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HARGREAVES SERVICES PLC
(Incorporated and registered in England and Wales under Company Number 4952865)

**PROPOSED LONG TERM INCENTIVE PLAN SCHEME AND
NOTICE OF GENERAL MEETING**

Part 1 – Covering Letter to Shareholder Circular

Dear Shareholder,

19 December 2018

HARGREAVES SERVICES PLC (“THE COMPANY”) PROPOSED LONG TERM INCENTIVE PLAN (“LTIP”) SCHEME AND NOTICE OF GENERAL MEETING

Introduction

As the Chairman of the Company’s Remuneration Committee, I am writing to inform you that a General Meeting of the Company will be held on 22 January 2019 to consider and vote on the Board’s proposal to establish a new LTIP scheme entitled “The Hargreaves Services plc Share Option Scheme 2019” (“**the Scheme**”) to incentivise key Directors.

Under the Scheme, LTIP share options will be granted to Roger McDowell (Non-executive Chairman), Gordon Banham (Chief Executive), John Samuel (Group Finance Director) and David Anderson (Group Property Director) on the terms detailed in Part 2 (Summary of Principal Terms Applying to the Scheme) of this circular.

When certain major shareholders made the Company aware of Roger McDowell’s availability to join the Board and become Chairman, they informed the Board that Mr McDowell would acquire a substantial shareholding in the Company, which he has subsequently done, and that he would expect to participate in an LTIP scheme to a broadly equivalent value, subject to achieving agreed performance criteria.

The Board believes that it is important that the interests of Mr McDowell, who was appointed as a non-executive director in May and became Chairman of the Company on 1 August, and the executive Directors are aligned with those of shareholders. The Board has therefore consulted closely with certain major shareholders on the design and parameters of the Scheme, rewards under which are based on total shareholder return during the vesting period in excess of a base value of 351.5p per share (representing a premium of 17.2% to the closing middle market price at 13 December 2018 of 300p per share).

Whilst the Board is currently unable to measure the actual annual charge to the Income Statement which will be calculated in accordance with the provisions of IFRS 2, the Board has been advised that it is likely to be approximately £100k in a full accounting year. This will be a non-cash item.

As an AIM listed company, the Company is not obliged to put this proposal to a formal shareholder vote. However, recognising the participation in the Scheme of Mr McDowell as a Non-executive Chairman, the Board has determined that, in the interests of good corporate governance, shareholders should be asked to approve the Scheme by ordinary resolution at a General Meeting. The result of the shareholder vote will be binding on the Company.

During the consultation process, although no formal voting undertakings have been sought or received, shareholders holding approximately 51.1% of the Company’s ordinary shares have already indicated their support for the Scheme. In addition, because of their interest in the outcome of the vote, the proposed members of the Scheme, who hold 9.2% of the Company’s ordinary shares, have committed not to vote their shares at the General Meeting.

The General Meeting

A notice convening a General Meeting of the Company to be held at the offices of Buchanan Communications, 107 Cheapside, London EC2V 6DN on 22 January 2019 at 11am is set out in Part 3 (Notice of General Meeting) of this circular. The purpose of the General Meeting is to seek shareholder approval of the resolution set out in the Notice of General Meeting. The resolution will propose that the Scheme (the principal terms of which are described in Part 2 of the circular) is approved and to authorise the Directors to do all things necessary to implement, complete or to procure the implementation or completion of the grant of the options under the Scheme (which are also summarised in Part 2 of the circular).

The resolution will be proposed as an ordinary resolution requiring a majority of votes cast in favour of the resolution to be carried. The Scheme (and the grant of options under the Scheme) will not be implemented unless the resolution is passed.

Action to be Taken

Please vote on the resolution. If you cannot attend and vote at the General Meeting in person, please vote by proxy, which you may do by post, by hand or through CREST.

