

HARGREAVEHALE AIM VCT 1 plc

Annual Report and Accounts
Year ended 30 September 2011

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Investment Objective

The objective of the VCT is to achieve long term capital growth and to maximise tax free distributions to shareholders by investing in a diversified portfolio of small capitalised UK Companies primarily traded on AIM. At least 70% of the Company’s funds must be invested in qualifying holdings within three years of raising the funds. The balance of the Company’s funds will be invested in liquid assets (such as gilts, other fixed interest and bank deposits) and non-qualifying equity investments on an opportunistic basis to boost the fund’s performance. The Company is managed as a Venture Capital Trust in order that shareholders in the Company may benefit from the tax relief available.

Shareholder Communication

The Company’s daily share price can be found on various financial websites under the TIDM code “HHV” or on our dedicated website at <http://www.hargreave-hale.co.uk/fund-management/venture-capital-trusts/hargreave-hale-aim-vct-1/share-price-and-nav/>

FINANCIAL HIGHLIGHTS AND INVESTMENT POLICY

Ordinary Shares (as at 30 September):	2011	2010
Net asset value per share	61.14p	62.67p
Cumulative distributions paid per share since launch	23.0p	19.00p
Total return	84.14p	81.67p
Discount to Net Asset Value (based on bid-market price at balance sheet date)	13.3%	15.0%
Annual Returns per share:		
Revenue return	(0.25)p	0.07p
Capital return	2.31p	0.21p
Combined Return	2.06p	0.28p
Dividends per share:		
Interim paid	2.0p	2.0p
Final proposed	2.0p	2.0p
Total dividend for year	4.0p	4.0p
Performance Benchmark:		
Total Return	88.6%	86.0%
FTSE AIM All-share Index (results rebased to 100 at 29 October 2004)	72.7%	81.2%

The Glossary of Terms can be found on page 39 of the report.

Investment Policy

a) Investment Objectives

The Companies' 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 Companies' funds; and
- targeted investment in equities which are non-qualifying investments on an opportunistic basis to boost the performance of the Companies' funds.

b) Asset Allocation

In order to achieve these objectives, "Qualifying Investments" (being investments which comprise qualifying holdings for a venture capital trust as defined in Chapter 4 Part 6 of the Income Tax Act 2007) will be made in AIM companies, but the Investment Manager will also consider PLUS traded companies and private companies that meet the investment criteria summarised below. The Investment Manager will follow a stock specific, rather than sector specific, investment approach. Individual Qualifying Investments are likely to range from £0.1 million to £1 million. Investments in AIM traded Qualifying Investments will be in new shares issued by the investee company at the time of its flotation or in new shares issued by existing AIM companies (with a preference for secondary issues of existing AIM companies as they are likely to have an established track record and these issues are often priced at an attractive discount to market price).

Initially, whilst suitable Qualifying Investments are identified the net proceeds of any share offer will be invested in gilts, other fixed interest securities and bank deposits that are readily realisable and targeted investment in equities which are Non-Qualifying Investments on an opportunistic basis to boost the performance of the Companies' funds. Such investments will be realised as suitable Qualifying Investments are identified and made. Whilst under VCT legislation the Companies must have 70 per cent. of its funds invested in Qualifying Investments within 3 years, it is intended to invest up to 80 per cent. Accordingly, the Companies' maximum exposure to such investments will be 80 per cent. The remaining funds will be retained in "Non-Qualifying Investments" (being investments made by the Companies which do not qualify as Qualifying Investments), such as gilts, other fixed interest securities and bank deposits and targeted investment in equities which are Non-Qualifying Investments on an opportunistic basis to boost the performance of the Companies' funds in order to allow for follow on investments, to fund the annual running costs of the Companies and to reduce the risk of the overall portfolio of each Company. The Investment Manager will be flexible in its approach, adapting the position of the Companies' funds to reflect market conditions.

CHAIRMAN'S STATEMENT

Introduction

At 30 September 2011 the NAV was 61.14 pence which after adding back the dividends paid gives a total return since inception of 84.14 pence. The gain per ordinary share for the year was 2.06 pence per share (comprising revenue loss of (0.25) pence and capital gains of 2.31 pence).

Investments

The Investment Manager, Hargreave Hale Limited, invested a further £2.15 million in 12 qualifying companies during the year and 1 company went into administration realising a net loss of £0.3 million. The Fair Value of qualifying investments at 30 September 2011 was £11.3 million invested in 40 AIM companies and 3 unquoted companies. £5.05 million was held in a mix of cash, fixed income and other non-qualifying equities; more detail can be found in the Investment Manager's Report on page 7.

Dividend

An interim dividend of 2 pence was paid on 14 July 2011 (2010 – 2 pence).

A final dividend of 2 pence is proposed (2010 – 2 pence) which, subject to shareholder approval at the AGM will be paid on 23 January 2012, to ordinary shareholders on the register on 30 December 2011.

The directors have maintained a dividend policy of at least 5 per cent. of the year end NAV. Subject to market conditions they expect that this will continue.

Buybacks

We were pleased that we were able to maintain our policy of offering our shareholders an efficient exit route through the buyback scheme. In total, 1,256,460 Shares were purchased during the year at an average price of 60.19 pence per share.

Continuation Vote

At the forthcoming General Meeting a vote will be put to shareholders to decide whether or not to continue as a VCT. As referred to above we have been able to honour our intention at the outset to buy back shares from shareholders at a 10 per cent. discount. I believe all shareholders who so wished have been able to exit. If we wound up the fund it is unlikely that after all of the costs involved we would achieve a better result than this. Furthermore, in the current market the shares in our portfolio companies are significantly depressed and in most cases very illiquid. Therefore your board recommends that you vote in favour of the Continuation as they will be doing with their own shares (114,163 representing 0.43 per cent. of the Company)

New Joint Offer for Subscription of Ordinary Shares

On the 9 March 2011 a new joint offer for subscription of Ordinary Shares was opened to raise up to approximately £2.65 million, in aggregate, in New Ordinary Shares for Hargreave Hale AIM VCT 1 plc and Hargreave Hale AIM VCT 2 plc. The Offer has resulted in funds being received of £0.37 million and 0.54 million shares have been issued in respect of Hargreave Hale AIM VCT 1 plc. The offer closed on the 29 July 2011.

VCT Status

To maintain its VCT qualifying status we must invest at least 70 per cent. of the net funds raised in any one accounting period in qualifying investments within three years. At the yearend we have achieved 86.34 per cent. and have satisfied all the relevant tests.

Outlook

The major contributor to the recession of the 1930's was the collapse of banks which had a domino effect on other banks and the reduced supply of money massively slowed up the economy. If a major bank in Europe which are today considerably larger and have a much greater market share were allowed to default the knock on effect around the globe is too awful to contemplate.

It is clear in that certain countries, of which Greece is the prime example, are insolvent. Whilst strenuous efforts are being made to stop Greece defaulting there are good reasons to believe that at least in the medium term this will not succeed. However a great number of banks have massive exposure to sovereign debt and will need to be supported by their governments, always assuming they are able to raise money. In the face of this prospect almost all banks are

trying to reduce their levels of gearing either by raising more money which few are able to achieve or by reducing the size of their loan books. The effect of this is a slowing of economic growth.

The longer the European Union takes to make strong and effective action the closer Europe moves towards financial meltdown. Stock Markets reflect investor confidence which is affected by many influences. At the present time there are some huge uncertainties about sovereign and bank debt in Europe and the effect that that this will have on the Euro and this is causing a lack of investor confidence and a flight to perceived quality which hits the AIM market hardest.

Despite the extreme negative economic outlook, we believe that we have a well balanced mature portfolio of well funded companies which are well positioned to weather any further economic disruption. The Company maintains 25 per cent. of its NAV in cash or fixed income which may be used to exploit interesting investment opportunities which may arise out of economic adversity.

Sir Aubrey Brocklebank
Chairman

Date: 21 November 2011

BOARD OF DIRECTORS

Sir Aubrey Brocklebank (aged 59)

After qualifying as a chartered accountant Sir Aubrey Brocklebank worked for Guinness Mahon from 1981 to 1986, initially in its corporate finance department before assisting in the establishment of a specialist development capital department. From 1986 to 1990 he was a director of Venture Founders Limited, managing a £12 million venture capital fund, which had been raised to invest in early stage ventures. He managed the Avon Enterprise Fund (a venture capital fund of £4.5 million, investing in approximately 20 companies) from 1990 until all investments had been realised in 1997. He is on the board of two other VCTs, Downing Planned Exit VCT 2011 Plc as a non-executive director and Puma VCT 8 plc as chairman. He is, and has also been, a director of a number of companies, some of which are, or have been, quoted on AIM.

Giles Hargreave (aged 63)

Giles is the Chief Executive of Hargreave Hale Limited. After leaving Cambridge in 1969 Giles began his career as a trainee analyst with James Capel before moving to Management Agency and Music Plc as a private fund manager in 1974. In 1986 he founded Hargreave Investment Management, which was merged with Hargreave Hale & Co in 1988, Giles took over as the fund manager of a Special Situations Fund. He also manages a UK Micro Cap Fund and a UK Leading Companies Fund. Giles heads up Hargreave Hale's investment committee and chairs the weekly meetings in which the team reviews existing and potential investments.

