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If you have sold or otherwise transferred all of your Ordinary Shares in Hargreaves Services plc please forward this document, but not the accompanying Form of Proxy, as soon as possible, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

**This document does not constitute an offer to buy, acquire or subscribe for, or the solicitation of an offer to buy, acquire or subscribe for, Placing Shares, or an invitation to buy, acquire or subscribe for Placing Shares, nor does it constitute an admission document drawn up in accordance with the AIM Rules.**

Applications will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. No application has been made or is currently intended to be made for the Placing Shares to be admitted to trading or dealt in on any other exchange. It is expected that admission to AIM will become effective in respect of, and that dealings on AIM will commence in, the First Placing Shares, on or around 22 April 2013 and, subject to, *inter alia*, the passing of the Resolution at the General Meeting, admission to AIM will become effective in respect of, and that dealings on AIM will commence in, the Second Placing Shares, on or around 8 May 2013.

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# Hargreaves Services plc

*(Incorporated in England and Wales with registered number 04952865)*

## **Proposed Placing of 5,460,080 new Ordinary Shares at 775 pence per Ordinary Share and Notice of General Meeting**

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The notice of a General Meeting of Hargreaves Services plc to be held at Walker Morris, Kings Court, 12 King Street, Leeds LS1 2HL on 7 May 2013 at 11.30 a.m. is set out at the end of this document. Whether or not you intend to attend the General Meeting you are urged to complete and return the enclosed Form of Proxy in accordance with the instructions printed on it so as to arrive as soon as possible and in any event not later than 11.30 a.m. on 3 May 2013 (or 48 hours before the time fixed for any adjournment of the General Meeting).

The Placing Shares described in this document have not been, and will not be, registered under the US Securities Act of 1933, as amended (the "Securities Act") or under the securities laws of any state of the United States, and may not be offered, sold, resold, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. There will be no public offer of the Placing Shares in the United States. The Placing Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Placing Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

In addition, offers, sales or transfers of the Placing Shares in or into the United States for a period of time following completion of the Placing by a person (whether or not participating in the Placing) may violate the registration requirement of the Securities Act.

Furthermore, the Placing Shares have not been and will not be registered under the applicable laws of any of Australia, Canada, the Republic of South Africa or Japan and, subject to certain exceptions, may not be offered or sold to any national, resident or citizen thereof.

The distribution of this document in or into jurisdictions other than the United Kingdom may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe such restrictions. Any failure to comply with the applicable restrictions may constitute a violation of the securities laws of any such jurisdiction. Subject to certain exceptions, this document is not for release, publication or distribution, directly or indirectly, in or into the United States, Australia, Canada, the Republic of South Africa, Japan or any jurisdiction where to do so might constitute a violation of local securities laws or regulations.

Nplus1 Singer Advisory LLP ("N+1 Singer"), which is regulated by the Financial Conduct Authority and is a member of the London Stock Exchange, is acting as nominated adviser, joint broker and joint bookrunner to the Company in connection with the Placing. Its responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or any other person. No representation or warranty, express or implied, is made by N+1 Singer as to any of the contents of this document for which the Directors and the Company are responsible (without limiting the statutory rights of any person to whom this document is issued). N+1 Singer has not authorised the contents of, or any part of, this document, and no liability whatsoever is accepted by N+1 Singer for the accuracy of information or opinions contained in this document or for the omission of any material information. N+1 Singer will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document in respect of the Placing or any other arrangements referred to in this document.

Jefferies International Limited ("Jefferies"), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as joint broker and joint bookrunner to the Company in connection with the Placing and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Jefferies nor for giving advice to any other person in relation to the Placing or any other arrangements referred to in this document. No liability is accepted by Jefferies for the accuracy of any information or opinions contained in, or for the omission of any material information from, this document, for which the Directors of the Company are solely responsible. Jefferies has not authorised the contents, or any part, of this document.