You will find enclosed with this document a Form of Proxy for use at the General Meeting. Whether or not you propose to attend the General Meeting in person, you are asked to complete the Form of Proxy in accordance with the instructions printed on it and return it to the Registrars, Link Asset Services, so as to arrive as soon as possible, but in any event so as to be received by not later than 11am on 20 January 2019.

CREST members may also choose to use the CREST electronic proxy appointment service in accordance with the procedures set out in the Notice of General Meeting.

Completion and return of the Form of Proxy will not preclude you from attending and voting at the General Meeting.

Further information in relation to voting is set out within the Notice of General Meeting.

Recommendation of the Chair of the Remuneration Committee

As Chair of the Company's Remuneration Committee and as an independent Non-executive Director of the Company, I consider that the proposals to be considered at the General Meeting are in the best interests of the Company and its shareholders as a whole. I therefore recommend that you vote in favour of the proposed resolution.

Yours sincerely

Nigel Halkes**Independent Non-executive Director and Chair of the Remuneration Committee**

Part 2 – Summary of the Principal Terms Applying to the Scheme

Introduction

Capitalised terms have the meaning given to them in the definitions at the end of this summary.

Subject to the approval by ordinary resolution by shareholders at the General Meeting on 22 January 2019, the Scheme will be adopted and Options granted on, and subject to, the Rules. The Rules will be available for inspection at the registered office of the Company during normal business hours until the General Meeting. The Rules will also be available for inspection at the place of the General Meeting for 15 minutes prior to, and until, the close of the General Meeting.

Under the Scheme, Options will be granted to Roger McDowell (Non-executive Chairman), Gordon Banham (Chief Executive), John Samuel (Group Finance Director) and David Anderson (Group Property Director).

Grant of Options

The following Options will be granted under the Scheme.

- Roger McDowell will be granted an Option to acquire a maximum amount of 285,144 Shares in the Company at a price of 10 pence per Share.
- Gordon Banham will be granted an Option to acquire a maximum amount of 75,250 Shares in the Company at a price of 10 pence per Share.
- John Samuel will be granted an Option to acquire a maximum amount of 75,250 Shares in the Company at a price of 10 pence per Share.
- David Anderson will be granted an Option to acquire a maximum amount of 64,157 Shares in the Company at a price of 10 pence per Share.

The number of shares in relation to the Options described have been calculated based on the average closing Share price in the 30 days following 1 August 2018 (which gives a price of £3.507p per share) using the following award values and rationale for each Option Holder:

- £1,000,000 in respect of Roger McDowell (based on the prior purchase of shares in the Company at an equivalent cost as a precondition of his participation in the Scheme);
- £263,900 in respect of Gordon Banham (based on the largest award made to the other Executive Directors in the Scheme);
- £263,900 in respect of John Samuel (which equates to one times Mr Samuel's salary); and
- £225,000 in respect of David Anderson (which equates to one times Mr Anderson's salary).

Exercise of Options

Subject to the fulfilment of the performance criteria detailed below, the Options detailed above may be exercised at any time between the third anniversary and the fifth anniversary of the Date of Grant (except where the fifth anniversary date falls within a Close Period when the period shall be extended until ten working days after the end of such Close Period).

Performance Criteria

The performance criteria will use the mid-market closing Share price as at 1 August 2018 (£3.515p per share) as a "Base Value". The number of Shares to be acquired on the exercise of an Option will be dependent on the Total Shareholder Return on the third anniversary of the Date of Grant (**Strike Date**) calculated by reference to the average Share price for the 21 Trading Days preceding the Strike Date.

The performance parameters for Total Shareholder Return at the Strike Date will be between 35% and 85% growth in excess of the Base Value. In the event that the Total Shareholder Return figure on the Strike Date reflects 85% or more growth in excess of the Base Value, the Option may be exercised in full. In the event that the Total Shareholder Return figure at the Strike Date reflects less than 35% growth in excess of the Base Value, the Option will lapse and cease to be exercisable. In the event that the Total Shareholder Return figure at the Strike Date reflects percentages between 35% growth and 85% growth above the Base Value, the number of shares to be acquired will be based on a linear calculation between the 35% growth and 85% growth outcomes from zero at 35% growth to 100% of the Option at 85% growth or greater.