David Brock (aged 61)

David was, until July 1997, a main board director of MFI Furniture Group plc and managing director of MFI International Limited having been involved at a senior level in both MFI's management buyout and its subsequent floatation. He started his career at Marks and Spencer Group plc. He is currently chairman of Episys Group Limited and Elderstreet VCT plc and non-executive director of Puma VCT 8 plc.

INVESTMENT MANAGER'S REPORT

Market Commentary

The US debt-ceiling negotiation, its subsequent downgrade, further deterioration in the European sovereign debt crisis and fears of a possible second credit crunch have weighed heavily on risky assets, particularly when viewed alongside the stream of global weak economic data and subsequent downgrades to economic forecasts. Inflationary pressures have begun to recede. This has enabled key central banks to adhere to loose monetary policy for an extended period, and in the case of the Bank of England, to start a new round of quantitative easing. The outlook remains uncertain.

Whilst the headline numbers for the Financial Year (FTSE 100 down 7.6%, AIM All-Share down 10.5%) don't make for pleasant reading, the reality was in fact far worse, with a peak to trough fall in the FTSE AIM All-Share Index of 32.3% (8 February 11 – 4 October 2011).

Investment Report

In the year to 30 September 2011, the NAV went from 62.67p to 61.14p. Allowing for the two dividends of 2 pence, and the total return improved by 2.47 pence per share (+3.9% year on year). For investors into the 2004/5 Ordinary Share issue, the total return increased from 81.67p to 84.14p. For investors that came into the 2005/6 Convertible Share issue, the total return increased from 87.07p to 90.13p.

We saw a marked increase in the amount of qualifying issuance and took the opportunity to refresh our portfolio of qualifying investments. All told, we made 9 qualifying investments: Corac (direct drive turbo machinery), Omega Diagnostics (medical diagnostics, follow up investment), IS E&P and IS NV (UK on share E&P), Sinclair IS Pharma (hospital medicines in critical care, neurology and oncology), Instem Life (software application for life sciences R&D), TMO (second generation bioethanol), Microsaic (mass spectrometry), Indeed (online property conveyancing service) and MyCelx (clean water technology). We disposed of holdings in four companies: Rotala, Photonstar, Energetix and Invu; whilst also losing Mount Engineering, CBG and Neutrahealth to cash bids. Sports Media went into administration. We ended the quarter with 43 qualifying investment and remained comfortably through the HMRC defined investment test with 86.9% qualifying.

Among the qualifying investments, Advanced Computer Software made good progress in the final quarter with a 20% increase in its share price following a reassuring interim update and news that its net debt had fallen from £34m to £10m. Craneware continues to trade well and delivered 34% revenue growth in its last set of accounts, along with some good contract wins; its share price has been more erratic but still delivered a 9% gain in the period. Intercede is another example of a good company that has been on something of a journey: it started the period at 40p, climbed to a high of 83p and then fell back to 50p after indicating that current year profits would be down year on year due to investment required to support future growth. The shares have subsequently recovered slightly in September and ended the period at 60p, a gain of 50% in the period. Animalcare was another strong performer with its shares moving from 90p to 160p. It hasn't all gone their way, however, and the shares slipped in the summer after a small profit downgrade on the news that one of the suppliers was withdrawing from the market. The shares have since recovered and remained close to their all-time high with company delivering good prelims and EPS up 31% as benefits of growing veterinary medicines portfolio come through.

We have continued with our strategy of non-qualifying equity investments. We have, however, gradually reduced our weighting to non-qualifying equities in anticipation of weaker markets, down from £1.53m to £0.73m (9.2% to 4.5%) this financial year. Our cash position increased from £1.09m to £1.20m (6.5% to 7.4%). Fixed income exposure was reduced from £4.15m to £3.12m (25.0% to 19.1%).

For further information please contact:

Stuart Brookes

Company Secretary

Hargreave Hale AIM VCT1 plc

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INVESTMENT PORTFOLIO SUMMARY

Ordinary Share Fund

As at 30 September 2011

	Book Cost	Valuation	Valuation
	£000	£000	%
Qualifying investments			
Abcam	100	1,088	7.18
Advanced Computer Software	400	953	6.29
Intercede	518	941	6.22
Animalcare Group plc	300	873	5.76
Craneware	150	692	4.57
Cohort	800	540	3.57
EKF	300	500	3.30
K3	270	480	3.17
Idox	150	440	2.91
Instem Life	297	374	2.47
Pressure Technologies	340	308	2.04
MyCelx	300	300	1.98
Brulines	387	292	1.93
Sinclair IS Pharma	350	288	1.90
In-Deed	234	246	1.62
Vertu	600	245	1.62
Microsaic	246	215	1.42
TMO	200	200	1.32
Egdon Resources	158	196	1.29
Mexican Grill A Prefs	185	185	1.22
Plastics Capital	250	175	1.16
Chime	220	167	1.10
Omega Diagnostics	150	156	1.03
Tasty	288	143	0.94
Richoux	365	139	0.92
Renuron	298	119	0.79
Tangent Comms	300	115	0.76
Keycom	300	113	0.74
Jelf	174	107	0.71
Corac	150	100	0.66
Universe	385	82	0.55
Advanced Power	148	80	0.53
Feedback	201	67	0.44
Progressive Digital	173	62	0.41
BGlobal	258	61	0.40
IS E&P/IS NV	100	100	0.66
Autoclenz	131	40	0.26
Maxima	251	36	0.24
Mexican Grill Ordinary	20	21	0.14
Infrastrata	46	15	0.10
Hardide	396	14	0.10
Invocas	169	12	0.08
Expansys	331	12	0.08
Infoserve	200	1	0.01
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Total qualifying investments	11,589	11,293	74.59

INVESTMENT PORTFOLIO SUMMARY (continued)

Non-Qualifying investments	Book Cost £000	Valuation £000	Valuation %
UK Treasury 2.25% 2014	978	1,038	6.86
UK Treasury 2.5% 2.16	504	593	3.91
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Total – UK gilts	1,482	1,631	10.77
Nationwide 3.75% 2011	1,018	1,004	6.63
Scot Amicable 8.5% 2049	256	248	1.64
Nationwide 7.971% 2049	242	234	1.55
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Total – UK corporate bonds	1,516	1,486	9.82
Brady	106	126	0.83
Prophotonix	110	118	0.78
Anglo Pacific	134	99	0.66
Skill P&L	100	59	0.39
Spectra System	58	54	0.36
Encore Oil	59	43	0.29
XP Power	60	42	0.28
OMG	61	37	0.25
In-Deed	34	35	0.23
Optare	103	34	0.22
OPG Power	51	32	0.21
Cap-XX	30	18	0.12
Acta Spa	94	12	0.08
Abcam	9	7	0.05
K3	4	3	0.02
Instem Life	2	2	0.01
Animalcare Group plc	2	2	0.01
Sinclair IS Pharma	2	1	0.01
Intercede	2	1	0.01
Idox	1	1	0.01
Egdon Resources	1	1	0.00
Microsaic	1	1	0.00
Corac	1	1	0.00
Tasty	2	1	0.00
Richoux	1	1	0.00
EKF**	0	0	0.00
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Total – non-qualifying equities	1,028	731	4.82
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Total – non-qualifying investments	4,026	3,848	25.41
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Total investments	15,615	15,141	100.00
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** These are actual holdings of less than £500.

TOP TEN INVESTMENTS

As at 30 September 2011

Each of the AIM investments is valued by reference to the bid price.

Abcam			362.5p
Investment date	October 2005	Preliminary results for year ended	June 2011
Equity held	0.17%	Turnover (£'000)	83,272
Av Purchase Price	36.2p	Profit before tax (£'000)	32,111
Cost (£'000)	109	Net assets (£'000)	73,920
Valuation (£'000)	1,095		

Abcam is a producer and distributor of high quality protein research tools. The proteins enable scientists to analyse components of living cells at the molecular level, which is essential to understanding health and disease. The Company produces and distributes its own and third party produced antibodies to academic and commercial users throughout the world. Product ordering is available through the Company's website where customers are also able to access up-to-date and detailed technical product data sheets.

Advanced Computer Software			40.5p
Investment date	July 2008	Preliminary results for year ended	February 2011
Equity held	0.66%	Turnover (£'m)	95.4
Av Purchase Price	17.0p	Profit before tax (£'m)	3.1
Cost (£'000)	400	Net assets (£'m)	84.6
Valuation (£'000)	953		

Advanced Computer Software Group plc is a supplier of software and IT services to the healthcare and commercial sectors with a primary focus on delivering high quality products and services to enable first class delivery of care in the community. Advanced additionally delivers back-office systems for NHS trusts, local authorities and care providers and is further strengthening its position in the health checks and pharmacy services markets. Working with partners in the NHS, local government and the private sector, Advanced delivers IT in support of safe and efficient care delivery and greater information for both the commissioner and care provider. The company offers a range of integrated health and care solutions from patient-facing IT systems through to back-end operational systems and services. Advanced is also a leading supplier of software and IT services to the commercial sector, which represents 35% of the company's revenues.

