

**HARGREAVE HALE AIM VCT 1 PLC**

**REGISTRATION DOCUMENT**

**ISSUE BY HARGREAVE HALE AIM VCT 1 PLC OF SCHEME SHARES IN CONNECTION WITH THE ACQUISITION OF THE ASSETS AND LIABILITIES OF HARGREAVE HALE AIM VCT 2 PLC**

**AND**

**OFFER FOR SUBSCRIPTION OF ORDINARY SHARES OF 1P EACH IN HARGREAVE HALE AIM VCT 1 PLC TO RAISE UP TO £20,000,000, WITH AN OVER-ALLOTMENT FACILITY OF UP TO A FURTHER £10,000,000**

## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

This document, which constitutes a registration document (the "**Registration Document**") relating to the Company, has been prepared in accordance with the Prospectus Rules made by the Financial Conduct Authority pursuant to Part VI of FSMA. Additional information relating to the Company is contained in a securities note issued by the Company (the "**Securities Note**"). This Registration Document, the Securities Note and a summary (the "**Summary**") have been approved by the Financial Conduct Authority (the "**FCA**") in accordance with FSMA and constitute a prospectus ("**Prospectus**") issued by the Company dated 12 February 2018. The Prospectus has been filed with the FCA in accordance with the Prospectus Rules and you are advised to read the Prospectus in full.

Each of the directors of the Company, whose names are set out on page 7 of this document and the Company, accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

Howard Kennedy Corporate Services LLP (the "**Sponsor**"), which is authorised and regulated by the Financial Conduct Authority, is acting as sponsor for the Company and is not advising any other person or treating any other person and will not be responsible to any such person for providing the protections afforded to customers of the Sponsor (subject to the responsibilities and liabilities imposed by FSMA and the regulatory regime established thereunder) or for providing advice in connection with any of the matters referred to herein. The Sponsor does not give any representation, warranty or guarantee express or implied as to the content of this document or that the Company will qualify as Venture Capital Trusts or that investors will obtain any tax relief in respect of their investment.

**The whole of this document should be read. In particular, your attention is drawn to the risk factors on pages 4 to 6 of this document.**

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### HARGREAVE HALE AIM VCT 1 PLC

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

#### Prospectus Relating to:

**the issue by Hargreave Hale AIM VCT 1 of Scheme Shares in connection with the acquisition of the assets and liabilities of Hargreave Hale AIM VCT 2 plc**

**the Offer for Subscription of Ordinary Shares of 1 pence each in Hargreave Hale AIM VCT 1 to raise up to £20,000,000\***

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\*If the Offer is oversubscribed, the maximum subscription may be increased at the discretion of the Board in accordance with the Over-allotment Facility.

The existing Shares issued by the Company are listed on the premium segment of the Official List of the UK Listing Authority (UKLA) and traded on the London Stock Exchange's main market for listed securities. Application has also been made to the UKLA and the London Stock Exchange for the Offer Shares to be admitted to the premium segment of the Official List of the UKLA and to trading on the London Stock Exchange's market for listed securities. It is expected that such admission will become effective and that dealings will commence on 26 March 2018 in respect of the Scheme Shares and within 10 business days of their allotment in respect of the Offer Shares.

The subscription list for those Offer Shares which are being offered to the public under the Offer will open on 12 February 2018 and may be closed at any time thereafter but, in any event, not later than 12.00 p.m. on 5 April 2018 for the 2017/18 tax year and 12.00 p.m. on 31 January 2019 for the 2018/19 tax year, unless closed prior to that date. All subscription monies will be payable in full in cash on application.

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

## CONTENTS

	Page
Risk Factors	4
Directors, Investment Manager and Advisers	7
<b>PART I</b>	9
A. The Directors	9
B. The Company's Investment Manager: Hargreave Hale Limited	10
C. Investment Policy of the Company	11
D. Management of the Investment Policy	12
E. Dividend History and Policy	14
F. Risk Management	15
G. Investments of Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2	16
H. Life of the Company and Annual Accounts	18
I. VCT Status and monitoring	18
<b>PART II</b>	19
Pro Forma Financial Information	21
<b>PART III</b>	24
Financial Information on the Company and Hargreave Hale AIM VCT 2	24
<b>PART IV</b>	27
Taxation and Conditions to be met by Venture Capital Trusts	27
<b>PART V</b>	30
Additional Information	30
<b>PART VI</b>	54
Definitions	54

## RISK FACTORS

The following are those risk factors which are material to the Company and of which the Directors are aware. Material risk factors relating to the Shares are set out in the Securities Note. If any of the risks described below were to occur, it could have a material effect on the Company's businesses, financial condition or results of operations. Additional risks and uncertainties not presently known to the Directors or that the Directors currently deem immaterial, may also have an effect on the Company's business financial condition or results of operations.

- Hargreave Hale AIM VCT 1 will invest principally in small companies with gross assets of less than £15 million prior to investment. This may limit the number of investment opportunities available to the Company. Small companies generally have a higher risk profile than larger 'blue chip' companies on account of various factors such as greater reliance on fewer larger customers, less financial resilience, weak or negative cash flow from operations, less management resource, controlling shareholders and volatile share prices. They may not produce the anticipated returns.
- Past performance of the Company and its investments is no indication of their future performance. The return received by Investors will be dependent on the performance of the underlying investments of the 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. NEX (formally ISDX) markets are not regulated by either the UKLA or the London Stock Exchange. The fact that a share is quoted on NEX, or on AIM, does not guarantee its liquidity, and an investment in such shares (in particular on NEX) 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 be managed so as to continue to qualify as a VCT, there can be no guarantee that the status will be maintained. A failure to maintain the qualifying status could result in the Company losing the tax reliefs previously obtained, resulting in adverse tax consequences for Investors. Possible adverse consequences include: a requirement to repay the 30% income tax relief for those who have not held their shares for five years; loss of income tax relief on dividends paid (or subsequently payable) by the Company; loss of tax relief previously obtained in relation to corporation tax on capital gains made by the Company; a liability to capital gains tax on the disposal of Offer Shares; and the potential cancellation of the shares from the London Stock Exchange's Official List, which would require shareholder approval.
- Changes in legislation concerning VCTs in general, and Qualifying Investments and qualifying trades in particular, may restrict or adversely affect the ability of the Company to meet their objectives and/or reduce the level of returns which would otherwise have been achievable. The levels and basis of, and relief from, taxation are those available for the 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 and Investors should seek their own tax advice appropriate to their individual circumstances.
- 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 can also apply to subscriptions or sales in a successor or predecessor VCT following a merger. The amount on which income tax relief is available is reduced by the amount of the consideration given for the sale.
- A VCT cannot return share capital to an investor that does not represent profits made on investments. The restriction applies until the third anniversary of the end of the accounting period in which investment funds are raised. If the VCT infringes the restriction, it will have its approved status withdrawn. The restriction does not apply to funds raised on or before 5 April 2014 and does not limit the VCT's ability to pay dividends from realised profits; nor does it apply to funds used to redeem or repurchase shares or to assets distributed in the course of a winding up.

- 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 include 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.
- It is possible for Investors to lose their tax reliefs by themselves taking or not taking certain steps, and Investors are advised to take their own independent financial advice on the tax aspects of their investment.
- Recent changes to the VCT legislation introduce a maximum age limit for companies receiving VCT investments (generally 7 years from first commercial sale), and a maximum amount of Risk Finance State Aid which a company can receive over its lifetime (£12m, or £20m for Knowledge Intensive Companies). The investment must be made for the purpose of growth and development, and a company cannot use the funds it receives from the VCT to purchase shares, or an existing business or trade.
- 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.
- In accordance with the Company's articles of association the Directors are obliged to put an ordinary resolution to the annual general meetings of the Company in 2023 and, if passed, to every fifth subsequent annual general meeting, proposing that the Company should continue as a Venture Capital Trust for a further five year period. If any such resolution is not passed, the Directors of the Company shall draw up proposals for the reorganisation, reconstruction or voluntary winding up of the Company for submission to the members of the Company at an extraordinary general meeting to be convened by the Directors on a date not more than 9 months after such annual general meeting. Possible adverse consequences of such a resolution not being passed include a requirement to repay the 30% income tax relief for those who have not held their shares for five years.
- Where the European Commission believe that Risk Finance State Aid has been provided which is not in accordance with the Risk Finance Guidelines, they may require that the UK government recovers that Risk Finance State Aid. There is currently no mechanism in place for this, but recovery may be from the investee company, the VCT or the VCT's investors.
- 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 begin negotiating 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 VCT's 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.

## **DIRECTORS, INVESTMENT MANAGER AND ADVISERS**

### **Directors**

Sir Aubrey Thomas Brocklebank Bt.  
David Michael Brock  
Oliver Bedford

### **Registered Office**

41 Lothbury  
London  
EC2R 7AE

in all cases of:

41 Lothbury  
London  
EC2R 7AE

### **Secretary**

Stuart Brookes  
Talisman House  
Boardmans Way  
Blackpool  
FY4 5FY

### **Investment Manager**

Hargreave Hale Limited  
Talisman House  
Boardmans Way  
Blackpool  
FY4 5FY

### **Registrars**

Equiniti  
Aspect House  
Spencer Road  
Lancing  
West Sussex  
BN99 6DA

### **Marketing Adviser and Receiving Agents in Relation to the Offer**

Hargreave Hale Limited  
Talisman House  
Boardmans Way  
Blackpool  
FY4 5FY

### **Custodians**

Hargreave Hale Limited  
Talisman House  
Boardmans Way  
Blackpool  
FY4 5FY

### **Sponsor to the Scheme and the Offer**

Howard Kennedy Corporate Services LLP  
No. 1 London Bridge  
London  
SE1 9BG

### **Principal Bankers**

The Royal Bank of Scotland plc  
5th Floor  
Kirkstane House  
139 St Vincent Street  
Glasgow  
G2 5JF

### **Solicitors to the Scheme and the Offer**

Howard Kennedy LLP  
No. 1 London Bridge  
London  
SE1 9BG

### **VCT Taxation Advisers**

Philip Hare & Associates LLP  
4 – 6 Staple Inn  
High Holborn  
London WC1V 7QH

### **Brokers to the Company**

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

**Promoter**

Portunus Investment Solutions  
Suite 4,  
52-54 Broadwick Street  
London  
W1F 7AH

**Reporting Accountant**

Scott-Moncrieff  
Exchange Place 3  
Semple Street  
Edinburgh  
EH3 8BL

**Auditors**

BDO LLP  
55 Baker Street  
London  
W1U 7EU

**Liquidator**

RSM  
Central Square  
5<sup>th</sup> Floor  
29 Wellington Street  
Leeds  
LS1 4DL

## **PART I**

### **A. THE DIRECTORS**

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

#### **HARGREAVE HALE AIM VCT 1**

##### **Sir Aubrey Brocklebank Bt.**

Following a career in corporate finance and venture capital, Aubrey assumed his first role within the VCT industry in 1997. Since then he has gone on to become one of the most experienced directors within the industry. Aubrey maintains a wide range of business interests and has been a director of six AIM listed companies. He is the senior independent director of Downing FOUR VCT plc.

##### **David Brock**

An experienced company chairman in both private and public companies, and a former main board director of MFI Furniture Group plc, David joined the Board of Hargreave Hale AIM VCT 1 plc in September 2010. David is chairman of Episys Group Limited Global and Elderstreet VCT plc and a non-executive director of Puma VCT 12 plc.

##### **Oliver Bedford**

Oliver Bedford graduated from Durham University in 1995 with a degree in Chemistry. He served in the British Army for 9 years before joining Hargreave Hale in 2004. Oliver co-manages the Company with Giles Hargreave and supports the other unit trusts through the investment committee. Oliver is also a director of Hargreave Hale AIM VCT 2 plc.

