

**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 (FSMA) if you are in the United Kingdom, or from another appropriately authorised independent financial adviser if you are outside the United Kingdom.

If you have sold or otherwise transferred all of your shares in Hargreave Hale AIM VCT 1 plc (the "Company"), please send this document and accompanying Form of Proxy, 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 transmission to the purchaser or transferee.

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**HARGREAVE HALE AIM VCT 1 PLC**

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

**Recommended proposals relating to:**

- **the acquisition of the assets and liabilities of Hargreave Hale AIM VCT 2 plc**
  - **authorities to allot Shares**
  - **an amendment to the Company's articles of association in order to extend the life of the Company to 2025**
  - **the authority to repurchase Shares**
  - **the cancellation of the Company's share premium account**
  - **the cancellation of the Company's capital redemption reserve**
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Notice of the General Meeting of the Company, to be held at 11.30 am on 16 March 2018, at 41 Lothbury London EC2R 7AE to approve the Resolutions to effect the Proposals, is set out at the end of this document.

To be valid, the form of proxy accompanying this document for the General Meeting (and the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority) should be returned not less than 48 hours (excluding weekends and public holidays) before the meeting, either by post or by hand (during normal business hours only) to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

**The whole of this Circular should be read. This document has been prepared to include all necessary information for Shareholders to make an informed decision regarding the matters being voted on. This Circular does not constitute the Prospectus which is a separate document and which sets out the full terms of the Offer and the Scheme. Shareholders are strongly recommended to read the full terms of the Prospectus if they wish to participate in the Offer. Copies of the Prospectus are available on request at the offices of the Company, 41 Lothbury, London EC2R 7AE and at the following website address: [www.hargreaveaimvcts.co.uk](http://www.hargreaveaimvcts.co.uk)**

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## EXPECTED TIMETABLE

### ***Scheme***

Latest time and date for receipt of forms of proxy for General Meeting	11.30 am on 14 March 2018
General Meeting	11.30 am on 16 March 2018
HH2 First General Meeting	11.45 am on 16 March 2018
Final expected date of trading of the HH2 Shares	22 March 2018
Scheme Record Date for HH2 Shareholders' entitlements under the Scheme	5.00 pm on 22 March 2018
Scheme Calculation Date	After 5.00 pm on 22 March 2018
Dealings in HH2 Shares suspended	7.30 am on 23 March 2018
HH2 Second General Meeting	12.00 pm on 23 March 2018
Scheme Effective Date for the transfer of the assets and liabilities of HH2 to the Company and the issue of Scheme Shares	After 5.00 pm on 23 March 2018
Announcement of the results of the Scheme	After 5.00 pm on 23 March 2018
Admission of, and dealings in, Scheme Shares issued to commence	7.30 am on 26 March 2018

### ***Offer***

Launch date of the Offer	12 February 2018
First allotments under the Offer	20 March 2018
Deadline for receipt of Applications for final allotment in 2017/18 tax year	12.00 pm on 5 April 2018
Deadline for receipt of Applications for final allotment in 2018/19 tax year	12.00 pm on 31 January 2019
Closing date of the Offer	12.00 pm on 31 January 2019

- The Offer will close earlier if fully subscribed. The Board reserves the right to close the Offer earlier and to accept Applications and issue Offer Shares at any time following the receipt of valid Applications.
- The results of the Offer will be announced to the London Stock Exchange through a Regulatory Information Service provider authorised by the Financial Conduct Authority.
- Dealing is expected to commence in the Offer Shares within 10 business days of allotments and share and tax certificates are expected to be despatched within 15 business days of allotments.
- The dates set out in the expected timetable above may be adjusted by the Company, in which event details of the new dates will be notified through a Regulatory Information Service provider.

## OFFER STATISTICS

Total offer size:	£20,000,000 with £10,000,000 overallotment
Minimum subscription	£5,000
Offer Price	3.5% premium to last published NAV.
Costs of Offer	Up to 3.5% of gross proceeds of the Offer
Adviser charge or intermediary commission	1% on the value of successful applications submitted through them or introductory commission of 0.5% plus trail commission

## PART 1

### RISK FACTORS

The risk factors set out below are those which are considered by the Directors to be material to the Proposals and the Company as at the date of this document and which the Directors believe Shareholders should consider prior to deciding how to cast their votes at the General Meeting, but are not the only risks in relation to the Proposals and the Company. Additional risks and uncertainties relating to the Company and/or the Proposals that are not currently known to the Directors or that the Directors do not currently consider to be material may also have a material adverse effect on the Company and the market price of the New Shares. Shareholders who are in any doubt about the action they should take should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser without delay. References to the Company should be construed as including the Enlarged Company.

#### **Scheme related risk factors**

Completion of the Scheme is dependent upon a number of conditions precedent being fulfilled, including the approval of Shareholders. If the Scheme is not approved and/or completed, the expected benefits of the Scheme will not be realised and the Company will be responsible for the costs it has incurred relating to the Scheme. Whilst the Board has identified a number of potential benefits for the Enlarged Company, there is no certainty that these benefits will lead to improved prospects for the Enlarged Company.

#### **Offer related risk factors**

The Offer is conditional on the approval by Shareholders of Resolution 2. The Offer is not conditional on the Merger proceeding and vice versa. If this Resolution is not approved, the Offer will be withdrawn and the expected benefits of the Offer will not be realised and the Company will be responsible for the costs it has incurred relating to the Offer.

The Finance Act 2014 includes a number of changes to the rules affecting VCTs. In particular, there is a restriction on income tax relief available on a subscription for shares in a VCT on or after 6 April 2014 where the subscription and sale are within six months of each other (regardless of whichever happens first), or either the subscription or sale of the shares was conditional on the other. The rules also apply where the subscription and sale are of shares in different VCTs but those VCTs merge in between the subscription and the sale. The amount on which income tax relief is available is reduced by the amount of the consideration given for the sale.

#### **Enlarged Company risk factors**

The past performance of the Company, HH2, the Manager and other funds managed or advised by the Manager is no indication of future performance of the Enlarged Company. The return received by Shareholders will be dependent on the performance of the underlying investments of the Enlarged Company. The value of such investments, and the interest income and dividends they generate, may fall and adversely affect the performance of the Company.

Whilst it is the intention of the Board that the Enlarged Company will continue to be managed so as to qualify as a venture capital trust, there can be no guarantee that such status will be maintained. Failure to continue to meet the qualifying requirements could result in Shareholders losing the tax reliefs available for venture capital trust shares, resulting in adverse tax consequences including, if the holding has not been held for the relevant holding period, a requirement to repay the tax reliefs obtained. Furthermore, should the Enlarged Company lose its venture capital trust status, dividends and gains arising on the disposal of Shares would become subject to tax and the Enlarged Company would also lose its exemption from corporation tax on its capital gains.

The tax rules, or their interpretation, in relation to an investment in the Enlarged Company and/or the rates of tax may change during the life of the Enlarged Company and may apply retrospectively, which may adversely affect an investment in the Company.

Dividends on the New Shares will depend on dividends or other income and capital returns from the Enlarged Company's investments and the working capital requirements of the Enlarged Company. The income derived from the New Shares (if any) can go down as well as up.

Although the existing Shares have been (and it is anticipated that the New Shares will be) admitted to the Official List and are (or will be) traded on the London Stock Exchange's market for listed securities, the secondary market for VCT shares is generally illiquid. Therefore, there may not be a liquid market (which may be partly attributable to the fact that initial tax reliefs are not available for VCT shares generally bought in the secondary market and because VCT shares usually trade at a discount to NAV) and Shareholders may find it difficult to realise their investment in the Enlarged Company.

- The Company 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 Company. In addition, small companies generally have a higher risk profile than larger and they may not produce the anticipated returns.
- Past performance of the Company and its investments is no indication of future performance. The return received by Investors will be dependent on the performance of the underlying investments of the Company. 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. There may also be constraints imposed on the realisation of investments to maintain the VCT tax status of the Company.
- 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 Company.
- Whilst it is the intention of the Directors that the Company will continue to be managed so as to qualify as a VCT, there can be no guarantee that the VCT status will be maintained, which may result in adverse tax consequences.
- Changes in legislation concerning VCTs in general, and Qualifying Investments and Qualifying Trades in particular, may restrict or adversely affect the ability of the Company to meet its 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 2017/18 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.
- The conditions determining whether an investment of the Company is a Qualifying Investment under the VCT rules may change and such changes could limit the types of investments available to the Company.
- The maximum amount that can be invested in an individual company is £5 million per year, and £12 million in total (£20 million for a 'knowledge intensive' company). These investment limits extend beyond VCTs and includes all other sources of State-aided risk capital. A breach of these limits may lead to HMRC withdrawing the Company's 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.
- 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). These rules came into force on 6 April 2014. The FCA has raised the possibility of applying similar restrictions on payments to non-platform service providers but has not published any firm proposals on this to date. If the FCA were to introduce rules restricting payments to non-platform firms, this could have an impact on the demand for shares in the Company.
- On 23 June 2016, the UK held a referendum in which voters approved an exit from the EU, commonly referred to as "Brexit". As a result of the referendum, it is expected that the British government will negotiate the terms of the UK's future relationship with the EU. It is unknown at this time what terms will emerge, whether changed regulatory control affecting VCTs will increase or decrease or how the eventual terms will affect positively or negatively the business model, business operations and financial results or impact sales demand, material and labour costs, availability and cost of finance for the Company or an underlying investee company.