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## DIRECTORS, OFFICERS AND ADVISERS

<b>Directors</b>	Timothy Ross, <i>Non-Executive Chairman</i> Gordon Banham, <i>Group Chief Executive</i> Iain Cockburn, <i>Group Finance Director</i> Kevin Dougan, <i>Group Commercial Director</i> David Morgan, <i>Senior Independent Director</i> Peter Gillatt, <i>Non-Executive Director</i>
<b>Registered Office</b>	West Terrace Esh Winning Durham DH7 9PT
<b>Nominated Adviser, Joint Broker and Joint Bookrunner</b>	Nplus1 Singer Advisory LLP West One Wellington Street Leeds LS1 1BA
<b>Joint Broker and Joint Bookrunner</b>	Jefferies International Limited Vintners Place 68 Upper Thames Street London EC4V 3BJ
<b>Solicitors to the Company</b>	Walker Morris Kings Court 12 King Street Leeds LS1 2HL
<b>Solicitors to the Joint Brokers and Joint Bookrunners</b>	Ashurst LLP Broadwalk House 5 Appold Street London EC2A 2HA
<b>Registrars</b>	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS<sup>(1)</sup>

First Admission	8.00 a.m. on 22 April 2013
Crediting of CREST accounts with the First Placing Shares	22 April 2013
Last time and date of receipt for Forms of Proxy	11.30 a.m. on 3 May 2013
General Meeting	11.30 a.m. on 7 May 2013
Second Admission	8.00 a.m. on 8 May 2013
Crediting of CREST accounts with the Second Placing Shares	8 May 2013

## PLACING STATISTICS

Placing Price	775 pence
Number of Existing Ordinary Shares in issue at the date of this document	27,501,473
Aggregate number of Placing Shares	5,460,080
Number of First Placing Shares	2,730,040
Number of Second Placing Shares	2,730,040
Number of Ordinary Shares in issue immediately following the First Placing	30,231,513
Estimated net proceeds of the First Placing <sup>(3)</sup>	£20.3 million
First Placing Shares as a percentage of the Enlarged Share Capital	9.0%
Number of Ordinary Shares in issue immediately following the Second Placing <sup>(2)</sup>	32,961,553
Estimated net proceeds of the Second Placing <sup>(4)</sup>	£20.4 million
Placing Shares as a percentage of the Enlarged Share Capital <sup>(2)</sup>	16.6%
Estimated net proceeds of the Placing <sup>(3),(4)</sup>	£40.7 million
ISIN Code	GB00B0MTC970
SEDOL Code	B0MTC97

### Notes

- (1) Each of the times and dates refer to London time and are subject to change by the Company (with the agreement of N+1 Singer and Jefferies), in which case details of the new times and dates will be notified to the London Stock Exchange and the Company will make an appropriate announcement through a Regulatory Information Service.
- (2) Other than in respect of the Existing Ordinary Shares in issue at the date of this document, the statistics assume that the maximum number of Placing Shares are issued under the Placing and that no other Ordinary Shares will be issued in the period between the date of this document and the Second Admission.
- (3) Net proceeds receivable by the Company are stated after deduction of commissions and other expenses of approximately £0.9 million in respect of the First Placing.
- (4) Net proceeds receivable by the Company are stated after deduction of commissions and other expenses of approximately £0.8 million in respect of the Second Placing.

## LETTER FROM THE CHAIRMAN



# Hargreaves Services plc

(Incorporated in England and Wales with registered number 04952865)

*Directors:*

Timothy Ross, *Non-Executive Chairman*  
Gordon Banham, *Group Chief Executive*  
Iain Cockburn, *Group Finance Director*  
Kevin Dougan, *Group Commercial Director*  
David Morgan, *Senior Independent Director*  
Peter Gillatt, *Non-Executive Director*

*Registered Office:*

West Terrace  
Esh Winning  
Durham  
DH7 9PT

17 April 2013

*To Shareholders and, for information purposes only, holders of options over Ordinary Shares*

### **Proposed Placing of 5,460,080 new Ordinary Shares at 775 pence per share and Notice of General Meeting**

Dear Shareholder,

#### **1. Introduction**

The Company announced today that it intends to raise approximately £42.3 million (before fees and expenses) through the placing of 5,460,080 new Ordinary Shares with existing and new institutional investors at a price of 775 pence per Ordinary Share. The Placing Price represents a 4.3 per cent. discount to the Closing Price of 810 pence per Ordinary Share on 16 April 2013 (being the last Business Day prior to the announcement of the Placing). N+1 Singer and Jefferies are acting as joint brokers and joint bookrunners for the Company in connection with the Placing.