## **B. THE COMPANY'S INVESTMENT MANAGER: HARGREAVE HALE LIMITED**

The Company's investment manager is Hargreave Hale Limited who have been managing investments in UK Small and Micro Cap companies for 19 years and VCTs for 13 years. Hargreave Hale has a long-established reputation as a substantial investor in and a supporter of small British Companies through the main market of the London Stock Exchange and AIM. As well as the two Venture Capital Trusts, the investment team manages 6 unit trusts including the Marlborough Special Situations Fund, the Marlborough UK Micro-Cap Growth Fund and the Marlborough Multi-Cap Income Fund. The investments of the Company are co-managed by Giles Hargreave and Oliver Bedford with support from the rest of the firm's investment team. The breadth of the investment team, the scale of investment into small companies and the investment manager's track record help attract deal flow. In accordance with their investment policies, both the Company and Hargreave Hale AIM VCT 2 have made investments in the Marlborough Special Situations Fund, which has returned 3070% (to 31 January 2018) since Giles Hargreave took responsibility for it in July 1998.

### **Management Agreement**

Hargreave Hale Limited provides discretionary investment management and advisory services to the Company in respect of its portfolio of Qualifying Investments and Non-Qualifying Investments.

The Investment Manager receives investment management fees equal to 1.5% per annum of the Net Asset Value of the Company and a Performance Incentive Fee. The Investment Manager is in discussions with the Company to increase its annual investment management fees to an amount equal to 1.7% per annum of the Net Asset Value of the Company, subject to compliance with the Listing Rules. If agreement is reached, such increase would not take place before 31 March 2019 and shareholders will be updated by an announcement in due course.

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

In line with normal VCT practice, a performance related incentive fee will be payable subject to certain criteria. This will be payable at the rate of 20% of any dividends paid to Ordinary Shareholders in excess of 6p per Ordinary Share per annum, provided that the Net Asset Value per Ordinary Share is at least 95p, with any cumulative shortfalls below 6p per Ordinary Share having to be made up in subsequent years.

### **Charging Expenses to Capital**

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

### **Custody Arrangements**

Hargreave Hale Limited (a company incorporated with limited liability in England under the Act with registered number 03146580 having its registered office at Talisman House, Boardmans Way, Blackpool, FY4 5FY and telephone number +44 (0) 1253 754700) acts as custodian to the Company and, in that capacity, is responsible for ensuring safe custody and dealing with settlement arrangements in respect of the Company's equity and fixed income assets, and certain cash deposits in a client deposit account. All other assets, including cash, are held by the Company directly. Hargreave Hale Limited is authorised and regulated by the FCA.

## **C. INVESTMENT POLICY OF THE COMPANY**

***The investment policy of the Company is as follows:***

**Investment Objectives**

The Company's investment objectives are:

- to invest in a diversified portfolio of small UK based companies on a high risk, medium term capital growth basis, primarily being companies which are traded on AIM and which have the opportunity for significant value appreciation;
- to invest in smaller companies which may not be readily accessible to private individuals and which also tend to be more risky;
- to maximise distributions to shareholders from capital gains and income generated from the Company's funds;
- targeted investment in equities which are Non-Qualifying Investments on an opportunistic basis; and
- to maintain the Company's exposure to small companies through an initial investment of new capital into the Marlborough Special Situations Fund pending investment into Qualifying Companies.

**Asset Allocation**

The Company will have a range of investments in three distinct asset classes:

- Equity investments in Qualifying Companies, referred to as "**Qualifying Investments**". Qualifying Investment will:
  - comprise qualifying holdings for a VCT as defined in Chapter 4 Part 6 of the Income Tax Act 2007;
  - primarily be made in AIM companies, but the Investment Manager will also consider NEX-quoted (formerly ISDX) companies and private companies that meet the investment criteria summarised below; and
  - vary in size from £250,000 to £3 million.
- Fixed income securities.
- Bank deposits that are readily realisable; and
- Non-Qualifying Investments in the form of equity exposure to UK and international equities through targeted investments made on an opportunistic basis or through an investment into the Marlborough Special Situations Fund.

**Investment Strategy**

*Qualifying Investments*

The Investment Manager will maintain a diversified and fully invested portfolio of Qualifying Investments. The primary purpose of the investment strategy is to ensure the Company maintains its status as a VCT. To achieve this, the Company must have 70% (80% after 6 April 2019) of all funds raised from the issue of shares invested in Qualifying Investments throughout accounting periods of the VCT beginning no later than three years after the date on which those shares are issued.

Although VCTs are required to invest and maintain a minimum of 70% (80% after 6 April 2019) of their funds invested in Qualifying Investments as measured by the VCT rules, it is likely that the Investment Manager will target a higher threshold of approximately 80% (85% after 6 April 2019) in order to provide some element of protection against an inadvertent breach of the VCT rules. The Company's maximum exposure to a single Qualifying Investment is limited to 15% of net

assets.

The key selection criteria used by the Investment Manager in deciding which Qualifying Investments to make include, inter alia:

- the strength and credibility of the management team;
- the business plan;
- the risk/reward profile of the investment opportunity;
- the quality of the finance function and budgetary process;
- the strength of the balance sheet relative to anticipated cash flow from operations; and
- the existing balance of investments within the portfolio of Qualifying Investments.

The Investment Manager will follow a stock specific, rather than sector specific, investment approach and is more likely to provide growth and development capital than seed capital.

The Investment Manager will primarily focus on investments in companies with a quotation on AIM. The Investment Manager will also invest in private companies or those planning to trade on AIM. The Investment Manager prefers to participate in secondary issues of companies as such companies have an established track record that can be more readily assessed and greater disclosure of financial performance. Secondary issues are often priced at an attractive discount to the market price.

#### *Non-Qualifying Investments*

The Company will have non-qualifying equity exposure to UK and international equities through targeted investments made on an opportunistic basis. This will vary in accordance with the Investment Manager's view of the equity markets and may fluctuate between nil and 30% of the net assets of the Company. The Investment Manager will also invest in fixed income securities and cash. The Investment Manager will invest up to 75% of the net proceeds of any issue of new shares into the Marlborough Special Situations Fund subject to a maximum of 20% of the gross assets of the Company. This will enable the Company to maintain their exposure to small companies indirectly, whilst the Investment Manager identifies opportunities to invest directly into small UK companies through a suitable number of Qualifying Investments.

The allocation between asset classes in the non-qualifying portfolio will vary depending upon opportunities that arise with a maximum exposure of 100% of the non-qualifying portfolio to any individual asset class.

To the extent that any future changes to the Company's investment policies are considered to be material, Shareholder consent to such changes will be sought.

#### **Borrowings**

It is not the Company's intention to have any borrowings. The Company does, however, have the ability to borrow a maximum amount up to 15% of the "Adjusted Capital and Reserves" amount (as such term is defined in the Articles of Association of the Company), which is effectively the aggregate of the nominal capital of the Company's issued and paid up and the amount standing to the credit of the consolidated reserves of the Company, less specified adjustments, exclusions and deductions. There are no plans to utilise this ability at the current time.

#### **D. MANAGEMENT OF THE INVESTMENT POLICY**

##### **Deal Flow**

The breadth of the investment team, the scale of investment in small companies and the

Investment Manager's track record and many years of investing in AIM and NEX-quoted (formerly ISDX) companies and, more recently, private companies, help attract deal flow.

The investment team has regular meetings, typically 37 per week, with small companies, a number of which would be suitable for investment by the Funds. These relationships, along with the ability to co-invest alongside the other funds managed by the Investment Manager, should increase the quality and quantity of the investment pipeline.

In the 12 months prior to the date of this document, the Company made 23 Qualifying Investments totalling £7.5 million of which £5.3 million was in AIM quoted companies and £2.2 was in private unquoted companies.

### **Post-Investment Management**

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

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

### **Co-Investment Policy**

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

Where the Company intends to invest in the same companies as other funds managed by the Investment Manager, any such investment must first be approved by at least one Director of the Board who is independent of the Investment Manager, unless the investment is made either at the same time and on the same terms, or there is insufficient time to gain prior approval, or the investment is made in accordance with a pre-existing agreement between the Company and the Investment Manager.

When the investee company has listed as a shareholder a unit trust or another fund also managed by the Investment Manager, and the Investment Manager does not intend to make a further investment into the investee company through that unit trust or other fund, the Investment Manager is to inform a Director of the Company who is independent of the Investment Manager of the proposed investment and the potential conflict of interest prior to making the investment. Where possible, this will be the Chairman. The Investment Manager will notify the Chairman of his obligations as someone who is in possession of inside information and pass his name to the Investment Manager's compliance department to be entered into the register of insiders under MAR. The Chairman will not pass on details of the proposed investment to other members of the Board.

The Chairman will notify the Investment Manager of his decision. If, in his opinion, the proposed investment requires further discussion with other members of the Board and there is sufficient time, the Chairman will ask the Investment Manager to convene a Board meeting to discuss the proposed investment. The Investment Manager will circulate the details of the Board Meeting and will notify the remaining Directors of the proposed investment, along with their obligations as persons who are in possession of inside information. The Investment Manager will notify its compliance department of those additional Directors who are to be entered into the register of insiders under MAR.

It is the responsibility of the Investment Manager to notify the Board, depending on the circumstances, and seek prior approval for the co-investment.

It is the responsibility of the Board to monitor compliance with this co-investment policy on a quarterly basis.

## E. DIVIDEND HISTORY AND POLICY

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

### Hargreave Hale AIM VCT 1 Ordinary Shareholders

<i>Financial Year</i>	<i>Dividends Paid</i>	<i>Year End NAV Yield</i>	<i>Cumulative Total</i>	<i>Comments</i>
2005/6	5p	4.7%	5p	First full financial year
2006/7	5p	4.8%	10p	
2007/8	5p	7.6%	15p	
2008/9	2p	3.1%	17p	No final dividend was paid in January 2010 in respect of the financial year ended 30 September 2009
2009/10	4p	6.4%	21p	
2010/11	4p	6.5%	25p	
2011/12	3.25p	5.3%	28.25p	
2012/13	3.75p	5.2%	32p	
2013/14	4.25p	5.3%	36.25p	
2014/15	4p	5.4%	40.25p	
2015/16	4p	5.3%	44.25p	
2016/17	4p	4.9%	48.25p	

The intention is to continue the existing policy of targeting a 5% distribution yield (referenced to the Net Asset Value), although the ability to pay dividends will clearly be influenced by the underlying investment performance of the Ordinary Shares and the available reserves, cash resources the Act and the Listing Rules. In good years, the Directors may consider a higher dividend payment; in poor years, the Directors may reduce or even pay no dividend. Past performance and payment of dividends is not a reliable indicator of future results and may not be repeated.

### Valuation Policy

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

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

## F. RISK MANAGEMENT

The structure of the Company's investment portfolio and its investment strategy, has been developed to mitigate risk where possible.

- The Company has a ***broad portfolio of investments*** to reduce stock specific risk.
- ***Flexible allocations*** to non-qualifying equities, the Marlborough Special Situations Funds, fixed interest securities and bank deposits allow the Investment Manager to ***adjust portfolio risk without compromising liquidity***.
- Regular company meetings aid the ***close monitoring of investments*** to identify potential risks and allow corrective action where possible.
- Regular board meetings and dialogue with the Directors, along with policies to control Conflicts of Interests and co-investment with the Marlborough fund mandates, support ***strong governance***.

### Category of Potential Investors

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

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

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

### HARGREAVE HALE AIM VCT 1

As at 31 January 2018, the unaudited NAV per Ordinary Share of Hargreave Hale AIM VCT 1 was 83.29p.