The performance criteria in respect of an Option is therefore expressed as follows:

- In the event that the Strike Value is less than the 35% Growth Value the Option will lapse and cease to be exercisable.
- In the event that the Strike Value is equal to or greater than the 35% Growth Value but less than the 85% Growth Value, the Option may be exercised only to the extent determined by multiplying the total number of Shares under the Option by the value of X, calculated as follows:

$$X = \frac{(\text{Strike Value} - 35\% \text{ Growth Value})}{85\% \text{ Growth Value} - 35\% \text{ Growth Value}}$$

- In the event that the Strike Value is equal to or greater than the 85% Growth Value the Option may be exercised in full.

Disposal of Shares Acquired Under the Options

The Rules provide that, following the acquisition of Shares pursuant to the exercise of an Option, no disposal of any such Shares can be made until on or after the fifth anniversary of the Date of Grant, except to the extent that such disposal is permitted by the Board in order to facilitate the satisfaction of any tax liability as a result of an exercise of an Option.

The Rules provide that an Option Holder will be entitled to transfer some or all of the Shares acquired in respect of an Option to a spouse or civil partner at any time, provided that the Option Holder procures that such Shares will be held until on or after the fifth anniversary of the Date of Grant (unless such disposal is permitted by the Board in order to facilitate the satisfaction of any tax liability as a result of the exercise of an Option).

Roger McDowell Option Provisions

As a condition of Roger McDowell's Option, Mr McDowell is required to purchase Shares to an amount of at least £1,000,000. In satisfaction of that condition, Mr McDowell purchased 300,000 Shares at £3.40 each on 29 October 2018. Under the terms of Mr McDowell's Option, Mr McDowell is required to hold these Shares until at least three years from the Date of Grant (or, if earlier, a change of Control in circumstances where Mr McDowell's Option becomes exercisable).

Change of Control

In the event of a change of Control, an Option may be exercised within six months of: a person making an offer to acquire the whole or part of the issued share capital of the Company and obtaining Control of the Company; and any condition subject to which an offer is made having been satisfied (or such shorter period of not less than 21 calendar days as the Board shall specify in writing to the Option Holder). In the event of a change of Control, the Strike Date will be the date of such exercise and the Total Shareholder Return shall be calculated by reference to the price per share being paid as part of such change of Control. The performance criteria will be adjusted on a time-weighted basis to reflect the realised Total Shareholder Return by reference to the earlier Strike Date.

Share Buy-backs

In the calculation of Total Shareholder Return, the Board (excluding any members of the Board who are Option Holders under the Scheme) will be entitled to exercise its reasonable discretion in relation to making any adjustment to the Total Shareholder Value as a result of any buy-back of Shares made by the Company between the Date of Grant and the Strike Date.

Cash Alternative

Where an Option has been exercised by an Option Holder, the Board may (at its sole discretion) and subject to the Option Holder's consent, pay to the Option Holder a cash alternative in relation to some or all of the Shares to be exercised equal to the market value in relation to such Shares (being the bid price as notified by the Company's brokers at the close of business on the day that the Option Holder exercises his Option) less the Option Price.

Definitions

35% Growth Value means either:

- (a) £4.74525p, being a Total Shareholder Return figure which exceeds the Base Value by 35% or more; or
- (b) if exercise of the Option is permitted earlier than the Third Anniversary pursuant to a change of Control, the figure calculated as follows:

$$\left(\frac{D \times 0.35}{1,095} + 1 \right) \times \text{Base Value}$$

where "D" is the number of days between the Date of Grant and the Strike Date (inclusive).