- Investment in unquoted companies, by its nature, involves a higher degree of risk than investment in companies listed on the Official List. In particular, small companies often have limited product lines, markets or financial resources and may be dependent for their management on a small number of key individuals and may be more susceptible to political, exchange rate, taxation and other regulatory changes. In addition, the market for securities in smaller companies is usually less liquid than that for securities in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such securities. Investment returns will, therefore, be uncertain and involve a higher degree of risk than investment in a company listed on the Official List.
- Following publication in August 2017 by HM Treasury of “Financing Growth in Innovative Firms” the results of its ‘Patient Capital Review which considered the effectiveness of schemes such as VCTs in relation to patient capital, the Chancellor of the Exchequer, in his Autumn Budget on 22 November 2017, announced certain changes to the rules relating to VCT’s. The proposed legislation was set out in the Finance (No. 2) Bill 2017-19, published on 1 December 2017 and Guidance Notes were issued by HMRC on 4 December 2017. One of the changes is that the question of whether a company’s investments can be considered as lower risk so as to enable them to be considered Qualifying Investments for VCT purposes will be considered by HMRC using a ‘principles based approach’. Applications for Advance Assurance from 4 December 2017 are considered in the light of this new approach. The proposed legislative changes will come into force on Royal Assent of the Finance (No.2) Bill 2017-19, subject to parliamentary scrutiny, process and approval. If the legislative changes come into force (in full or otherwise), the Company’s investment policies may be modified accordingly, and this may limit the number of VCT qualifying investment opportunities available to the Company and/or reduce the level of returns which might otherwise have been achievable and/or increase the risk profile of the investments chosen.

**PART 2**

**LETTER FROM THE CHAIRMAN OF THE COMPANY**

**Hargreave Hale AIM VCT 1 plc**  
**41 Lothbury**  
**London**  
**EC2R 7AE**

12 February 2018

Dear Shareholder,

**Recommended Proposals relating to:**

- **the acquisition of the assets and liabilities of Hargreave Hale AIM VCT 2 plc**
- **authorities to allot Shares**
- **an amendment to the Company's articles of association**
- **the authority to repurchase Shares**
- **the cancellation of the Company's share premium account**
- **the cancellation of the Company's capital redemption reserve**

**Introduction**

The Company and Hargreave Hale AIM VCT 2 plc announced on 27 December 2017 that they were in discussions with a view to a possible merger of the two companies, and on 6 February 2018 announced that they had reached agreement in principle to merge the companies. The Company is also proposing to raise further funds. The purpose of this Circular is to seek Shareholders' formal approval for the merger, the issue of Scheme Shares under the Scheme, the repurchase of Shares, the issue of Ordinary Shares, and the cancellation of the Company's share premium and redemption account, as required by the CA 2006.

**Merger**

The Merger is being effected by way of a scheme of reconstruction of Hargreave Hale AIM VCT 2 plc, whereby Hargreave Hale AIM VCT 2 plc is placed in members' voluntary liquidation and all its assets and liabilities are acquired by the Company in exchange for shares in the Company being issued directly to the shareholders of Hargreave Hale AIM VCT 2 plc, the number of such Shares being determined by reference to the adjusted relative net assets of the two companies.

The Company and HH2 were launched in 2004 and 2006 respectively, raising, in aggregate, £113 million for investment in a diversified portfolio of Qualifying Companies. Hargreave Hale Limited acts as investment manager to both companies, which have been run independently since launch. On 27 December 2017, the Company and HH2 announced that they were in discussions in respect of their proposed merger, and on 12 February 2018 announced proposals for the Merger.

**Reasons for the Proposed Merger**

Your Board and the board of Hargreave Hale AIM VCT 2 plc consider that the interests of each Company's shareholders will be better served by an enlarged single company, reduced annual costs as a proportion of total net assets and a simplified management structure and an increased level of funds available for investment and by merging two VCTs with many common holdings under the same management. As the Companies have the same investment manager and advisers, the same investment objective and policy, and significant overlap within their investment portfolios, the proposed Merger should be achievable without major additional cost or disruption to the Companies. The Board does not expect the Merger to negatively impact income tax reliefs previously claimed by the Companies' Shareholders.

Changes made to VCT legislation in the last five years have led to significant overlap of the Companies' portfolios. This can be evidenced through the closely aligned five year rolling returns of both Companies. Given the significant overlap in their portfolios, the common investment policy,



and the shared operational and support functions, the boards of the Companies see little merit in continuing to operate the two entities separately, and hence the rationale for the Merger.

In common with most public companies, VCTs have a number of fixed costs that accrue during the year including: listing costs, registrar costs, audit costs, professional advisers fees and non-executive director fees. These would be more efficiently spread across a larger asset base.

Hargreave Hale is making a significant contribution of no less than £160,000 to the costs of the Merger. This, together with the anticipated annual cost savings, should allow the Companies to recover their costs in approximately one year of the Merger. The net costs of the Merger will be split proportionately between the Companies.

Following the completion of the Merger it is expected that the Annual Running Costs of the Company will be approximately £1.9 million compared with an aggregate of £2.1 million for the Company and Hargreave Hale AIM VCT 2 plc based on their financial years ended 30 September 2017 and 28 February 2017 respectively – an annual saving of some 8%.

Accordingly, your Board has agreed with the board of Hargreave Hale AIM VCT 2 plc to merge the companies on a basis reflecting their respective net assets.

### **The Scheme**

The proposal is to merge the Companies using a scheme of reconstruction (the “Scheme”) by which the assets and liabilities of HH2 will be transferred to the Company. The mechanism by which the Merger will be completed is as follows:

- HH2 will be placed into members’ voluntary liquidation pursuant to a scheme of reconstruction under Section 110 IA 1986; and
- all of the assets and liabilities of HH2 will be transferred to the Company in consideration for the issue of Scheme Shares to HH2 Shareholders.

The Scheme will be completed on a relative unaudited NAV basis, adjusted for the anticipated costs of the Scheme and based on the latest unaudited valuations of the Companies’ investments. The effect of the Scheme will be that HH2 Shareholders will receive Shares with the same total net asset value as at the Scheme Calculation Date as their HH2 Shares.

The Scheme is conditional upon its approval by Shareholders and by HH2 Shareholders, as well as the other conditions set out in Part 3 of this document.

Shareholders and investors should note that the merger by way of the Scheme will be outside the provisions of the City Code on Takeovers and Mergers.

The portfolio of assets which will be transferred from HH2 to the Company as part of the Scheme is considered to be consistent with the Company’s published investment policy. The extent of the liabilities (if any) which will be transferred from HH2 to the Company as part of the Scheme will be those which are incurred in the ordinary course of business, and merger costs which remain unpaid at the time of transfer. Any such liabilities are expected to be nominal in comparison to the value of the assets.

HH2 Shareholders who do not vote in favour of the resolution to be proposed at the HH2 First General Meeting are entitled to dissent and have their shareholding purchased by the Liquidators at a price agreed between the dissenting HH2 Shareholders and the Liquidators (or by arbitration), which would be expected to be at a significant discount to the net asset value of an HH2 Share. If the conditions of the Scheme are not satisfied, the Companies will continue in their current form.

Clearance has been requested from HMRC that the Scheme meets the requirements of the Merger Regulations and, therefore, that the implementation of the Scheme should not affect the status of the Company as a VCT. It is the intention of the Board to continue to comply with the requirements of ITA 2007 following the Merger so that the Enlarged Company continues to qualify as a VCT.

Further information regarding the terms of the Scheme is set out in Part 3 of this document. Details of the risks relating to the Scheme and those generally associated with investing in a VCT are set out in Part 1.

### **The Offer**

On 27 December 2017 the Company announced that it has been considering offers for subscription for the existing class of Ordinary Shares. The raising of further funds will allow the Company’s

fixed running costs to be spread over a greater asset base thus reducing the burden to all Shareholders. Full details of the Offer are contained in the Prospectus, published by the Company on 12 February 2018. The Company is seeking to raise up to £20 million (together with an over-allotment facility of a further £10 million) through the Offer up to £30 million of Ordinary Shares in aggregate.