Set out below are those investments of Hargreave Hale AIM VCT 1 as at the date of this document (the values being at 31 January 2018) which have an aggregate value of at least 50 per cent. of its net assets (all of which information is unaudited). There has been no material change to the aggregate value of Hargreave Hale AIM VCT 1's investment portfolio since 31 January 2018. All of the investments listed below are located in the United Kingdom

	Sector	Cost £000	(Unaudited) Valuation £000	(Unaudited) Valuation %
<b>Qualifying Investments</b>				
Learning Technologies Group plc	Information Technology	663	2,526	3.8%
Zoo Digital Group plc	Information Technology	309	2,259	3.4%
Abcam plc	Health Care	55	2,029	3.0%
Craneware plc	Health Care	125	1,818	2.7%
Cohort plc	Industrials	619	1,624	2.4%
Quixant plc	Consumer Discretionary	160	1,513	2.3%
SCA Investments Ltd (Gousto)	Consumer Discretionary	1,002	1,484	2.2%
Ideagen plc	Information Technology	410	1,484	2.2%
Animal care Group plc	Health Care	220	1,140	1.7%
Faron Pharmaceuticals Oy	Health Care	670	1,088	1.6%
Hardide plc	Materials	863	1,071	1.6%
Science in Sport plc	Consumer Discretionary	778	1,053	1.6%
Eagle Eye Solutions Ltd	Information Technology	967	983	1.5%
DP Poland plc	Consumer Discretionary	594	947	1.4%
Zappar Ltd	Information Technology	902	900	1.3%
Other Qualifying Investments		18,933	20,242	30.2%
Non Qualifying Investments		9,211	12,361	18.4%
MFM Special Situations Fund		4,048	5,153	7.7%
Cash		7,579	7,579	11.3%
Accrued Charges and Income			(234)	(0.3%)

#### Portfolio Breakdown (by Asset Class)

Qualifying Investments	63%
Non-Qualifying Investments	18%
Marlborough Special Situations	8%
Net Cash	11%
<b>Total:</b>	<b>100.0%</b>

#### Qualifying Investments by Sector (GICS)

Information Technology	42%
Health Care	23%
Consumer Discretionary	20%
Industrials	7%
Materials	3%
Financials	2%
Telecommunication Services	1%
Energy	1%
Real Estate	1%
<b>Total</b>	<b>100.0%</b>

## HARGREAVE HALE AIM VCT 2

As at 31 January 2018, the unaudited NAV per Ordinary Share of Hargreave Hale AIM VCT 2 was 123.76p.

Set out below are those investments of Hargreave Hale AIM VCT 2 as at the date of this document (the values being at 31 January 2018) which have an aggregate value of at least 50 per cent. of its net assets (all of which information is unaudited). There has been no material change to the aggregate value of Hargreave Hale AIM VCT 2's investment portfolio since 31 January 2018. All of the investments listed below are located in the United Kingdom

	Sector	Cost £000	(Unaudited) Valuation £000	(Unaudited) Valuation %
<b>Qualifying Investments</b>				
Learning Technologies Group plc	Information Technology	534	2,034	3.5%
Zoo Digital Group plc	Information Technology	273	1,995	3.4%
Ideagen plc	Information Technology	190	1,692	2.9%
SCA Investments Ltd (Gousto)	Consumer Discretionary	1,002	1,484	2.5%
Quixant plc	Consumer Discretionary	120	1,135	1.9%
Faron Pharmaceuticals Oy	Health Care	670	1,088	1.9%
DP Poland plc	Consumer Discretionary	574	938	1.6%
Mexican Grill Ltd	Consumer Discretionary	308	920	1.6%
Hardide plc	Materials	302	918	1.6%
Laundrapp Ltd	Information Technology	802	884	1.5%
Eagle Eye Solutions Ltd	Information Technology	811	809	1.4%
Other Qualifying Investments		14,774	17,029	29.2%
Non Qualifying Investments				
Fixed Income		8,784	11,827	20.3%
MFM Special Situations Fund		154	154	0.3%
		5,742	8,018	13.8%
Cash				
Accrued Charges and Income		7,553	7,553	13.0%
			(210)	(0.4%)

### Portfolio Breakdown (by Asset Class)

Qualifying Investments	53%
Non-Qualifying Investments	20%
Corporate Bond	0%
Marlborough Special Situations	14%
Net Cash	13%
<b>Total:</b>	<b>100.0%</b>

### Qualifying Investments by Sector (GICS)

Information Technology	46%
Consumer Discretionary	22%
Health Care	16%
Industrials	4%
Materials	4%
Telecommunication Services	2%
Consumer Staples	2%
Utilities	2%
Financials	1%
Real Estate	1%
<b>Total</b>	<b>100.0%</b>

## H. LIFE OF THE COMPANY AND ANNUAL ACCOUNTS

Hargreave Hale AIM VCT 1's annual report and accounts are made up to 30 September in each year and are normally sent to Shareholders in December of each year. It is the current intention of the Directors that the first annual report to be sent to Investors after the close of the Offer will be the audited annual accounts for the year ending 30 September 2019.

It is intended that Hargreave Hale AIM VCT 1 should have an unlimited life, but the Directors consider that it is desirable for Shareholders to have the opportunity to review the future of the Company at appropriate intervals. Hargreave Hale AIM VCT 1's Articles of Association require the Directors to put a proposal to Shareholders concerning the continuation of that company at the annual general meeting in 2023 and, if passed, at every fifth anniversary thereafter. **As there is a risk for new Shareholders under the Offer that if the continuation vote is passed in favour of discontinuance, they will thereby be deemed to have disposed within their five year holding period, it is proposed that Shareholder approval will be sought at the Company's General Meeting to delay the continuation vote until 2025 and to adopt new articles of association accordingly.**

## I. VCT STATUS AND MONITORING

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

As at 31 January 2018 the Company was 90.10% invested in Qualifying Investments (as defined in the ITA 2007).

## PART II

### PRO FORMA FINANCIAL INFORMATION

#### ACCOUNTANT'S REPORT ON THE PRO FORMA FINANCIAL INFORMATION

The Directors

12 February 2018

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

Howard Kennedy Corporate Services LLP  
No 1 London Bridge  
London  
SE1 9BG

Dear Sirs

#### **Hargreave Hale AIM VCT 1 PLC (“the Company”)**

#### **Pro forma financial information**

We report on the pro forma financial information (the "Pro Forma Financial Information") set out in Part A and Part B of Part II of the prospectus dated 12 February 2018 (the "Prospectus") of Hargreave Hale AIM VCT 1 plc, which has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the Merger and the Offer (as defined in the Prospectus) might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the financial year ended 30 September 2017. This report is required by item 20.2 of Annex I of the Commission Regulation (EC) No. 809/2004 (the "PD Regulation") and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under paragraph 20.2 of Annex I of Appendix 3.1.1 of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, and given solely for the purposes of complying with paragraph 20.2 of Annex I of Appendix 3.1.1 of the Prospectus Rules, or consenting to its inclusion in the Prospectus.

#### **Responsibilities**

It is the responsibility of the directors of the Company (the "Directors") to prepare the Pro Forma Financial Information in accordance with item 20.2 of Annex I of the PD Regulation.

It is our responsibility to form an opinion, as required by item 7 of Annex II of the PD Regulation, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a

result of, arising out of, or in connection with this report or our statement, which are included, in the form and context in which they are included, with our consent and with our having authorised the contents of this Part II, required by and given solely for the purposes of complying with item 23.1 of annex 1 of the PD Regulation.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdictions other than the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those other standards and practices.

### **Opinion**

In our opinion:

- the Pro Forma Financial Information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of the Company.

### **Declaration**

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I and item 1.2 of Annex III of Appendix 3.1.1 of the Prospectus Rules.

**Yours faithfully**

**Scott-Moncrieff**

## UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED COMPANY

### Part A – Unaudited pro forma statement of earnings

The following unaudited pro forma statement of earnings of the Enlarged Company has been prepared to illustrate the effect of the Merger and the Offer on the earnings of the Company for the financial year ended 30 September 2017 as if the Merger and the Offer had occurred at the start of the period, 1 October 2016. The earnings for Hargreave Hale AIM VCT 2 plc are for the six month period ended 31 August 2017.

The unaudited pro forma statement of earnings has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent Hargreave Hale AIM VCT 1's actual financial position or results nor is it indicative of the results that may or may not be expected to be achieved in the future.

The unaudited pro forma statement of earnings is based on the earnings of Hargreave Hale AIM VCT 1 for the financial year ended 30 September 2017, as set out in the report of the Company for the financial year ended 30 September 2017 which is incorporated by reference in Part III of this document and has been prepared in a manner consistent with the accounting policies adopted by Hargreave Hale AIM VCT 1 in preparing such information and on the basis set out in the notes set out below.

#### Unaudited pro forma statement of earnings

	<b>Hargreave Hale AIM VCT 1 (Note 1) £'000</b>	<b>Hargreave Hale AIM VCT 2 (Note 2) £'000</b>	<b>Merger Costs (Note 3) £'000</b>	<b>Pro forma total £'000</b>
Realised gain on disposal of fixed asset investments	(237)	626	-	389
Fixed asset investment holding gains	7,586	3,936	-	11,522
Current asset investment holding gains	-	-	-	-
Investment income	461	184	-	645
Investment management fees	(864)	(373)	-	(1,237)
Other expenses	(374)	(185)	(384)	(943)
Return on ordinary activities before tax	6,572	4,188	(384)	10,376
Taxation on return of ordinary activities	-	-	-	-
Return on ordinary activities after tax	6,572	4,188	(384)	10,376

#### Notes

1. The earnings of Hargreave Hale AIM VCT 1 as at 30 September 2017 have been extracted without material adjustment from the audited annual report of the Company for the financial year ended 30 September 2017 which is incorporated by reference in Part III of this document.

#### Adjustments

2. The net assets of Hargreave Hale AIM VCT 2 as at 31 August 2017 have been extracted without material adjustment from the unaudited half yearly report of Hargreave Hale AIM VCT 2 for the six months period ended 31 August 2017 which is incorporated by reference in Part III of this document. This adjustment is expected to have a continuing impact on the earnings of the Company.

3. An adjustment has been made to reflect the transaction costs relating to the Merger which are to be expensed. The commission on the gross proceeds of the Offer will be set off against the share premium account within Shareholder's equity. No account has been taken of any potential irrecoverable VAT. This adjustment will not have a continuing impact on the earnings of the Company.
4. No account has been taken of the effects of any synergies, and of the costs for measures taken to achieve those synergies, that may have arisen had the Merger occurred on 1 October 2016 and that may subsequently have affected the results of the Company in the financial year ended 30 September 2017.
5. No account has been taken of the trading performance of the Company since 30 September 2017 or the trading performance of Hargreave Hale AIM VCT 2 since 31 August 2017 nor of any other event save as disclosed above.

### Part B – Unaudited pro forma statement of net assets

The following unaudited pro forma statement of net assets of the Enlarged Company has been prepared to illustrate the effect on the net assets of Hargreave Hale AIM VCT 1 as if the Merger and the Offer had taken place on 1 October 2016. The unaudited net assets of Hargreave Hale AIM VCT 2 are stated as at 31 August 2017.

The unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Company's actual financial position or results.

The unaudited pro forma statement of net assets is based on the net assets of the Company as at 30 September 2017, as set out in the audited annual report of the Company for the financial year ended 30 September 2017 which is incorporated by reference in Part III of this document and has been prepared in a manner consistent with the accounting policies adopted by the Company in preparing such information and on the basis set out in the notes set out below.

