accountable to shareholders for the governance of each Company's affairs and is committed to maintaining the highest standards of corporate governance. Accordingly, each Board has adopted the Corporate Governance Code published by the Financial Reporting Council in June 2010 and reports against the principles and recommendations of this Code (the "Code"). Considering the principles detailed in the Code the Boards believe that, each Company as at the date of this document complies, save as disclosed below in relation to committees, with the provisions of the Code throughout the financial year (in the case of Hargreave Hale AIM VCT 1 ended 30 September 2012 (as detailed on page 21 of its Annual Report and Accounts for the period ended 30 September 2012) and in the case of Hargreave Hale AIM VCT 2 ended 28 February 2013 (as detailed on page 22 of its Annual Report and Accounts for the period ended 28 February 2013) which can both be downloaded at [www.hargreave-hale.co.uk/fund-management/venture-capital-trusts/](http://www.hargreave-hale.co.uk/fund-management/venture-capital-trusts/). These Accounts are incorporated by reference, as set out below:

	Hargreave Hale AIM VCT 1 Audited financial statements for the period ended 30 September 2012	Hargreave Hale AIM VCT 2 Audited financial statements for the period ended 28 February 2013
	Page numbers	Page numbers
Corporate Governance Statement:	21-24	22-25
Departures from the Code:	21	22

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

## 19. Litigation

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

## 20. General

- 20.1 The estimated costs and expenses relating to the Offers will be 3.5% of gross funds raised by the relevant Company under the Offers. Assuming full subscription under the Offers, the total net proceeds of the Offers after all fees, are expected to be £9.65 million for Hargreave Hale AIM VCT 1 and £9.65 million for Hargreave Hale AIM VCT 2.
- 20.2 Investors will be separately liable for any Adviser Charges that they have agreed with their financial intermediary and no Company shall have any responsibility to any Investor or financial intermediary in respect of any such Adviser Charge. Any facilitation of the payment of such Adviser Charge by a Company shall be subject to the terms of a separate Adviser Charge Agreement between the relevant Company and Investor. To the extent that an Investor wishes the Company to facilitate the payment of any Adviser Charge, such Investor should request a copy of the Adviser Charge Agreement from Hargreave Hale and complete the same in accordance with its terms and complete the relevant part of the Application Form. Any applicable tax relief for Investors will only be available on the actual subscription amount which is applied to subscribe for New Ordinary Shares on behalf of such Investor and will not be available in respect of any Adviser Charge that is paid by or on behalf of an Investor.
- 20.3 The Companies consent to the use of this Prospectus by financial intermediaries and accept responsibility for the information contained in this document in respect of any final placement of

New Ordinary Shares by any financial intermediary which was given consent to use this document. The offer period within which subsequent resale or final placement of securities by financial intermediaries can be made and for which consent to use this Prospectus is given commences on 1 November 2013 and closes at 12.00 p.m. on 31 October 2014. Information on the terms and conditions of the Offers by any financial intermediary is to be provided at the time of the Offers by the financial intermediary. **Any financial intermediary that uses this document must state on its website that it uses this document in accordance with the Companies' consent. Financial intermediaries are required to provide the terms and conditions of the Offers to any prospective investor who has expressed an interest in participating in the Offers to such financial intermediary. No financial intermediary will act as principal in relation to the Offers.**

- 20.4 BDO LLP, Chartered Accountants of 55 Baker Street, London, W1U 7EU were auditors of the Companies in respect of the audited financial information set out in Part IV and have given unqualified audit reports on the statutory accounts of the Companies for those financial years referred to in Part IV within the meaning of section 495 of the Act. None of those reports contained any statements under section 237(2) or (3) of the Act. Statutory accounts of the Companies for those financial years have been delivered to the Registrar of Companies in England and Wales pursuant to section 242 of the Act.
- 20.5 The Companies shall take all reasonable steps to ensure that its auditors are independent of them and will obtain written confirmation from their auditors that they comply with guidelines on independence issued by their national accountancy and auditing bodies.
- 20.6 Nplus 1 Singer Advisory LLP's office address is at 1 Bartholomew Lane, London, EC2N 2AX. Nplus 1 Singer Advisory LLP is regulated by the Financial Conduct Authority and is acting in the capacity as Sponsor to the Companies.
- 20.7 Nplus 1 Singer Advisory LLP has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.
- 20.8 The statements attributed to the Investment Manager in this document have been included in the form and context in which they appear with the consent and authorisation of the Investment Manager. The Investment Manager accepts responsibility for those statements, and to the best of the knowledge of the Investment Manager (which has taken all reasonable care to ensure that such is the case) those statements are in accordance with the facts and contains no omission likely to affect its import.
- 20.9 The Companies do not assume responsibility for the withholding of tax at source.
- 20.10 The Offers will result in a significant gross change in each Company, including its earnings and in the net assets of an amount that is equal to the net proceeds it receives under the Offers (namely £9.65 million for Hargreave Hale AIM VCT 1 and £9.65 million for Hargreave Hale AIM VCT 2 assuming full subscription under the Offers). Subject to the level of subscription of the Offers, an increase in net assets would have certain consequences, potentially including a reduction in the annual expenses ratio of each Company, increasing the size and range of investments which each Company could undertake and increasing the number of investments each Company would be required to make in order to meet the VCT eligibility rules.
- 20.11 If the Offers were fully subscribed, the existing 27,730,188 Shares of Hargreave Hale AIM VCT 1 would represent 68% of the enlarged issued share capital of Hargreave Hale AIM VCT 1 and the existing 10,165,230 Shares of Hargreave Hale AIM VCT 2 would represent 52% of the enlarged issued share capital of Hargreave Hale AIM VCT 2.
- 20.12 All third party information in this Prospectus has been identified as such by reference to its source and in each instance has been accurately reproduced and, so far as the Companies are aware and able to ascertain from information published by the relevant party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## 21. Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of each