Following the success of the 2016-2017 offer in which £29m was raised for the Company Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2, we are pleased to launch a further offer for subscription in the Company. The raising of further funds by way of the Offer is intended to create the following benefits for the Company:

- provide additional capital to invest in small British companies;
- reduce the ongoing expense ratios;
- allow existing and new investors to invest in small companies through a tax efficient structure with an award winning fund management team; and
- invest in the Company's pipeline of private and AIM listed businesses.

To enable the Offer to proceed, Shareholder approval is required to:

- grant the Directors authority to allot shares and disapply Shareholders' pre-emption rights; and
- alter the Articles of Association of the Company to extend the date of the next continuation vote.

#### **Amendment to the Articles**

It is proposed to adopt new Articles at the General Meeting so that the continuation resolution to be put to Shareholders at the annual general meeting of the Company in 2023 is instead put to Shareholders at the annual general meeting of the Companies to be held in 2025 (and at each annual general meeting of the Company at five year intervals thereafter) in order that the new Ordinary Shares to be issued pursuant to the Offer can be retained for five years with the associated VCT tax benefits.

The new Articles will be available for inspection during normal business hours on any day (Saturdays, Sundays and public holidays excepted) from the date of this document until the General Meeting at the registered office of the Company and at the registered office of Howard Kennedy. They will also be available at the General Meeting for at least 15 minutes before and during the meeting.

#### **Cancellation of the Company's Share Premium Account and Capital Redemption Reserve**

It is proposed that the Company has the ability to cancel its share premium account and capital redemption reserve, in order to create a pool of distributable reserves.

#### **General Meeting**

At the General Meeting, Resolutions will be proposed to give the Directors the authority to proceed with the Merger and to allot Offer Shares under the Offer, whilst disapplying pre-emption rights. A Resolution will also be proposed for the Company to adopt revised articles of association, to give authority to the Company to make market purchases of its shares and to cancel its share premium account and capital redemption reserve. These Resolutions are detailed below. Shareholder approval is required for these proposals under CA 2006, the Articles and the Listing Rules.

Notice of the General Meeting, to be held at 11.30 am on 16 March 2018 at the offices of Hargreave Hale, 41 Lothbury London EC2R 7AE, is set out at the end of this document. An explanation of the Resolutions to be proposed at the General Meeting is set out below. The Resolutions will be proposed as special resolutions requiring the approval of 75% of the votes cast on the Resolutions

Resolution 1 is a composite resolution to approve the acquisition of all of the assets and liabilities of HH2 and issue Scheme Shares. This Resolution is conditional upon the Scheme becoming unconditional.

Paragraph 1.1 of Resolution 1 will approve the acquisition of all of the assets and liabilities of HH2 pursuant to the Scheme.

Paragraph 1.2 of Resolution 1 will authorise the Directors pursuant to Section 551 CA 2006 to allot Shares up to an aggregate nominal value of £0.78 million in connection with the Scheme. The authority conferred by paragraph 1.2 of Resolution 1 will expire 18 months from the date of the passing of this resolution unless renewed, varied or revoked by the Company in general meeting and will be in addition to existing authorities.

Resolution 2 is a resolution to create new allotment authorities to enable the Directors to allot and issue Ordinary Shares. Resolution 2 will authorise the Directors pursuant to Section 551 CA 2006 to allot Ordinary Shares up to an aggregate nominal value of £0.47 million (representing 58% of the issued share capital of the Company as at 9 February 2018, this being the latest practicable date prior to the publication of this document). The authority conferred by Resolution 2 will be in addition to the authorities and will expire 18 months from the date of the passing of this Resolution unless renewed, varied or revoked by the Company in general meeting and will be in addition to existing authorities. The Board intends to utilise this authority in respect of the Offer and other small top up offers from time to time which do not require a prospectus to be issued by the Company.

Resolution 3 will disapply pre-emption rights in respect of the allotment of Ordinary Shares (i) with a nominal value of up to £0.78 million in aggregate pursuant to the Scheme (ii) with a nominal value of up to £0.47 million in aggregate pursuant to offer(s) for subscription and (iii) with a nominal value representing up to, in aggregate, 20% of the maximum expected enlarged issued share capital, from time to time, where the proceeds may in whole or part be used to purchase Shares. The authority conferred by Resolution 3 will expire 18 months from the date of the passing of this Resolution unless renewed, varied or revoked by the Company in general meeting and will be in addition to existing authorities.

Resolution 4 seeks the approval of Shareholders to amend the Articles, for the reasons set out under the heading "Amendment to the Articles" on page 10.

Resolution 5 will authorise the Company to make market purchases of up to 12,059,676 Ordinary Shares (representing approximately 14.99% of the share capital as at 9 February 2018, this being the latest practicable date prior to the publication of this document, and 6.51% of the maximum expected enlarged share capital following the Merger). Any Ordinary Shares bought back under this authority will be at a price determined by the Board, (subject to a minimum price of their nominal value) and a maximum price of 5% above the average mid-market quotation for such Ordinary Shares on the London Stock Exchange and the applicable regulations thereunder) and may be cancelled or held in treasury as may be determined by the Board. The authority conferred by this Resolution 5 will expire 18 months from the date of the passing of this Resolution unless renewed, varied or revoked by the Company in general meeting and will be in addition to existing authorities. The Board intends to utilise this authority to buy back Shares from time to time.

Resolution 6 is a resolution to cancel, subject to Court approval, the Company's share premium account to create a pool of distributable reserves.

Resolution 7 is a resolution to cancel, subject to Court approval, the Company's capital redemption reserve, to create a pool of distributable reserves.

### **Action to be taken**

Before taking any action, you are recommended to read the information set out in Parts 3 to 5 of this document. Enclosed with this Circular, Shareholders will find a form of proxy for use at the General Meeting, which you are asked to complete and return.

Whether or not you propose to attend the General Meeting, you are requested to complete and return the form of proxy so that it is received not less than 48 hours (excluding weekends and public holidays) before the General Meeting. Completion and return of the form of proxy will not prevent you from attending the meeting and voting in person should you wish to do so.

**Recommendation**

The Board believes that the Proposals are in the best interests of the Shareholders as a whole and recommends that Shareholders vote in favour of the Resolutions.

Yours faithfully

A handwritten signature in black ink, consisting of several fluid, overlapping strokes that form a stylized representation of the name 'Aubrey Brocklebank'.

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

## PART 3

### FURTHER DETAILS RELATING TO THE SCHEME

The mechanism by which the Merger will be completed is as follows:

- HH2 will be placed into members' voluntary liquidation pursuant to a scheme of reconstruction under Section 110 IA 1986; and
- all of the assets and liabilities of HH2 will be transferred to the Company in consideration for the issue of Scheme Shares to HH2 Shareholders.

The Scheme will be completed on a relative unaudited NAV basis, adjusted for the anticipated costs of the Scheme. The Merger Value and the Roll-Over Value will be based on the latest unaudited valuations of the Companies' investments. The effect of the Scheme will be that the HH2 Shareholders will receive Shares with the same total market value as at the Scheme Calculation Date as their HH2 Shares.

The Scheme is conditional upon the approval by the Shareholders of Resolutions 1, 2 and 3 to be proposed at the General Meeting and by the HH2 Shareholders of the resolutions to be proposed at the HH2 General Meetings, as well as the other conditions set out below.

As the Company and HH2 have the same investment manager and other common advisers, the Merger should be achievable without major additional cost or disruption to the Company and HH2 and their combined portfolio of investments.

The aggregate anticipated cost to the Companies of undertaking the Merger is approximately £0.4 million including VAT, legal and professional fees, stamp duty and the costs of winding up HH2. The Liquidators fees are expected to be up to £15,000. The net costs of the Merger after the contribution to be made by the Manager will be split between the Company and HH2 by reference to the relative NAVs of the Companies as at the Scheme Calculation Date.

Shareholders should note that the Merger will be outside the provisions of the City Code on Takeovers and Mergers.

As is required by CA 2006, prior to the allotment of the Scheme Shares the Company will be sending to Shareholders and HH2 Shareholders at their registered addresses and uploading on to the Companies' website a report on the Merger which will be prepared by Scott Moncrieff.

The portfolio of assets which will be transferred from HH2 to the Company as part of the Scheme are all considered to be consistent with the Company's investment policy, particularly as a number of these are common across the respective portfolios of the Company and HH2. The extent of the liabilities (if any) which will be transferred from HH2 to the Company as part of the Scheme will be those which are incurred in the ordinary course of business, and Merger costs which remain unpaid at the time of transfer. Any such liabilities are expected to be nominal in comparison to the value of the assets.

Following the transfer of the assets and liabilities by HH2 to the Company, the listing of the HH2 Shares will be cancelled and HH2 will be wound up.

#### Conditions of the Scheme

The Scheme is conditional upon:

- the passing of Resolutions 1, 2 and 3 to be proposed at the General Meeting;
- notice of dissent not having been received from HH2 Shareholders holding more than 10% in nominal value of the entire issued share capital of HH2 under Section 111 of IA 1986;
- the passing of the resolutions to be proposed at the HH2 General Meetings; and
- HMRC approval of the Merger on terms satisfactory to the Company.