#### Unaudited pro forma statement of net assets

	Hargreave Hale AIM VCT 1 (Note 1) £'000	Hargreave Hale AIM VCT 2 (Note 2) £'000	Fundraising (Note 3) £'000	Merger Costs (Note 3) £'000	Pro forma total £'000
Fixed asset					
investments	58,125	45,061	-	-	103,186
Current assets:	-	-	-	-	-
Money market funds	-	-	-	-	-
Debtors	63	68	-	-	131
Cash at bank	8,007	5,773	19,300	(384)	32,696
	8,070	5,841	19,300	(384)	32,827
Creditors	(206)	(254)	-	-	(460)
Net current assets	7,864	5,587	19,300	(384)	32,367
Net assets	65,989	50,648	19,300	(384)	135,553

#### Notes

1. The net assets of Hargreave Hale AIM VCT 1 as at ended 30 September 2017 have been extracted without material adjustment from the audited annual report of the Company for the financial year ended 30 September 2017 which is incorporated by reference in Part III of this document.

**Adjustments**

2. The net assets earnings of Hargreave Hale AIM VCT 2 as at 31 August 2017 have been extracted without material adjustment from the unaudited half yearly report of Hargreave Hale AIM VCT 2 for the six month period ended 31 August 2017 which is incorporated by reference in Part III of this document.
3. The Offer is estimated to raise net proceeds of £19.3 million (£20.0 million gross proceeds less estimated expenses of £0.7 million). The merger costs have also been accounted for.
4. No account has been taken of the trading performance of the Company since 30 September 2017 or the trading performance of Hargreave Hale AIM VCT 2 since 31 August 2017 nor of any other event save as disclosed above.

## PART III

### FINANCIAL INFORMATION ON THE COMPANY AND HARGREAVE HALE AIM VCT 2

#### A. HARGREAVE HALE AIM VCT 1

Full audited financial information on the Company for the accounting years ended 30 September 2015, 30 September 2016 and 30 September 2017 are available free of charge at the Company's registered office or can be downloaded at [www.hargreaveaimvcts.co.uk](http://www.hargreaveaimvcts.co.uk).

The annual reports for the years ended 30 September 2015, 30 September 2016 and 30 September 2017 were audited by BDO LLP of 55 Baker Street, London W1U 7EU. All audit reports were unqualified under the Act.

The annual reports for the years ended 30 September 2015 were prepared in accordance with UK generally accepted accounting practice (GAAP). The annual reports for the years ended 30 September 2016 and 30 September 2017 were prepared in accordance with Financial Reporting Standard 102. In all cases the annual reports referred to above were prepared in accordance with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies'. The annual reports contain a description of the relevant Company's financial condition, changes in financial condition and results of operation for each relevant financial year, as well as further information in relation to the Company's investments, and are being incorporated by reference and can be accessed at the following website:

[www.hargreaveaimvcts.co.uk](http://www.hargreaveaimvcts.co.uk).

Where these documents make reference to other documents, such other documents are not incorporated into and do not form part of this document. The non-incorporated parts of these annual reports and accounts are either not relevant to investors or covered elsewhere in this document.

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

	Audited financial statements for the period ended 30 September 2015	Audited financial statements for the period ended 30 September 2016	Audited financial statements for the period ended 30 September 2017
	Page numbers	Page numbers	Page numbers
Income statements	38	43	40
Statement of changes in equity	40-41	45	42
Balance sheets	39	44	41
Cash flow statements	40	46	43
Accounting policies	42-43	47-49	44-46
Notes to the accounts	42-52	47-58	44-54
Independent auditor's report	34-37	39-42	35 - 39

## Operating and Financial Review

	Audited financial statements for the period ended 30 September 2015	Audited financial statements for the period ended 30 September 2016	Audited financial statements for the period ended 30 September 2017
	Page numbers	Page numbers	Page numbers
Chairman's statement	3-4	3-4	3-4
Investment Manager's report	10-11	14-15	13-14

This information in the annual reports for the years ended 30 September 2016 and 30 September 2017 has been prepared in a form consistent with that which will be adopted in the Company's next published annual financial statements having regard to accounting standards and policies and legislation applicable to those financial statements (which will be prepared under Financial Reporting Standard 102).

As at 30 September 2017, the date to which the most recent audited financial statements of the Company have been drawn up, the Company had net assets of £66 million or 80.82 pence per Ordinary Share.

### Other

As at the date of this document, there has been no significant change in the financial or trading position of Hargreave Hale AIM VCT 1 since 30 September 2017 (being the date on which audited financial information was last published).

### B. HARGREAVE HALE AIM VCT 2

Full audited financial information on the Company for the accounting years ended 28 February 2015, 29 February 2016 and 28 February 2017 and unaudited information for the half-year accounts for the six months ended 31 August 2016 and 31 August 2017 are available free of charge at the Company's registered office or can be downloaded at [www.hargreaveaimvcts.co.uk](http://www.hargreaveaimvcts.co.uk).

The annual reports for the years ended 28 February 2015, 29 February 2016 and 28 February 2017 were audited by BDO LLP of 55 Baker Street, London W1U 7EU. All audit reports were unqualified under the Act.

The annual reports for the years ended 28 February 2015 were prepared in accordance with UK generally accepted accounting practice (GAAP) The annual reports for the year ended 29 February 2016 and 28 February 2017 were prepared in accordance with Financial Reporting Standard 102. In all cases the annual reports referred to above were prepared in accordance with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies'. The annual reports and half-yearly accounts contain a description of the relevant Company's financial condition, changes in financial condition and results of operation for each relevant financial year, as well as further information in relation to the Company's investments, and, together with the half-yearly reports referred to, are being incorporated by reference into this document and can be accessed at the following website: [www.hargreaveaimvcts.co.uk](http://www.hargreaveaimvcts.co.uk).

Where these documents make reference to other documents, such other documents are not incorporated into and do not form part of this document. The non-incorporated parts of these annual and half-yearly reports and accounts are either not relevant to investors or covered elsewhere in this document.

The information indicated below is incorporated by reference into this document (excluding such

other information as may be included in those documents):

	Audited financial statements for the period ended 28 February 2015	Audited financial statements for the period ended 29 February 2016	Unaudited half yearly financial statements for the six months ended 31 August 2016	Audited financial statements for the period ended 28 February 2017	Unaudited half yearly financial statements for the six months ended 31 August 2017
	Page numbers	Page numbers	Page numbers	Page numbers	Page numbers
Income statements	35	38	17-18	42	16-17
Statement of changes in equity	37-38	40	20-21	44	19-20
Balance sheets	36	39	19	43	18
Cash flow statements	37	41	22	46	21
Accounting policies	39-40	42-43	23-27	47-49	22-26
Notes to the accounts	39-49	42-52	23-29	47-58	22-29
Independent auditor's report	32-34	34-37	n/a	38-41	n/a

## Operating and Financial Review

	Audited financial statements for the period ended 28 February 2015	Audited financial statements for the period ended 29 February 2016	Unaudited half yearly financial statements for the six months ended 31 August 2016	Audited financial statements for the period ended 28 February 2017	Unaudited half yearly financial statements for the six months ended 31 August 2017
	Page numbers	Page numbers	Page numbers	Page numbers	Page numbers
Chairman's statement	4-5	3-4	3-4	3-4	3-4
Investment Manager's report	10-11	10-11	5-7	13-14	5-6

This information in the annual reports for the years ended 28 February 2015, 29 February 2016 and 28 February 2017 has been prepared in a form consistent with that which will be adopted in the Company's next published annual financial statements having regard to accounting standards and policies and legislation applicable to those financial statements (which will be prepared under Financial Reporting Standard 102) in so far as there are no material differences between the financial statements for these years prepared under these two accounting frameworks.

As at 28 February 2017, the date to which the most recent audited financial statements of the Company have been drawn up, the Company had net assets of £45.4 million or 109.86 pence per Ordinary Share. As at 31 August 2017, the date to which the most recent unaudited half yearly financial statements for the Company have been drawn, the Company had net assets of £50.6 million or 115.47 pence per Ordinary Share.

## Other

As at the date of this document, there has been no significant change in the financial or trading position of Hargreave Hale AIM VCT 2 since 31 August 2017 (being the date on which unaudited financial statements were last published).

## PART IV

### TAXATION

The following paragraphs, which are intended as a general guide only and are based on current legislation and HMRC practice, summarise advice received by the Directors as to the position of the Shareholders who hold shares other than for trading purposes. Any person who is in any doubt as to their taxation position or is subject to taxation in any jurisdiction other than the United Kingdom should consult their professional advisers.

- (a) Taxation of dividends - under current law, no tax will be withheld by a Company when it pays a dividend.
- (b) Stamp duty and stamp duty reserve tax - the Directors have been advised that no stamp duty or stamp duty reserve tax will be payable on the issue of New Shares. The Directors have also been advised that the transfer of shares in a Company will, subject to any applicable exemptions, be liable to ad valorem stamp duty at the rate of 0.5 per cent. of the consideration paid. An unconditional agreement to transfer such shares if not completed by a duly stamped stock transfer will be subject to stamp duty reserve tax generally at the rate of 50p per £100 (or part thereof) of the consideration paid.
- (c) Close company - the Directors of each Company believe that their Company is not, and expect that following the Offer will not be, a close company within the meaning of ITA 2007. If a Company was a close company in any accounting period, approval as a VCT for that Company would be withdrawn.

### CONDITIONS TO BE MET BY VENTURE CAPITAL TRUSTS

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

#### Qualification as a VCT

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

- (a) not be a close company;
- (b) have each class of its ordinary share capital quoted on any regulated market in the EU or European Economic Area;
- (c) derive its income wholly or mainly from shares or securities;
- (d) have at least 70% by value of its investments in shares or securities in Qualifying Investments (for accounting periods commencing after 5 April 2019 this is increased to 80%);
- (e) for funds raised after 5 April 2011, and for investments made after 5 April 2018, have at least 70% by value of Qualifying Investments in 'eligible shares', which are ordinary shares which carry no preferential rights to assets on a winding up and no rights to be redeemed, although they may have certain preferential rights to dividends. Until 6 April 2018, for funds raised before 6 April 2011, at least 30% by value of Qualifying Investments have to be in 'eligible shares', which are ordinary shares which carry no preferential rights to dividends or to assets on a winding up and no rights to be redeemed;
- (f) have at least 10% by value of each Qualifying Investment in any single company or group in 'eligible shares';
- (g) not have more than 15% by value of its investments in a single company or group (other

than a VCT or a company which would, if its shares were listed, qualify as a VCT);

- (h) not retain more than 15% of its income derived from shares and securities in any accounting period;
- (i) not make an investment in any company which causes that company to receive more than £5 million from State Aid investment sources in the 12 month period ending on the date of the investment (from 6 April 2018 this will be £10 million for a Knowledge Intensive Company);
- (j) not return capital to shareholders before the third anniversary of the end of the accounting period during which the subscription for shares occurs;
- (k) no investment made by the VCT in a company causes that company to receive more than £12 million (£20 million if the company is deemed to be a Knowledge Intensive Company) of State Aid investment (including from VCTs) over the company's lifetime;
- (l) no investment can be made by the VCT in a company whose first commercial sale was more than 7 years (10 years for a company deemed to be a Knowledge Intensive Company) prior to date of investment, except where previous Risk Finance State Aid was received by the company within 7 (or 10) years or where a turnover test is satisfied; and
- (m) no funds received from an investment by a VCT into a company can be used to acquire another existing business or trade, or shares in another company.

Conditions (i), (k), (l) and (m) do not apply to investments in certain money market securities, or shares and securities listed on a recognised stock exchange.

