

**Hargreave Hale AIM VCT 1 plc (“HH1”)
Hargreave Hale AIM VCT 2 plc (“HH2”)
(together the “Companies”)**

12 February 2018

Publication of a Prospectus (the “Prospectus”) and Circulars (the “Circulars”) in connection with recommended proposals to merge the Companies (to be completed pursuant to a scheme of reconstruction (the “Scheme” or “Merger”) under section 110 Insolvency Act 1986) and an offer for subscription by HH1.

On 27 December 2017, the boards of HH1 and HH2 (the “Boards”) announced that they had entered into discussions to merge the Companies into one company (the “Enlarged Company”) and the HH1 Board announced that it also intended to raise further funds into HH1 pursuant to an offer for subscription (the “Offer”). The Boards are pleased to advise that discussions have now concluded and that the Companies have today issued the Circulars to set out the proposals for the Merger for consideration by their respective shareholders and that HH1 has issued a Prospectus relating to the Offer and Merger. The Companies have the same investment mandates and are both managed by Hargreave Hale Limited (“Hargreave Hale”).

The Offer

HH1 is seeking to raise £20 million under the Offer (together with an over-allotment facility of up to a further £10 million), which is subject to the approval of the HH1 shareholders. The Offer is not conditional on the Merger proceeding and vice versa. The expected timetable for the Offer is set out below.

The Scheme

The Boards 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, 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 Manager is making a significant contribution 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 completion of the Merger. The net costs of the Merger will be split proportionately between the Companies.

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 HH1 in consideration for the issue of Scheme Shares.

The Scheme will be completed on a relative unaudited net asset value basis, adjusted for the anticipated costs of the Scheme, based on the latest unaudited valuations of the

Companies' investments. The effect of the Scheme will be that the HH2 shareholders will receive HH1 shares with the same total net asset value as their HH2 shares at the date on which the number of shares to be issued under the Scheme is to be calculated.

The Scheme is conditional upon its approval by the HH1 shareholders and by the HH2 shareholders, as well as the other conditions set out in the Prospectus and Circulars.

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 Enlarged Company as part of the Scheme is considered to be in keeping with HH1's investment policy. The extent of the liabilities (if any) which will be transferred from HH2 to HH1 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 HH2's first general meeting, as referred to in the timetable below, are entitled to dissent and have their shareholding purchased by the liquidators of HH2 (the "Liquidators") at a price agreed between the dissenting HH2 shareholders and the Liquidators (or by arbitration), which will be fair and reasonable, but nevertheless would be expected to be at a significant discount to the net asset value of a HH2 share. If the conditions of the Scheme are not satisfied, the Companies will continue in their current form and the Boards will continue to review all options available to them regarding the future of the Companies.

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 HH1 as a VCT and completion of the Merger is conditional on this. It is the intention of the HH1 Board to continue to comply with the requirements of ITA 2007 following the Merger so that HH1 continues to qualify as a VCT.

EXPECTED TIMETABLE, OFFER STATISTICS AND COSTS

Expected Timetable for the Scheme

HH1

Latest time and date for receipt of forms of proxy for HH1 General Meeting	11.30 am on 14 March 2018
HH1 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 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	23 March 2018
Announcement of the results of the Scheme	23 March 2018
Admission of, and dealings in, Scheme Shares issued to commence	7.30 am on 26 March 2018

HH2

Latest time and date for receipt of forms of proxy for the First General Meeting	11.45 am on 14 March 2018
First General Meeting	11.45 am on 16 March 2018
Latest time for receipt of forms of proxy for the Second General Meeting	12.00 pm on 21 March 2018
Final expected date of trading of the Shares	22 March 2018
Scheme Record Date for 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 Shares suspended	7.30 am on 23 March 2018
Register of Members closed	7.30 am on 23 March 2018
Second General Meeting	12.00 pm on 23 March 2018
Scheme Effective Date for the transfer of the assets and liabilities of the Company to HH1 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
Cancellation of the Shares' listing	7.30 am on 26 March 2018
Admission of, and dealings in, Scheme Shares to commence	7.30 am on 26 March 2018
CREST accounts credited (if applicable)	26 March 2018
Certificates for Scheme Shares dispatched to Shareholders	Within 15 business days of 23 March 2018

Expected timetable for the 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 to year	12.00 pm on 5 April 2018
Deadline for receipt of Applications for final allotment in 2018/19 to 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 14 business days of allotments.
- The dates set out in the expected timetable above may be adjusted by the Companies, 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 over-allotment
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

Related Party Transaction

In connection with the Offer, Hargreave Hale will receive a fee of up to 3.5% of the aggregate value of accepted applications for shares received by HH1 under the Offer. Out of this fee Hargreave Hale will pay all costs and expenses of or incidental to the Offer. In addition, HH1 has agreed with Hargreave Hale to increase the annual administration fee payable to Hargreave Hale by £55,000 per annum. The above arrangements fall within Listing Rule 11.1.10 R.

Copies of the Prospectus and Circulars will shortly be available for inspection at the National Storage Mechanism, which is located at:

<http://www.morningstar.co.uk/uk/NSM>

and on the Companies' website:

<https://www.hargreaveaimvcts.co.uk/>

For additional information, please contact:

Stuart Brookes
 Company Secretary
 Hargreave Hale AIM VCT 1 & 2 plc
 01253 754740