Intercede			60p
Investment date	May 2007	Audited results for year ended	March 2011
Equity held	3.25%	Turnover (£'000)	6,872
Av Purchase Price	33.1p	Profit before tax (£'000)	2,005
Cost (£'000)	520	Net Assets (£'000)	5,191
Valuation (£'000)	942		

Intercede is the producer of the MyID® Identity and Credential Management System. MyID is the only IDCMS software product that enables organisations to easily and securely manage the identities of people and their associated identity credentials within a single, integrated, workflow driven platform. This includes enabling and managing: secure registration, biometric capture, application vetting and approval through to smart card personalisation, issuance and management.

Animalcare Group plc			160.0p
Investment date	December 2007	Preliminary results for year ended	June 2011
Equity held	2.68%	Turnover (£'000)	11,825
Av Purchase Price	55.2p	Profit before tax (£'000)	2,885
Cost (£'000)	302	Net assets (£'000)	15,789
Valuation (£'000)	875		

Animalcare is a leading supplier of generic veterinary medicines and animal identification products to companion animal veterinary markets. It develops and sells goods and services to veterinary professionals principally for use in companion animals; operating directly in the UK and through distribution and development partners in key markets in Western Europe. Its principle product lines are licensed veterinary medicines and companion animal identification products and services.

Craneware			590.0p
Investment date	September 2007	Audited results for year ended	June 2011
Equity held	0.43%	Turnover (\$'000)	38,124
Av Purchase Price	128.0p	Profit before tax (\$'000)	8,653
Cost (£'000)	150	Net assets (\$'000)	32,405
Valuation (£'000)	692		

Craneware is a leader in automated revenue integrity solutions that improve financial performance for healthcare organisations. Craneware's SAAS solutions help hospitals and other healthcare providers more effectively price, charge, code and retain earned revenue for patient care services and supplies. This optimises reimbursement, increases operational efficiency and minimises compliance risk.

Cohort			88.0p
Investment date	February 2006	Audited results for year ended	April 2011
Equity held	1.51%	Turnover (£'000)	65,135
Purchase Price	130.2p	Profit before tax (£'000)	2,696
Cost (£'000)	800	Net Assets (£'000)	48,255
Valuation (£'000)	540		

Cohort is the parent company of three well established, wholly owned subsidiaries providing a wide range of services and products for UK and international customers. Mass designs, manufactures and supports electronic systems and software, and provides specialist services and training. SCS specialises in providing advice and support based on sound technical knowledge coupled with experience of its practical application. SEA delivers systems engineering, software and electronic engineering services and solutions, including specialist design and manufacture.

EKF			25.0p
Investment date	June 2010	Unaudited results for six months to	June 2011
Equity held	0.80%	Turnover (£'000)	7,380
Av Purchase Price	15.0p	Profit before tax (£'000)	-1,552
Cost (£'000)	300	Net assets (£'000)	35,740
Valuation (£'000)	500		

The EKF Group is a worldwide manufacturer of point of care equipment for the measurement of glucose, lactate, haemoglobin, hematocrit and glycated haemoglobin (HbA1c). The range of blood analysers are simple to use and designed to quickly deliver accurate results to aid the diagnosis of anemia, diabetes and associated conditions. EFK analysers are used in more than 70 countries by healthcare professionals in blood banks, GP surgeries, diabetes clinics, pharmacies, hospitals, sports medicine and laboratories.

K3			160.0p
Investment date	September 2005	Audited results for year ended	June 2011
Equity held	1.06%	Turnover (£'000)	52,800
Purchase Price	90.8p	Profit before tax (£'000)	4,908
Cost (£'000)	274	Net assets (£'000)	37,242
Valuation (£'000)	483		

K3 supplies integrated business systems encompassing Enterprise Resource Planning (ERP) software, Customer Relationship Management (CRM) software, Business Intelligence and e-commerce, hosting and managed services to the supply chain industry. Focused on the Retail, Manufacturing and Distribution markets, the company supports more than 3,000 customers in over 20 countries.

Idox			22.0p
Investment date	May 2007	Unaudited results for six months to	April 2011
Equity held	0.58%	Turnover (£'000)	18,108
Purchase Price	7.5p	Profit before tax (£'000)	1,971
Cost (£'000)	151	Net assets (£'000)	32,057
Valuation (£'000)	441		

Idox is a developer and supplier of software solutions and information services to UK local government. Business consists three divisions: Information Solutions, Software & Managed Services and TFPL Intelligent Resources. The Idox Group provides information management, web development and online publishing products to clients across the public, private and charitable sectors. It also provides software solutions and information services to the public sector and is the leading applications provider to local government for core functions relating to land, people and property.

Instem Life			220.0p
Investment date	October 2010	Unaudited results for six months to	June 2011
Equity held	1.46%	Turnover (£'000)	4,893
Purchase Price	175.3p	Profit before tax (£'000)	294
Cost (£'000)	299	Net assets (£'000)	4,744
Valuation (£'000)	376		

Instem is a supplier of IT applications to the global early development healthcare market. The Group is focused on the early development sector of the drug and chemical research and development industry, from late discovery and lead optimisation through to the Phase 1 clinical evaluation stage. Instem's Early Development Applications (EDA's) are used in evaluation studies to: collect, analyse and report complex scientific data; comply with regulatory reporting requirements; improve quality, consistency and efficiency of information reporting; and reduce the time of critical path R&D activities. Instem's solutions are supplied to an international blue chip customer base including Astrogeneca and GSK.

Co-Investment

As at 30 September 2011, other funds managed by Hargreave Hale Limited were also invested in 39 of the investments - Abcam, Acta Spa, Advanced Computer Software, Anglo Pacific, Animalcare Group plc, Brady, Cap-XX, Chime Communications, Cohort, Corac, Craneware, Egdon Resources, EKF Diagnostics, Encore Oil, Expansys, In-Deed, Infrastrata, I-Dox, Instem Life, K3, Jelf Group, Maxima Holdings, MyCelx, OMG, Omega Diagnostics, OPG Power, Optare, Plastics Capital, Pressure Technologies, ProPhotonix, Reneuron, Richoux, Sinclair IS Pharma, Skill P&L, Spectra Systems, Tangent Communications, Tasty, Vertu Motors and XP Power.

DIRECTORS' REPORT

For the year end 30 September 2011

The Directors present their report together with the audited financial statements of the Company for the year from 1 October 2010 to 30 September 2011.

The Company was incorporated and registered in England and Wales on 16 August 2004 under the Companies Act 1985, registered number 5206425.

Principal Activity and Status

The Company has been approved by HMRC under section 259 of the Income Taxes Act 2007, as a Venture Capital Trust. The shares of the Company were first admitted to the Official List of the UK Listing Authority and trading on the London Stock Exchange on 29 October 2004.

On 23 May 2006, the Company revoked its investment company status to facilitate the payment of dividends out of capital profits.

The Company's principal activity is to invest in a diversified portfolio of qualifying small capitalised UK based companies, primarily trading on AIM, with a view to maximise tax free dividend distributions to shareholders.

The Directors have managed and continue to manage the Company's affairs in such a manner as to comply with Section 259 of the Income Taxes Act 2007.

Business Review

A review of the Company's business during the year and consideration of its future development and prospects are contained in the Chairman's Statement and Investment Manager's Report. The financial position of the Company at 30 September 2011 was strong with no debt or gearing.

Key Performance Indicators

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives. The key performance indicators (KPIs) are established industry measures and are as follows:

- Net asset value
- Total return
- Discount to net asset value
- Earnings and Dividend per share

In addition to the above, the Board considers peer group comparative performance. Performance is also measured against the Company's closest benchmark, The FTSE AIM All-share Index. The performance measures for the year are included in the Financial Highlights on page 3.

Principal Risks and Uncertainties

The principal risks facing the Company relate to the Company's investment activities and include market price, interest rate and liquidity. An explanation of these risks and how they are managed is contained in note 17 to the accounts. Additional risks faced by the Company, together with the mitigation approach, are as follows:

- i. Discount volatility – venture capital trust shares tend to trade at discounts to their underlying net assets values, which can fluctuate considerably. To minimise the impact of such fluctuations, the Company set up a share buyback policy during the year where the Company purchases shares for cancellation.
- ii. Regulatory risk – the Company operates in a complex regulatory environment and faces a number of related risks. A breach of section 259 of the Income Taxes Act 2007 could result in the Company being subject to capital gains tax on the sale of its investments. The Board receives a half yearly compliance report prepared by PricewaterhouseCoopers LLP to monitor compliance with regulations.

Revenue and Dividends

The revenue loss after tax for the year amounted to £66,000 (2010 – £18,000 gain). An interim ordinary dividend of 2 pence per Ordinary share was paid on 14 July 2011 (2010 – 2 pence per share). The final dividend of 2 pence per share for the year ended 30 September 2011 is due to be paid on 23 January 2012 (2010 – 2 pence per share).

Share Valuation

On 30 September 2011, the bid-market price and the net asset value per ordinary share were 53 pence and 61.14 pence respectively.