### **Qualifying Investments**

A Qualifying Investment consists of shares or securities first issued to the VCT (and held by it ever since) by a company satisfying certain conditions. The conditions are detailed but include that the company must be a Qualifying Company, have gross assets not exceeding £15 million immediately before and £16 million immediately after the investment, apply the money raised for the purposes of a qualifying trade within a certain time period and not be controlled by another company. In any twelve month period the company can receive no more than £5 million from VCT funds and Enterprise Investment Schemes, and any other European State-aided risk finance source (from 6 April 2018 this limit is increased to £10 million for a "knowledge intensive company"). A company may not receive a total of more than £12 million of State-aided risk finance (£20 million for a "knowledge intensive company"). The company must have fewer than 250 full time (or equivalent) employees at the time of making the investment. VCT funds cannot be used by a Qualifying Company to fund the purchase of a trade or business, or of shares in another company.

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

With effect from Royal Assent to the Finance (No.2) Bill 2017-19, which is expected in Spring 2018, the question of whether a company's activities or investments can be considered as lower risk so as to enable the company to qualify for VCT tax reliefs will be considered using a 'principles based approach' known as the 'risk-to-capital' condition. This condition has two parts, namely:-

- whether the company has an objective to grow and develop over the long term; and
- whether there is a significant risk that there could be a loss of capital to the investor

of an amount exceeding the net return.

### **Qualifying Companies**

A Qualifying Company must be unquoted (for VCT purposes this includes companies whose shares are traded on certain NEX (formally PLUS) markets and AIM) and must carry on a qualifying trade. For this purpose certain activities are excluded (such as dealing in land or shares or providing financial services). The qualifying trade must either be carried on by, or be intended to be carried on by, the Qualifying Company or by a relevant qualifying subsidiary (see below) at the time of the issue of shares or securities to the VCT (and at all times thereafter). The company's first commercial sale must be no more than 7 years before the VCT's investment (10 years for a "knowledge intensive company") prior to the date of investment, except where previous Risk Finance State Aid was received by the company within 7 years or where a turnover test is satisfied. A Qualifying Company must have a permanent establishment in the UK. A company intending to carry on a qualifying trade must begin to trade within two years of the issue of shares or securities to the VCT and continue it thereafter.

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

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

### **Approval as a VCT**

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

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

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

### **Withdrawal of Approval**

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

### **The 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 not, except in the case of dealers, be regarded as an income receipt for the purposes of UK taxation.

Clearance has been requested from HMRC to confirm that the Scheme meets the requirements of the Merger Regulations and as such the receipt by Hargreave Hale AIM VCT 2 Shareholders of Scheme Shares should not prejudice tax reliefs obtained by the Hargreave Hale AIM VCT 2 Shareholders on existing Hargreave Hale AIM VCT 2 Shares and should not be regarded as a disposal.

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.

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

## PART V

### ADDITIONAL INFORMATION

#### 1. The Company

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

#### 2. Registered Offices and Principal Legislation

- 2.1 The registered office of the Company is at 41 Lothbury, London, EC2R 7AE. The administration office of the Company is at Talisman House, Boardmans Way, Blackpool, FY4 5FY. Its telephone number is +44 (0)1253 754 700.
- 2.2 The principal legislation under which the Company operates and which governs the Ordinary Shares is the Act.

#### 3. Share and loan capital

- 3.1 Hargreave Hale AIM VCT 1 was incorporated with an authorised share capital of £500,000 divided into 50,000,000 Ordinary Shares of 1p each, of which two Ordinary Shares were issued, nil paid, to the subscribers to the memorandum of association.
- 3.2 The subscribers to the memorandum of association were Oyez Professional Services Limited of Oyez House, 7 Spar Road, London SE16 3QQ, a company formation agent and Howard Kennedy Limited of 19 Cavendish Square, London W1A 2AW.
- 3.3 In connection with the offer for subscription launched on 2 October 2014 relating to Hargreave Hale AIM VCT 1, at a general meeting of Hargreave Hale AIM VCT 1 held on November 2014, resolutions were passed to:
- 3.3.1 authorise the Directors to allot shares and grant rights to subscribe for shares under Section 551 of the Act;
- 3.3.2 authorise the Directors pursuant to Section 570 of the Act to allot equity securities for cash without regard to pre-emption rights; and
- 3.3.3 authorise the adoption of new articles of association of the Company in substitution for and to the exclusion of the existing articles of association.
- 3.4 At the Annual General Meeting held on 22 January 2015 the following resolutions were passed to:
- 3.4.1 authorise the Directors to allot shares and grant rights to subscribe for shares under Section 551 of the Act;
- 3.4.2 authorise the Directors pursuant to Section 570 of the Act to allot equity securities for cash without regard to pre-emption rights; and
- 3.4.3 authorise the Directors to make market purchases of ordinary shares.
- 3.5 At the Annual General Meeting held on 12 January 2016 the following resolutions were

passed to:

- 3.5.1 authorise the Directors to allot shares and grant rights to subscribe for shares under Section 551 of the Act;
  - 3.5.2 authorise the Directors pursuant to Section 570 of the Act to allot equity securities for cash without regard to pre-emption rights; and
  - 3.5.3 authorise the Directors to make market purchases of ordinary shares.
- 3.6 In connection with the offer for subscription launched on 1 December 2015 relating to Hargreave Hale AIM VCT 1, at a general meeting held on 12 January 2016 the following resolutions were passed:
- 3.6.1 to authorise the Directors to allot shares and grant rights to subscribe for Shares under Section 551 of the Act;
  - 3.6.2 to authorise the Directors pursuant to Section 570 of the Act to allot equity securities for cash without regards to pre-emption rights; and
  - 3.6.3 to authorise the adoption of new articles of association of the Company in substitution for and to the exclusion of the existing articles of association.
- 3.7 At a general meeting held on 12 January 2017 the following resolutions were passed:
- 3.7.1 to authorise the Directors to allot shares and grant rights to subscribe for Shares under Section 551 of the Act;
  - 3.7.2 to authorise the Directors pursuant to Section 570 of the Act to allot equity securities for cash without regards to pre-emption rights;
  - 3.7.3 to authorise the adoption of new articles of association of the Company in substitution for and to the exclusion of the existing articles of association;
  - 3.7.4 to approve electronic communications; and
  - 3.7.5 to re-elect Oliver Bedford as a director.
- 3.8 At a general meeting to be held on 16 March 2018 the following resolutions will be proposed:
- 3.8.1 to approve the acquisition of the assets and liabilities of Hargreave Hale AIM VCT 2 plc
  - 3.8.2 to authorise the directors to allot Shares
  - 3.8.3 to approve an amendment to the Company's articles of association to extend the life of the Company to 2025
  - 3.8.4 to authorise the Company to repurchase shares
  - 3.8.5 to approve the cancellation of the Company's share premium account and
  - 3.8.6 to approve the cancellation of the Company's capital redemption reserve.

3.9 At 9 February 2018 (being the latest practical date prior to the publication of this document) the issued fully paid share capital of the Company is:

<i>Class of shares</i>	<i>Nominal value</i>	<i>Issued (fully paid)</i>	
		<i>£</i>	<i>number</i>
Ordinary Shares	£0.01	804,515	80,451,479

3.10 The issued fully paid share capital of the Company immediately after the Offer has closed (assuming the Offer is fully subscribed and the Over-allotment Facility is utilised in full, and that 69,953,074 Scheme Shares are issued pursuant to the Merger) will be as follows:

<i>Class of shares</i>	<i>Nominal value</i>	<i>Issued (fully paid)*</i>	
		<i>£</i>	<i>number</i>
Ordinary Shares	£0.01	1,851,630	185,162,981

\* using an Offer Price based on the NAV as at 31 January 2018

3.11 Other than the issue of Ordinary Shares pursuant to the Offer, the Company has no present intention to issue any of the share capital of the Company.

3.12 The Company does not have in issue any securities not representing share capital.

3.13 The provisions of section 561(1) of the Act (to the extent not disapplied pursuant to section 570(1) of the Act) confer on shareholders certain rights of pre-emption in respect of the allotment of equity securities (as defined in section 570(1) of the Act) which are, or are to be, paid up in cash and will apply to the authorised but unissued share capital of the Company, except to the extent disapplied by the resolutions referred to in paragraph 3.8 above. Subject to certain limited exceptions, unless the approval of Shareholders in a general meeting is obtained, the Company must normally offer shares to be issued for cash to holders on a pro rata basis.

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

3.15 Save as disclosed in this paragraph, there has been no issue of share or loan capital of the Company in the three years immediately preceding the date of this document and (other than pursuant to the Offer) no such issues are proposed.

3.16 No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.

3.17 Save as disclosed in paragraph 9 below, no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital of the Company in the three years immediately preceding the date of this document.

3.18 Other than pursuant to the Offer, none of the Ordinary Shares have been sold or are available in whole or in part to the public in conjunction with the application for the Ordinary Shares to be admitted to the Official List.

3.19 The Ordinary Shares will be in registered form. No temporary documents of title will be issued and prior to the issue of definitive certificates, transfers will be certified against the register. It is expected that definitive share certificates for the Ordinary Shares will be posted to allottees as soon as practicable following allotment of the Ordinary Shares.

3.20 The ISIN and SEDOL Code of Hargreave Hale AIM VCT 1 Ordinary Shares are GB00B02WHS05 and B02WHS0, respectively. The Legal Entity Identifier code of Hargreave Hale AIM VCT 1 is 213800LRYA19A69SIT31.

3.21 The following allotments and repurchases of Shares have taken place since 1 October 2014:

<b>Allotment date</b>	<b>Shares issued (all Ordinary Shares)</b>	<b>Issue price (p) per Ordinary Share</b>
11 November 2014	1,055,225	80.04
25 November 2014	1,188,746	81.18
5 December 2014	777,137	82.81
23 December 2014	869,831	80.19
13 January 2015	1,673,429	78.64
20 January 2015	1,535,989	77.48
27 February 2015	1,032,384	77.84
20 March 2015	1,179,215	78.00
31 March 2015	1,313,477	78.07
2 April 2015	759,947	77.77
7 April 2015	12,986	77.77
8 April 2015	511,856	77.42
5 May 2015	124,803	78.09
4 June 2015	203,908	80.68
30 June 2015	78,509	79.43
18 August 2015	534,964	79.95
22 December 2015	994,829	78.76
30 December 2015	664,075	78.66
19 January 2016	1,384,765	75.66
2 February 2016	3,101,290	73.79
25 February 2016	942,014	73.54
15 March 2016	1,707,644	74.42
4 April 2016	3,249,234	76.59
5 April 2016	538,704	76.59
6 April 2016	575,160	76.59
5 May 2016	163,852	77.97
25 May 2016	529,259	77.61
23 June 2016	327,931	73.64
4 August 2016	235,855	75.45
31 August 2016	314,487	77.39
30 September 2016	320,187	78.09
19 October 2016	697,299	79.10
17 November 2016	876,072	77.41
5 January 2017	635,619	76.82
12 January 2017	879,241	78.32
2 February 2017	2,986,033	79.43
14 February 2017	2,794,135	80.12
27 February 2017	1,711,449	80.23
20 March 2017	9,113,668	80.82
6 April 2017	844,468	80.95
<b>Buyback date</b>	<b>Shares bought (all Ordinary Shares)</b>	<b>Purchase price (p) per Ordinary Share</b>
14 October 2014	25,000	73.6
6 November 2014	79,377	73.31
12 November 2014	26,000	73.38
14 November 2014	62,533	73.38
11 December 2014	37,258	75.43
5 February 2015	255,306	70.03
17 February 2015	59,944	70.48