Company at Accurist House, 44 Baker Street, London W1U 7AL whilst the Offers remain open:

- 21.1 the Articles of Association of each Company;
- 21.2 the material contracts referred to in paragraph 12 above;
- 21.3 the interim results of Hargreave Hale AIM VCT 1 for the periods ending 31 March 2012 and 31 March 2013, and the annual accounts for the periods ending 30 September 2010, 30 September 2011 and 30 September 2012;
- 21.4 the interim results of Hargreave Hale AIM VCT 2 for the periods ending 31 August 2012 and 31 August 2013, and the annual accounts for the periods ending 28 February 2011, 29 February 2012 and 28 February 2013;
- 21.5 the consent letter referred to in paragraph 20.7 above; and
- 21.6 this Prospectus.

Dated: 1 November 2013

## DEFINITIONS

"Act"	the Companies Act 2006 (as amended)
"Adviser Charge"	a charge due to a financial intermediary from an Investor in relation to the provision of advice and/or related services provided or to be provided by the financial intermediary to such Investor in connection with an investment in a Company which is agreed between the financial intermediary and the Investor in accordance with Applicable Laws
"Adviser Charge Agreement"	the agreement between an Investor and a Company in relation to the facilitation by a Company of the payment of an Adviser Charge to a financial intermediary on behalf of an Investor
"Admission"	the admission of the New Ordinary Shares issued, and to be issued, pursuant to the Offers to the premium segment of the Official List and to trading on the London Stock Exchange becoming effective
"Annual Running Costs"	means the running costs of the relevant Company and include the management fees payable to the Investment Manager (excluding any performance incentive fee), accounting and administration fees, as well as fees for directors, auditors, taxation advisers, sponsor, registrar, and the costs of communicating with shareholders; however, such costs shall exclude any VAT payable thereon (the payment of which is the responsibility of the respective Company)
"AIM"	the AIM Market operated by the London Stock Exchange
"Applicable Laws"	any law, regulatory requirement or other industry requirement which applies the financial intermediary. For these purposes, a requirement includes rules, guidance or statements of good practice issued by the FCA, any regulatory body which the financial intermediary is expected to comply with
"Application Form"	the form of application for New Ordinary Shares under the Offers set out at the end of this document
"Articles of Association"	the articles of association of each Company in force from time to time
"Circular"	the Circular to Shareholders issued by the Companies dated 9 October 2013 convening general meetings to approve various proposals in connection with the Offers
"Companies" or "Funds"	Hargreave Hale AIM VCT 1 and/or Hargreave Hale AIM VCT 2 and "Company" or "Fund" means either one of them, as the context requires
"CREST"	the relevant system (as defined in the Regulations) operated by Euroclear
"Directors" or "Board"	the directors of each Company
"Disclosure and Transparency Rules"	the Disclosure and Transparency Rules published by the FCA from time to time
"Equiniti"	Equiniti Limited
"EVCA"	The European Private Equity and Venture Capital Association
"Existing Shareholders"	holders of Shares as at the date of this document

<b>"FCA"</b>	the Financial Conduct Authority in the United Kingdom and/or any successor or replacement body or bodies from time to time
<b>"FSMA"</b>	the Financial Services and Markets Act 2000, as amended
<b>"Hargreave Hale AIM VCT 1"</b>	Hargreave Hale AIM VCT 1 plc
<b>"Hargreave Hale AIM VCT 2"</b>	Hargreave Hale AIM VCT 2 plc
<b>"HMRC"</b>	HM Revenue & Customs
<b>"ISDX"</b>	ICAP Securities and Derivatives Exchange
<b>"ITA"</b>	Income Tax Act 2007, as amended
<b>"Investment Manager" or "Hargreave Hale"</b>	Hargreave Hale Limited, which is authorised and regulated by the FCA
<b>"Investor(s)"</b>	subscriber for New Ordinary Shares under the Offers
<b>"Listing Rules"</b>	the listing rules prescribed by the UK Listing Authority
<b>"London Stock Exchange"</b>	London Stock Exchange plc
<b>"Marlborough Special Situations Fund"</b>	The Marlborough Special Situations Fund launched on 12 July 1995 being an authorised collective investment scheme as defined in FSMA
<b>"Management Agreements"</b>	the agreement dated 10 September 2004 (as amended) between Hargreave Hale AIM VCT 1 and Hargreave Hale Limited governing the management of Hargreave Hale AIM VCT 1's investments and the agreement dated 8 December 2006 (as amended) between Hargreave Hale AIM VCT 2 and Hargreave Hale Limited governing the management of Hargreave Hale AIM VCT 2's investments
<b>"Maximum Subscription"</b>	the receipt of the maximum subscription monies under the Offer, being an aggregate amount of £10,000,000 in relation to Hargreave Hale AIM VCT 1, and an aggregate amount of £10,000,000 in relation to Hargreave Hale AIM VCT 2
<b>"Net Asset Value" or "NAV"</b>	the value of each Company's assets and/or the relevant share pool, less its liabilities (divided by the appropriate number of shares in issue)
<b>"New Ordinary Shares"</b>	New Ordinary Shares in Hargreave Hale AIM VCT 1 and/or Hargreave Hale AIM VCT 2 issued pursuant to the Offer
<b>"Non-Qualifying Investment"</b>	investments made by the Companies which do not qualify as Qualifying Investments
<b>"Offer Agreement"</b>	the offer agreement detailed in paragraph 9 of Part V of this document
<b>"Offer(s)"</b>	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.
<b>"Offer Price"</b>	the relevant offer price for the New Ordinary Shares in each Company as determined by the Pricing Formula
<b>"Official List"</b>	the Official List of the UK Listing Authority
<b>"Ordinary Shares"</b>	ordinary shares of 1p each in the capital of the Companies