Subject to the above, the Scheme will become effective immediately after the passing of the special resolution for the winding up of HH2 to be proposed at the HH2 Second General Meeting. If it becomes effective, the Scheme will be binding on the Shareholders and HH2 Shareholders (including dissenting HH2 Shareholders) and all persons claiming through or under them.

## Terms of the Scheme

On the Scheme Effective Date, the Liquidators will receive all the cash, undertakings and other assets and liabilities of HH2 and will deliver to the Company:

- particulars of all of the assets and liabilities of HH2;
- a list certified by the registrars of the names and addresses of, and the number of HH2 Shares held by each of the HH2 Shareholders on the register at 5.00 pm on the Scheme Record Date;
- an estimate of the winding-up costs of HH2; and
- the amount estimated to be required to purchase the holdings of any dissenting HH2 Shareholders.

On the Scheme Effective Date, the Company and the Liquidators (on behalf of HH2) will enter into the Transfer Agreement pursuant to which the Liquidators will procure the transfer of all the assets and liabilities of HH2 to the Company in exchange for the issue of Scheme Shares (credited as fully paid) to the HH2 Shareholders on the basis set out below.

In further consideration of such transfer of assets and liabilities of HH2 to the Company, the Company will, pursuant to the Transfer Agreement, undertake to pay all liabilities incurred by the Liquidators including, but not limited to, the implementation of the Scheme, the winding up of HH2 and the purchase for cash of any holdings of dissenting HH2 Shareholders.

Except as otherwise provided for in the Scheme terms, for the purposes of calculating the Merger Value, the Roll-Over Value and the number of Scheme Shares to be issued, in order that the HH2 Shareholders will receive Scheme Shares with the same total net asset value as the Scheme Calculation Date as their HH2 Shares, the following provisions will apply:

## Merger Calculations

### ***Roll-Over Value***

The Roll-Over Value will be calculated as:

$$\frac{A - (B + C)}{D}$$

where:

A = the unaudited net assets of HH2 as at the Scheme Calculation Date (taken from the HH2 unaudited management accounts to that date), plus or minus any adjustment that both the Board and the HH2 Board consider appropriate to reflect any other actual or contingent benefit or liability of HH2;

B = the costs of the Scheme to be apportioned to HH2 (by reference to the Roll-Over Value and the Merger Value, but ignoring merger costs), plus £1,000 (representing an amount of contingency to cover any unforeseen additional costs attributable to HH2 incurred by the Company, which will indemnify the Liquidators in respect of all costs of HH2 following the transfer on the Scheme Effective Date);

C = the amount estimated to be required to purchase the holdings of HH2 Shares from dissenting HH2 Shareholders; and

D = the number of HH2 Shares in issue as at close of business on the Scheme Record Date (save for any HH2 Shares held by dissenting HH2 Shareholders).

### ***Merger Value***

The Merger Value will be calculated as:

$$\frac{E - F}{G}$$

where:

E = the unaudited net assets of the Company as at the Scheme Calculation Date (taken from the Company's unaudited management accounts to that date), plus or minus any adjustment that the Board and the HH2 Board consider appropriate to reflect any other actual or contingent benefit or liability of the Company;



F = the costs of the Scheme to be apportioned to the Company (by reference to the Roll-Over Value and the Merger Value, but ignoring merger costs); and

G = the number of Shares in issue as at close of business on the Scheme Record Date.

### **Scheme Shares to be issued to HH2 Shareholders**

The number of Scheme Shares to be issued to HH2 Shareholders (save for any dissenting HH2 Shareholders) will be calculated as follows:

$$\frac{H \times J}{I}$$

where:

H = the Roll-Over Value;

I = the Merger Value; and

J = the number of HH2 Shares in issue as at close of business on the Scheme Record Date (save for any HH2 Shares held by dissenting HH2 Shareholders).

The Scheme Shares will be issued directly to HH2 Shareholders (disregarding HH2 Shares held by dissenting HH2 Shareholders), in each case *pro rata* to their existing holdings of HH2 Shares on the instruction of the Liquidators.

The merger ratios used to allocate the Scheme Shares to each HH2 Shareholder will be rounded down to six decimal places and entitlements will be rounded down to the nearest whole number and any fractional entitlements per HH2 Shareholder (which will not exceed £2) will be aggregated and sold, with the proceeds retained for the benefit of the Enlarged Company.

The Company will not issue the Scheme Shares until the report prepared by Scott-Moncrieff under CA 2006 in respect of the Scheme has been provided to the Company and sent to Shareholders and HH2 Shareholders.

Based on the formulae above but using NAVs of 83.29p and 123.76p for the Company and HH2 respectively, being the latest published unaudited NAVs of the Companies as at the date of this document, 69,953,074 Scheme Shares would have been issued to HH2 Shareholders (assuming no dissenting HH2 Shareholders) had the Merger been completed on 9 February 2018, equivalent to 1 Scheme Share for each 0.67 HH2 Share.

### **Share Certificates and Listing**

Where HH2 Shareholders hold their HH2 Shares in certificated form, they will receive a new certificate for the Scheme Shares issued. Where HH2 Shareholders hold their HH2 Shares in uncertificated form, their CREST accounts will be credited with the holding in Scheme Shares.

An application has been made to the UKLA for the Scheme Shares to be issued pursuant to the Scheme to be listed on the premium segment of the Official List and will be made to the London Stock Exchange for such Scheme Shares to be admitted to trading on its market for listed securities. From the date of issue, the Scheme Shares will rank *pari passu* with each other.

### **Taxation**

The following paragraphs apply to the Company and to persons holding Shares as an investment in the Company who are the absolute beneficial owners of such Shares and are resident in the UK. They may not apply to certain classes of persons, such as dealers in securities. The following information is based on current UK law and practice, is subject to changes therein, is given by way of general summary and does not constitute legal or tax advice.

If you are in any doubt about your position, or if you may be subject to tax in a jurisdiction other than the UK, you should consult your independent financial adviser.

### **The Company and Shareholders**

The implementation of the Scheme should not affect the VCT reliefs obtained by Shareholders on subscription for existing Shares. The implementation of the Scheme should not affect the status of the Company as a VCT. It is the intention of the Board to continue to comply with the requirements of ITA 2007 so as to continue to qualify as a VCT.

## Shareholders

The receipt by HH2 Shareholders of Scheme Shares should not constitute a disposal of their HH2 Shares for UK tax purposes. HH2 Shareholders should, for UK tax purposes, effectively be able to treat the Scheme Shares received as if they had been acquired at the same cost and on the same date as the original HH2 Shares from which they derive (but allocated proportionately between such resulting Scheme Shares). Any initial income tax relief obtained and attaching to the original HH2 Shares will not, therefore, be subject to clawback, but instead will then attach to the Scheme Shares. As the Company is also a VCT, the usual VCT tax reliefs should continue to apply. As a result, qualifying Shareholders should continue to receive tax-free dividends and should not be subject to UK taxation on any capital gains on the disposal of Scheme Shares.

For HH2 Shareholders holding (together with their associates) more than 5% of the HH2 Shares in issue, clearance has been requested from HMRC in terms of Section 138 of TCGA 1992 that the tax treatment described above for persons who (together with their associates) own less than 5% of the HH2 Shares should also apply to them.

Shareholders who do not vote in favour of the resolution to be proposed at the HH2 First General Meeting are entitled to dissent and have their shareholding purchased by the Liquidators at a price agreed between the dissenting HH2 Shareholders and the Liquidators (or by arbitration), which is expected to be at a significant reduction to the net asset value of a HH2 Share. In addition, HH2 Shareholders should note that a purchase of HH2 Shares by the Liquidators from a dissenting HH2 Shareholder will be regarded as a disposal of such HH2 Shares for tax purposes, thereby triggering the repayment of any income tax relief on HH2 Shares subscribed for in the five years prior to purchase. The sale price received may not be sufficient to cover the amount of payment due.

Although the Company will be required to pay UK stamp duty or stamp duty reserve tax on the transfer to it of certain of the assets of HH2 (which form part of the merger costs), no UK stamp duty will be payable directly by Shareholders as a result of the implementation of the Scheme.

Clearance has been requested from HMRC in respect of the Scheme under Section 701 ITA 2007 confirming that the receipt of Scheme Shares should, except in the case of dealers, not be regarded as an income receipt for the purposes of UK taxation.

Clearance has also been requested from HMRC to confirm that the Scheme meets the requirements of the Merger Regulations and that, as such, the receipt by HH2 Shareholders of Scheme Shares should not prejudice tax reliefs obtained by those HH2 Shareholders on existing HH2 Shares and should not be regarded as a disposal.