18 March 2015	24,787	71.51
18 March 2015	8,962	71.51
24 March 2015	3,773	70.98
9 April 2015	67,613	70.97
17 April 2015	73,649	71.43
11 May 2015	34,787	71.60
15 May 2015	37,127	71.93
22 May 2015	60,000	73.40
19 June 2015	56,079	72.64
24 July 2015	40,570	72.85
31 July 2015	95,000	72.276
7 August 2015	88,468	72.409
14 August 2015	37,026	73.14
2 October 2015	43,000	71.50
30 October 2015	49,662	73.29
6 November 2015	80,135	73.43
11 December 2015	41,245	74.40
24 December 2015	15,000	72.20
15 January 2016	15,690	71.77
29 January 2016	227,913	67.74
26 February 2016	17,489	67.42
18 March 2016	412,160	68.23
8 April 2016	53,244	70.21
22 April 2016	20,299	71.88
6 May 2016	32,836	71.478
10 June 2016	84,392	69.14
29 July 2016	35,352	68.80
9 September 2016	32,770	71.45
23 September 2016	45,106	70.95
13 January 2017	42,698	71.80
27 January 2017	14,810	72.675
10 February 2017	17,647	73.18
17 February 2017	17,908	73.45
10 March 2017	135,196	74.07
24 March 2017	58,835	74.22
31 March 2017	31,127	73.93
12 April 2017	93,867	75.47
21 April 2017	35,000	76.06
5 May 2017	78,000	76.80
24 May 2017	94,749	77.47
2 June 2017	75,381	78.28
16 June 2017	72,000	75.00
30 June 2017	20,000	74.94
14 Jul 2017	14,000	74.44
28 July 2017	28,822	75.36
4 August 2017	33,000	75.39
11 August 2017	17,000	75.48
13 October 2017	3,185	78.25
27 October 2017	31,123	78.81
3 November 2017	6,000	79.55
10 November 2017	889,075	79.65
15 December 2017	127,500	76.78
29 December 2017	50,000	76.08
5 January 2018	31,847	77.05
12 January 2018	31,009	77.63
19 January 2018	21,000	78.70
2 February 2018	11,000	79.515

#### 4. **Articles of Association**

4.1 The memorandum of association of the Company, which by virtue of Section 28 of the Act is now treated as being part of the Articles of Association of the Company ("the Articles"), provides that the Company's principal object is to carry on the business of a VCT.

4.2 Subject to approval of their amendment at the General Meeting, the Articles of Association of the Company will contain, inter alia, the following provisions.

#### 4.3 Voting Rights

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

#### 4.4 Transfer of Shares

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

#### 4.5 Dividends

The Company may in general meeting declare dividends in accordance with the respective rights of the members, provided that no dividend shall be payable in excess of the amount recommended by the Directors. The Directors may pay such interim dividends as appear to them to be justified. No dividend or other monies payable in respect of a Share shall bear interest as against the Company. There are no fixed dates on which entitlement to a dividend arises. Such distributions shall be made in accordance with the class rights set out in paragraph 4.18 below.

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

#### 4.6 Disclosure of Interest in Shares

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

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

#### 4.7 Distribution of Assets on Liquidation

On a winding-up any surplus assets of the Company will be divided amongst the holders of its Shares according to the respective numbers of Shares held by them in the relevant

Company and in accordance with the provisions of the Act, subject to the rights of any shares which may be issued with special rights or privileges. The Articles of Association provide that the liquidator may, with the sanction of a resolution and any other sanction required by the Act, divide amongst the members in specie the whole or any part of the assets of the Company in such manner as he may determine.

#### 4.8 Changes in Share Capital

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

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

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

#### 4.9 Variation of Rights

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

#### 4.10 Directors

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

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

Subject to the provisions of the Act, the Directors may from time to time appoint one or more of their body to be Managing Director or Joint Managing Directors of the Company or to hold such other executive office in relation to the management of the business of the Company as they may decide.

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

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

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

#### 4.11 Directors' Interests

4.11.1 A Director who is in any way, directly or indirectly, interested in a transaction or arrangement with the Company shall, at a meeting of the Directors, declare, in accordance with the Act, the nature of their interest.

4.11.2 Provided the Director has declared their interest, a Director may be a party to or otherwise interested in any transaction or arrangement with the Company or in which the Company is otherwise interested and may be a director or other officer or otherwise interested in any body corporate promoted by the Company or in which the Company is otherwise interested. No Director so interested shall be accountable to the Company, by reason of being a Director, for any benefit that they derive from such office or interest or any such transaction or arrangement.

4.11.3 A Director shall not vote nor be counted in the quorum at a meeting of the Directors in respect of a matter in which they have any material interest otherwise than by virtue of their interest in shares, debentures or other securities of, or otherwise in or through the Company, unless their interest arises only because the case falls within one or more of the following paragraphs:

4.11.3.1 the giving to the Director of any security or indemnity in respect of money lent or an obligation incurred by them at the request of or for the benefit of the Company or any of its subsidiary undertakings;

4.11.3.2 the giving to a third party of any security or indemnity in respect of a debt or an obligation of the Company or any of its subsidiary undertakings for which they have assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

4.11.3.3 any proposal concerning the subscription of shares, debentures or other securities of the Company or any of its subsidiary undertakings or by virtue of their participation in the underwriting or sub-underwriting of an offer of such shares, debentures or other securities;

4.11.3.4 any proposal relating to an arrangement for the benefit of the employees of the Company or any subsidiary undertaking which does not award to any Director as such any privilege or advantage not generally awarded to the employees to whom such arrangement relates; and

4.11.3.5 any arrangement for purchasing or maintaining for any officer or auditor of the Company or any of its subsidiaries insurance against any liability which by virtue of any rule of law would otherwise attach to them in respect of any negligence, breach of duty or breach of trust for which they may be guilty in relation to the Company or any of its subsidiaries of which they are a director, officer or auditor.

4.11.4 When proposals are under consideration concerning the appointment of two or more Directors to offices or employment with the Company or any company in which the Company is interested the proposals may be divided and considered in relation to each Director separately and (if not otherwise precluded from voting) each of the Directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning their own

appointment.

#### 4.12 Remuneration of Directors

- 4.12.1 The ordinary remuneration of the Directors shall be such amount as the Directors shall from time to time determine (provided that unless otherwise approved by the Company in general meeting the aggregate ordinary remuneration of such Directors, shall not exceed £200,000 per year) to be divided among them in such proportion and manner as the Directors may determine. The Directors shall also be paid by the Company all reasonable travelling, hotel and other expenses they may incur in attending meetings of the Directors or general meetings or otherwise in connection with the discharge of their duties.
- 4.12.2 Any Director who, by request of the Directors, performs special services for any purposes of the Company may be paid such reasonable extra remuneration as the Directors may determine.
- 4.12.3 The emoluments and benefits of any executive director for their services as such shall be determined by the Directors and may be of any description, including membership of any pension or life assurance scheme for employees or their dependants or, apart from membership of any such scheme, the payment of a pension or other benefits to themselves or their dependants on or after retirement or death.

#### 4.13 Retirement of Director

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

#### 4.14 Borrowing powers

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

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

#### 4.15 Distribution of Realised Capital Profits

At any time when the Company has given notice in the prescribed form (which has not been revoked) to the Registrar of Companies of its intention to carry on business as an investment company ("a Relevant Period") the distribution of the Company's capital profits (within the meaning of section 833 of the Act) shall be prohibited. The Board shall establish a reserve to be called the capital reserve. During a Relevant Period, all surpluses arising from the realisation or revaluation of investments and all other monies realised on or derived from the realisation, payment or other dealing with any capital asset in excess of the book value thereof and all other monies which are considered by the Board to be in the nature of accretion to capital shall be credited to the capital reserve. Subject to the Act, the Board may determine whether any amount received by the relevant Company is to be dealt with as income or capital or partly one way and partly the other. During a Relevant Period, any loss realised on the realisation or payment or other dealing with investments, or other capital losses, and, subject to the Act, any expenses, loss or

liability (subscription therefore) which the Board considers to relate to a capital item or which the Board otherwise considers appropriate to be debited to the capital reserve shall be carried to the debit of the capital reserve. During a Relevant Period, all sums carried and standing to the credit of the capital reserve may be applied for any of the purposes for which sums standing to any revenue reserve are applicable except and provided that during a Relevant Period no part of the capital reserve or any other money in the nature of accretion to capital shall be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution (as defined in section 829 of the Act) or be applied in paying dividends on any shares in the Company. In periods other than a Relevant Period, any amount standing to the credit of the capital reserve may be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution (as defined by section 829 of the Act) or applied in paying dividends on any shares in the Company.

#### 4.16 General Meetings

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

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

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

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

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

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

#### 4.17 Duration of the Company

The Directors shall put an ordinary resolution to the annual general meeting of the Company in 2025 (subject to approval at the General Meeting) and, if passed, to every fifth subsequent annual general meeting, proposing that the Company should continue as a Venture Capital Trust for a further five year period. If any such resolution is not passed, the Directors shall draw up proposals for the reorganisation, reconstruction or voluntary winding up of the Company for submission to the members of the Company at an extraordinary general meeting to be convened by the Directors on a date not more than 9 months after such annual general meeting. The Directors shall use all reasonable endeavours to ensure that the proposals for the reorganisation, reconstruction or voluntary winding up of the Company as are approved by special resolution are implemented as soon as is reasonably practicable after passing of such a resolution.

For the purposes of this, an ordinary resolution will not have been carried only if those members in person or by proxy who vote against such resolution hold in aggregate not less than twenty five per cent. of the issued share capital of the Company at such time entitled to attend and vote at such a meeting.

#### 4.18 Distribution on winding up

The capital and assets of the Company attributable to the Ordinary Shares shall on a winding up or on a return of capital be distributed amongst the Ordinary Shareholders, pro rata according to the nominal capital paid up on their holdings of Ordinary Shares.

### 5. CREST

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

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

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

Director	As at 9 February 2018 (being the latest practical date prior to the publication of this document)		After the Offer has closed*	
	Number of Ordinary Shares	Percentage of issued share capital	Number of Ordinary Shares	Perce ntage of issued share capital
Aubrey Brocklebank	4,845	0.01%	4,845	0.00%
David Brock	42,170	0.05%	42,170	0.02%
Oliver Bedford	9,185**	0.01%	18,907***	0.01%

\* 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.

\*\* Includes 3,185 Ordinary Shares in Hargreave Hale AIM 1 held by Catherine Bedford.

\*\*\* Includes 6,595 Ordinary Shares in Hargreave Hale AIM 1 held by Catherine Bedford.

6.2 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):

<i>Name</i>	<i>As at the date of this Document</i>		<i>After the Offer has closed</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of voting rights</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of voting rights of the Ordinary Shares</i>
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.