<b>"Performance Incentive Fee"</b>	the fee payable to the Investment Manager, as described in paragraphs 12.3 and 12.9 of Part V of this document
<b>"Platform Charge"</b>	a charge due to a platform service provider payable by the Investor in return for the provision of the platform service which is agreed between the platform service provider and the Investor in accordance with Applicable Laws
<b>"Pricing Formula"</b>	the last Net Asset Value of an existing Ordinary Share (with an appropriate adjustment for any performance fee potentially payable based on the Net Asset Value at that date) as published by the relevant Company prior to the date of allotment divided by 0.965 to allow for issue costs of 3.5% calculated, in pence, to two decimal places
<b>"Prospectus"</b>	this document
<b>"Prospectus Rules"</b>	as defined in section 73A(4) of the Financial Services and Markets Act 2000, rules expressed to relate to transferable securities
<b>"Qualifying Investment" or "Qualifying Company"</b>	an investment made by a venture capital trust in a trading company which comprises a qualifying holding under Chapter 4 of Part 6 ITA
<b>"Regulations"</b>	the Uncertificated Securities Regulations 2001 (S.I. 2001/3755)
<b>"Shareholder"</b>	a holder of Shares
<b>"Share(s)"</b>	shares in the capital of Hargreave Hale AIM VCT 1 and/or Hargreave Hale AIM VCT 2
<b>"Sponsor"</b>	Nplus 1 Singer Advisory LLP, which is authorised and regulated by the FCA and is a member of the London Stock Exchange
<b>"Terms and Conditions of the Offers"</b>	the terms and conditions of the Offers set out in Part VI of this document
<b>"Total Expense Ratio"</b>	the total costs of managing and operating each Company divided by its NAV (excluding VAT where applicable)
<b>"Total Return"</b>	the sum of (i) the most recent published Net Asset Value of that Share plus (ii) all dividends paid or declared in respect of that Share
<b>"UK Listing Authority"</b>	the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Markets and Services Act 2000
<b>"VCT" or "Venture Capital Trust"</b>	venture capital trust as defined in section 259 ITA

## PART VI

### TERMS AND CONDITIONS OF THE OFFERS

- (a) The contract created by the acceptance of applications under the Offer relating to Hargreave Hale AIM VCT 1 will be conditional upon the Offer Agreement referred to in paragraph 9 of Part V becoming unconditional and not being terminated in relation to that Company in accordance with its terms.
- (b) The contract created by the acceptance of applications under the Offer relating to Hargreave Hale AIM VCT 2 will be conditional upon the Offer Agreement referred to in paragraph 9 of Part V becoming unconditional and not being terminated in relation to that Company in accordance with its terms.
- (c) The Offers are not inter-conditional and in the event that an Offer does not proceed due to relevant conditions not being satisfied, any application monies received in respect of that Offer will be returned, at the risk of the person entitled thereto.
- (d) 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 an Offer at any time prior to satisfaction of the applicable conditions set out in paragraphs (a) and (b) above.
- (e) By completing and delivering an Application Form you:
  - (i) offer to subscribe for New Ordinary Shares at the relevant Offer Price representing the amount in pounds sterling specified in Part One of Section 2 of your Application Form (or such lesser number for which your application is accepted) on the terms of and subject to the conditions of the Prospectus (including these Terms and Conditions of the Offers) and the Articles of Association of each Company;
  - (ii) agree that, in consideration of the Companies agreeing that they will not issue or allot any Ordinary Shares which are subject to the Offers to any person other than by means of the procedures referred to in this document, your application shall not be revoked until after 31 October 2014 and this paragraph shall constitute a collateral contract between you and the Companies which will become binding upon despatch by post to, or (in the case of delivery by hand) on receipt by, Hargreave Hale Limited of your Application Form;
  - (iii) warrant that your remittance will be honoured on first presentation and agree that if it is not so honoured you will not be entitled to receive a share certificate, or have shares allotted to your CREST account (as the case may be), in respect of the Ordinary Shares applied for unless and until you make payment in cleared funds for such 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 Ordinary Shares and may allot such Ordinary Shares to some other person, in which case you will not be entitled to any payment in respect of such Ordinary Shares;
  - (iv) agree that if, following the issue of all or any Ordinary Shares applied for pursuant to the Offer (the "Issued Ordinary Shares"), your remittance is not honoured on first presentation, the Issued Ordinary Shares may, forthwith upon payment by Hargreave Hale of the Offer Price of the Issued Ordinary Shares to the Companies, be transferred to Hargreave Hale at the relevant Offer Price per Issued Ordinary Share and any director of Hargreave Hale or any director of the Sponsor is hereby irrevocably



appointed and instructed to complete and execute all or any form(s) of transfer and/or any other documents in relation to the transfer of Issued Ordinary Shares to Hargreave Hale or such other person as Hargreave Hale may direct and to do all such other acts and things as may be necessary or expedient, for the purpose of or in connection with, transferring title to the Issued Ordinary Shares to Hargreave Hale, or such other person, in which case you will not be entitled to any payment in respect of such Ordinary Shares;