Of the 5,460,080 Placing Shares, 2,730,040 Placing Shares (raising net proceeds of approximately £20.3 million) have been placed with both existing and new institutional investors using existing Shareholder authorities conditional on, *inter alia*, First Admission (the "First Placing"). The balance of 2,730,040 Placing Shares (raising net proceeds of approximately £20.4 million) have been placed with existing and new institutional investors conditional on, *inter alia*, the passing of the Resolution by Shareholders at a general meeting of the Company and Second Admission (the "Second Placing").

I am writing to set out the background to and reasons for the Placing and to give you notice of the General Meeting to be held at 11.30 a.m. on 7 May 2013, formal notice of which is set out at the end of this document. The General Meeting has been called for the purpose of proposing the Resolution described below which will enable the Second Placing to be completed. The First Placing and the Second Placing are not inter-conditional.

The net proceeds of the Placing are intended to be used primarily to accelerate the implementation of the Group's stated strategy of developing and expanding its portfolio of UK surface mining assets, which the Board believes will have significant benefits for the Group's wider operations, further details of which are set out below. The Board strongly believes that there is a significant opportunity

to use the Group's existing strengths and expertise in planning, operating surface mines and marketing coal to consolidate its position as a leading owner and operator of surface mining assets in the UK.

The Board strongly believes that raising equity finance using the flexibility provided by a non-preemptive placing is the most appropriate and optimal structure for the Company at this time. This allows both existing institutional holders and new institutional investors to participate in the Placing and avoids the need for a prospectus, which is a costly and time consuming process.

The Board believes that there is a unique opportunity to selectively acquire key surface mining assets, together with a strong development pipeline, as the sector undergoes a major restructuring. The Company is already engaged in active negotiations with principals and other key stakeholders which, if successful, could lead to the acquisition of surface mining assets with current annual production of between one and two million tonnes and the Board's view is that further attractive acquisition opportunities are likely to emerge in the near term. The timely receipt of proceeds raised pursuant via this structure is necessary to give Hargreaves the financial flexibility to pursue these existing and emerging opportunities. Assuming that the net proceeds of the Placing are fully invested by 1 June 2013, the Group expects that the capital investment in surface mining assets will be earnings enhancing in the 2014 financial year. Further information on the use of proceeds is set out in section 3 below.

## **2. Background to and reasons for the Placing**

### ***Overview of the UK coal sector***

The UK remains a significant consumer of coal. In 2011 total coal demand in the UK comprised approximately 51.5 million tonnes. This demand was satisfied through the importation of approximately 33.6 million tonnes of coal, with 7.3 million tonnes sourced from deep mines within the UK and a further 10.6 million tonnes sourced from surface mines in the UK. The main operators of both deep mines and surface mines in the UK include:

- UK Coal Mining Limited (a business within Coalfield Resources plc, formerly UK Coal plc ("UKC")), which now produces an estimated 3.6 million tonnes per annum and 1.8 million tonnes per annum from its deep mines and surface mines, respectively;
- Scottish Resources Group Limited ("SRG"), which produces an estimated 2.7 million tonnes per annum from its surface mines;
- ATH Resources PLC ("ATH"), which produces an estimated 1.8 million tonnes per annum from its surface mines;
- Tower Colliery, which began production in 2012 and sits within Hargreaves' production division, is expected to produce up to one million tonnes per annum from its surface mine;
- Hatfield Colliery, in which Hargreaves has a minority equity stake of 10 per cent. and to which it provides contracted management support and marketing services, which produces 0.7 million tonnes per annum from its deep mine; and
- Other operators include Miller Argent, Celtic Energy and Banks Group, which together produce approximately 4.2 million tonnes per annum from their surface mines.

A number of producers of coal in the UK are currently facing significant operational and financial issues:

- Having completed a restructuring in December 2012 that split its operations into two separate businesses comprising the Mining Division (UK Coal Mine Holdings Limited) and the Property Division (Harworth Estates Property Group Limited), on 7 March 2013, the UK's largest

producer, UKC, announced the closure of Daw Mill Colliery in Warwickshire following a major fire;

- SRG is experiencing significant business challenges and recently announced potentially wide-ranging redundancies; and
- ATH, the third largest coal producer in the UK, was placed into administration in December 2012.

