

Hargreave Hale AIM VCT plc

Talisman House, Boardmans Way, Blackpool FY4 5FY
T 0207 523 4837 E aimvct@canaccord.com

Registered in England and Wales with company no. 05206425

2 September 2021

Dividend Investment Scheme (“DRIS”)

Under the DRIS, Shareholders may elect to re-invest dividends that they are due to receive from the Company in new Ordinary Shares allotted for that purpose. This provides the Company with additional funds for investment. As new Ordinary Shares will be issued, Shareholders are also able to claim tax reliefs on the Ordinary Shares issued under the DRIS, including 30 per cent. income tax relief on their investment (subject to the terms of the VCT legislation and the personal circumstances).

Shareholders can elect, by completing the Mandate Form available on the Company's website, to re-invest all future dividends in new Ordinary Shares. The dividends that Shareholders would be entitled to receive on Ordinary Shares issued under the DRIS will also be re-invested.

Where a valid election is in place, new Ordinary Shares will be issued at a price equivalent to the greatest of:

1. the latest published net asset value per Ordinary Share (net of all dividends previously declared but not yet paid);
2. the nominal value per Ordinary Share; and
3. the mid-market price per Ordinary Share as quoted on the London Stock Exchange, each as at the close of business on the tenth Business Day preceding the date of issue of such Ordinary Shares.

The Company will not issue more than 10 per cent. of the Company's issued share capital in any 12 month period under the DRIS. If this limit is reached, the entitlements of each DRIS participant will be scaled back on a *pro-rata* basis.

Where Ordinary Shares are registered in the name of a Nominee Shareholder, the Nominee Shareholder should complete the first page of the Mandate Form together with the “To be completed by the Nominee Shareholder” section on the reverse of the Mandate Form. The Beneficial Shareholder should then complete the “To be completed by the Beneficial Shareholder” section on the reverse of the Mandate Form and confirm that the dividends attributable to such Beneficial Shareholder shall be applied towards participation in the DRIS and indicate in whose name the new Ordinary Shares should be registered. This process is intended to record that the Beneficial Shareholder is authorising the Nominee Shareholder to subscribe for new shares to be held in the Nominee Shareholder's name whilst still enabling the Beneficial Shareholder to obtain income tax relief on the subscription for new Ordinary Shares.

Mandate Forms must be received no later than 10 Business Days before a dividend or special dividend is due to be paid to Shareholders in order for the Applicant to participate in the DRIS in relation to that dividend or special dividend. The DRIS is managed by the Company's registrars, Equiniti Limited.

Your attention is drawn to the Appendix, which contains the DRIS Terms and Conditions (and related definitions) in Part A and certain risk factors relating to the Company in Part B. The Mandate Form for those Shareholders wishing to participate in the DRIS is contained on the Company's website.

If you have any queries in connection with the DRIS or if you require another Mandate Form, please contact the DRIS Manager on 0207 523 4837.

Shareholders may choose to participate in the DRIS at any time by returning a completed Mandate Form to the DRIS Manager.

APPENDIX

PART A - DRIS TERMS AND CONDITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