The Finance Act 2014 includes a number of changes to the rules affecting VCTs. In particular, there is a restriction on income tax relief available on a subscription for shares in a VCT on or after 6 April 2014 where the subscription and sale are within six months of each other (regardless of whichever happens first), or either the subscription or sale of the shares was conditional on the other. In certain circumstances, the rules may apply where the subscription and sale are of shares in different VCTs but those VCTs merge in between the subscription and the sale (or vice versa). If Shareholders consider this may apply to their circumstances, they should take independent tax advice from an appropriately qualified, independent adviser before proceeding with a further such sale or subscription within the six month period. The amount on which income tax relief is available is reduced by the amount of the consideration given for the sale.



## PART 4

### FURTHER DETAILS RELATING TO THE OFFER

The Company is seeking to raise up to £20 million under the Offer. Participation by the Company in the Offer is conditional upon the passing by the Shareholders of Resolutions 2 and 3 at the General Meeting. The Offer is not conditional on the Merger proceeding.

#### Terms of the Offer

The Offer will remain open until 12pm on 5 April 2018 in respect of the 2017/18 tax year and until 12pm on 31 January 2019 in respect of the 2018/19 tax year unless fully subscribed at an earlier date and the Board reserves the right to close the Offer earlier and to accept applications and issue Offer Shares at any time following the receipt of valid applications. Offer Shares issued will rank *pari passu* with the relevant existing Shares from the date of issue.

Offer Shares will be issued at a 3.5% premium to NAV to offset the costs of the Offer. The price of the Offer Shares will be calculated in pence to two decimal places by reference to the Pricing Formula:

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

The NAV per Ordinary Share will be the last published by the Company prior to the date of allotment, adjusted as necessary for dividends declared but not yet paid if the allotment occurs whilst the Shares are classified as ex-dividend.

The full terms and conditions applicable to the Offer are set out in the Prospectus.

#### Use of funds

The funds raised under the Offer will be invested in accordance with the Company's published investment policy. The aggregate net proceeds of the Offer, assuming a £20 million subscription and the maximum initial charge, will be £19.3 million.

There is no minimum that must be raised in order for the Offer to proceed. Applications have been made to the UKLA for the Offer Shares to be admitted to a premium listing on the Official List and the London Stock Exchange for the Offer Shares to be traded on the London Stock Exchange's main market for listed securities. The Offer Shares will be issued in registered form, will be freely transferable in both certificated and uncertificated form and will rank *pari passu* in all respects with each other, the relevant Share class and the Scheme Shares.

## PART 5

### ADDITIONAL INFORMATION

#### 1. RESPONSIBILITY

The Directors, whose names appear in paragraph 3 below, accept responsibility for the information contained in this document. To the best of the knowledge of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. SHARE CAPITAL

- 2.1 As at 9 February 2018 (being the latest practicable date prior to the publication of this document), the issued share capital of the Company was 80,451,479 Ordinary Shares.
- 2.2 As at 9 February 2018 (being the latest practicable date prior to the publication of this document), no share or loan capital of the Company was under option or had been agreed, conditionally or unconditionally, to be put under option, nor did the Company hold any share capital in treasury.

#### 3. DIRECTORS AND THEIR INTERESTS

- 3.1 As at 9 February 2018 (being the latest practicable date prior to publication of this document), the interests of the Directors (and their respective immediate families), in the issued share capital of the Company was as follows:

<b>Director</b>	<b>Number of Ordinary Shares</b>	<b>Percentage of issued share capital</b>
Aubrey Brocklebank	4,845	0.01%
David Brock	42,170	0.05%
Oliver Bedford*	9,185	0.01%

\* Includes 3,185 Ordinary Shares held by Catherine Bedford.

- 3.2 Assuming that the Maximum Subscription is achieved in relation to the Offer Shares, taking account of the Over-allotment Facility, and that all the allotments are made on the basis of the NAV per Ordinary Share as at 31 January 2018, and that the Merger proceeds on the basis of the latest published unaudited NAVs of the Companies as at the date of this document (being 83.29p and 123.76p for the Company and HH2 respectively), resulting in 69,953,074 Scheme Shares being issued, the interests of the Directors and their immediate families in the issued share capital of the Company immediately following the Offer and the Merger will be:

<b>Director</b>	<b>Number of Ordinary Shares</b>	<b>Percentage of issued share capital</b>
Aubrey Brocklebank	4,845	0.00%
David Brock	42,170	0.02%
Oliver Bedford*	18,907	0.01%

\* Includes 6,595 Ordinary Shares held by Catherine Bedford.

- 3.3 Each of the Directors has entered into a letter of appointment with the Company, a copy of which is available for inspection at the address set out in paragraph 7 below of this Part 5, for the provision of their services as directors for the fees disclosed in paragraph 3.3 below. The agreements are terminable by either party giving at least three months' notice to the other, subject to retirement by rotation and earlier cessation for any reason under the Articles. There are no commission or profit sharing arrangements and no compensation is payable on termination of the agreements. No amounts have been put aside to provide pensions, retirement or similar benefits to any Directors.

- 3.4 The current annual remuneration for the year ending 30 September 2018 of the Directors is as follows:

<b>Director</b>	<b>Annual Fees</b>
Aubrey Brocklebank	£22,500
David Brock	£18,000
Oliver Bedford	£18,000

Fees paid in respect of the year ended 30 September 2017 were £58,500 (exclusive of VAT if any). Oliver Bedford entered into a letter of appointment with Hargreave Hale AIM VCT 1 on 13 December 2016 pursuant to which he receives remuneration of £18,000 per annum (exclusive of any VAT) such remuneration to be paid to Hargreave Hale Limited.

- 3.5 Save in respect of the agreements referred to in paragraph 4, no Director has an interest in any transaction effected by the Company since its incorporation which is or was unusual in its nature or conditions or significant to the business of the Company or material to the Company.

#### **SUBSTANTIAL SHAREHOLDERS**

- 3.6 As at 9 February 2018 (being the latest practical date prior to the publication of this document) and after the Offer has closed, the Company is aware of the following persons who hold or will hold, directly or indirectly, voting rights representing 3% or more of the issued share capital of the Company to which voting rights are attached (assuming that the Offer is fully subscribed):

<b>Name</b>	<b>As at the date of this Document</b>		<b>After the Offer has closed</b>	
	<b>Number of Ordinary Shares</b>	<b>Percentage of voting rights</b>	<b>Number of Ordinary Shares*</b>	<b>Percentage of voting rights of the Ordinary Shares*</b>
Hargreave Hale Nominees	3,410,703	4.24%	6,427,219	3.47%
Hargreaves Lansdowne Nominees Limited	4,659,055	5.79%	9,424,208	5.09%

\* assuming that the Maximum Subscription is achieved, taking account of the Over-allotment Facility, that all the Shareholders listed above do not subscribe for any shares under the Offer, that all the allotments are made on the basis of the NAV per Ordinary Share as at 31 January 2018, and that the Merger proceeds on the basis of the latest published unaudited NAVs of the Companies as at the date of this document (being 83.29p and 123.76p for the Company and HH2 respectively), resulting in 69,953,074 Scheme Shares being issued.

#### **4. 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 Company 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 Company and which contain any provision under which the Company has any obligation or entitlement which is, or may be, material to the Company as at the date of this document:

- 4.1 An agreement dated 12 February 2018, between the Company (1), the Directors (2), Hargreave Hale (3) and Howard Kennedy (4) pursuant to which Howard Kennedy agreed to act as sponsor to the Company in respect of the Offer and the Scheme and Hargreave Hale agreed to use reasonable endeavours to procure subscribers for Offer Shares under the Offer. Under the agreement Hargreave Hale is paid a commission of 3.5% of the aggregate value of accepted applications for Offer Shares received pursuant to the Offer. Out of this fee, the Investment Manager will pay all other costs and expenses of or incidental to the Offer. Under the Offer Agreement, which may be terminated by the parties in certain circumstances, Hargreave Hale, the Company and the Directors have given certain warranties and indemnities to Howard Kennedy. Warranty claims must be made by no later than 3 months after the second annual general meeting of the Company following the closing date of

the Offer at which Shareholders approve the Company's accounts or by the date the 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 lesser of (i) £10 million or (ii) the total proceeds of the Offer and in respect of the Directors one year's director fees for each Director. The Company has also agreed to indemnify Howard Kennedy 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.

4.2 A deed of variation dated 12 February 2018 between Hargreave Hale AIM VCT 1 (1) and the Investment Manager (2) varying the terms of the Administration Agreement dated 30 September 2009 between the same parties, and as subsequently varied, provides that, conditional upon the Merger proceeding, the fees payable to the Investment Manager for providing administrative services to Hargreave Hale AIM VCT 1 shall be increased to an annual fee of £110,000 (plus VAT).