However, because of the supply and demand dynamics, the Board strongly believes that indigenous UK coal production has a long term future, with an established market in the UK that has attractive fundamentals and Government support, especially in Scotland.

### ***The Group's current position in industrial and household coal markets***

Hargreaves supplies coal to the power generation, industrial and household coal markets. The industrial and household coal markets in the UK are important markets for the Group. In 2009, a long term supply agreement was signed with UKC. Under this agreement the Group is supplied with up to 270,000 tonnes of coal per annum for the industrial and household coal markets. This is a key supply agreement for Hargreaves and accounts for a significant proportion of the industrial and household coal it supplies.

The coal that Hargreaves supplies to the household coal market is mainly sourced from UKC's deep mines, in particular Kellingley and, to date, Daw Mill, which produce a coal that is suitable for the household coal market. Daw Mill has now been closed and whilst this reduces the sources of household coal available to Hargreaves, more significantly it has also led UKC to announce that it is engaged in discussions with HM Government, led by officials at the Department of Energy and Climate Change, with a view to helping the company manage the closure of Daw Mill and seeking a way forward for the remaining mines within UKC.

Over the last two years the Group's strategy has been to increase the supply of industrial and household coals from other sources, including international markets. Security of supply is a key factor that has led the Group to explore the potential to acquire or develop its own surface mining assets in the UK. Not all deep and surface mines produce coal of the right quality for household coal consumption. However, the Group believes with investment in the proper equipment, there are several surface mines in the UK which could produce such coal.

Since early 2012 UKC has sought to enter into discussions with Hargreaves to vary the terms of its supply agreement with the Group as part of the wider rescue restructuring, but no mutually agreeable variation to the supply contract has yet been concluded. In the short term, UKC's failure or refusal to perform under the existing contract or the disruption and/or cessation of a significant tonnage of coal supply to the Group from UKC would force the Group to source a greater proportion of coal from international markets. Whilst the Board is confident that it will be possible to secure coal of equivalent specification from international markets, it will in all likelihood be achieved at a higher cost than that at which the Group currently sources coal under the supply agreement with UKC. These factors increase the importance of accelerating the development of the Group's surface mining portfolio in the UK, to provide additional sources of coal for these markets under the Group's direct control and to provide an alternative source of coal to UKC.

### ***The Group's surface mining strategy***

Hargreaves has been developing a strategy for growing its surface mining activities over the last two years. Following the commencement of the Tower Regeneration Limited project in South Wales, as previously announced, the Group has started to develop a pipeline of surface mining sites. Three sites in the North East of England are currently in the planning or development phase.



On 1 March 2013, it was announced that Hargreaves had acquired debt with a face value of £12.5 million, secured over the assets of the principal operating subsidiary of ATH, for £5 million. The Group undertook this transaction after extensive discussions with many of the key stakeholders of ATH, including management, landowners, local authorities and the Scottish Government. The Group intends to work with key stakeholders to achieve a restructuring that would create a platform for the Group to invest in surface mining in Scotland. Detailed due diligence undertaken by the Group indicates that ATH has viable sites that could produce circa one million tonnes per annum. Active discussions are ongoing and, although it is expected to take several weeks to finalise a transaction, the Board is confident of a positive outcome. The Group has also recently commenced discussions on a second major surface mining asset opportunity.

The Board believes that the current operational and financial issues facing certain operators in the UK coal sector present the Group with a much broader opportunity to acquire and operate specific surface mining assets. The Board recognises the potential negative impact of these legacy issues relating to low price sales contracts, pension deficits and under-funded restoration obligations and will perform appropriate due diligence to enable the Board to understand and, to the extent practicable, mitigate these issues. Any such acquisitions will be structured to ensure that the Group does not assume material legacy problems or historic liabilities. For all prospective material sites, coal reserves, ratios and mining plans will be reviewed by independent experts to validate the diligence performed by our mining team.

Bringing substantial producing assets under Hargreaves' control is expected to allow the Group to utilise its established skills, sector-wide relationships, marketing disciplines and financial strength to benefit all stakeholders; operating the sites profitably, ensuring appropriate provision is made for restoration, that restoration is made on a timely basis and offering continuity of employment. If successful, this will allow the Group to accelerate significantly the development of its surface mining activity.