Admission	admission of the Ordinary Shares to the Official List and to trading on the premium segment of the London Stock Exchange's main market for listed securities becoming effective, and "Admitted" shall be construed accordingly
Applicant	a Shareholder participating in the DRIS or, where a Shareholder holds Ordinary Shares as a Nominee Shareholder, the person being the Beneficial Shareholder
Beneficial Shareholder	an individual entitled to the economic benefit of any Ordinary Shares which are held by a Nominee Shareholder
Board or Directors	the directors of the Company
Business Day	a day (excluding Saturdays, Sundays and public holidays) on which banks are open for business in the City of London
Company	Hargreave Hale AIM VCT plc
CREST	the computerised settlement system to facilitate the transfer of title to securities in uncertificated form operated by Euroclear UK & Ireland Limited
Dividend Investment Scheme or DRIS	the Hargreave Hale AIM VCT plc dividend investment scheme
DRIS Manager	Equiniti Limited, or such other person or persons who may be appointed by the Company to manage the DRIS
DRIS Terms and Conditions	the terms and conditions relating to the DRIS
Investment Day	a day on which a special dividend or an annual dividend on Ordinary Shares is credited to the account of Shareholders or, if such day is not a dealing day on the London Stock Exchange, the next dealing day thereafter
ITA	Income Tax Act 2007
London Stock Exchange	London Stock Exchange plc
Mandate Form	the form to be completed by a Shareholder in respect of his or her application for participation in the DRIS
Nominee Shareholder	the registered owner of any Ordinary Shares as appointed by the Beneficial Shareholder
Nominee Shareholding	Ordinary Shares held by a Beneficial Shareholder but registered in the name of a Nominee Shareholder
Official List	the Official List maintained by the Financial Conduct Authority in accordance with Part VI of the Financial Services and Markets Act 2000 (as amended)
Ordinary Shares	ordinary shares of 1 penny each in the capital of the Company
Qualifying Companies	has the meaning set out in the ITA
Qualifying Investments	has the meaning set out in the ITA
Shareholders	registered holders of Ordinary Shares
venture capital trust or VCT	a venture capital trust as defined in Section 259 of ITA

1

General

- (a) The right to participate in the DRIS will not be available to any person who is a citizen, resident or national of, or has a registered address in, any jurisdiction outside the United Kingdom, unless such right could properly be made available to such person. It is the responsibility of any Applicant wishing to participate in the DRIS to be satisfied as to the full observance of the laws of the relevant jurisdiction(s) in connection therewith, including obtaining any governmental or other consents which may be required and observing any other formalities needing to be observed in any such jurisdiction(s).
- (b) By completing and delivering a Mandate Form, each Applicant (and in the case of the second two points below the Shareholder in whose name the Ordinary Shares are mandated to the DRIS are held, if not the Applicant) warrants to the Company and the DRIS Manager that:
 - during the continuance of his or her participation in the DRIS, he or she will remain the sole Beneficial Shareholder of the Ordinary Shares mandated to the DRIS free from encumbrances or security interests;
 - all information set out in the Mandate Form to participate in the DRIS is correct and to the extent any of the information changes, he or she will notify the DRIS Manager of such changes; and
 - during the continuance of his or her participation in the DRIS, he or she will comply with the provisions of paragraph 8 below.
- (c) By completing and delivering the Mandate Form, the Applicant:
 - agrees to provide the Company and the DRIS Manager with any information which they may request in connection with such application and to comply with the applicable legislation relating to venture capital trusts or other relevant legislation (as the same may be amended from time to time); and
 - declares that a loan has not been made to the Applicant or, where the Applicant is not a Shareholder, the Shareholder on whose behalf the Ordinary Shares mandated to the DRIS are held, or any associate of either of them, which would not have been made, or would not have been made on the same terms, but for the Applicant offering to subscribe for, or acquiring, Ordinary Shares pursuant to the DRIS and that the Ordinary Shares are being acquired for bona fide commercial purposes and not as part of a scheme or arrangement the main purpose of which, or one of the main purposes of which, is avoidance of tax.
- (d) Each Applicant acknowledges that neither the DRIS Manager nor the Company is providing a discretionary management service to him or her. Neither the DRIS Manager nor the Company shall be responsible for any loss or damage suffered by any Applicant as a result of his or her participation in the DRIS unless due to the negligence or wilful default of the DRIS Manager or the Company (respectively), or their employees or their respective agents.
- (e) The provision and implementation of the DRIS should not be taken as a recommendation by the Company or the DRIS Manager to any Shareholder to acquire or hold Ordinary Shares in the Company, the value of Ordinary Shares can go down as well as up and the Shareholder may not get back the full value of his or her investment. It may be difficult to sell Ordinary Shares and investment in the Company involves a higher degree of risk than certain other investments. It is the responsibility of Shareholders to decide whether to participate in the DRIS, if the Shareholder has any doubts, he or she should ask for advice from an appropriately qualified financial adviser. On acceptance of an application for participation in the DRIS from an Applicant, the DRIS Terms and Conditions and the instruction set out in the Mandate Form shall constitute an agreement between the Applicant and the Company.