Management

Hargreave Hale Limited manages the Company's investments. The principal terms of the Company's agreement with Hargreave Hale Limited are set out in Note 3 to the Financial Statements.

The Investment Manager's remuneration was agreed at the time of the launch of the Company. On 15 December the Company entered into a deed of variation to increase the annual management fee payable to the Investment Manager from 0.9% to 1.5% per annum, starting from 1 October 2010 and coinciding with the termination of obligations with KIS (Keydata Investment Services) on 29 September 2010. In exchange Hargreave Hale Limited has agreed to provide an indemnity to cap the annual running costs of the Company from 1 October 2010 at 3.5% per annum (Actual Costs amounted to 2.79% for the period from 1 October 2010 to 30 September 2011) of the Net Asset Value (such costs excluding VAT, any Performance Incentive Fee and any trail commissions the payment of which is the responsibility of the Company) and cover any excess.

The initial appointment of the Investment Manager was for a period of three years and the appointment may be terminated by either party on giving one year's notice. The Directors review the Investment Manager's performance at each Board Meeting through review of the Investment Report.

Hargreave Hale Limited is to provide to the Company, administration services, custody services, company secretarial services and directorship of Giles Hargreave.

Capital Structure

The Company's capital structure is summarised on the inside front cover of this report.

Voting Rights in the Company's shares

Details in the voting rights in the Company's shares as at the date of this report are given in Note 2 to the Notice of AGM on page 44.

VCT Status Monitoring

The Company has retained PricewaterhouseCoopers LLP as advisors on, inter alia, compliance with legislative requirements. The Directors monitor the Company's VCT status through regular reports from PricewaterhouseCoopers LLP.

Substantial Holdings in the Company

At 30 September 2011, there were 2 holdings of 3% and over of the Company's ordinary share capital. These holdings related to the treasury shares and Hargreave Hale Nominees Limited and as at 30 September 2011 were 9.22% and 4.06% respectively.

Directors

The present Directors are listed below.

Directors' Interests

The beneficial interests of Directors of the Company in the share capital are shown below:

	Ordinary Shares	
	2011	2010
Sir Aubrey Brocklebank	5,000	5,000
Giles Hargreave	109,163	109,163
David Brock	-	-

There have been no changes to the beneficial interests of Directors between 30 September 2011 and the date of this report.

Share Buybacks

During the year, the Company repurchased 1,256,460 ordinary shares (nominal value £12,565) at a cost of £756,266. The shares repurchased represent 4.76% of ordinary shares in issue on 1 October 2010. All shares repurchased were cancelled.

The buyback scheme as detailed in the prospectus is offered to shareholders as a means to provide an opportunity for shareholders to sell their shares back to the Company through the buyback scheme if an exit route is desired.

Shares Issued

During the year, the Company issued 1,398,026 1 pence ordinary shares (nominal value £13,980) in a joint offer for subscription which resulted in funds being received of £988,500 from subscriptions of which 5% (£49,425) was payable to Hargreave Hale Limited to cover the cost of additional shares allotted from commission re-invested of £14,940, initial commission of £21,310 and trail commission of £4,703, resulting in fees payable to Hargreave Hale Limited of £8,472.

The joint offer for subscription of ordinary shares opened on 20 March 2010 and closed on 8 March 2011.

Post Balance Sheet Events

The Company had no material post balance sheet events to report.

Directors' and Officers' Liability Insurance

All Directors and officers benefit from qualifying third party indemnity insurance cover.

Disclosable Interests

No Director is under contract of service with the Company and, other than as disclosed in Note 16, no contract existed during or at the end of the year in which any Director was materially interested and which was significant in relation to the Company's business.

Financial Instruments

The Company's financial instruments and principal risks are disclosed in Note 17 to the accounts.

Supplier Payment Policy

It is the Company's policy to obtain the best terms for all business and to abide by those agreed terms. It is the Company's policy to settle all investment transactions according to settlement periods operating for the relevant markets. The majority of transactions undertaken for services provided and goods received are payable on standard terms. The supplier payments due are settled on due date. The average time recorded to pay creditors in the year was 11 days (2010 – 17 days).

Charitable and Political Donations

The Company made no charitable or political donations in the year (2010 - nil).

Auditors

A resolution proposing the reappointment of BDO LLP as auditors to the Company and authorising the Directors to determine their remuneration will be put at the forthcoming AGM.

The Directors who held office at the date of approval of this Director's Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information, and to establish that the Company's auditors are aware of that information.

Annual General Meeting

The Notice of AGM to be held on 20 December 2011 is set out on page 41.

At the AGM there is one non-routine item of business:

Resolution 8, if passed, will renew the Directors' authority to purchase (for cancellation) up to 14.99% of the issued ordinary share capital as at the date of this report.

By order of the Board

STUART BROOKES
Company Secretary

Registered office:
Hargreave Hale AIM VCT1 plc,
19 Cavendish Square,
London W1A 2AW

Date: 21 November 2011

DIRECTORS' REMUNERATION REPORT

For the year ended 30 September 2011

The Board presents this Report which has been prepared in accordance with the requirements of The Companies Act 2006 and Statutory Instrument 2008/410. An ordinary resolution for the approval of this report will be put to the shareholders at the AGM.

Your Company's auditors are required to audit certain disclosures provided in this Report. Where disclosures have been audited, they are indicated in this Report. The auditors' opinion is included in their report on pages 23 and 24.

Remuneration Responsibilities

The Board has resolved that a remuneration committee is not appropriate for a Company of this size and nature. Remuneration is part of the Board's responsibilities, to be addressed regularly.

The Board consists solely of non-executive Directors. All are considered independent with the exception of Mr Giles Hargreave who is Chief Executive of Hargreave Hale Limited and is not therefore independent.

Policy on Directors' Remuneration

The Company has no employees, so the Board's policy is that the remuneration of Directors should be fair and reasonable in relation to the time committed and responsibilities of the Directors and in line with the remuneration paid by other listed venture capital trusts and investment trusts. The Board aims to review Directors' remuneration from time to time. There have been no increases since the fund was established.

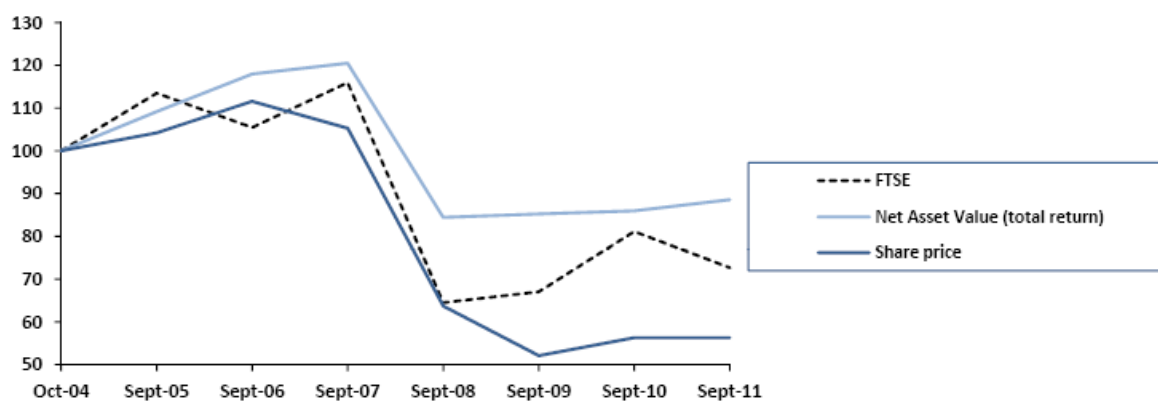
Fees for the Directors are determined by the Board within the limits stated in the Company's Articles of Association. The maximum permitted by the Company's Articles of Association is £200,000 per annum. The Directors are not eligible for bonuses, pension benefits, share options or other incentives or benefits.

Directors' Service Contracts

It is the Board's policy that none of the Directors has a service contract. Each of the Directors has entered into an agreement with the Company when appointed. Sir Aubrey Brocklebank was appointed on 10 September 2004, Giles Hargreave who was appointed on 12 August 2009 when an agreement was made with Hargreave Hale Limited to provide the directorship service and David Brock was appointed on 28 September 2010. The terms of appointment provide that a Director shall retire and be subject to re-election at the first annual general meeting after appointment and at least every three years thereafter. In accordance with listing rule 15.2.13A Giles Hargreave shall retire and be subject to re-election on an annual basis as he is a Director of the VCT and the manager. Either party can terminate the agreement by giving to the other at least 3 months notice in writing.

Your Company's Performance

The Company was incorporated on 16 August 2004 and commenced trading on 29 October 2004. The performance chart below charts the Company's Ordinary share NAV (total return) and share price from Admission of shares to listing on 29 October 2004 to 30 September 2011 (rebased to 100 at 29 October 2004) compared to the total return of a notional investment in the FTSE AIM All-share Index over the same period. The graph has been plotted at intervals of 12 months. This index was chosen for comparison purposes as it represents a comparable broad equity market index for AIM quoted small companies (the target investment class for the VCT).