- (v) agree that, in respect of those Ordinary Shares for which your application has been received and is not rejected, acceptance of your application shall be constituted, at the election of the Companies either (i) by notification to the London Stock Exchange of the basis of allocation (in which case acceptance shall be on that basis) or (ii) by notification of acceptance thereof to Hargreave Hale Limited;
- (vi) agree that any monies returnable to you may be retained by Hargreave Hale Limited pending clearance of your remittance and the completion of any verification of identity required by the Money Laundering Regulations 2007 and that such monies will not bear interest;
- (vii) subject as provided in paragraphs (iii) and (iv) above, authorise Hargreave Hale Limited to send a share certificate, or have shares allotted to your CREST account (as the case may be) in respect of the number of Ordinary Shares for which your application is accepted and/or to send a crossed cheque for any monies returnable, by post, at the risk of the person entitled thereto, to the address of the person named as the applicant in the Application Form;
- (viii) warrant that if you sign the Application Form on behalf of somebody else you have due authority to do so on behalf of that other person and such person will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained herein and undertake to enclose your power of attorney or a copy thereof duly certified by a solicitor with the Application Form;
- (ix) agree that all applications, acceptances of applications and contracts resulting there from under the Offers shall be governed by and construed in accordance with English law, and that you submit to the jurisdiction of the English Courts and agree that nothing shall limit the right of the Companies to bring any action, suit or proceedings arising out of or in connection with any such applications, acceptances of applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;
- (x) confirm that in making such application you are not relying on any information or representation in relation to the Companies other than the information contained in this document and accordingly you agree that no person responsible solely or jointly for this document or any part thereof or involved in the preparation thereof shall have any liability for any such other information or representation;
- (xi) authorise Hargreave Hale Limited, or any persons authorised by either of them, as your agent, to do all things necessary to effect registration of any Ordinary Shares subscribed by you into your name or into the name of any person in whose favour the entitlement to any such Ordinary Shares has been transferred and authorise any representative of Hargreave Hale Limited to execute any document required therefor;
- (xii) agree that, having had the opportunity to read this document, you shall be deemed to have had notice of all information and representations concerning the Companies contained herein;
- (xiii) confirm and warrant that you have read and complied with paragraph (f) below;
- (xiv) confirm that you have read the restrictions contained in paragraph (g) below and warrant as provided therein;
- (xv) warrant that you are not under the age of 18; and
- (xvi) agree that all documents and cheques sent by post to, by or on behalf of the Companies or Hargreave Hale Limited, will be sent at the risk of the person(s) entitled

thereto.

- (f) 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.
- (g) The Ordinary Shares have not been and will not be registered under the United States Securities Act 1933 (as amended) and, subject to certain exceptions, the Ordinary Shares may not be offered, sold, renounced, transferred or delivered, directly or indirectly, in the United States or to any person in the United States. Persons subscribing for Ordinary Shares shall be deemed, and (unless the Companies are satisfied that their respective Ordinary Shares can be allotted without breach of United States securities laws) shall be required, to represent and warrant to the Companies that they are not a person in the United States and that they are not subscribing for such Ordinary Shares for the account of any such person and will not offer, sell, renounce, transfer or deliver, directly or indirectly, such Ordinary Shares in the United States or to any such person. As used herein, "United States" means the United States of America (including each of the States and the District of Columbia), its territories or possessions or other areas subject to its jurisdiction. In addition, the Companies have not been and will not be registered under the United States Investment Company Act of 1940, as amended. The Investment Manager is not registered under the United States Investment Advisers Act of 1940, as amended.
- (h) Investors will be separately liable for any Adviser Charges that they have agreed with their financial intermediary and no Company shall have any responsibility to any Investor or financial intermediary in respect of any such Adviser Charge. Any facilitation of the payment of such Adviser Charge by a Company shall be subject to the terms of a separate Adviser Charge Agreement between the relevant Company and Investor. To the extent that an Investor wishes the Company to facilitate the payment of any Adviser Charge, such Investor should request a copy of the Adviser Charge Agreement from Hargreave Hale and complete the same in accordance with its terms and they should complete the relevant part of the Application Form.
- (i) If no advice has been provided by an authorised financial intermediary to an Investor in respect of his application for New Ordinary Shares, Hargreave Hale is offering to pay introductory commission to authorised financial intermediaries at the rate of 1% on the value of successful applications submitted through them or introductory commission of 0.5% plus trail commission (as agreed between the intermediary and Hargreave Hale). The introductory commission may be waived by financial intermediaries and reinvested by them on behalf of their clients through an additional allotment of New Ordinary Shares (the waiver may be in part or in whole). If financial intermediaries choose to waive and reinvest introductory commission on behalf of their clients through an additional allotment of New Ordinary Shares then the application for New Ordinary Shares pursuant to the Offers will be increased by the amount of introductory commission waived and the enlarged application will be applied in subscribing for New Ordinary Shares at the relevant Offer Price through the Offers. No further fees or commission will be paid in respect of such additional New Ordinary Shares.
- (j) The Companies (after consultation with Hargreave Hale) may change their arrangements in respect of Adviser Charges and the availability and terms of commission payable through an announcement to the London Stock Exchange through a Regulatory Information Service Provider authorised by the FCA applicable to applications received on or after a specified date. The Company may also provide or publish one or more amended application forms to the Application Form set out in this document pursuant to which applications under the Offers will be accepted.
- (k) Where commission is payable, Hargreave Hale will collate the Application Forms bearing the financial intermediaries' stamps and full address details and calculate and pay the introductory commission payable, and also calculate the trail commission payable by Hargreave Hale.
- (l) If the Companies are required to publish a supplementary prospectus, subscribers who have yet to be entered on to the Companies' register of members will be given two working days to withdraw from their application. In the event that notification of withdrawal is given by post, such notification

will be effected at the time the subscriber posts such notification rather than at the time of receipt by the Companies.