2

Participation in the DRIS

- (a) Applicants may join the DRIS by giving notice in writing to the DRIS Manager. The Company, acting through the DRIS Manager, shall have absolute discretion to accept or reject applications to participate in the DRIS. An Applicant shall become a member of the DRIS upon acceptance of his or her application by the DRIS Manager on the Company's behalf. The DRIS Manager will provide written notification if an application is rejected. Only Shareholders or their applicable Nominee Shareholder may join the DRIS.
- (b) In order to participate in the DRIS in relation to a certain Investment Date an Applicant must have notified the DRIS Manager of their intention to participate in the DRIS at least 10 Business Days prior to the relevant Investment Day.
- (c) The Company shall not be obliged to accept any application or issue Ordinary Shares hereunder if the Directors so decide in their absolute discretion. The Company may do or refrain from doing anything which, in the reasonable opinion of the Directors, is necessary to comply with the law of any jurisdiction or any rules, regulations or requirement of any regulatory authority or other body which is binding upon the Company or the DRIS Manager.
- (d) The Company and the DRIS Manager shall be entitled, at their absolute discretion at any time and from time to time, to suspend the operation of the DRIS and/or to terminate the DRIS without notice to the Applicants and/or to resolve to pay dividends to Applicants partly by way of cash and partly by way of new Ordinary Shares and/or to refuse to invest dividends due on Ordinary Shares held by a Nominee Shareholder where the DRIS Manager is unable to obtain confirmation of the identity and shareholdings of the relevant Beneficial Shareholder. In the event of termination, the Company shall, subject to the condition at paragraph 5(c), pay to each Applicant all of the monies held by the Company on his or her behalf under the DRIS.
- (e) Applicants who are not Shareholders may join the DRIS in respect of the number of Ordinary Shares of the Company specified as Nominee Shareholdings and notified to the DRIS Manager by the Applicant and the Shareholder in whose name the Ordinary Shares are held.
- (f) The number of Ordinary Shares held by any such Applicant which are mandated to the DRIS shall be altered immediately following any change to the number of Ordinary Shares in respect of which such Shareholder is the registered holder as entered onto the share register of the Company from time to time.
- (g) Applicants who hold their Ordinary Shares through a Nominee may join the DRIS in respect of the number of Ordinary Shares of the Company specified as Nominee Shareholdings and notified to the DRIS Manager by the Applicant and the Shareholder in whose name the Ordinary Shares are held.

3

Issue of Ordinary Shares under the DRIS

- (a) On an Investment Day, dividends paid, or to be paid, on Ordinary Shares held by, or on behalf of, Applicants who have elected to participate in the DRIS in relation to those Ordinary Shares shall be transferred by the Company to the DRIS.
- (b) On or as soon as practicable after an Investment Day, the funds held within the DRIS on behalf of an Applicant shall be applied on behalf of that Applicant in the subscription for the maximum number of whole new Ordinary Shares as can be acquired with those

funds.

- (c) The number of new Ordinary Shares to be allotted to an Applicant pursuant shall be calculated by dividing the funds held within the DRIS on behalf of the Applicant by the greatest of:
- the latest published net asset value per Ordinary Share (net of all unpaid dividends declared on or before an Investment Day);
 - the nominal value per Ordinary Share; and
 - the mid-market price per Ordinary Share as quoted on the London Stock Exchange, each at the close of business on the tenth Business Day preceding the date of issue of such Ordinary Shares.

Fractions of new Ordinary Shares will not be allotted to Applicants and their entitlement will be rounded down to the nearest whole number of new Ordinary Shares.