The Group's objective is to acquire and develop additional surface mining capacity of around three million tonnes per annum to increase the Group's overall surface mining production to four million tonnes per annum and to target a coal reserves base in excess of 20 million tonnes. This would add significant scale to the Group's activities in the UK and allow Hargreaves to source a greater proportion of its industrial and household grade coal without recourse to more expensive international coals. The mitigation of that risk, combined with the opportunity to consolidate lower risk surface mine production, provides an attractive business case which, the Directors believe, offers an appropriate return on the additional capital the Group is seeking to raise. The Directors will target a return on capital employed of in excess of 20 per cent. when appraising surface mining asset investment opportunities. The Directors believe that this is an adequate return taking account of the risks involved in the surface mining sector.

The Directors estimate that it would typically require between £25 million and £30 million of investment to support each additional one million tonnes of annual production capacity. The Board believes that the current challenges and issues facing the sector in the UK are likely to present opportunities to acquire proven assets with attractive production characteristics at a lower cost. The net proceeds of the Placing, along with an appropriate combination of hire purchase funding and drawdown of existing core banking facilities, together provide the financial resources to implement in full the strategy set out above.

### ***Strategic Benefits***

Surface mines in the UK, provided they are carefully selected and managed, represent attractive assets that offer significant benefits to the Group:

- Hargreaves would select only those sites that have the potential to deliver an operating profit in the range of circa £5-£7.50 per tonne at current market prices. To manage price volatility,



such profit streams would be hedged by fixing the price of coal and fuel oil at the outset of any project for a three year period;

- the assets will provide additional product for the Group to market into the power generation sector, helping to leverage existing relationships and introducing new relationships to the Group. Hargreaves is one of the few companies in the UK to combine indigenous production and large scale importation of coal;
- the sites will offer sources of industrial and household coal under the direct control of Hargreaves that would mitigate the potential impact of losing the supply of such coals from UKC following the closure of Daw Mill;
- the Board expects that the acquisition of sites in the region will provide access to the important Scottish market for power station, industrial and household coals; and
- the Board further expects that opportunities will become available for other divisions of Hargreaves to supply coal transportation and site restoration services.

### **3. Use of Proceeds**

The net proceeds of the First Placing and Second Placing of approximately £40.7 million will be used for:

- the acquisition of strategic surface coal mining assets, including operating sites, pipeline sites and railheads and coal processing facilities;
- investment in and restructuring of surface mining sites;
- investment in plant and machinery to optimise the efficiency of the expanded surface mining site portfolio;
- working capital for operating the expanded surface mining site portfolio; and
- capital to support the bonding of future restoration liabilities.

### **4. Information on the Placing**

The Company is proposing to raise approximately £42.3 million (before fees and expenses) by way of a placing of 5,460,080 new Ordinary Shares at the Placing Price. The First Placing Shares will represent approximately 9.0 per cent. of the Enlarged Share Capital and the Placing Shares (comprising the First Placing Shares and the Second Placing Shares) will represent approximately 16.6 per cent. of the Enlarged Share Capital. The Placing Price represents a discount of 4.3 per cent. to the Closing Price of 810 pence per Ordinary Share as at 16 April 2013 (being the last Business Day prior to the announcement of the Placing).

The First Placing will utilise the existing Shareholder authorities put in place at the last annual general meeting to allot on a non pre-emptive basis up to 2,730,040 Placing Shares (raising net proceeds of approximately £20.3 million at the Placing Price). The First Placing is conditional, *inter alia*, on:

- the conditions in the Placing Agreement relating to the First Placing being satisfied or (if applicable) waived and the Placing Agreement not having been terminated in accordance with its terms prior to First Admission; and
- First Admission becoming effective by no later than 8.00 a.m. on 22 April 2013 (or such later time and/or date as the Company, N+1 Singer and Jefferies may agree).

The Second Placing (raising net proceeds of approximately £20.4 million) is conditional, *inter alia*, on:

- the passing of the Resolution;
- the conditions in the Placing Agreement relating to the Second Placing being satisfied or (if applicable) waived and the Placing Agreement not having been terminated in accordance with its terms prior to Second Admission; and
- Second Admission becoming effective by no later than 8.00 a.m. on 8 May 2013 (or such later time and/or date as the Company, N+1 Singer and Jefferies may agree).