85% Growth Value means either:

- (a) £6.50275p, being a Total Shareholder Return figure which exceeds the Base Value by 85% or more; or
- (b) if exercise of the Option is permitted earlier than the Third Anniversary pursuant to a change of Control, the figure calculated as follows:

$$\left(\frac{D \times 0.85}{1,095} + 1 \right) \times \text{Base Value}$$

where "D" is the number of days between the Date of Grant and the Strike Date (inclusive).

AIM means the Alternative Investment Market of the London Stock Exchange;

Average Value means the mean average, being the sum of the figures in question divided by the number of figures in question;

Base Value means £3.515p, being the closing mid-market Share Price as at 1 August 2018;

Close Period means any period during which the Company is prohibited from issuing shares to employees or directors of the Company under its share dealing policy or otherwise;

Control has the same meaning as in Section 719 of the Income Tax (Earnings and Pension) Act 2003;

Date of Grant means in relation to any Option the date on which the Option was or is to be granted;

Option means a right to acquire Shares in accordance with the Rules;

Option Holder means an individual to whom an Option has been granted;

Option Price means 10 pence per Share;

Rules means the rules of the Scheme as from time to time amended in accordance with their provisions;

Scheme means the Hargreaves Services plc Share Option Scheme 2019;

Share means a fully paid ordinary share in the capital of the Company;

Share Price means either:

- (a) the closing mid-market value of a Share in the Company listed on AIM; or
- (b) (in the context of an Option exercise pursuant to a change of Control) the price per Share being paid in connection with the change of Control.

Part 2 – Summary of the Principal Terms Applying to the Scheme continued

Strike Date means either:

- (a) the Third Anniversary; or
- (b) (if exercise of the Option is permitted earlier than the Third Anniversary pursuant to Rule 9.1 of the Scheme Rules) the date of such earlier exercise;

Strike Value means either:

- (a) the Total Shareholder Return value calculated by reference to the Average Value of the Share Price for the 21 Trading Days preceding the Strike Date; or
- (b) (in the event that the Option is being exercised pursuant to a change of Control), the Total Shareholder Return value calculated by reference to the price per share being paid as part of such change of Control;

Third Anniversary means the date falling three years after the Date of Grant;

Trading Day means the ordinary business days of AIM, being all weekdays other than specified public and bank holidays;

Total Shareholder Return means the total shareholder return in respect of any Share on any given date, being the combined total of:

- (a) the Share Price; and
- (b) the value of any dividends or special dividends paid or declared in respect of such Share during the period since the Date of Grant; and
- (c) if the Board, which for the purposes of this sub-paragraph shall exclude any members of the Board who are Option Holders under Scheme, (exercising its reasonable discretion) so determines, any adjustment to the total sum derived from sub-paragraphs (a) and (b) above as a result of any buy-back of Shares made by the Company between the Date of Grant and the Strike Date.

Part 3 – Notice of General Meeting – Hargreaves Services plc (incorporated and registered in England and Wales under company number 4952865)

NOTICE IS GIVEN that a **General Meeting** of Hargreaves Services plc (the **Company**) will be held at the offices of Buchanan Communications, 107 Cheapside, London EC2V 6DN on 22 January 2019 at 11am to consider and, if thought fit, approve the following resolution as an ordinary resolution:

1. To approve the Hargreaves Services plc Share Option Scheme 2019 (the **Scheme**), (the principal terms of which being as described in Part 2 of the circular to shareholders dated 19 December 2018) and to authorise the directors to do all things necessary to implement, complete or to procure the implementation or completion of the grant of the options under the Scheme (which are also summarised in Part 2 of the circular to shareholders dated 19 December 2018).