- (d) Any balance of cash remaining within the DRIS for the account of an Applicant after an issue of Ordinary Shares is made shall be held by the Company on behalf of the relevant Applicant and added to the cash available in respect of that Applicant for the subscription of Ordinary Shares on the next Investment Day. No interest shall accrue or be payable in favour of any Applicant on any such cash balances carried forward. All cash balances held by the Company will be held as banker and not trustee and as a result will not be held in accordance with any client money rules made by the Financial Conduct Authority from time to time.
- (e) The new Ordinary Shares will rank equally with all existing Ordinary Shares.
- (f) The issue of Ordinary Shares under the DRIS shall be conditional on the following:
- the Company having the requisite Shareholder authorities to allot Ordinary Shares under the DRIS; and
 - the Company having not issued Ordinary Shares representing more than 10 per cent. of its issued share capital under the DRIS in the 12 months immediately preceding the Investment Date, if this limit is reached in relation to Ordinary Shares to be issued on an Investment Date, the entitlements of each Applicant in relation to that Investment Date will be scaled back on a pro-rata basis.
- (g) The Company shall immediately after the issue of Ordinary Shares under the DRIS take all necessary steps to ensure that those Ordinary Shares shall be admitted to the Official List and to trading on the premium segment of the main market of the London Stock Exchange, provided that at the time of such issue the existing Ordinary Shares in issue are so admitted to the Official List and to trading on the premium segment of the main market of the London Stock Exchange.
- (h) The DRIS Manager shall as soon as practicable after the issue of Ordinary Shares take all necessary steps to ensure that the Applicants (or, where an Applicant is not a Shareholder, the Shareholder on whose behalf the Ordinary Shares mandated to the DRIS are held) are entered onto the share register of the Company as the registered holders of the Ordinary Shares issued to them in accordance with the DRIS, and that share certificates (unless such Ordinary Shares are to be uncertificated in which case the new Ordinary Shares will be credited to the Applicant's CREST account) in respect of such Ordinary Shares are issued and delivered to Applicants at their own risk.
- (i) Applicants (or such other person as aforesaid) will receive with their share certificates (if any) a statement detailing:
- the total number of Ordinary Shares held at the Investment Day in respect of which a valid election to participate in the DRIS was made;
 - the amount of the dividend available for investment and participation in the DRIS;
 - the price per Ordinary Share was issued at under the DRIS;
 - the number of Ordinary Shares issued and the date of issue; and
 - the amount of cash to be carried forward for investment on the next Investment Day.

4

Tax reliefs

- (a) Subscriptions by individuals or their nominees for eligible shares in a venture capital trust should (depending on individual circumstances) attract applicable VCT tax reliefs for the tax year in which the new shares are allotted provided that such subscriptions for eligible shares do not exceed £200,000 (including subscriptions pursuant to dividend reinvestment schemes) in any tax year. Where Ordinary Shares are registered in the name of a Nominee Shareholder, the Nominee Shareholder shall notify the Beneficial Shareholder of the amount of the dividend to which he or she is entitled and which is eligible for participation in the DRIS. Each of the Nominee Shareholder and the Beneficial Shareholder shall complete the Mandate Form and the Beneficial Shareholder shall further confirm that the dividends attributable to the Ordinary Shares held on behalf of such individual shall be applied towards participation in the DRIS and indicate in whose name the Ordinary Shares should be registered.
- (b) Applicants will be treated as having received a cash dividend. Shareholders qualifying for VCT tax relief should not be liable to income tax on new Ordinary Shares allotted in respect of dividends from qualifying VCT shares (subject to the terms of the VCT legislation). Applicants are responsible for ascertaining their own tax status and liabilities and neither the DRIS Manager nor the Company accepts any liability in the event that tax reliefs are not obtained.
- (c) Since dividends on Ordinary Shares acquired in excess of £200,000 in any tax year will not be exempt from income tax in the same way as Ordinary Shares acquired within this limit, Applicants will generally be liable to tax on such dividends. The Company will nevertheless invest the whole of such dividends unless the DRIS Manager is notified to the contrary in writing at least 10 Business Days before an Investment Day.
- (d) For capital gains tax purposes, Shareholders who elect to receive new Ordinary Shares instead of a cash dividend are not treated as having made a capital disposal of their existing Ordinary Shares. The new Ordinary Shares will be treated as a separate asset for capital gains purposes.