Directors' Emoluments for the Year (audited)

The Directors who served during the year received the following emoluments:

	2011	2010
	£	£
Sir Aubrey Brocklebank Bt (Chairman)	18,000	18,000
Giles Hargreave	15,000	15,000
David Brock	15,000	-
	-----	-----
Total	48,000	33,000
	-----	-----

The Directors fees have not increased in the year.

Approval

The Directors' Remuneration Report on pages 16 and 17 was approved by the Board of Directors on 21 November 2011.

Signed on behalf of the Board of Directors

Sir Aubrey Brocklebank
Chairman

CORPORATE GOVERNANCE

Director's Statement of Compliance with the UK Corporate Governance Code on Corporate Governance ("the Code").

The Principles

The Board has put in place arrangements which it considers appropriate for a VCT to ensure proper corporate governance.

During the year under review, the Board considers that the Company has complied with the recommendations of the Code except as disclosed below.

The Board comprises three Directors, all of whom are non-executive and all of whom are considered independent of the Investment Manager with the exception of Mr Giles Hargreave. Mr Giles Hargreave is Chief Executive of Hargreave Hale Limited and is not therefore independent of the Investment Manager.

The Directors have a range of business, financial and asset management skills and experiences relevant to the direction and control of the Company. Brief biographical details of the members of the Board are shown on Page 6.

The Chairman is Sir Aubrey Brocklebank, a non-executive Director, who has no conflicting relationships. Since all Directors are non-executive and day to day management responsibilities are sub-contracted to the Investment Manager and Administrator, the Company does not have a Chief Executive Officer, as the roles are already effectively separated.

The Administrator ensures the Directors have timely access to all relevant management, financial and regulatory information to enable informed decisions to be made. The Board meets on a regular basis at least four times each year and additional meetings are arranged as necessary. Regular contact is maintained between the Investment Manager and the Board outside of formal meetings.

Board meetings follow a formal agenda, which includes a review of investment portfolio with a report from the Investment Manager on the current investment position and outlook, strategic direction, performance against stock market indices and the Company's peer group, cash management, revenue forecasts for the financial year, marketing and shareholder relations, corporate governance and industry and other issues.

Due to the size of the Board, the Board has not set up a separate nomination and remuneration committees (as required by Code B.2.1 and D2.1 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 A.4.1) as the Chairman performs the role.

Board Responsibilities

The Directors have adopted a formal schedule of matters reserved for the Board that cannot be delegated to a committee or to any other party. These reserved matters include approval of annual and half yearly reports and accounts, circulars and other shareholder communications, appointment and removal of Board members and Officers of the Company, changes to the Company's objectives and accounting policies, and the use of gearing for investment purposes.

The Directors have delegated to the Investment Manager responsibility for the day to day investment management decisions of the Company. The provision of administration and custodian services has been delegated to Hargreave Hale Limited.

Company Secretary

The Board has direct access to the Company Secretary who is responsible for ensuring that the Board procedures are followed. The Company Secretary is also responsible for ensuring the timely delivery of information and reports and that the statutory obligations of the Company are met.

Nomination Responsibilities

All nomination responsibilities are carried out by the Board. These responsibilities include reviewing the size, structure and skills of the Board and considering any changes necessary or new appointments. No Director has a contract of employment with the Company.

The Articles of Association require that each Director retires and stands for election at the Company's first AGM and then retires at an AGM every three years after appointment or (as the case may be) last reappointment, and may offer himself for re-election. No Director serves a term of more than three years before re-election.

Giles Hargreave is required to stand for election at this year's AGM. The Chairman confirms that the performance of all Directors continues to be effective and demonstrates commitment to their respective roles.

The Articles of Association of the Company and the Directors' letter of appointment will be available at the AGM and can be inspected at the Registered Office of the Company.

Directors' Induction

On appointment to the Board Directors are fully briefed as to their responsibilities and are kept regularly informed of industry and regulatory developments.

The Board has formalised arrangements under which the Directors in the furtherance of their duties, may seek independent professional advice at the expense of the Company. The Company also maintains Directors and officers liability insurance to cover legal expenses.

Directors' Remuneration

The board as a whole reviews Directors' remuneration on a regular basis. Details of the Company's policy on Directors' remuneration and of payments to Directors are given in the Directors' Remuneration Report on pages 16 and 17.

Accountability and Audit

The Directors' responsibilities for the Company's accounting records and financial statements are set out on page 22. The Auditors' Report appears on pages 23 and 24.

Performance Appraisal

The Directors recognise the importance of the Code (Code B.6) in terms of evaluating the performance of the Board as a whole and the individual Directors. As the Directors of the Company are non-executive their role is to ensure that the company is managed by the Investment Manager and Administrator to the best of their ability and make changes to the management if they are not acting in the best interests of the shareholders. The Directors' role is to review the performance of the management and ensure this is the case. The Directors' performance is reviewed on an ongoing basis by the Board on attendance to Board meetings, input at the Board meetings and ability to continue in their role as a non-executive director of the Company. This is formalised in the retirement process as detailed in the Articles of Association where each director retires every 3 years and stands for re-election by the shareholders at the AGM.

The Company circulates an Annual Board Evaluation Questionnaire for each Director to complete covering performance appraisal of the Board, the Chairman and Directors'. The questionnaires were completed during the year and on review the Board is satisfied with the results and finds that the Board, Chairman and Directors are suitably qualified to undertake their responsibilities and perform their duties in respect of managing the Company.

Audit Committee

Formation of an audit committee was approved at the Board Meeting on 10 February 2011. The Committee consists of two members appointed by the Board, these members are David Brock (Chairman) and Aubrey Brocklebank. The Terms of Reference for the Committee setting out roles and responsibilities (Code C.3.2) were approved at the Board Meeting on 10 February 2011. No audit committee meetings have been held to date. The responsibilities of the Committee are as follows:-

- To review, and challenge where necessary, the actions and judgements of management in relation to the company's financial statements, interim reports, preliminary announcements and related formal statements before submission to, and approval by, the board, and before clearance by the auditors. Particular attention should be paid to:
 - Critical accounting policies and practices, and any changes in them;
 - The clarity of disclosures;
 - Compliance with accounting standards; and
 - Compliance with stock exchange and other legal requirements
- To review effectiveness of the systems for internal financial control;
- To monitor the integrity of the company's internal financial controls;
- To review the effectiveness of payment authorisation controls;
- To monitor the integrity of safe custody arrangements;
- To consider annually whether there is a need for an internal audit function where no such function exists;
- To oversee the company's relations with the external auditor;
- To consider, and make recommendations on the appointment, reappointment and removal of the external auditor;

- To assess the effectiveness and independence of the external auditors annually;
- To consider recommendations raised by the external auditors in their management letters; and
- To consider other topics, as defined by the board.

Internal Financial and Non-Financial Controls

The Directors acknowledge that they are responsible for the Company's systems of internal financial and non-financial controls, which have been in place throughout the year. The controls are operating effectively and continue to be in place up to the date of this report.

The effectiveness of the Company's operations are reviewed annually by the Board and accords with the guidance set out in the Turnbull Report. In particular, it has reviewed the process for identifying and evaluating the significant risks affecting the Company and the policies and procedures by which these risks are managed.

A detailed risk map has been prepared which identifies the significant risks faced by the Company and the key controls to manage these risks. This ensures that consideration is given regularly to the nature and extent of the risks facing the Company and that they are being actively monitored. Where changes in risk have been identified during the year they also provide a mechanism to assess whether further action is required to manage the risks identified.

Since Investment management, custody of assets and all administrative services are provided by a third party, the Company's system of internal control also includes the monitoring of services provided by the third party, including the operational controls maintained by them, to ensure they meet the Company's objectives.

Since appointment of Hargreave Hale Limited as Administrators the method of controlling company payments has changed. All Directors and the Company Secretary are authorised signatories, with cheques to be signed by two independent signatories. These being Sir Aubrey Brocklebank, David Brock and either Giles Hargreave or Stuart Brookes to ensure payments are authorised by two independent persons as Giles and Stuart are not independent.

The control systems have been designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage, rather than eliminate, risk of failure to achieve business objectives.

Internal Audit Function

The Company does not have an internal audit function. All of the Company's Management functions (investment management, custody and administration) are performed by Hargreave Hale Limited and are segregated by department and location. The internal controls of Hargreave Hale Limited are reviewed and approved by the Board. It is therefore felt that there is no need for the Company to have an internal audit function, however, this will be reviewed annually.

Auditors' Non-Audit Service

During the year no fees were paid for non-audit services (2010 - £nil).

Attendance at Board Meetings

All the Directors are considered to have a good attendance record at Board meetings of the Company. The following table sets out the number of formal Board meetings held during the year under review and the number of meetings attended by each Director.

	Ordinary Business	
	No of Board Meetings	
	Held	Attended
Sir Aubrey Brocklebank Bt (Chairman)	4	4
Giles Hargreave	4	4
David Brock (appointed 28 September 2010)	4	4
	Fundraising and Share Allotments	
	No of Board Meetings	
	Held	Attended
Sir Aubrey Brocklebank Bt (Chairman)	6	6
Giles Hargreave	6	5
David Brock (appointed 28 September 2010)	6	2

Relations with Shareholders

Shareholder relations are given high priority by the Board. The prime medium by which the Company communicates with shareholders is through the interim and Annual Report and Accounts, which aim to provide shareholders with a full understanding of the Company's activities and its results. This information is supplemented by the weekly calculation of the net asset value of the Company's ordinary shares, which is published via the Stock Exchange and on our website at <http://www.hargreave-hale.co.uk/fund-management/venture-capital-trusts/hargreave-hale-aim-vct-1/share-price-and-nav/>. Shareholders have the opportunity to communicate directly with the Board at the AGM. All shareholders are encouraged to attend the AGM.