19 December 2018
By order of the Board

Andrew Robertson
Company Secretary

Registered Office:

West Terrace
Esh Winning
Durham
DH7 9PT
Registered in England and Wales No. 4952865

Notes

1. This notice is the formal notification to members of the Company's general meeting (the **Meeting**), its date, time and place and the matters to be considered. If you are in doubt as to what action you should take you should consult an independent adviser. The resolution will be proposed as an ordinary resolution. A simple majority (being more than 50 per cent) of votes cast must be in favour of the resolution in order for it to be passed. All business proposed at the Meeting is special business.
2. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), only those shareholders registered in the register of members of the Company as at close of business on 20 January 2019 as holders of ordinary shares of £0.10 each in the Capital of the Company as at close of business on 20 January 2019 shall be entitled to attend and vote at the Meeting in respect of the number of shares registered in their name at the time. Changes to entries in the register of members after the close of business on 20 January 2019 shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
3. If you are a member of the Company at the time set out in note 2 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend and to speak and vote on your behalf at the Meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. A shareholder may appoint more than one proxy in relation to the Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. You may not appoint more than one proxy to exercise rights attached to any one share. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman of the Meeting) and give your instructions to them.
4. To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at the office of the Registrars of the Company, Link Asset Services, Proxies Department, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU no later than 11am on 20 January 2019.
5. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in paragraph 10 below) will not prevent a shareholder attending the Meeting and voting in person if he/she wishes to do so.
6. If a member appoints a proxy or proxies and then decides to attend the Meeting in person and vote using his poll card, then the vote in person will override the proxy vote(s). If the vote in person is in respect of the member's entire holding, then all proxy votes will be disregarded. If, however, the Member votes at the meeting in respect of less than the member's entire holding, then if the member indicates on his polling card that all proxies are to be disregarded, that shall be the case; but if the member does not specifically revoke proxies, then the vote in person will be treated in the same way as if it were the last received proxy and earlier proxies will only be disregarded to the extent that to count them would result in the number of votes being cast exceeding the member's entire holding. If you do not have a proxy form and/or believe that you should have one or if you require additional forms, please contact the Company at its registered office.
7. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see Note 4 above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Link Asset Services Proxies Department, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
8. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Link Asset Services. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Link Asset Services at Proxies Department, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU no later than 11am on 20 January 2019. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to paragraph 6 above, your appointment will remain valid.
9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
10. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (Euroclear) specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by 11am on 20 January 2019. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
11. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
12. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).
13. If a corporation is a member of the Company, it may by resolution of its directors or other governing body authorise one or more persons to act as its representative or representatives at the Meeting and any such representative or representatives shall be entitled to exercise on behalf of the corporation all the powers that the corporation could exercise if it were an individual member of the Company. Corporate representatives should bring with them either an original or certified copy of the appropriate board resolution or an original letter confirming the appointment, provided it is on the corporation's letterhead and is signed by an authorised signatory and accompanied by evidence of the signatory's authority.

Part 3 – Notice of General Meeting – Hargreaves Services plc continued **(incorporated and registered in England and Wales under company number 4952865)**

14. As at 14 December 2018 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 32,119,390 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 13 December 2018 are 32,119,390.
15. The following documents will be available for inspection at the Company's registered office at West Terrace, Esh Winning, Durham, DH7 9PT during normal business hours on any week day (Saturdays and English public holidays excepted) from the date of this notice until the close of the Meeting and at the place of that Meeting for at least 15 minutes prior to and during the Meeting:
 - copies of the service contracts for the Executive Directors of the Company;
 - copies of the letters of appointment of Non-Executive Directors of the Company; and
 - the rules of the Scheme.

Explanatory Notes to the Notice of General Meeting

The notes below give an explanation of the proposed resolution.

Resolution 1: Hargreaves Services plc Share Option Scheme 2019

Shareholders are asked to approve the Scheme (the key terms of which are summarised in Part 2 of the circular to shareholders dated 19 December 2018) and to authorise the Directors to do all things necessary to implement and complete the grant of the options under the Scheme (which are also summarised in Part 2 of the circular to shareholders dated 19 December 2018).