5

Terminating and amending participation in the DRIS

- (a) An Applicant may at any time by completing a Mandate Form and sending it to the DRIS Manager, terminate his or her participation in the DRIS and withdraw any monies held by the Company on his or her behalf in relation thereto.
- (b) If an Applicant who is a Shareholder shall at any time cease to hold Ordinary Shares, he or she shall be deemed to have submitted a Mandate Form under paragraph (a) above in respect of his or her participation in the DRIS. Whenever a Nominee

Shareholder sells Ordinary Shares on behalf of the Beneficial Shareholder, the Nominee Shareholder agrees to notify the DRIS Manager of the full details of the sale as soon as practicable. Neither the Company nor the DRIS Manager shall be responsible for any loss or damage as a result directly or indirectly of a failure by a Nominee Shareholder to comply with such obligation. If a Shareholder in whose name Ordinary Shares are held on behalf of an Applicant shall at any time cease to hold any Ordinary Shares on behalf of that Applicant, he or she shall be deemed to have submitted a Mandate Form under paragraph (a) above in respect of his or her participation in the DRIS. If notice of termination is served or deemed to have been served, all of the monies held by the Company on the Applicant's behalf shall be delivered to the Applicant as soon as reasonably practicable at the address set out in the Mandate Form, subject to any deductions which the Company may be entitled or bound to make hereunder. Any Mandate Form submitted or deemed to have been submitted under the condition at this paragraph 10 shall not be effective in respect of the next forthcoming Investment Day unless it is received by the DRIS Manager at least 10 Business Days prior to such Investment Day.

- (c) Cash balances of less than £1 held on behalf of Applicants who have withdrawn from, or otherwise cease to participate in, the DRIS will not be repaid, but will be donated to a recognised registered charity at the discretion of the Company.

6 **Notices**

All Mandate Forms and any other notices and instructions to be given to the DRIS Manager shall be in writing and delivered or posted to Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 6DA.

7 **Liability**

- (a) The amount of any claim or claims an Applicant has against the Company or the DRIS Manager shall not exceed the value of such Applicant's Ordinary Shares in the DRIS. Neither the Company nor the DRIS Manager will be responsible for:
- acting or failing to act in accordance with a court order of which the DRIS Manager has not been notified (regardless of the jurisdiction which may govern the relevant court order);
 - forged or fraudulent instructions from or on behalf of a Shareholder (the Company and the DRIS Manager will be entitled to assume that instructions purporting to be from a Shareholder (or, where relevant, a Nominee Shareholder), are genuine);
 - losses, costs, damages or expenses sustained or incurred by a Shareholder (or, where relevant, a Nominee Shareholder) by reason of industrial action or any cause beyond the control of the Company or the DRIS Manager, including (without limitation) any failure, interruption or delay in performance of the obligations pursuant to these DRIS Terms and Conditions resulting from breakdown, failure or malfunction of any telecommunications or computer service or electronic payment system or CREST; or
 - any indirect or consequential loss.
- (b) Nothing in these DRIS Terms and Conditions shall exclude the Company or the DRIS Manager from any liability caused by fraud, wilful default or negligence.

8 **Governing Law**

These DRIS Terms and Conditions shall be governed by, and construed in accordance with, English law and each Applicant submits to the jurisdiction of the English courts and agrees that nothing shall limit the right of the Company or the DRIS Manager to bring any action, suit or proceeding arising out of or in connection with the DRIS in any other manner permitted by law or in any court or competent jurisdiction.

Shareholders in any doubt about their tax position should consult their independent professional adviser.