- (m) 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.
- (n) 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.

#### *Lodging of Application Forms and Dealing Arrangements*

The Offers will open on 1 November 2013, subject to the conditions set out above. The first allotment under the Offers is expected to be on or before 18 November 2013. Thereafter, the Directors reserve the right to allot Ordinary Shares at any time whilst the Offers remain open.

The closing date for the Offers in respect of the 2013/14 tax year will be at 12.00 p.m. on 4 April 2014. If the Offers are not fully subscribed at that time, the Directors reserve the right to allow the Offers to remain open for at least part of the 2014/15 tax year, but not beyond 12.00 p.m. on 31 October 2014.

The results of the Offers will be announced through a regulatory information service within 3 business days of the closing of the Offers. Dealings in New Ordinary Shares are expected to commence within 10 business days of the relevant allotments.

Completed Application Forms together with the appropriate remittance must be posted or delivered by hand to Hargreave Hale Limited, 9-11 Neptune Court, Hallam Way, Blackpool, Lancashire FY4 5LZ.

The minimum subscription per Investor is £5,000 in respect of the Offers (and from this amount no less than £2,500 may be invested in each Company if the subscription is to be split equally or otherwise between both Companies). Applications in respect of less than £5,000 in aggregate will not be accepted. Applications may be made for any higher amount in multiples of £1,000. The Offer Price will be calculated by reference to the Pricing Formula (calculated in pence to two decimal places). Monies which are not sufficient to buy one New Ordinary Share will not be returned to applicants but will be retained by the relevant Company and fractions of New Ordinary Shares will not be issued. The New Ordinary Shares to be issued pursuant to the Offers will rank *pari passu* with the existing Ordinary Shares of the relevant Company.

In the case of Investors requesting share certificates, it is intended that definitive share certificates will be despatched within 10 business days of allotment. Prior to despatch of definitive share certificates, transfers will be certified against the register. No temporary documents of title will be issued. Dealings prior to receipt of share certificates will be at the risk of applicants. A person so dealing must recognise the risk that an application may not have been accepted to the extent anticipated or at all.

Investors who wish to take advantage of the ability to trade in New Ordinary Shares in uncertificated form, and who have access to a CREST account, may arrange to have their shares allotted directly to their CREST account, or subsequently to convert their holdings into dematerialised form in CREST. Share certificates may be registered directly to an Investor's nominee company and deposited to CREST, however, applications must be made in the name of the Investor, rather than that of the nominee company. Investors should be aware that New Ordinary Shares delivered in certificated form are likely to incur higher dealing costs than those in respect of New Ordinary Shares held in CREST. The Company's share register will be kept by Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

#### *Money Laundering Notice*

To ensure compliance with the Money Laundering Regulations 2007, Hargreave Hale may at their absolute discretion require verification of identity from any person lodging an Application Form in an amount greater than £11,000 (or if the application is one of a series of linked applications, the value of which exceeds that amount). If within a reasonable period of time following a request for verification of identity and in any case by no later than 12.00 p.m. on the relevant date of allotment Hargreave Hale have not received evidence satisfactory to them as aforesaid, the Companies with the agreement of Hargreave Hale may, at their absolute discretion, reject any such application in which event the remittance submitted in respect of that

application will be returned to the applicant at the risk of the person entitled thereto (without prejudice to the rights of the Companies to undertake proceedings to recover any loss suffered by them as a result of the failure to produce satisfactory evidence of identity). Applicants warrant that any information supplied to Hargreave Hale for the purpose of the Money Laundering Regulations 2007 is true and accurate.

*Availability of this Prospectus*

Copies of this document and the Application Form are available until the Offers close from Hargreave Hale Limited, 9-11 Neptune Court, Hallam Way, Blackpool FY4 5LZ; and Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2 (at [www.hargreave-hale.co.uk/fund-management/venture-capital-trusts/](http://www.hargreave-hale.co.uk/fund-management/venture-capital-trusts/)).

## GUIDE TO THE APPLICATION FORM

The following instructions should be read in conjunction with the Application Form (and shall be construed as being terms of the Offers). References in these instructions to Sections or Parts are references to Sections or Parts of the Application Form.

### 1. SECTION 1: PERSONAL DETAILS

Insert your full name, address and date of birth and national insurance number in Block Capitals in Section 1. No joint applications are permitted. Applications may only be made by persons aged 18 or over.

### 2. SECTION 2: APPLICATION AND PAYMENT

#### 2.1 Part One: Application Amounts

Insert the sums you are subscribing in Part One of Section 2. The minimum subscription per Investor is £5,000 in respect of the Offers (and from this amount no less than £2,500 may be invested in each Company if the subscription is to be split equally or otherwise between both Companies). Applications in respect of less than £5,000 in aggregate will not be accepted. Applications may be made for any higher amount in multiples of £1,000.