- 6.3 Save as disclosed in paragraphs 6.1 and 6.2 above, the Company is not aware of any person who will, immediately following Admission, hold (for the purposes of rule 5 of the Disclosure Guidance and Transparency Rules ("DTR 5")) directly or indirectly voting rights representing 3% or more of the issued share capital of either Company to which voting rights are attached or could, directly or indirectly, jointly or severally, exercise control over the Company.
- 6.4 The persons, including the Directors, referred to in paragraphs 6.1 and 6.2 above, do not have voting rights in respect of the share capital of the Company (issued or to be issued) which differ from any other Shareholder.
- 6.5 The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.
- 6.6 Save in respect of the arrangements referred to in paragraphs 7, 9 and 10, no Director has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of the Company and which were effected by the Company in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed
- 6.7 Oliver Bedford is an employee of Hargreave Hale Limited, and, therefore, has an interest in the arrangements referred to in paragraph 9 below. Oliver Bedford is also a director of the Company and as such there may be a potential conflict of interest between his duties owed to the Company and to Hargreave Hale Limited in relation to these arrangements. Save as set out in this paragraph, there are no potential conflicts of interest between any duties owed to the Company by the Directors and their private and/or other duties.
- 6.8 In addition to their directorships of the Company, the Directors currently hold, and have during the five years preceding the date of this document held, the following directorships, partnerships or been a member of the senior management:

<b>Name</b>	<b>Current Directorships/Partnership Interests</b>	<b>Past Directorships/ Partnership Interests</b>
Sir Aubrey Brocklebank	Aubrey Brocklebank & Associates Limited	Downing Distribution VCT 1 Plc Grasshopper Management LLP (dissolved)
	Hargreave Hale AIM VCT 1 Plc	Octopus Second AIM VCT Plc (dissolved) Pennine AIM VCT VI Plc (dissolved) Puma VCT Plc (dissolved) Puma VCT II Plc (dissolved) Puma VCT III Plc (in members' voluntary liquidation)
	NGS Corporation Plc	Puma VCT IV plc (in members' voluntary liquidation) Top Ten Holdings Plc
	Salt International Limited (In Liquidation)	Urban and Country Leisure Limited
	Downing FOUR VCT plc	Premier Fireserve Engineering Ltd (in administration)
	Mast Investment Holdings Ltd (Guernsey)	Premier Fireserve Ltd (in administration) Continental Shelf 547 Limited (dissolved) Continental Shelf 548 Limited (dissolved) AB and A Investments Limited (dissolved)

		The Media Vehicle Group Limited (dissolved)
		Inventive Property Holdings Limited
		Epiquestlive Inc
		Epiquestlive UK Limited
		Puma VCT 8 Plc (in members' voluntary liquidation)
		The Classic 2CV Racing Club Limited
Oliver Bedford	Hargreave Hale AIM VCT 1 Plc Hargreave Hale AIM VCT 2 Plc	
David Michael Brock	Elderstreet VCT Plc Episys Limited Hargreave Hale AIM VCT 1 Plc Puma VCT 12 Plc  Park Regis Birmingham LLP  Leeson Limited	Ossian Retail Group Limited (dissolved) Puma VCT Plc (dissolved) Puma VCT II Plc (dissolved) Puma VCT III Plc (in members' voluntary liquidation) Puma VCT IV Plc (in members' voluntary liquidation) Puma VCT 8 Plc (in members' voluntary liquidation)

The business address of all the Directors and Proposed Director is: 41 Lothbury London EC2R 7AE .

- 6.9 None of the Directors has at any time within the last five years:
- 6.9.1 had any convictions (whether spent or unspent) in relation to offences involving fraud or dishonesty;
  - 6.9.2 been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated recognised professional bodies) or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;
  - 6.9.3 been a director or senior manager of a company which has been put into receivership, compulsory liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors (save as set out in paragraph 6.8 above); or
  - 6.9.4 been the subject of any bankruptcy or been subject to an individual voluntary arrangement or a bankruptcy restrictions order.
- 6.10 There are no arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which any Director was selected as a member of the administrative, management or supervisory bodies or member of senior management.
- 6.11 There are no restrictions agreed by any Director on the disposal within a certain period of time of their holdings in the Company's securities.
- 6.12 There are no outstanding loans or guarantees provided by either of the Company for the benefit of any of the Directors nor are there any loans or any guarantees provided by any of the Directors for the Company.
- 7. Directors' remuneration and service agreements**

- 7.1 In the financial year ended 30 September 2017, the total remuneration of the Directors from Hargreave Hale AIM VCT 1 was £58,500 (exclusive of VAT if any). From this, Oliver Bedford and David Brock each received £18,000 per annum (exclusive of VAT, if any), and Sir Aubrey Brocklebank Bt. received £22,500 per annum (exclusive of VAT, if any). Payments in respect of Olive Bedford as Non-Executive Director were paid to the Investment Manager, Hargreave Hale Limited. The total amount expected to be payable to the Directors of Hargreave Hale AIM VCT 1 for the year ending 30 September 2018, is £58,500 (exclusive of VAT if any).
- 7.2 None of the Directors has a service contract with either of the Company and no such contract is proposed. Each of the Directors has been appointed on terms which can be terminated by either party on three months' notice.
- 7.3 The Directors are not entitled to compensation on termination of their directorships and no amounts have been set aside or accrued for their pensions, retirement or similar benefits.
- 7.4 Sir Aubrey Brocklebank Bt. has entered into a consultancy agreement with Hargreave Hale AIM VCT 1 (being entered into separately with him and through his associated company, Aubrey Brocklebank & Associates Limited). The fees payable in relation to these agreements are included in the fees referred to in paragraph 7.1 above.

## 8. **The Company and its subsidiaries**

The Company does not have any subsidiaries.

## 9. **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 either Company has any obligation or entitlement which is, or may be, material to the relevant Company at the date of this document:

- 9.1 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 new Ordinary Shares (the "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 for Hargreave Hale 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.
- 9.2 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).

- 9.3 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.

- 9.4 A deed of variation to the IMA dated 23 January 2013 provides that if the IMA is terminated by the Company, other than in accordance with the terms of the IMA, the Manager shall be entitled to compensation relating to the fees that it would have been entitled to under the IMA in connection with the share offer launched by the Company in January 2013, provided such compensation shall not exceed £359,375.

- 9.5 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.

- 9.6 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 Offers at which Shareholders approve the relevant company's accounts or by the date the relevant company is subject to a takeover. The warranties and indemnities are in usual form for a contract of this type and the warranties are subject to limits of the total proceeds of the 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.

- 9.7 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 Offers at which Shareholders approve the relevant company's accounts or by the date the relevant company is subject to a takeover. The warranties and indemnities are in usual form for a contract of this type and the warranties are subject to limits of the total proceeds of the 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

- 9.8 An agreement (the "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 Hargreave Hale AIM VCT 1 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.

- 9.9 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.

- 9.10 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).

- 9.11 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 Investment Management Agreement referred to in paragraph 9.6 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.

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 Investment Management Agreement referred to in paragraph 9.6 whereby that agreement was varied so as to extend the rights and obligations of the Investment Manager to the assets attributable to the new 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 new Ordinary Shares and the C shares and a Performance Incentive Fee in respect of the new Ordinary Shares and the C shares.

- 9.12 A transfer agreement between the Company and Hargreave Hale AIM VCT 2 (acting through the Liquidators) to give effect to the Scheme pursuant to which all of the assets and liabilities of Hargreave Hale AIM VCT 2 will be transferred to the Company (subject only to the consents from third parties which may be required to transfer such assets and liabilities) in consideration for Scheme Shares, as described in Part I of this document. If any of the parties so require, Hargreave Hale AIM VCT 2, acting by the Liquidators, shall promptly give instructions to any person holding any part of Hargreave Hale AIM VCT 2's assets as nominee of or on trust for Hargreave Hale AIM VCT 2, requiring such person to transfer such assets to the Company.

Hargreave Hale AIM VCT 2, 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 Hargreave Hale AIM VCT 2 will be transferred on receipt to the Company as part of the Scheme.

- 9.13 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.

## 10. Related party transactions

Other than the agreements, deeds and shareholdings referred to in paragraph 9, there

have been no related party transactions relating to the Companies between 1 October 2014 and the date of this document.

11. Specific Disclosures in respect of Closed Ended Funds
- 11.1 The Investment Manager intends to structure the investments of the Hargreave Hale AIM VCT 1 in accordance with the Company's objects of spreading investment risk and in accordance with their respective published investment policies as set out in the section of Part I "Investment Policy of the Company". The investment policy is in line with the VCT rules and the Company will not deviate from it in any material respect. Further, in accordance with the VCT rules, the Company will invest in ordinary shares, in some cases a small number of preference shares where applicable, and always in accordance with such rules.
- 11.2 The Company is not authorised by the FCA (or equivalent overseas regulator) although VCTs need to meet a number of conditions set out in tax legislation in order for the VCT tax reliefs to apply, and comply with the continuing obligations of listed companies under the Listing Rules and the Disclosure Guidance and Transparency Rules.
- 11.3 The Company is regulated by the VCT rules in respect of the investments it makes as described in Part IV of this document. The Company has appointed Philip Hare & Associates LLP as its VCT status monitor. Philip Hare & Associates LLP will report twice yearly to the Company as a part of their annual and interim reporting obligations. In respect of any breach of the VCT rules, the relevant Company, together with Philip Hare & Associates LLP, will report directly and immediately to HMRC to rectify the breach and announce the same immediately to the relevant Company's shareholders via a Regulatory News Service provider. In addition, the Company intends to maintain the investment approach as detailed in the section entitled "Investment Policy of the Company" in Part I of this document. In addition the Company is a small registered UK AIFM for the purposes of the AIM Regulations 2013 and subject to regulation as such by the FCA.

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

- 11.4 The Board must be able to demonstrate that it will act independently of the Investment Manager. A majority of the Board (including the Chairman) must not be directors, employees, partners, officers, or professional advisors of or to, the Investment Manager or any company in the Investment Manager's group or any other investment entity which they manage.
- 11.5 The Company will not:
- 11.5.1 invest more than 15% of its gross assets in any single company, in accordance with the VCT legislation, nor will the Company control the companies in which it invests in such a way as to render them subsidiary undertakings until it has obtained approval as a VCT from HMRC;
  - 11.5.2 invest directly in physical commodities;
  - 11.5.3 invest in any property collective investment undertaking; or
  - 11.5.4 invest in any derivatives, financial instruments, money market instruments or currencies other than for the purposes of efficient portfolio management (i.e. solely for the purpose of reducing, transferring or eliminating investment risk in the underlying investments of the collective investment undertaking, including any technique or instrument used to provide protection against exchange and credit risks).
- 11.6 The Investment Manager is responsible for the determination and calculation of the Net Asset Value of the Company on a weekly basis. The value of investments will be determined according to their listing status. Quoted securities will be valued at bid price unless the investment is subject to restrictions or the holding is significant in relation to the share capital of a small quoted company, in which case a discount may be appropriate as per the EVCA guidelines. Unquoted investments will be valued on a cost basis in the first year and reviewed subsequently on the basis of the progression of the business. The Net Asset Value of the Company will be communicated to Investors in Hargreave Hale AIM VCT 1 through a Regulatory News Service provider at the same frequency as the determinations. In the event of any suspension, valuations are held at the suspended price and a view is taken with consideration to best market practice and information from advisers. The Directors do not anticipate any circumstances arising under which the valuations may be suspended. Should the determination of Net Asset Value differ from that set out above then this will be communicated to investors in Hargreave Hale AIM VCT 1 through a Regulatory News Service provider.

## 12. Further Information on Investment Manager

- 12.1 Hargreave Hale Limited is regulated and authorised by the Financial Conduct Authority. It was incorporated as a private limited company in England and Wales on 16 January 1996 under number 3146580 and operates under the Act and the regulations made under the Act. Hargreave Hale Limited is domiciled in the UK. Its registered office is Talisman House, Boardmans Way, Blackpool, FY4 5FY. The telephone number is 01253 754700.
- 12.2 The original administrator of each Company was Keydata Investment Services Limited. Keydata Investment Services Limited went into administration on 8 June 2009. The assets and business of the Company were ring fenced from the activities of Keydata Investment Services Limited and as such were not affected by the administration. The investment, management and custody of the Company's assets was at all times undertaken by Hargreave Hale Limited.