PART B

RISK FACTORS

The Company's business, financial condition or results could be materially and adversely affected by any of the risks described below, which are in no particular order. In such cases, the market price of the Ordinary Shares may decline due to any of these risks and investors may lose all or part of their investment. Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect on the Company. The Directors consider the following to be all the material risks for potential investors in the Company, but the risks listed do not necessarily comprise all those associated with an investment in the Company and are not set out in any particular order of priority:

- Any change of governmental, economic, fiscal, monetary or political policy, in particular any changes to taxation, tax reliefs and changes to the VCT rules, could materially affect, directly or indirectly, the operation and/or the performance of the Company (and the portfolio companies in which it invests), the value of and returns from Ordinary Shares and/or the ability for the Company to achieve or maintain VCT status.
- There can be no guarantee that the Company's investment objectives will be achieved or that suitable investment opportunities will be available. The performance of the Company (and the ability to achieve returns for Shareholders) will be dependent on the investment opportunities sourced by the Investment Manager and the performance of those investments.
- While it is the intention of the Directors that the Company will be managed so as to continue to qualify as a VCT, there can be no guarantee that this status will be maintained. A failure to meet the qualifying requirements could result in the loss of tax reliefs previously obtained, resulting in adverse tax consequences for investors, including a requirement to repay the income tax relief obtained, and could also cause the Company to lose its exemption from corporation tax on capital gains. A Shareholder who disposes of Ordinary Shares within five years of issue will be subject to clawback by HMRC of any income tax reliefs originally claimed on subscription. Any realised losses on a disposal of Ordinary Shares cannot be used to create an allowable loss for capital gains tax purposes.
- As a result of the tax status of VCTs, investments by VCTs in underlying portfolio companies are regarded as state aided investments. Where the European Commission believes that state aid has been provided prior to 1 January 2021 which is not in accordance with the Risk Finance Guidelines, it may require that the UK government recovers that state aid. This may have an adverse effect on Shareholder returns. From 1 January 2021, the requirements to recover unlawful state aid is the remit of the UK Government (in compliance with its ongoing arrangements with the EU). On 30 June 2021, the Government introduced the Subsidy Control Bill to Parliament and published its response to the consultation on the topic of subsidy control in a paper entitled 'Government response to the consultation on subsidy control'. As at the date of this Prospectus, it is unclear whether and how the proposals, if made into law, will affect the Company and VCTs in general.
- A condition of the European Commission's State Aid approval of the UK's VCT and EIS schemes in 2015 was the introduction of a retirement date for the current schemes at midnight on 5 April 2025. This was passed into UK law through the Finance (No 2) Act 2015. If the relevant legislation is not renewed or replaced with similar or equivalent legislation, new investors will not be able to claim income tax relief for investments into new shares issued by VCTs after 5 April 2025, making it more difficult for the Company to attract new capital whilst continuing to operate under its current investment policy.
- The Company's investments may be difficult to realise. The fact that a share is traded on AIM does not guarantee its liquidity. The spread between the buying and selling price of such shares may be wide and thus the price used for valuation may not be achievable. The valuation of the Company's portfolio and opportunities for realisation of the investments will vary with stock market conditions. In addition, the value of unlisted stock is often more difficult to determine than the value of stock in listed companies and may be based on unaudited information and/or be subject to limited verification or other due diligence. Opportunities to realise unlisted stock may also be limited.
- The primary focus of the Company's qualifying portfolio is on investments in AIM-traded companies. Investment in AIM-traded companies, by its nature, may involve a higher degree of risk than investment in companies traded on the main market of the London Stock Exchange. In particular, AIM-traded companies are often smaller companies which may have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals.
- Although the Ordinary Shares are listed on the Official List and are admitted to trading on the London Stock Exchange, and the Offer Shares will be listed on the Official List and admitted to trading on the London Stock Exchange, it is likely that there will not be a liquid market in the Offer Shares and Shareholders may have difficulty in selling them, primarily because the initial income tax relief is only available to those subscribing for newly issued shares. The Ordinary Shares usually trade at a discount to the Net Asset Value of the Company.