In connection with the Placing, the Company has entered into the Placing Agreement pursuant to which N+1 Singer and Jefferies have agreed, in accordance with its terms, to use reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. The Placing is not underwritten.

The Placing Agreement contains customary warranties given by the Company to N+1 Singer and Jefferies as to matters relating to the Group and its business and a customary indemnity given by the Company to N+1 Singer and Jefferies in respect of liabilities arising out of or in connection with the Placing. N+1 Singer and Jefferies are entitled to terminate the Placing Agreement in certain circumstances prior to Admission, including circumstances where any of the warranties are found not to be true or accurate or were misleading and which in any such case is material, or the occurrence of certain force majeure events. For the avoidance of doubt, termination rights under the Placing Agreement cannot be exercised in respect of the First Placing after First Admission.

The Placing Shares will be issued credited as fully paid and will rank in full for all dividends and other distributions declared, made or paid after the admission of the First Placing Shares and the Second Placing Shares, respectively, and will otherwise rank on admission *pari passu* in all respects with the Existing Ordinary Shares. The Placing Shares are not being made available to the public and are not being offered or sold in any jurisdiction where it would be unlawful to do so.

## **5. Current Trading**

Following a strong underlying performance in the first half of the financial year, trading volumes continue to underpin the anticipated strong second half. Orders and stocks are in place to support the increased shipments of thermal, coking and PCI coals, in particular to support the new coal terminal at Redcar, which will be reflected in readily marketable inventories at the year end.

The decision to mothball Maltby Colliery was announced in December 2012 and is largely complete. As already announced, although this decision will impact the Group's results in the current financial year, the asset sales remain on track and in financial terms are in line with previous guidance. The closure of Maltby significantly de-risks the Group's production profile.

The Group is confident that the financial impact of the fraud in Belgium is in line with the guidance provided within the interim results statement.

The Board expects a strong second half performance and remains confident of achieving its expectations for the full year, excluding the impacts of Maltby and Belgium.

## **6. The General Meeting**

Set out on page 14 of this document is a notice convening a General Meeting of the Company to be held at Walker Morris, Kings Court, 12 King Street, Leeds LS1 2HL at 11.30 a.m. on 7 May 2013, at which a special resolution will be proposed to authorise the Directors under section 571 of the Act, to allot Ordinary Shares pursuant to the Second Placing on a non-pre-emptive basis.

## **7. Admission, Settlement and CREST**

Applications will be made to the London Stock Exchange for the Admission of the First Placing Shares and the Second Placing Shares, respectively, to trading on AIM. It is expected that First Admission will become effective on or around 22 April 2013 and that dealings in the First Placing Shares will commence at that time, and that Second Admission will become effective on or around 8 May 2013 and that dealings in the Second Placing Shares will commence at that time.

The Articles permit the Company to issue shares in uncertificated form. CREST is a computerised paperless share transfer and settlement system which allows shares and other securities to be held in electronic rather than paper form. The Ordinary Shares are already admitted to CREST and therefore the Placing Shares will also be eligible for settlement in CREST. CREST is a voluntary system and Shareholders who wish to retain certificates will be able to do so upon request. The Placing Shares due to uncertificated holders are expected to be delivered in CREST on 22 April 2013 in respect of the First Placing and 8 May 2013 in respect of the Second Placing.

## **8. Action to be taken by Shareholders in respect of the General Meeting**

Shareholders 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 strongly encouraged to complete, sign and return your Form of Proxy in accordance with the instructions printed on it as soon as possible, but in any event so as to be received, by post or, during normal business hours only, by hand, at Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 11.30 a.m. on 3 May 2013 (or, in the case of an adjournment of the General Meeting, not later than 48 hours before the time fixed for the holding of the adjourned meeting (excluding any part of a day that is not a Business Day)).