4.3 Under an offer agreement dated on 14 December 2016 (the "2016 Offer Agreement") and made between the Company and HH2 (1), the Directors (2), the Sponsor (3), and the Investment Manager (4), whereby the Sponsor agreed to act as sponsor to the share offers in 2016 (the "2016 Offers") and the Investment Manager undertook as agent of the Company to use its reasonable endeavours to procure subscribers under the 2016 Offers. Under the 2016 Offer Agreement, the Company agreed to pay the Investment Manager a commission of 3.5% of the aggregate value of accepted applications for Ordinary Shares received pursuant to the 2016 Offers. Out of this fee, the Investment Manager paid all other costs and expenses of or incidental to the 2016 Offers.

Under the 2016 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 2016 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 were in usual form for a contract of this type and the warranties are subject to limits of the lesser of (i) £10 million or (ii) the total proceeds of the 2016 Offers for the Investment Manager and in respect of the Directors one year's director fees for each Director. The companies also agreed to indemnify the Sponsor in respect of its role as Sponsor and under the 2016 Offer Agreement. The 2016 Offer Agreement could be terminated, *inter alia*, if any statement in the Prospectus for the 2016 Offer was untrue, any material omission from that prospectus arose or any breach of warranty occurred.

4.4 Under an offer agreement dated on 1 December 2015 (the "2015 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 share offers in 2015 (the "2015 Offers") and the Investment Manager undertook as agent of the Companies to use its reasonable endeavours to procure subscribers under the 2015 Offers. Under the 2015 Offer Agreement, the Companies each paid the Investment Manager a commission of 3.5% of the aggregate value of accepted applications for Ordinary Shares received pursuant to the 2015 Offers. Out of this fee, the Investment Manager paid all other costs and expenses of or incidental to the 2015 Offers.

Under the 2015 Offer Agreement, which could be terminated by the parties in certain circumstances, 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 2015 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 lesser of (i) £10 million or (ii) the total proceeds of the 2015 Offers for the Investment Manager and in respect of the Directors one year's director fees for each Director. The Companies also agreed to indemnify the Sponsor in respect of its role as Sponsor and under the 2015 Offer Agreement. The 2015 Offer Agreement may be terminated, *inter alia*, if any statement in the prospectus for the 2015 Offers was untrue, any material omission from such prospectus arises or any breach of warranty occurs.

- 4.5 Under an offer agreement dated 2 October 2014 (the “2014 Offer Agreement”) made between the Companies (1), the Directors (2), Nplus 1 Singer Advisory LLP, (3), and the Investment Manager (4), Nplus 1 Singer Advisory LLP agreed to act as sponsor to the share offers in 2014 (the “2014 Offers”) and the Investment Manager undertook as agent of the Companies to use its reasonable endeavours to procure subscribers under the 2014 Offers. Under the 2014 Offer Agreement, the Companies each paid the Investment Manager a commission of 3.5% of the aggregate value of accepted applications for Ordinary Shares received pursuant to the 2014 Offers.

Out of this fee, the Investment Manager paid all other costs and expenses of or incidental to the 2014 Offers. Under the 2014 Offer Agreement, the Investment Manager, the Companies and the Directors gave certain warranties and indemnities to Nplus 1 Singer Advisory LLP. 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 Offer 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 2014 Offers for the Investment Manager, and one year’s director fees for each Director. The Companies also agreed to indemnify Nplus 1 Singer Advisory LLP in respect of its role as sponsor and under the 2015 Offer Agreement. The 2014 Offer Agreement may be terminated, *inter alia*, if any statement in the prospectus issued in relation to the 2014 Offers is untrue, any material omission from the prospectus in relation to the 2014 Offers arises or any breach of warranty occurs.

- 4.6 Under an offer agreement dated 31 October 2013 (the “2013 Offer Agreement”) made between the Companies (1), the Directors (2), Nplus 1 Singer Advisory LLP (3), and the Investment Manager (4), Nplus 1 Singer Advisory LLP agreed to act as sponsor to the share offers in 2013 (the “2013 Offers”) and the Investment Manager undertook as agent of the Companies to use its reasonable endeavours to procure subscribers under the 2013 Offers. Under the 2013 Offer Agreement, the Companies each paid the Investment Manager a commission of 3.5% of the aggregate value of accepted applications for Ordinary Shares received pursuant to the 2013 Offers.

Out of this fee, the Investment Manager paid all other costs and expenses of or incidental to the 2013 Offers. Under the 2013 Offer Agreement, the Investment Manager, the Companies and the Directors gave certain warranties and indemnities to Nplus 1 Singer Advisory LLP. 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 Offer 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 2013 Offers for the Investment Manager, and one year’s director fees for each Director. The Companies also agreed to indemnify Nplus 1 Singer Advisory LLP in respect of its role as sponsor and under the 2013 Offer Agreement. The 2013 Offer Agreement may be terminated, *inter alia*, if any statement in the prospectus issued in relation to the 2013 Offers is untrue, any material omission from the prospectus in relation to the 2013 Offers arises or any breach of warranty occurs.

- 4.7 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 HH1 Investment Management 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 be 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.

- 4.8 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 a company secretary and a non-executive director for an annual fee currently of £100,000 (plus VAT) terminable on 3 months' notice either side.
- 4.9 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 and (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).
- 4.10 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 Hargreave Hale AIM VCT 1 Investment Management Agreement referred to in paragraph 4.7 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.

4.11 Under an agreement between Hargreave Hale AIM VCT 1 (1), and the Investment Manager (2), dated 27 February 2012, the Company agreed to the variation of the terms of the Hargreave Hale AIM VCT 1 Investment Management Agreement referred to in paragraph 4.6 whereby that agreement was varied so as to extend the rights and obligations of the Investment Manager to the assets attributable to the Ordinary Shares and the C shares in Hargreave Hale AIM VCT 1. 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 Ordinary Shares and the C shares and a Performance Incentive Fee in respect of the Ordinary Shares and the C shares.

The following contracts will be entered into subject, *inter alia*, to the approval by Shareholders of Resolutions 1, 2 and 3 to be proposed at the General Meeting:

4.12 A transfer agreement between the Company and HH2 (acting through the Liquidators) to give effect to the Scheme pursuant to which all of the assets and liabilities of HH2 will be transferred to the Company (subject only to any consents from third parties which may be required to transfer such assets and liabilities) in consideration for Scheme Shares, as described in Part III of this document. If any of the parties so require, HH2, acting by the Liquidators, shall promptly give instructions to any person holding any part of HH2's assets as nominee of or on trust for HH2, requiring such person to transfer such assets to the Company. HH2, acting by the Liquidators, will also undertake to execute and deliver such other documents and take such other steps as shall be reasonably required by the Company to vest in the Company the assets to be transferred to the Company under this agreement and otherwise to give the Company the full benefit of this Agreement. The Liquidators will agree under this agreement that all sale proceeds and/or dividends received in respect of the underlying assets of HH2 will be transferred on receipt to the Company as part of the Scheme.

4.13 A deed of indemnity from the Company to the Liquidators pursuant to which the Company will indemnify the Liquidators for expenses and costs incurred by them in connection with the Scheme.

## **5. DILUTION**

5.1 The existing issued Shares in the Company will represent 43.4% of the enlarged ordinary share capital of the Company immediately following completion of the Scheme and the Offer, assuming that (i) the Offer is fully subscribed at an Offer Price of 86.31p per Offer Share and (ii) 69,953,074 Scheme Shares are issued pursuant to the Merger and on that basis Shareholders who do not receive Offer Shares or Scheme Shares will, therefore, be diluted by 56.6%.

5.2 The existing issued Shares in the Company will represent 53.5% of the enlarged ordinary share capital of the Company immediately following completion of the Scheme, assuming (i) the Offer does not proceed and (ii) 69,953,074 Scheme Shares are issued pursuant to the Merger, and on that basis Shareholders who do not receive Scheme Shares will, therefore, be diluted by 46.5%.

5.3 The existing issued Shares in the Company will represent 69.8% of the enlarged ordinary share capital of the Company immediately following completion of the Offer, assuming (i) the Offer is fully subscribed at an Offer Price of 86.31p per Offer Shares and (ii) the Scheme does not proceed, and on that basis Shareholders who do not receive Offer Shares will, therefore be diluted by 30.2%.

## **6. OTHER**

6.1 The Company 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.

6.2 Statutory accounts of the Company for the years ended 30 September 2015, 30 September 2016 and 30 September 2017, in respect of which BDO LLP made unqualified reports under CA 2006, have been delivered to the Registrar of Companies.