## 13. Corporate Governance

- 13.1 The Board is accountable to Shareholders for the governance of the Company's affairs and is committed to maintaining the highest standards of corporate governance. Accordingly, the Board has adopted the Corporate Governance Code published by the Financial Reporting Council in April 2016 and reports against the principles and recommendations of this Code (the "Code"). Considering the principles detailed in the version of the Code applicable to the Company, the Boards believe that the Company as at the date of this document complies, save as disclosed below in relation to committees, with the provisions of the Code throughout the financial year ended 30 September 2017 (as detailed on page 32 of its Annual Report and Accounts for the period ended 30 September 2017) which can be downloaded at [www.hargreaveaimvcts.co.uk](http://www.hargreaveaimvcts.co.uk). These Accounts are incorporated by reference, as set out below:

	Hargreave Hale AIM VCT 1 Audited financial statements for the period ended 30 September 2017
	Page numbers
Corporate Governance Statement:	29-33
Departures from the Code:	29

- 13.2 Due to the size of the Board it has not set up separate nomination and remuneration committees (as required in each case by Code C3.1, A4.1 and B2.1 respectively) on the grounds that the Board as a whole considers these matters. As all Directors are non-executives, the Board has not appointed a senior independent non-executive director (Code A3.3) as the Chairman performs the role.
- 13.3 An audit committee has been established. The audit committee comprises of David Brock as chairman and Aubrey Brocklebank.

## 14. Litigation

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

## 15. General

- 15.1 The estimated costs and expenses relating to the Offer will be 3.5% of gross funds raised

by the relevant Company under the Offer. Assuming full subscription under the Offer (and no utilisation of the Over-allotment Facility), the total net proceeds of the Offer after all fees, are expected to be £19.3 million. The Merger will not result in any proceeds being raised by the Company. The aggregate anticipated costs to the Company of undertaking the Merger are approximately £225,000.

- 15.2 BDO LLP, Chartered Accountants of 55 Baker Street, London, W1U 7EU were auditors of the Company in respect of the audited financial information set out in Part III and have given unqualified audit reports on the statutory accounts of the Company for those financial years referred to in Part III within the meaning of section 495 of the Act. None of those reports contained any statements under section 237(2) or (3) of the Act. Statutory accounts of the Company for those financial years have been delivered to the Registrar of Companies in England and Wales pursuant to section 242 of the Act.
- 15.3 The Company shall take all reasonable steps to ensure that its auditors are independent of them and will obtain written confirmation from their auditors that they comply with guidelines on independence issued by their national accountancy and auditing bodies.
- 15.4 The statements attributed to the Investment Manager in this document have been included in the form and context in which they appear with the consent and authorisation of the Investment Manager. The Investment Manager accepts responsibility for those statements, and to the best of the knowledge of the Investment Manager (which has taken all reasonable care to ensure that such is the case) those statements are in accordance with the facts and contains no omission likely to affect its import.
- 15.5 The pro forma report set out in Part II of this document has been prepared by Scott-Moncrieff and has been included in the form and context in which it appears with the consent and authorisation of Scott-Moncrieff.
- 15.6 All third party information in this Prospectus has been identified as such by reference to its source and in each instance has been accurately reproduced and, so far as the Company are aware and able to ascertain from information published by the relevant party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 15.7 There are no material potential conflicts of interest which any of the service providers to the Company, including the Investment Manager, may have as between their duty to the Company and the duties owed to third parties and their other interests, provided that the Investment Manager may be involved in other financial, investment or professional activities that may on occasion give rise to conflicts of interest with the Company. In particular, the Investment Manager currently does, and may continue to, provide investment management, investment advice or other services in relation to a number of other funds or accounts that may have similar investment objectives and/or policies to that of the Company and may receive ad valorem and/or performance-related fees for doing so. As a result, the Investment Manager may have conflicts of interest in allocating investments among the Company and other clients and in effecting transactions between the Company and other clients. The Investment Manager may give advice or take action with respect to such other clients that differs from the advice given or actions taken with respect to the Company.
- 15.8 The Directors have noted that the Investment Manager has other clients and have satisfied themselves that the Investment Manager has procedures in place to address potential conflicts of interest.

16. **Documents available for inspection**

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of each Company at 41 Lothbury London EC2R 7AE whilst the Offer

remains open:

- 16.1 the Articles of Association of the Company;
- 16.2 the annual accounts for Hargreave Hale AIM VCT 1 for the periods ended 30 September 2015, 30 September 2016 and 30 September 2017;
- 16.3 the annual accounts for Hargreave Hale AIM VCT 2 for the periods ended 28 February 2015, 29 February 2016 and 28 February 2017 and the unaudited interim accounts for Hargreave Hale AIM VCT 2 for the six month periods ended 31 August 2016 and 31 August 2017;
- 16.4 The pro-forma financial information and accountant's report set out in Part II of this Registration Document; and
- 16.5 this Prospectus.

Dated: 12 February 2018

## PART VI

### DEFINITIONS

<b>"1985 Act"</b>	The Companies Act 1985, as amended
<b>"Act"</b>	the Companies Act 2006 (as amended)
<b>"Admission"</b>	the admission of the Offer Shares issued, and to be issued, pursuant to the Offer to the premium segment of the Official List and to trading on the London Stock Exchange becoming effective
<b>"AIFM"</b>	means an AIFM as defined in Regulation 4 of the AIFM Regulations
<b>"AIFM Regulations 2013"</b>	The Alternative Investment Fund Managers Regulations 2013 (SI 2013/1773)
<b>"Annual Running Costs"</b>	means the running costs of the relevant Company and include the management fees payable to the Investment Manager (excluding any performance incentive fee), accounting and administration fees, as well as fees for directors, auditors, taxation advisers, sponsor, registrar, and the costs of communicating with shareholders; however, such costs shall exclude any VAT payable thereon (the payment of which is the responsibility of the respective Company)
<b>"AIM"</b>	the AIM Market operated by the London Stock Exchange
<b>"Articles of Association"</b>	the articles of association of each Company in force from time to time
<b>"Companies" or "Funds"</b>	Hargreave Hale AIM VCT 1 and/or Hargreave Hale AIM VCT 2 and "Company" or "Fund" means either one of them, as the context requires
<b>"CREST"</b>	the relevant system (as defined in the Regulations) operated by Euroclear
<b>"Directors" or "Board"</b>	the directors of the Company
<b>"Disclosure Guidance and Transparency Rules" or "DTR"</b>	the Disclosure Guidance and Transparency Rules published by the FCA from time to time
<b>"Equiniti"</b>	Equiniti Limited
<b>"EVCA"</b>	the European Private Equity and Venture Capital Association
<b>"FCA"</b>	the Financial Conduct Authority in the United Kingdom and/or any successor or replacement body or bodies from time to time
<b>"FSMA"</b>	the Financial Services and Markets Act 2000, as amended
<b>"General Meeting"</b>	the general meeting of HH1 to be held on 16 March 2018 or any adjournment thereof)
<b>"Hargreave Hale AIM VCT 1" or "HH1"</b>	Hargreave Hale AIM VCT 1 plc

<b>"Hargreave Hale AIM VCT 2" or "HH2"</b>	Hargreave Hale AIM VCT 2 plc
<b>"HH2 Share(s)"</b>	Ordinary share(s) of 1p each in the capital of HH2
<b>"HMRC"</b>	HM Revenue & Customs
<b>"NEX"</b>	ICAP Securities and Derivatives Exchange (formally PLUS)
<b>"ITA"</b>	Income Tax Act 2007, as amended
<b>"Investment Manager" or "Hargreave Hale"</b>	Hargreave Hale Limited, which is authorised and regulated by the FCA
<b>"Investor(s)"</b>	subscriber for Offer Shares under the Offer
<b>"Knowledge Intensive Company"</b>	a company satisfying the conditions in Section 331(A) of Part 6 ITA.
<b>"Listing Rules"</b>	the listing rules prescribed by the UK Listing Authority
<b>"London Stock Exchange"</b>	London Stock Exchange plc
<b>"MAR"</b>	Market Abuse Regulation (596/2014/EU)
<b>"Marlborough Special Situations Fund"</b>	the Marlborough Special Situations Fund launched on 12 July 1995 being an authorised collective investment scheme as defined in FSMA
<b>"Management Agreement"</b>	the agreement dated 10 September 2004 (as amended) between Hargreave Hale AIM VCT 1 and Hargreave Hale Limited governing the management of Hargreave Hale AIM VCT 1's investments
<b>"Maximum Subscription"</b>	the receipt of the maximum subscription monies under the Offer, being an aggregate amount of £30,000,000 (including the Over-allotment Facility)
<b>"Net Asset Value" or "NAV"</b>	the value of each Company's assets and/or the relevant share pool, less its liabilities (divided by the appropriate number of shares in issue)
<b>"Non-Qualifying Investment"</b>	investments made by the Company which do not qualify as Qualifying Investments
<b>"Offer Agreement"</b>	the offer agreement detailed in paragraph 9 of Part V of this document
<b>"Offer"</b>	the offer for subscription for Offer Shares by Hargreave Hale AIM VCT as described in this document
<b>"Offer Price"</b>	the relevant offer price for the Offer Shares in the Company as determined by the Pricing Formula
<b>"Offer Shares"</b>	the new Ordinary Shares in Hargreave Hale AIM VCT 1 to be issued pursuant to the Offer
<b>"Official List"</b>	the Official List of the UK Listing Authority
<b>"Ongoing Expense Ratio"</b>	the total costs of managing and operating the Company divided by its NAV (including VAT where applicable)

<b>Ordinary Shares</b>	Ordinary shares of 1p each in the capital of the Company
<b>“Over-allotment Facility”</b>	the ability of the Directors of the Company (at their discretion), if the Offer is oversubscribed, to increase the number of Offer Shares available for subscription under the Offer to raise further amounts under the Offer of up to £10 million
<b>"Performance Incentive Fee"</b>	the fee payable to the Investment Manager, as described in paragraphs 9.6 and 9.10 of Part V of this document
<b>"Pricing Formula"</b>	the last Net Asset Value of an existing Ordinary Share (with an appropriate adjustment for any dividends declared and not yet paid if the allotment occurs whilst the shares are classified as ex-dividend) as published by the relevant Company prior to the date of allotment divided by 0.965 to allow for issue costs of 3.5% calculated, in pence, to two decimal places
<b>"Prospectus"</b>	this document
<b>"Prospectus Rules"</b>	as defined in section 73A(4) of the Financial Services and Markets Act 2000, rules expressed to relate to transferable securities
<b>"Qualifying Investment" or "Qualifying Company"</b>	an investment made by a venture capital trust in a trading company which comprises a qualifying holding under Chapter 4 of Part 6 ITA
<b>"Regulations"</b>	the Uncertificated Securities Regulations 2001 (S.I. 2001/3755)
<b>“Risk Finance State Aid”</b>	State aid received by a company as defined in Section 280B (4) of ITA
<b>“Risk Finance Guidelines”</b>	The guidelines on State aid to promote risk finance investments published by the European Commission
<b>"Scheme Shares"</b>	the Ordinary Shares being issued subject to the Scheme (and each a “Scheme Share”)
<b>“Scheme” or “Merger”</b>	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
<b>"Shareholder"</b>	a holder of Shares
<b>"Share(s)"</b>	shares in the capital of Hargreave Hale AIM VCT 1
<b>"Sponsor"</b>	Howard Kennedy Corporate Services LLP, which is authorised and regulated by the FCA and is a member of the London Stock Exchange
<b>"Subscription"</b>	means the amount in pounds sterling that the Investor has subscribed for in Shares
<b>"UK Listing Authority"</b>	the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Markets and Services Act 2000
<b>"VCT" or "Venture Capital Trust"</b>	venture capital trust as defined in section 259 ITA