If you hold your Ordinary Shares in uncertificated form (that is, in CREST) you may vote using the CREST Proxy Voting service in accordance with the procedures set out in the CREST Manual (please also refer to the accompanying notes to the Notice of the General Meeting set out at the end of this document). Proxies submitted via CREST must be received by the Company's agent (ID RA10) by no later than 11.30 a.m. on 3 May 2013 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting (excluding any part of a day that is not a Business Day)).

Appointing a proxy in accordance with the instructions set out above will enable your vote to be counted at the General Meeting in the event of your absence. The completion and return of the Form of Proxy or the use of the CREST Proxy Voting service will not prevent you from attending and voting at the General Meeting, or any adjournment thereof, in person should you wish to do so.

## **9. Recommendation**

**The Directors believe that the Resolution to be proposed at the General Meeting is in the best interests of the Company and Shareholders as a whole and unanimously recommend that you vote in favour of the Resolution as they intend to do in respect of their own beneficial holdings totalling 3,215,597 Ordinary Shares, representing approximately 11.69 per cent. of the issued share capital of the Company as at the date of this document.**

Yours faithfully,

**Timothy Ross**

*Non-Executive Chairman*

## DEFINITIONS

The following definitions apply throughout this document (including the Notice of General Meeting) and the Form of Proxy unless the context requires otherwise:

<b>“Act”</b>	the Companies Act 2006;
<b>“Admission”</b>	First Admission and/or Second Admission, as the context may require;
<b>“AIM”</b>	the AIM market of the London Stock Exchange plc;
<b>“AIM Rules”</b>	the AIM rules for companies published by the London Stock Exchange;
<b>“Articles”</b>	the articles of association of the Company;
<b>“Business Day”</b>	any day on which banks are generally open in England and Wales for the transaction of business, other than a Saturday, Sunday or public holiday;
<b>“Capita Registrars”</b>	a trading name of Capita Registrars Limited;
<b>“Closing Price”</b>	the closing middle market quotation of an Ordinary Share as derived from the AIM Appendix to the Daily Official List of the London Stock Exchange;
<b>“Company” or “Hargreaves”</b>	Hargreaves Services plc, a company incorporated in England and Wales with registered number 04952865, with its registered office at West Terrace, Esh Winning, Durham DH7 9PT;
<b>“CREST”</b>	a relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the Operator (as defined in the CREST Regulations);
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001 (SI 2001/3755) as amended from time to time;
<b>“Directors” or “Board”</b>	the existing directors of the Company;
<b>“Enlarged Share Capital”</b>	the number of Ordinary Shares in issue assuming completion of the First Placing and, if applicable, the Second Placing;
<b>“Existing Ordinary Shares”</b>	the 27,501,473 Ordinary Shares in issue at the date of this document;
<b>“First Admission”</b>	the admission of the First Placing Shares to trading on AIM and such admission becoming effective in accordance with the AIM Rules;
<b>“First Placing”</b>	the placing by N+1 Singer and Jefferies, as agents to the Company, of the First Placing Shares at the Placing Price on the terms and conditions set out in the Placing Agreement;
<b>“First Placing Shares”</b>	2,730,040 new Ordinary Shares to be issued and allotted pursuant to the First Placing;