- 6.3 Save for the fees paid to the Directors as detailed in paragraph 3.3 above, the fees paid under the investment management agreement detailed in paragraph 4.7 above, the promoter's fee paid to Hargreave Hale under the 2016 Offer Agreement detailed in paragraph 4.3 above, the promoter's fee paid to Hargreave Hale under the 2015 Offer Agreement detailed in paragraph 4.4 above, a promoter's fee payable under an offer agreement dated 2 October 2014 made between the Companies (1), the directors of the Companies (2), Nplus 1 Singer Advisory LLP, (3), and the Investment Manager (4), in relation to offers for subscription in 2014 (the 2014 Offers) pursuant to which the Companies each paid the Investment Manager a commission of 3.5% of the aggregate value of accepted applications for Ordinary Shares received pursuant to the 2014 Offers, and the promoter's fee payable in respect of the Offer Agreement, there were no other related party transactions or fees paid by the Company during the years ended 30 September 2015, 30 September 2016 and 30 September 2017 or for the period from 30 September 2016 to the date of this document.
- 6.4 There has been no significant change in the financial or trading position of the Company since 30 September 2017 the date to which the last unaudited financial statements have been published, to the date of this document.
- 6.5 There are no governmental, legal or arbitration proceedings (including any such proceedings which are or were pending or threatened of which the Company is aware) during the 12 months immediately preceding the date of this document, which may have, or have had in the recent past, a significant effect on the Company's financial position or profitability.
- 6.6 Howard Kennedy Corporate Services LLP of 1 London Bridge, London SE1 9BG has given and has not withdrawn their written consent to the issue of this document with the references to them in the form and context in which they appear.

## **7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours on any day (Saturdays, Sundays and public holidays excepted) from the date of this document until the close of the Offer at the registered offices of the Company and Howard Kennedy:

- 7.1 the Articles and the Articles proposed to be adopted at the General Meeting;
- 7.2 the annual report and accounts of the Company for the financial years ended 30 September 2015, 30 September 2016 and 30 September 2017;
- 7.3 the consent letter referred to at paragraph 6.6 above; and
- 7.4 this document.

12 February 2018



## PART 6

### DEFINITIONS

“Admission”	the admission of Shares to trading on the London Stock Exchange’s main market for listed securities
“Annual Running Costs”	means the running costs of the Company and includes 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 Company)
“Applicant”	a person applying for Offer Shares under the Offer
“Application”	application for Offer Shares made pursuant to the Offer
“Articles”	the articles of association of the Company
“Board”	the board of Directors of the Company
“Boards”	the boards of the Company and HH2
“CA 2006”	Companies Act 2006
“Circular”	this document
“Company”	Hargreave Hale AIM VCT 1 plc
“Companies”	the Company and HH2
“Directors”	the directors of the Company (and each a “Director”)
“Enlarged Company”	the Company following implementation of the Scheme
“FCA”	the Financial Conduct Authority
“FSMA”	the Financial Services and Markets Act 2000, as amended
“General Meeting”	the general meeting of the Company convened for 16 March 2018 (or any adjournment thereof)
“Hargreave Hale” or the “Investment Manager”	Hargreave Hale Limited
“HH2”	Hargreave Hale AIM VCT 2 plc
“HH2 First General Meeting”	the general meeting of HH2 to be held on 16 March 2018 (or any adjournment thereof)
“HH2 General Meetings”	the HH2 First General Meeting and the HH2 Second General Meeting
“HH2 Second General Meeting	the general meeting of HH2 to be held on 23 March 2018 (or any adjournment thereof)
“HH2 Shares	ordinary shares of 1p each in the capital of HH2 (and each an “HH2 Share”)
“HH2 Shareholders”	holders of HH2 Shares
“HMRC”	HM Revenue and Customs
“Howard Kennedy”	Howard Kennedy Corporate Services LLP
“IA 1986”	The Insolvency Act 1986, as amended
“ITA 2007”	Income Tax Act 2007 (as amended)
“Liquidators”	Keith Marshall and Gareth Harris of RSM Restructuring Advisory LLP, Fifth Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL, being the proposed liquidators for HH2
“Listing Rules”	the listing rules of the UKLA
“London Stock Exchange”	London Stock Exchange plc

“Market Abuse Regulation”	Market Abuse Regulation (596/2014/EU)
“Maximum Subscription”	the receipt of the maximum subscription monies under the Offer, being an aggregate amount of £30,000,000 (including the Over-allotment Facility)
“Merger Regulations”	Venture Capital Trusts (Winding-up and Mergers) (Tax) Regulations 2004
“Merger Value”	the value of a Share calculated in accordance with the formula set out in Part 3 of this document
“NAV”	net asset value
“New Shares”	the Scheme Shares and/or Offer Shares, as applicable (and each a “New Share”)
“Offer”	the offer for subscription by the Company of Offer Shares in respect of the tax years 2017/18 and 2018/19 contained in this document
“Offer Agreement”	the offer agreement dated 12 February 2018 between the Company, the Directors, the Manager and Howard Kennedy, details of which are set out in Part 5
“Offer Price”	the price per Offer Share in respect of the Company, as set out in Part 4
“Offer Shares”	the new Ordinary Shares in Hargreave Hale AIM VCT 1 to be issued pursuant to the Offer
“Official List”	the official list maintained by the UK Listing Authority
“Ordinary Shareholder”	a holder of Ordinary Shares
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company (and each a “Share”)
“Proposals”	the proposals to effect the Scheme and the Offer, and to approve the Resolutions
“Prospectus”	the prospectus issued by the Company dated 12 February 2018
“Prospectus Rules”	the prospectus rules made in accordance with the EU Prospectus Directive 2003/71/EC
“Regulatory Information Service”	a regulatory information service that is on the list of regulatory information services maintained by the FCA
“Resolutions”	the resolutions to be proposed at the General Meeting (and each a “Resolution”)
“Roll-Over Value”	the value of a Share calculated in accordance with the formula set out in Part 3 of this document
“Scheme” or “Merger”	the proposed merger of the Company with HH2 by means of placing HH2 into members’ voluntary liquidation pursuant to Section 110 of IA 1986 and the acquisition by the Company of all of the assets and liabilities of HH2 in consideration for Scheme Shares, further details of which are set out in Part 3 of this document
“Scheme Calculation Date”	the date on which the number of Scheme Shares to be issued pursuant to the Scheme will be calculated, anticipated as being after the close of business on 22 March 2018
“Scheme Effective Date”	the date on which the Scheme will be completed, anticipated as being 23 March 2018
“Scheme Record Date”	the record date to which entitlements will be allocated pursuant to the Scheme, anticipated as being 22 March 2018

“Scheme Shares”	the Shares being issued pursuant to the Scheme (and each a “Scheme Share”)
“Shareholders”	holders of Shares (and each a “Shareholder”)
“TCGA 1992”	Taxation of Chargeable Gains Act 1992
“Transfer Agreement”	the agreement between the Company and HH2 (acting through the Liquidators) for the transfer of all of the assets and liabilities of HH2, by the Liquidators, to the Company pursuant to the Scheme
“UKLA”	the UK Listing Authority, being the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Market Act 2000
“Venture Capital Trust” or “VCTs”	a company which is, for the time being, approved as a venture capital trust under Section 259 of the ITA 2007
“VCT Rules”	Part 6 ITA 2007 and every other statute (including any orders, regulations or other subordinate legislation made under them) for the time being in force concerning VCTs

**Hargreave Hale AIM VCT 1 plc**  
**NOTICE OF GENERAL MEETING**

NOTICE IS HEREBY GIVEN that a general meeting of Hargreave Hale AIM VCT 1 plc (“the Company”) will be held at the offices of the Company, at 41 Lothbury London EC2R 7AE at 11.30 am on 16 March 2018 for the purposes of considering and, if thought fit, passing the following resolutions, which will be proposed as special resolutions:

1. THAT, subject to the Scheme becoming unconditional:
  - 1.1 the acquisition of the assets and liabilities of HH2 on the terms set out in the Circular be and hereby is approved; and
  - 1.2 the directors of the Company be and hereby are generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the “Act”) to exercise all the powers of the Company to allot ordinary shares in the Company up to an aggregate nominal amount of £0.78 million in connection with the Scheme (representing 97% of the issued ordinary share capital of the Company as at 9 February 2018, this being the latest practicable date prior to the date of this notice), provided that the authority conferred by this paragraph 1.2 shall expire on the date falling 18 months from the date of the passing of this Resolution (unless renewed, varied or revoked by the Company in general meeting).
2. THAT, in addition to (i) existing authorities and (ii) the authorities conferred by Resolution 1 set out in this notice, and conditional upon the passing of Resolution 4 below, the directors of the Company be and hereby are generally and unconditionally authorised in accordance with Section 551 of the Act to exercise all the powers of the Company to allot Shares and to grant rights to subscribe for or to convert any security into Ordinary Shares up to an aggregate nominal amount of £0.47 million (representing 58% of the issued share capital of the Company as at 9 February 2018 this being the latest practicable date prior to the date of this notice), provided that the authority conferred by this paragraph 2 shall expire on the date falling 18 months from the date of the passing of this Resolution (unless renewed, varied or revoked by the Company in general meeting) but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require Shares to be allotted or rights to be granted after such expiry;
3. That the directors of the Company be and hereby are empowered pursuant to Sections 570 and 573 of the Act to allot or make offers or agreements to allot equity securities (which expression shall have the meaning ascribed to it in Section 560(1) of the Act) for cash pursuant to the authorities given pursuant to Resolution 1 and Resolution 2 set out in this notice or by way of a sale of treasury shares, as if Section 561(1) of the Act did not apply to such allotment, provided that the power provided by this paragraph 3 shall expire on the date falling 18 months from the date of the passing of this Resolution (unless renewed, varied or revoked by the Company in general meeting) and provided further that this power shall be limited to:
  - 3.1.1 the allotment and issue of Ordinary Shares up to an aggregate nominal value of £0.78 million in connection with the Scheme;
  - 3.1.2 the allotment and issue of Ordinary Shares up to an aggregate nominal value of £0.47 million pursuant to offer(s) for subscription; and
  - 3.1.3 the allotment and issue of Ordinary Shares up to an aggregate nominal value representing 20% of the issued Share capital, from time to time,where the proceeds may in whole or part be used to purchase shares in the Company.
4. THAT, the articles of association produced to the meeting, and for the purpose of identification initialled by the Chairman, be adopted as the articles of association of the Company.
5. THAT, the Company be and hereby is empowered to make one or more market purchases within the meaning of Section 693(4) of the Act of its own Ordinary Shares (either for cancellation or for the retention as treasury shares for future re-issue or transfer) provided that:
  - 5.1 the aggregate number of Ordinary Shares which may be purchased shall not exceed 12,059,676 shares;