Going Concern

After making enquires, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Approved on behalf of the Board of Directors

Sir Aubrey Brocklebank Bt

Chairman

Date: 21 November 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In respect of the financial statements

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the financial statements and have elected to prepare the Company's financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for the company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare a Directors' report and Directors' remuneration report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' responsibility statement pursuant to DT4

The Directors confirm to the best of their knowledge:

- The financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company.
- The annual report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that it faces.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

INDEPENDENT AUDITORS' REPORT

To the members of Hargreave Hale AIM VCT1 plc

We have audited the financial statements of Hargreave Hale AIM VCT1 Plc for the year ended 30 September 2011 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Reconciliation of Movement in Shareholders' Funds and the related notes. The financial reporting framework that has been applied in the preparation of the company's financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 30 September 2011 and of the company's profit for the year then ended;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the information given in the Corporate Governance Statement set out on pages 18 to 21 of the annual report with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 21, in relation to going concern;
- the part of the corporate governance statement relating to the company's compliance with the seven provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Neil Fung-On (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

Date: 21 November 2011

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

INCOME STATEMENT

For the year ended 30 September 2011

	Note	Revenue £000	Capital £000	Total £000
Net gain on investments held at fair value through profit or loss	7	-	809	809
Income	2	279	-	279
		-----	-----	-----
		279	809	1,088
		-----	-----	-----
Management fee	3	(65)	(196)	(261)
Other expenses	4	(280)	-	(280)
		-----	-----	-----
		(345)	(196)	(541)
		-----	-----	-----
(Loss)/Profit on ordinary activities before taxation		(66)	613	547
Taxation	5	-	-	-
		-----	-----	-----
(Loss)/Profit after taxation		(66)	613	547
		-----	-----	-----
(Loss)/Profit per share (pence)	6	(0.25)	2.31	2.06
		-----	-----	-----

INCOME STATEMENT

For the year ended 30 September 2010

	Note	Revenue £000	Capital £000	Total £000
Net gain on investments held at fair value through profit or loss	7	-	165	165
Income	2	296	-	296
		-----	-----	-----
		296	165	461
		-----	-----	-----
Management fee	3	(36)	(110)	(146)
Other expenses	4	(242)	-	(242)
		-----	-----	-----
		(278)	(110)	(388)
		-----	-----	-----
(Loss)/Profit on ordinary activities before taxation		18	55	73
Taxation	5	-	-	-
		-----	-----	-----
(Loss)/Profit after taxation		18	55	73
		-----	-----	-----
(Loss)/Profit per share (pence)	6	0.07	0.21	0.28
		-----	-----	-----

The total column of these statements is the income statement of the Company. All revenue and capital items in the above statement derive from continuing operations. There are no recognised gains or losses other than the profit for the year.

The accompanying notes are an integral part of these financial statements.

BALANCE SHEET

Company registration number: 5206425

As at 30 September 2011

(in England and Wales)

	Note	2011 £000	2010 £000
Fixed assets			
Investments at fair value through profit or loss	7	15,141	15,530
		-----	-----
Current assets			
Debtors	9	52	94
Cash at bank	12	1,202	1,088
		-----	-----
		1,254	1,182
Creditors: amounts falling due within one year	10	(161)	(160)
		-----	-----
Net current assets		1,093	1,022
		-----	-----
Net assets		16,234	16,552
		-----	-----
Capital and Reserves			
Called up share capital	11	292	291
Special reserve		18,632	21,263
Capital reserve – realised		(4,882)	(3,637)
Capital reserve – unrealised		(454)	(2,312)
Revenue reserve		119	185
Share Premium		1,752	-
Capital redemption reserve		775	762
		-----	-----
Equity shareholders' funds		16,234	16,552
		-----	-----
Net asset value per share	13	61.14p	62.67p

These financial statements were approved and authorised for issue by the Board of Directors on 21 November 2011 and signed on its behalf by

Sir Aubrey Brocklebank Bt
Chairman

The accompanying notes are an integral part of these financial statements.

CASH FLOW STATEMENT

For the year ending 30 September 2011

	Note	2011	2010
		£000	£000
Net cash (outflow)/inflow from operating activities	15	(219)	(60)
Net financial investment	15	1,198	714
Dividends paid	18	(1,063)	(537)
		-----	-----
Cash (outflow)/inflow before management of liquid resources		(84)	117
Financing	15	198	(88)
		-----	-----
Increase/(Decrease) in cash	12	114	29
		-----	-----

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

For the year ending 30 September 2011

	Share Capital £000	Capital Redemption Reserve £000	Capital Reserve Realised £000	Capital Reserve Unrealised £000	Special Reserve £000	Share Premium £000	Revenue Reserve £000	Total £000
At 1 October 2010	291	762	(3,637)	(2,312)	21,263	-	185	16,552
Transfer for Share Subscriptions**	-	-	-	-	(812)	812	-	-
Share buybacks	(13)	13	-	-	(756)	-	-	(756)
Subscriptions	14	-	-	-	-	940	-	954
Equity dividends paid (Note 18)	-	-	-	-	(1,063)	-	-	(1,063)
Realised losses on investments	-	-	(1,049)	-	-	-	-	(1,049)
Unrealised gains on investments	-	-	-	1,858	-	-	-	1,858
Management fee charged to capital	-	-	(196)	-	-	-	-	(196)
Revenue loss after taxation for the year	-	-	-	-	-	-	(66)	(66)
Total profit after taxation	-	-	(1,245)	1,858	-	-	(66)	547
	-----	-----	-----	-----	-----	-----	-----	-----
At 30 September 2011	292	775	(4,882)	(454)	18,632	1,752	119	16,234
	-----	-----	-----	-----	-----	-----	-----	-----

Reserves available for distribution are capital reserve realised, special reserve and revenue reserve.

**The transfer represents the premium of subscriptions made in 2010 that were originally recorded in the special reserve.

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

For the year ending 30 September 2010

	Share Capital £000	Capital Redemption Reserve £000	Capital Reserve Realised £000	Capital Reserve Unrealised £000	Special Reserve £000	Revenue Reserve £000	Total £000
At 1 October 2009	294	746	(2,871)	(3,133)	21,901	167	17,104
Share buybacks	(16)	16	-	-	(913)	-	(913)
Subscriptions	13	-	-	-	812	-	825
Equity dividends paid (Note 18)	-	-	-	-	(537)	-	(537)
Realised losses on investments	-	-	(656)	-	-	-	(656)
Unrealised gains on investments	-	-	-	821	-	-	821
Management fee charged to capital	-	-	(110)	-	-	-	(110)
Revenue gain after taxation for the year	-	-	-	-	-	18	18
Total profit after taxation	-	-	(766)	821	-	18	73
At 30 September 2010	291	762	(3,637)	(2,312)	21,263	185	16,552

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below:

Basis of preparation

The financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments, and in accordance with UK GAAP and with the Statement of Recommended Practice (SORP) for “Financial Statements of Investment Trust Companies” issued in January 2009.

Investments

Listed investments and investments traded on AIM are stated at closing bid market prices. Investments are recognised and derecognised at trade date where a purchase or sale is under a contract whose terms require delivery within the time frame established by the market concerned, and are measured initially at fair value. Subsequent to initial recognition, investments are valued at fair value which is deemed to be bid market prices.

Gains and losses arising from changes in fair value (realised and unrealised) are included in the net profit or loss for the period as a capital item in the Income Statement and are ultimately recognised in the unrealised capital reserve or realised capital reserve (as appropriate).

Determining fair value

Where the classification of a financial instrument requires it to be stated at fair value, this is determined by reference to the quoted bid price in an active market wherever possible. Where no such active market exists for the particular asset or liability, the Company uses a valuation technique to arrive at the fair value, including the use of prices obtained in recent arms length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants. The fair value of such assets or liabilities will be reviewed on a 6 monthly basis and more frequently if events occur that could have a material impact on the investment. All inputs are market observable (with the exception of level 3 financial instruments note 7).

Income

Equity dividends are taken into account on the ex-dividend date, net of any associated tax credit. Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis so as to reflect the effective yield, provided there is no reasonable doubt that payment will be received in due course. All other income, including deposit interest receivable, is recognised on an accruals basis.

Expenditure

All expenditure is accounted for on an accruals basis. 75% of investment management fees are allocated to the capital reserve – realised and 25% to the revenue account in line with the Board’s expected long term split of investment returns in the form of capital gains to the capital column of the Income statement. All other expenditure is charged to the revenue account.

Capital Reserves

Realised profits and losses on the disposal of investments, losses realised on investments considered to be permanently impaired and 75% of Investment Management fees are accounted for in the Capital Reserve – realised.