Please complete Column (1) if you require your application amount for New Ordinary Shares to be split equally on a 50:50 basis between each Company. Please complete Columns (2) and (3) if you wish your application monies to be applied other than on a 50:50 basis. In the event that all Columns (1), (2) and (3) are completed, Columns (2) and (3) shall be disregarded and you shall be deemed to have only completed Column (1).

#### 2.2 Part Two: Adviser Charges

As a consequence of the FCA's Retail Distribution Review, with effect from 31 December 2012, commission is no longer able to be paid to financial intermediaries in respect of advised sales of retail investment products sold to retail investors in the UK. Therefore if your financial intermediary provides you with advice in respect of this application for New Ordinary Shares, neither Hargreave Hale nor the Companies will pay commission to your financial intermediary. Instead, your financial intermediary will need to agree an Adviser Charge with you which you will be responsible for paying. The Companies can, however, facilitate the payment of an Adviser Charge on your behalf so that you do not have to make a separate payment to your financial intermediary. You will need to discuss and agree the amount and method of paying any Adviser Charge with your financial intermediary.

**If you require the Companies to facilitate the payment of any such Adviser Charge on your behalf you should request a copy of the Adviser Charge Agreement from Hargreave Hale and complete the same in accordance with its terms and return it to Hargreave Hale. You should also complete the relevant boxes in Part Two (Adviser Charges).**

If you have not received any advice in respect of your application please complete the first box in Part Two of Section 2 and move on to Part Three of Section 2 (Payment).

If you require the Companies to facilitate payment of an Adviser Charge on your behalf please complete the second box in this Part Two and specify the amount (in pounds sterling) of Adviser Charge that you require the Companies to pay on your behalf in Box B in this Part Two.

Alternatively if you have received advice in respect of your application but you do not require the Companies to facilitate payment of any Adviser Charge on your behalf please complete the second box in this Part Two and move on to Part Three of Section 2 (Payment).

#### 2.3 Part Three: Payment

The total amount payable by you will be the aggregate of the amounts set out in Box A in Part One of Section 2 and (if applicable) the amounts set out in Box B in Part Two of Section 2. Please complete this total amount in pounds sterling in Box C in Part Three of Section 2. Payment by you must be in respect of this amount.

Your cheque or bankers' draft must be payable to "Joint Offer Account of the HH AIM VCTs" and should be crossed "A/C Payee". Receipt of your application will be acknowledged within a day of its having been received. Your cheque or bankers' draft must be drawn in sterling on an account at a bank, and must bear the appropriate sort code number in the top right hand corner. The right is reserved to reject any application.

### *Money Laundering Regulations*

It is a term of the Offers that, to ensure compliance with the Money Laundering Regulations 2007, Hargreave Hale may at their absolute discretion require verification of identity from any person lodging an Application Form in an amount greater than £11,000 (or if the application is one of a series of linked applications, the value of which exceeds that amount).

If within a reasonable period of time following a request for verification of identity and in any case by no later than 12.00 p.m. on the relevant date of allotment Hargreave Hale have not received evidence satisfactory to them as aforesaid, the Companies with the agreement of Hargreave Hale may, at their absolute discretion, reject any such application in which event the remittance submitted in respect of that application will be returned to the applicant (without prejudice to the rights of the Companies to undertake proceedings to recover any loss suffered by them as a result of the failure to produce satisfactory evidence of identity). Hargreave Hale reserves the right to undertake electronic identity checks on applicants.

**Applicants should make payment by their own cheque, banker's draft or by electronic transfer. Third party payments will not be accepted.**

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

### **3. SECTION 3: SIGNATURE**

Please sign and date the Application Form in Section 3. The Application Form may be signed by someone else on your behalf, if duly authorised by power of attorney to do so. Any power of attorney pursuant to which the Application Form is signed (or a duly certified copy thereof) must be enclosed for inspection.

### **4. SECTION 4: AUTHORISED FINANCIAL INTERMEDIARIES**

Intermediaries who wish to receive payment for applications from the Companies in accordance with this section should complete Section 4 and stamp it, giving their full name and address, telephone number and details of their authorisation under FSMA.

The right is reserved to withhold payment to any financial adviser if Hargreave Hale are not, in their sole discretion, satisfied that the agent is so authorised.

Intermediaries should keep a record of Application Forms submitted bearing their stamp to substantiate any claim for payment. Claims for payment must be made and substantiated on submission of an Application Form.

#### *Adviser Charges*

If an Investor's financial intermediary provides him with advice in respect of his investment in New Ordinary Shares, the Investor may have agreed to pay an Adviser Charge to such financial intermediary, which the Investor will be responsible for paying. If this applies financial intermediaries should complete the first box in this Section 4.

The Companies may facilitate the payment of an Adviser Charge by paying it direct to authorised financial intermediaries on behalf of Investors. Payments of Adviser Charges on behalf of Investors will be paid by the Companies only in respect of the amount stated in Box B in Part Two of Section 2. No payment will be made by the Companies unless the Investor has completed a separate Adviser Charge Agreement (which is available on request from Hargreave Hale) and has returned it to Hargreave Hale. In addition, no payment will be made by the Companies unless the relevant application is successful and the Companies are in receipt of sufficient cleared funds from Investors in the amount set out in Box C in Part Three of Section 2 (which must comprise an aggregate of the amounts set out in Box A and Box B in Section 2).