- 5.2 the minimum price which may be paid per share is the nominal value thereof;
- 5.3 the maximum price which may be paid per share is an amount equal to the higher of (i) 105% of the average of the middle market quotation per share taken from the London Stock Exchange daily official list for the five business days immediately preceding the day on which such share is to be purchased and (ii) the amount stipulated by Article 5(6) of the Market Abuse Regulation;
- 5.4 the authority conferred by this Resolution shall expire on the date falling 18 months from the date of the passing of this Resolution (unless renewed, varied or revoked by the Company in general meeting); and
- 5.5 the Company may make a contract to purchase shares under the authority conferred by this Resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority.
6. THAT, subject to the approval of the High Court of Justice, the amount standing to the credit of the Company's share premium account at the date that the court order granting the cancellation is made, be cancelled.
7. THAT, subject to the approval of the High Court of Justice, the amount standing to the credit of the Company's capital redemption reserve at the date that the court order granting the cancellation is made, be cancelled.

For the purposes of these Resolutions, words and expressions defined in the Circular shall have the same meanings in this notice, save where the context requires otherwise.

Dated 12 February 2018

**By order of the Board**

Stuart Brookes  
Secretary

**Registered Office:**

41 Lothbury  
London  
EC2R 7AE

Information regarding the General Meeting, including the information required by section 311A of the CA 2006, is available from: [www.hargreaveaimvcts.co.uk](http://www.hargreaveaimvcts.co.uk).

**Notes:**

1. To be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the votes they may cast), members must be registered in the register of members of the Company at 6.30 pm on 14 March 2018 (or, in the event of any adjournment, 6.30 pm. on the date which is two days before the date of the adjourned meeting). Changes to the register of members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member but must attend the meeting to represent the member. Details of how to appoint the chairman of the meeting or another person as a proxy using the form of proxy are set out in the notes on the form of proxy. If a member wishes a proxy to speak on the member's behalf at the meeting the member will need to appoint his or her own choice of proxy (not the chairman) and give his or her instructions directly to them. Under section 319A of the CA 2006, the Company must answer any question a member asks relating to the business being dealt with at the General Meeting unless:
  - answering the question would interfere unduly with the preparation for the General Meeting or involve the disclosure of confidential information;
  - the answer has already been given on a website in the form of an answer to a question; or
  - it is undesirable in the interests of the Company or the good order of the General Meeting that the question be answered.
3. A form of proxy is attached to this document. To be valid, a form of proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Equiniti at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA not less than 48 hours before the time appointed for holding the General Meeting or adjourned meeting at which the person named in the form of proxy proposes to vote. In the case of a poll taken more than 48 hours after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours before the time appointed for taking the poll, or where the poll is taken not more than 48 hours after it was demanded, the document(s) must be delivered at the meeting at which the demand is made. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting to be held on 16 March 2018 and any adjournment(s) thereof by using the procedures described in the CREST Manual on the Euroclear website ([www.euroclear.com](http://www.euroclear.com)). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by

11.30 am on 14 March 2018. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

4. As at 9 February 2018 (being the last business day prior to the publication of this notice), the Company's issued voting share capital was 80,451,479 Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 9 February 2018 was 80,451,479.
5. Any person to whom this notice is sent who is a person nominated under section 146 of the CA 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
6. The statement of the rights of members in relation to the appointment of proxies in paragraph 2 above does not apply to Nominated Persons. The rights described in this paragraph can only be exercised by members of the Company.
7. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
8. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should the member subsequently decide to do so. A member can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.
9. Except as provided above, members who have general queries about the General Meeting should call Equiniti Limited on 0371 384 2714 for UK based holders or for overseas callers on +44 121 415 7047 (no other methods of communication will be accepted). Lines open 8.30 a.m. to 5.30 p.m., Monday to Friday (excluding public holidays in England and Wales).
10. Members may not use any electronic address provided either in this notice of general meeting, or any related documents (including the Chairman's letter and form of proxy), to communicate with the Company for any purposes other than those expressly stated.
11. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the General Meeting.
12. A copy of this Notice, and other information required by Section 311A of the Companies Act 2006, can be found on the Company's website [www.hargreaveaimvcts.co.uk](http://www.hargreaveaimvcts.co.uk).
13. Copies of the Directors' Letters of Appointment, the Register of Directors' interests in the shares of the Company, and a copy of the current Articles of Association will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturday and Public Holidays excluded) from the date of this notice, until the end of the General Meeting and at the place of the General Meeting for at least 15 minutes prior to and during the meeting.



**FORM OF PROXY**  
**HARGREAVE HALE AIM VCT 1 PLC**

For use at the GENERAL MEETING (Block capitals please)

I/We .....

of.....

being a shareholder(s) of the above-name Company, appoint the chairman of the meeting or

for the following number of ordinary shares:

to act as my/our proxy to vote for me/us and on my/our behalf in respect of my/our voting entitlement\* at the General Meeting of the Company to be held at 11.30 am on 16 March 2018 and at every adjournment thereof. Please indicate with an 'X' if this is one of multiple proxy Instructions being made. Please refer to **Note 2**.

Please indicate with an X in the space below how you wish your vote to be cast. If no indication is given your proxy will vote for or against the resolution or abstain from voting as he thinks fit. The proxy is directed to vote as follows

	For	Against	Withheld
Resolution 1: To acquire the assets and liabilities of HH2 and to authorise the directors to allot ordinary shares in connection with the Scheme			
Resolution 2: To authorise the directors to allot ordinary shares pursuant to Section 551 of the Companies Act 2006 and in connection with the Offer			
Resolution 3: To authorise the Directors pursuant to Section 570 of the Companies Act 2006 to allot and allot equity securities for cash without regard to pre-emption rights			
Resolution 4: To adopt the new articles of association			
Resolution 5: To authorise the Company to make market purchases			
Resolution 6: To cancel the Company's share premium account			
Resolution 7: To cancel the Company's capital redemption reserve			

The "Vote Withheld" option is to enable you to abstain on any of the specified resolutions. Please note that a Vote Withheld has no legal effect and will not be counted in the votes "For" and "Against" a resolution.

Signature ..... Dated.....

**Notes**

1. If any other proxy is preferred, strike out the words "chairman of the meeting" and add the name of the proxy you wish to appoint and initial the alteration. The proxy need not be a member.
2. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional form(s) of proxy should be obtained by contacting the Company's registrar, Equiniti. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given.
3. Any alterations to the form should be initialled.
4. If the appointer is a corporation, this form must be completed under its common seal or under the hand of an officer or attorney duly authorised in writing.
5. The signature of any one of joint holders will be sufficient, but the names of all the joint holders should be stated.
6. To be valid, this form of proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Equiniti at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the form of proxy proposes to vote. In the case of a poll taken more than 48 hours after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours before the time appointed for taking the poll, or where the poll is taken not more than 48 hours after it was demanded, the document(s) must be delivered at the meeting at which the demand is made.



7. CREST members who wish to appoint a proxy or proxies by using the CREST electronic appointment service may do so by using the procedures described in the CREST manual on the Euroclear website ([www.euroclear.com](http://www.euroclear.com)). To be valid, the appropriate CREST message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instructions given to a previously appointed proxy, must be transmitted so as to be received by our agent Equiniti, ID RA 19, no later than 11.30 am on 14 March 2018. Please see the notes to the notice of meeting for further Information on proxy appointments through the CREST facility.
8. The completion of this form will not preclude you from attending the meeting and voting in person.
9. You may not use any electronic address provided in this form of proxy to communicate with the Company for any purpose other than those expressly stated.