<b>“Form of Proxy”</b>	the form of proxy for use by Shareholders in connection with the General Meeting;
<b>“General Meeting”</b>	the general meeting of the Company convened for 11.30 a.m. on 7 May 2013 at Walker Morris, Kings Court, 12 King Street, Leeds LS1 2HL, or any reconvened meeting following any adjournment thereof, notice of which is set out in the Notice of General Meeting;
<b>“Group”</b>	the Company and its subsidiaries;
<b>“Jefferies”</b>	Jefferies International Limited, acting as joint broker and joint bookrunner to the Company in respect of the Placing;
<b>“London Stock Exchange”</b>	London Stock Exchange plc;
<b>“N+1 Singer”</b>	Nplus1 Singer Advisory LLP, acting as nominated adviser, joint broker and joint bookrunner to the Company in respect of the Placing, and where the context allows, its affiliates;
<b>“Notice of General Meeting”</b>	the notice of the General Meeting which is set out at the end of this document;
<b>“Ordinary Shares”</b>	the ordinary shares of 10 pence each in the share capital of the Company;
<b>“PCI”</b>	Pulverised Coal Injection
<b>“Placing”</b>	the First Placing and the Second Placing;
<b>“Placing Agreement”</b>	the agreement dated 17 April 2013 between the Company, N+1 Singer and Jefferies in relation to the Placing, further details of which are set out in paragraph 4 of the letter from the Chairman;
<b>“Placing Price”</b>	775 pence per Placing Share;
<b>“Placing Shares”</b>	the First Placing Shares and/or the Second Placing Shares, as the context may require;
<b>“Regulatory Information Service”</b>	the regulatory information services approved by the London Stock Exchange for the distribution of AIM announcements;
<b>“Resolution”</b>	the special resolution seeking to disapply pre-emption rights in respect of the Second Placing Shares, as set out in the notice of the General Meeting contained in the document to be proposed at the General Meeting;
<b>“Second Admission”</b>	the admission of the Second Placing Shares to trading on AIM and such admission becoming effective in accordance with the AIM Rules;
<b>“Second Placing”</b>	the placing by N+1 Singer and Jefferies, as agents to the Company, of the Second Placing Shares at the Placing Price on the terms and conditions set out in the Placing Agreement;
<b>“Second Placing Shares”</b>	up to 2,730,040 new Ordinary Shares to be issued and allotted pursuant to the Second Placing;
<b>“Shareholders”</b>	the holders of Ordinary Shares from time to time.

## NOTICE OF GENERAL MEETING

# HARGREAVES SERVICES PLC

*(Incorporated in England and Wales under the Companies Act 1985 with registered number 04952865)*

NOTICE is hereby given that a General Meeting of Hargreaves Services Plc (the "Company") will be held at Walker Morris, Kings Court, 12 King Street, Leeds LS1 2HL on 7 May 2013 at 11.30 a.m. for the purpose of considering and, if thought fit, passing the following resolution as a special resolution:

That the Directors be empowered in accordance with section 571 of the Companies Act 2006 (the "Act") to allot equity securities (as defined in section 560 of the Act) for cash, pursuant to the authority conferred on them to allot such shares or grant such rights by resolution 9 passed on 23 November 2012, as if section 561(1) and sub-sections (1)-(6) of section 562 of the Act did not apply to such allotment, provided that the power conferred by this resolution shall be limited to the allotment of equity securities for cash up to a maximum nominal amount of £273,004 in connection with the Placing (as such term is in the circular to shareholders issued by the Company dated 17 April 2013, containing this Notice of General Meeting).

*By order of the Board*

**Steve MacQuarrie**

*Company Secretary*

*Registered Office:*

West Terrace

Esh Winning

Durham

DH7 9PT

Date: 17 April 2013



**Notes:-**

- (i) To appoint a proxy you may:
- (a) use the Form of Proxy enclosed with this Notice of General Meeting. To be valid, the Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be received by post or (during normal business hours only) by hand at Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, in each case no later than 11.30 a.m. on 3 May 2013 (or, in the case of an adjournment of the General Meeting, not later than 48 hours before the time fixed for the holding of the adjourned meeting (excluding any part of a day that is not a Business Day)). or
  - (b) if you hold your ordinary shares in uncertificated form, use the CREST electronic proxy appointment service as described in Note (iii) below.

Completion of the Form of Proxy or appointment or a proxy through CREST will not prevent a member from attending and voting in person.

- (ii) CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10), by 11.30 a.m. on 3 May 2013 (or, in the case of an adjournment of the General Meeting, not later than 48 hours before the time fixed for the holding of the adjourned meeting (excluding any part of a day that is not a Business Day)). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).

- (iii) Any member or his proxy attending the General Meeting has the right to ask any question at the General Meeting relating to the business of the General Meeting.
- (iv) Pursuant to section 360B of the Act and Regulation 41 of the CREST Regulations, only shareholders registered in the register of members of the Company as at 6.00 p.m. on 3 May 2013 shall be entitled to attend and vote at the General Meeting in respect of the number of shares registered in their name at such time. If the General Meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned General Meeting is 6.00 p.m. on the day preceding the date fixed for the adjourned General Meeting. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the General Meeting.
- (v) In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
- (vi) As at 16 April 2013 (being the last Business Day prior to the publication of this Notice of General Meeting) the Company's issued share capital consists of 27,501,473 Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 16 April 2013 are 27,501,473.