#### *Commission*

If no advice has been provided by a financial intermediary to an Investor in respect of his application for New Ordinary Shares then authorised financial intermediaries should complete the second box in this Section 4.

If this applies Hargreave Hale is offering to pay introductory commission to authorised financial intermediaries at the rate of 1% on the value of successful applications submitted through them or introductory commission of 0.5% plus trail commission (as agreed between the intermediary and Hargreave Hale). Introductory commission will only be paid in respect of successful applications and only on the amounts set out in Box A in Part One of Section 2.

If financial intermediaries choose to receive introductory commission at the rate of 1% on the value of successful applications submitted through them they should complete box (A1) in the sub-section headed "Commission Options" in this Section 4.

If financial intermediaries choose to receive introductory commission at the rate of 0.5% on the value of successful applications submitted through them plus trail commission they should complete box (B1) in the sub-section headed "Commission Options" in this Section 4.

The introductory commission may be waived by financial intermediaries and reinvested by them on behalf of their clients through an additional allotment of New Ordinary Shares (the waiver in each case may be in part or in whole).

If financial intermediaries choose to waive introductory commission and have it reinvested in New Ordinary Shares on behalf of their client they should complete box (A2) or box (B2) (as appropriate) in the sub-section headed "Commission Options" in this Section 4.

Financial intermediaries will need to specify the percentage amount of introductory commission that they require to be waived in box (A3) or box (B3) (as appropriate) in the sub-section headed "Commission Options" in this Section 4.

**5. SECTION 5: ALTERNATE ADDRESS**

If you wish to have your share and income tax relief certificates sent to someone other than yourself, please complete Section 5. Copy certificates will not be sent to you.

**6. SECTION 6: CREST DETAILS (IF ANY)**

Any New Ordinary Shares allotted to you will be in a registered form capable of being transferred by means of the CREST system. Investors who wish to take advantage of the ability to trade in New Ordinary Shares in uncertificated form, and who have access to a CREST account, may arrange to have their shares allotted directly to their CREST account, or subsequently to convert their holdings into dematerialised form in CREST. Investors should be aware that New Ordinary Shares delivered in certificated form are likely to incur higher dealing costs than those in respect of New Ordinary Shares held in CREST. The Company's share register will be kept by Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

**7. SECTION 7: DIVIDEND INSTRUCTION**

If you would like all future dividends to be paid directly into your bank or building society account, please complete the mandate instruction form in Section 7.

*If you have any queries on the procedure for application and payment, you should contact Hargreave Hale Limited (telephone 0207 009 4937) or your normal financial adviser.*

**8. DELIVERY OF APPLICATION FORM**

Send the completed Application Form together with your cheque or bankers' draft by post, or deliver it by hand (during normal business hours only), to Hargreave Hale Limited, 9-11 Neptune Court, Blackpool, FY4 5LZ so as to be received no later than 12.00 p.m. on 4 April 2014 for investment in the 2013/14 tax year and no later than 12.00 p.m. on 31 October 2014 for investment in the 2014/15 tax year (unless the Offers are closed prior to that date).

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

## SHARE APPLICATION FORM

Before completing this Application Form you should read the prospectus issued by the Companies dated 1 November 2013 (the "Prospectus") including the Terms and Conditions of the Offers. Definitions used in the Prospectus apply herein, unless otherwise stated. The Offers open on 1 November 2013. The closing date for the Offers in respect of the 2013/14 tax year will be at 12.00 p.m. on 4 April 2014. If the Offers are not fully subscribed at that time, the Directors reserve the right to allow the Offers to remain open for at least part of the 2014/15 tax year, but not beyond 12.00 p.m. on 31 October 2014. 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: PERSONAL DETAILS

Title (Mr/Mrs/Miss/Ms/Other):	Surname:																		
Forename(s) in full:																			
Date of Birth: <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border: 1px solid black; width: 25px; height: 25px;"></td> <td style="border: 1px solid black; width: 25px; height: 25px;"></td> <td style="border: 1px solid black; width: 25px; height: 25px;"></td> <td style="border: 1px solid black; width: 25px; height: 25px;"></td> <td style="border: 1px solid black; width: 25px; height: 25px;"></td> <td style="border: 1px solid black; width: 25px; height: 25px;"></td> <td style="border: 1px solid black; width: 25px; height: 25px;"></td> <td style="border: 1px solid black; width: 25px; height: 25px;"></td> </tr> </table>									National Insurance Number: <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border: 1px solid black; width: 25px; height: 25px;"></td> <td style="border: 1px solid black; width: 25px; height: 25px;"></td> <td style="border: 1px solid black; width: 25px; height: 25px;"></td> <td style="border: 1px solid black; width: 25px; height: 25px;"></td> <td style="border: 1px solid black; width: 25px; height: 25px;"></td> <td style="border: 1px solid black; width: 25px; height: 25px;"></td> <td style="border: 1px solid black; width: 25px; height: 25px;"></td> <td style="border: 1px solid black; width: 25px; height: 25px;"></td> <td style="border: 1px solid black; width: 25px; height: 25px;"></td> <td style="border: 1px solid black; width: 25px; height: 25px;"></td> </tr> </table>										
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: APPLICATION AND PAYMENT

#### PART ONE: APPLICATION AMOUNTS

The minimum subscription per Investor is £5,000 (and from this amount no less than £2,500 may be invested in each Company if the subscription is to be split equally or otherwise between both Companies). Applications in respect of less than £5,000 in aggregate will not be accepted. Applications may be made for any higher amount in multiples of £1,000.