Increases and decreases in the valuation of investments held at the year end are accounted for in the Capital Reserve – unrealised.

1. Accounting Policies (continued)

Taxation

The tax effect of expenditure is allocated between capital and revenue on the same basis as the particular item to which it relates, using the Company's effective rate of tax for the accounting year. Any liability to corporation tax is based on net revenue for the year.

Dividends

Only dividends paid during the year are deducted from revenue or capital reserves. Dividends which are declared subsequent to the balance sheet date will not be shown as a liability in the balance sheet.

Functional Currency

In accordance with FRS 23: 'The Effects of Changes in Foreign Currency', the Company is required to nominate a functional currency, being the currency in which the Company predominantly operates. The Board has determined that sterling is the Company's functional currency. Sterling is also the currency in which these accounts are presented.

Repurchase of shares to hold in Treasury

The cost of repurchasing shares into Treasury, including the related stamp duty and transaction costs is charged to capital reserves and dealt with in The Reconciliation of Movements in Shareholder's Funds. Share repurchase transactions are accounted for on a trade date basis. Where shares held in Treasury are subsequently cancelled, the nominal value of those shares is transferred out of share capital and into capital redemption reserve.

Should shares held in Treasury be reissued, the sale proceeds will be treated as a realised profit up to the amount of the purchase price of those shares and will be transferred to capital reserves. The excess of the sale proceeds over the purchase price will be transferred to share premium.

2. Income

	2011 £000	2010 £000
Income from investments:		
UK dividends	151	148
Unfranked investment income	119	143
	-----	-----
	270	291
Other income:		
Deposit interest	9	5
	-----	-----
Total income	279	296
	-----	-----

3. Management Fees

Ordinary Shares	2011 Revenue £000	2011 Capital £000	2011 Total £000	2010 Revenue £000	2010 Capital £000	2010 Total £000
Management fees	65	196	261	36	110	146
	-----	-----	-----	-----	-----	-----
	65	196	261	36	110	146
	-----	-----	-----	-----	-----	-----

The Company's Investment Manager is Hargreave Hale Limited. The Investment Management Agreement terminates on a 12 calendar months' notice, subject to earlier termination in certain circumstances. No notice had been given by the Investment Manager or by the Board to terminate the agreement as at the date of approval of these accounts.

The Investment Manager receives an investment fee of 1.5 per cent. per annum of the net asset value of the Company, calculated and payable quarterly in arrears. The fee changed from 0.9 per cent. to 1.5 per cent. from 1 October 2010 to reflect the changes to the Investment Management Agreement. At 30 September 2011, £20,038 (2010 – 12,181) was owed in respect of management fees.

A performance related incentive fee will be payable at the rate of 20 per cent. of any dividends paid to shareholders in excess of 6p per ordinary share per annum, provided that the net asset value per share is at least 95p. A payment will be made after 30 September 2011 provided cumulative distributions in the preceding three accounting periods exceed 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 is payable as at 30 September 2011.

4. Other Expenses

	2011	2010
	£000	£000
General expenses		
Administration Fee (HH)	35	35
Administration Fee (KIS)	-	13
Legal & Professional	26	18
Other expenses	157	113
Directors' fees	48	52
Auditors' remuneration		
- for audit services	14	11
	-----	-----
	280	242
	-----	-----

The maximum aggregate Directors' emoluments authorised by the Articles of Association are £200,000 per annum.

5. Tax on ordinary activities

The tax charge for the year is based on the standard rate of UK Corporation Tax of 28%.

	2011	2010
	Total	Total
	£000	£000
Profit on ordinary activities before taxation	547	73
	-----	-----
UK Corporation Tax 28% (2010 – 28%)	153	20
Effect of non taxable gains/losses on investments	(226)	(46)
Effect of non taxable UK dividend income	(42)	(41)
Effect of prior year losses utilised	-	-
Effect of current year losses carried forward	115	67
	-----	-----
Current tax charge	-	-
	-----	-----

Tax losses carried forward at the balance sheet date were £1,020,478 (2010 - £608,278).

There is no taxation charge in relation to capital gains or losses. No asset or liability has been recognised in relation to capital gains or losses on revaluing investments. The Company is exempt from such tax as a result of its intention to maintain its status as a Venture Capital Trust.

6. Earnings per share

	2011	2011	2011	2010	2010	2010
	Revenue	Capital	Total	Revenue	Capital	Total
	pence	pence	pence	pence	pence	pence
Return gain per ordinary share: - basic	(0.25p)	2.31p	2.06p	0.07p	0.21p	0.28p
	-----	-----	-----	-----	-----	-----

Revenue return per ordinary share based on a net revenue loss on ordinary activities after taxation of £66,000 (2010 - £18,000 gain) and on 26,527,597 (2010 – 26,416,692) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

Capital return per ordinary share based on a net capital profit of £613,000 (2010 – £55,000) for the year and on 26,527,597 (2010 – 26,416,692) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

7. Investments

	AIM Quoted Investments		Unquoted Investments		Listed Investments		Total Investments	
	2011 £000	2010 £000	2011 £000	2010 £000	2011 £000	2010 £000	2011 £000	2010 £000
Investments	11,518	11,178	505	205	3,118	4,147	15,141	15,530
Movement in year:								
Opening Valuation	11,178	11,521	205	-	4,147	4,558	15,530	16,079
Purchases at cost	4,632	4,142	300	205	-	730	4,932	5,077
Sales - proceeds	(5,102)	(4,555)	-	-	(1,028)	(1,236)	(6,130)	(5,791)
- realised gains	(1,054)	(690)	-	-	5	34	(1,049)	(656)
Movements unrealised	1,864	760	-	-	(6)	61	1,858	821
Closing valuation	11,518	11,178	505	205	3,118	4,147	15,141	15,530
Closing book cost	12,104	13,628	505	205	2,985	4,009	15,594	17,842
Closing unrealised	(586)	(2,450)	-	-	133	138	(453)	(2,312)
Realised gain/(loss) on sales	(1,054)	(690)	-	-	5	34	(1,049)	(656)
Unrealised gain/(loss) on investments	1,864	760	-	-	(6)	61	1,858	821
Gain/(loss) on investments	810	70	-	-	(1)	95	809	165

Fair value measurement hierarchy

FRS 29 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into one of the 3 levels.

Level 3: the fair value of financial instruments that are not traded in an active market (for example investments in unquoted companies) is determined by using valuation techniques such as earnings multiples. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Level 3 financial instruments are valued using the most recent transactions based on arms length basis. In addition we consider discounted cash flow analysis based on the most recent companies management accounts and anticipated future performance.

Mexican Grill Limited (unquoted)

The fund manager compares corporate trading EBITDA and store specific EBITDA from management accounts and future estimates produced by the company as well as his own forecasts when reviewing the valuation of the investment and management information provided.

For measurement against the company's peer group we use the EV/EBITDA as a measure of performance. Although we would like to highlight that the peer group is of limited use as a comparator, with the two closest to Mexican Grill Limited in terms of size and maturity, commanded much higher multiples in their early stages of expansion.

TMO Renewables Limited (unquoted)

The fair value of the Investment has been based on the most recent transactions based on arms length basis. The investment was made on 12 January 2011.

IS E&P/IS NV (Unquoted)

The fair value of the Investment has been based on the most recent transactions based on arms length basis. The investment was made on 31 March 2011.

7. Investments (continued)

	2011	2011	2011	2010	2010	2010
	Level 1	Level 3	Total	Level 1	Level 3	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Investments	14,636	505	15,141	15,325	205	15,530
	-----	-----	-----	-----	-----	-----

8. Significant Interests

At the year end the Company held 3% or more of the issued share capital of the following investments:

Advanced Power	3.21%
Feedback	5.13%
Intercede	3.25%
Mexican Grill	4.92%
Universe	4.79%

9. Debtors

	2011	2010
	£000	£000
Prepayments and accrued income	52	94
	-----	-----

10. Creditors: amounts falling due within one year

	2011	2010
	£000	£000
Trade Creditors	77	62
Accruals and deferred income	84	98
	-----	-----
	161	160
	-----	-----

11. Called up share capital

	2011	2010
	£000	£000
Allotted, called-up and fully paid: 29,263,052 (2010 – 29,121,486) ordinary shares of 1p each (Includes 2,711,134 shares held as treasury).	292	291
	-----	-----

During the year 1,256,460 ordinary shares were purchased at a cost of £756,266 of which all shares were cancelled.

During the year, the Company issued 1,398,026 ordinary shares (nominal value £13,980) in a joint offer for subscription which resulted in funds being received of £988,500 from subscriptions of which 5% (£49,425) was payable to Hargreave Hale Limited to cover the cost of additional shares allotted from commission re-invested of £14,940 initial commission of £21,310 and trail commission of £4,703 resulting in fees payable to Hargreave Hale Limited of £8,472.

Income entitlement

The revenue earnings of the company are available for distribution to holders of Ordinary shares by way of interim, final and special dividends (if any) as may from time to time be declared by the Directors.

Capital entitlement

The capital reserve – realised and special reserve of the company are available for distribution to holders of Ordinary shares by way of interim, final and special dividends (if any) as may from time to time be declared by the Directors.