**I hereby offer to subscribe the following amounts in pounds sterling for New Ordinary Shares at the relevant Offer Price on the Terms and Conditions of the Offers:**

	(1) Application to be split equally between each Company	OR	(2) Application for New Ordinary Shares in Hargreave Hale AIM VCT 1	(3) Application for New Ordinary Shares in Hargreave Hale AIM VCT 2
<b>Offers for the 2013/14 tax year</b>	£		£	£
<b>Offers for the 2014/15 tax year</b>	£		£	£
<b>BOX A: TOTAL INVESTMENT APPLIED FOR NEW ORDINARY SHARES</b>	£		£	£

Please complete Column (1) in the box above if you require your application amount for New Ordinary Shares to be split equally on a 50:50 basis between each Company. Please complete Columns (2) and (3) if you wish your application monies to be applied other than on a 50:50 basis. In the event that all Columns (1), (2) and (3) are completed, Columns (2) and (3) shall be disregarded and you shall be deemed to have only completed Column (1).



**PART TWO: ADVISER CHARGES**

Please tick (or mark with an 'X') one of the following boxes:

I have not received advice from any financial intermediary in relation to my application for New Ordinary Shares (please move on to Part Three of this Section 2 below (Payment)).

I have received advice from a financial intermediary in relation to my application for New Ordinary Shares and do not require the Companies to facilitate the payment of an Adviser Charge (please move on to Part Three of this Section 2 below (Payment)).

I have received advice from a financial intermediary in relation to my application for New Ordinary Shares and require the Companies to facilitate the payment of an Adviser Charge (please read the paragraph below and complete Box B below).

If you have ticked (or marked with an 'X') the third box above in this Part Two and have agreed to pay an Adviser Charge to a financial intermediary and require the Companies to facilitate the payment of such Adviser Charge to the financial intermediary on your behalf you must complete a separate Adviser Charge Agreement which is available on request from Hargreave Hale. You must also complete Box B below (please note that the financial intermediary should also tick (or mark with an 'X') the first box in Section 4). The Adviser Charge is treated separately to your investment in the Companies and will not attract any tax relief and accordingly any applicable tax relief will only be available on the amount specified in Box A above.

**BOX B: TOTAL ADVISER CHARGE TO BE PAID**

£

**PART THREE: PAYMENT**

Payment must be for the aggregate of the amounts set out in Box A and (if applicable) Box B above.

**BOX C: TOTAL AMOUNT TO BE PAID**

£

Please tick (or mark with an 'X') either of the following boxes as appropriate:

I enclose a cheque or bankers' draft(s) drawn on a UK clearing bank for the amount specified in Box C above made payable to:

"Joint Offer Account of the HH AIM VCTs"

I have instructed my bank to make an electronic payment to for the amount specified in Box C above:

**Account Name: Joint Offer Account of the HH AIM VCTs**

**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: SIGNATURE**

By signing this form I hereby declare that I have read the Prospectus and agree to be bound by the Terms and Conditions of the Offers.

Signature:

Date:

## SECTION 4: AUTHORISED FINANCIAL INTERMEDIARIES

### FOR COMPLETION BY AUTHORISED FINANCIAL INTERMEDIARIES ONLY.

If applicable, please tick (or mark with an 'X') one of the following boxes (but not both):

An Adviser Charge is payable by the applicant in respect of this application for New Ordinary Shares.

The applicant has not received advice in respect of this application for New Ordinary Shares (please go to "Commission Options" below).

The applicant has received advice in respect of this application for New Ordinary Shares but does not require the Companies to facilitate the payment of an Adviser Charge.

Please note that the applicant must also have to have ticked (or marked with an 'X') the first box in Part Two, Section 2 (Adviser Charges) before commission can be paid.

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

### Please complete if commission is to be paid to a Network or a third party:

Name:	Contact:
Address:	
Postcode:	Email:

### COMMISSION OPTIONS (choose either options A or B, but not both).

Please note that as noted on page 28 of the Prospectus, with effect from 6 April 2014, Hargreave Hale will not pay commission on non-advised sales to platform service providers.

Option A: Introductory Commission Only	Option B: Introductory Commission Plus Trail Commission
<input type="checkbox"/> (A1) Please tick this box (or mark it with an 'X') to receive introductory commission of 1%.	<input type="checkbox"/> (B1) Please tick this box (or mark it with an 'X') to receive introductory commission of 0.5% plus trail commission (as agreed between the intermediary and Hargreave Hale)
<input type="checkbox"/> (A2) Please tick this box (or mark it with an 'X') if you require the 1% introductory commission to be waived and reinvested in additional New Ordinary Shares for your client.	<input type="checkbox"/> (B2) Please tick this box (or mark it with an 'X') if you require the 0.5% introductory commission to be waived and reinvested in additional New Ordinary Shares for your client.

(A3) If you have completed box (A2) above please state in this box (in %) the amount of introductory commission you require to be waived and reinvested (e.g. 25%, 50%, 75%, 100%):

(B3) If you have completed box (B2) above please state in this box (in %) the amount of introductory commission you require to be waived and reinvested (e.g. 25%, 50%, 75%, 100%):

**SECTION 5: ALTERNATE ADDRESS**

**Please complete this 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: CREST DETAILS (IF ANY)**

CREST Member Account ID:	
CREST Participant ID:	
Participant Name:	
Contact name for CREST queries:	Contact Telephone:

**SECTION 7: DIVIDEND INSTRUCTION**

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 address:

(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 incorrect.**