On a winding up of the Company, after settling the liabilities of the Company, holders of Ordinary shares would be entitled to receive a rateable proportion of any surplus assets depending on the amounts paid up or credited as paid up on their shares.

Voting entitlement

Each Ordinary shareholder is entitled to one vote on a show of hands, and on a poll to one vote for each Ordinary share held. Notices of Meetings and Proxy Forms set out the deadlines for valid exercise of voting rights and, other than with regard to Directors not being permitted to vote on matters upon which they have an interest, there are no restrictions on the voting rights of Ordinary shareholders.

11. Called up share capital (continued)

Transfers

There are no restrictions on transfers except dealings by Directors, Persons Discharging Managerial Responsibilities and their connected persons which may constitute insider dealing or is prohibited by the rules of the UKLA.

The company is not aware of any agreements with or between shareholders which restrict the transfer of Ordinary shares, or which would take effect or alter or terminate in the event of a change of control of the Company.

12. Analysis of changes in net funds

	At 1 October 2010	Cash Flows	At 30 September 2011
	£000	£000	£000
Cash at bank	1,088	114	1,202
	-----	-----	-----
	At 1 October 2009	Cash Flows	At 30 September 2010
	£000	£000	£000
Cash at bank	1,059	29	1,088
	-----	-----	-----

13. Net asset value per ordinary share

The net asset value per ordinary share and the net asset values attributable at the year end were as follows:

	Net asset value per share		Net assets attributable	
	2011	2010	2011	2010
	pence	pence	£000	£000
Ordinary shares - Basic	61.14	62.67	16,234	16,552
	-----	-----	-----	-----

Net asset value per share is based on net assets at the year end and on 26,551,918 (2010 – 26,410,352) ordinary shares being the number of shares in issue at year end (Not including 2,711,134 shares held as treasury).

14. Contingencies, guarantees and financial commitments

There were no contingencies, guarantees or financial commitments of the Company at the year end (2010 - nil).

15. Notes to the Cash Flow Statement

(a) Reconciliation of operating profit to operating cash flows

	2011	2010
	£000	£000
Total profit on ordinary activities before taxation	547	73
Realised (gains)/losses on investments	1,049	656
Unrealised (profit)/losses on investments	(1,858)	(821)
Decrease in debtors	42	1
Increase in creditors	1	31
	-----	-----
Net cash (outflow) from operating activities	(219)	(60)
	-----	-----

15. Notes to the Cash Flow Statement (continued)

(b) Analysis of cash flow for headings netted in cash flow statement

	2011	2010
	£000	£000
Net financial investment:		
Purchase of investments	(4,932)	(5,077)
Sale of investments	6,130	5,791
	-----	-----
	1,198	714
	-----	-----
	2011	2010
	£000	£000
Financing:		
Share Buybacks	(756)	(913)
Issue of Share Capital	954	825
	-----	-----
	198	(88)
	-----	-----

16. Related party transactions

Hargreave Hale Limited

Mr G Hargreave, a director of the Company, is the Chief Executive Officer of Hargreave Hale Limited and has an interest in excess of 7% in that company. As such, Hargreave Hale Limited is considered to be a related party to the Company. Hargreave Hale Limited acts as Investment Manager, Administrator, Custodian and provides Directorship and Company Secretarial Services to the Company. All of the functions performed by Hargreave Hale Limited are segregated by department and location and are independent of each other.

Hargreave Hale Limited in its capacity as Investment Manager of the fund receives annual fees of 1.5% per annum of the net asset value of the Company, calculated and payable quarterly in arrears. The fee changed from 0.9% to 1.5% from 1 October 2010 to reflect the changes to the Investment Management Agreement. Fees for the year are £260,966 (2010 - £145,783) as detailed in note 3. Hargreave Hale is responsible for Administration, Company Secretary, Directorship and Custodian services and received fees of £77,000 (2010 - £77,000) in relation to these services. Of those fees, £32,871 (2010 - £25,013) was still owed at the year end.

Hargreave Hale Limited has agreed to indemnify the Company against annual running costs (such costs excluding VAT, any Performance Incentive Fee and any trail commissions the payment of which is the responsibility of the Company) exceeding 3.5% of its net assets (pro rata from 1 October 2010). No fees have been waived by Hargreave Hale Limited since 1 October 2010 under the indemnity.

In relation to the joint offer for subscription made by the Company and Hargreave Hale AIM VCT 2 Plc pursuant to a prospectus dated 19 March 2010, Hargreave Hale Limited agreed as agent of those

companies to use its reasonable endeavours to procure subscribers under that offer. Hargreave Hale Limited will receive 5 per cent. of the aggregate value of accepted applications for ordinary shares in relation to each company. Out of this fee, Hargreave Hale Limited will pay all other costs and expenses of or incidental to the offer. At the 30 September 2011, Hargreave Hale AIM VCT 1 plc paid commissions to Hargreave Hale Limited amounting to £8,472 after deducting cost of additional shares, initial commission and trail commission due to shareholders and IFA's of £40,953.

17. Financial instruments

a) Risk Management Policies and Procedures

The investment objective of the Company is to achieve long term capital growth and to maximise tax free distributions to shareholders by investing in a diversified portfolio of small capitalised UK companies primarily trading on AIM. At least 70% of the Company's funds have been invested in qualifying holdings during the year. The balance of the Company's fund will be invested in liquid assets (such as gilts, other fixed interest securities and bank deposits). The Company is managed as a Venture Capital Trust ("VCT") in order that shareholders in the Company may benefit from the tax relief available.

This strategy exposes the Company to certain risks which are summarised below.

The structure in place to manage these risks is set out in the Corporate Governance report on page 18 of the annual report and accounts. The Board meets quarterly to review accounts and monitor all risks.

A detailed review of the investment portfolio is contained in the Chairman's statement and Manager's report on pages 4 and 7 respectively.

The investments at year end comprise two types of financial instrument. The basis of valuation is set out below:

1. Equity – fair valued through the profit and loss account.
2. UK gilts and Corporate Bonds – fair value through the profit and loss account.

Other financial assets comprise cash at bank of £1,202,000 (2010 - £1,088,000) which is classified as 'loans and receivables measured at amortised cost'. Financial liabilities consist of trade creditors and accruals of £161,000 (2010 - £160,000) which are classified as 'financial liabilities measured at amortised cost'.

b) Market Risk

Market price risk arises from any fluctuations in the value of investments held by the company. Adherence to investment policies mitigates the risk of excessive exposure to any particular type of security or issuer. In particular no more than 15% of the investment portfolio is invested in any one equity. However by its nature the investments are in small companies traded on the AIM market therefore they carry a higher concentration of risk than large capitalisation investment portfolios.

Market risk is monitored by the Board on a quarterly basis and on an ongoing basis through the Investment Manager.

The following table summarises exposure to price risk by asset class at year end date:

		2011	2010
		£000	£000
Equity	Fair value	12,023	11,383
Gilts/Bonds	Fair value	3,118	4,147
		-----	-----
		15,141	15,530
		-----	-----

A 10% increase or decrease in the investment portfolio would have a £1,514,100 (2010 - £1,553,000) impact on the profit and loss account.

c) Currency Risk

The Company is exposed to currency risk when disposing of investments in foreign currencies between the date the transaction was entered into and settlement. These transactions are kept as low as possible in order to minimise the impact of exposure.

17. Financial instruments (continued)

d) Interest Rate Risk

The Company is fully funded through equity and has no debt therefore interest rate risk is not considered a material risk.

The Company's financial assets and liabilities are denominated in Sterling as follows:

	30 September 2011			
	Fixed	Variable	Non-Interest	Total
	Rate	Rate	Bearing	
	£000	£000	£000	£000
Investments	3,118	-	12,023	15,141
Cash and cash Equivalents	-	1,202	-	1,202
Other currents assets and current liabilities (net)	-	-	(109)	(109)
Net assets	3,118	1,202	11,914	16,234

	30 September 2010			
	Fixed	Variable	Non-Interest	Total
	Rate	Rate	Bearing	
	£000	£000	£000	£000
Investments	4,147	-	11,383	15,530
Cash and cash Equivalents	-	1,088	-	1,088
Other currents assets and current liabilities (net)	-	-	(66)	(66)
Net assets	4,147	1,088	11,317	16,552

Interest rate risk exposure relates to UK Gilts and Corporate bonds with fixed determinable payments and cash and cash equivalents (bank deposits) where interest income is primarily linked to bank base rates. Interest rate risk exposure on debt instruments is reflected in the market risk and since these securities are valued at fair value no additional disclosure is made in this respect. Movements in interest rates on cash and cash equivalents are not considered a material risk.

e) Liquidity Risk

Liquidity risk is the risk that the company is unable to meet obligations as they fall due. As the Company has no debt or other financial liabilities, liquidity risk is not considered material. As at 30 September 2011 the Company held £1,202,000 on bank deposit.

f) Credit Risk

Credit risk relates to the risk of default by a counterparty. No assets are past due date for payment or impaired.

An asset is considered to be impaired in the case of investments if the investee company makes continued losses or defaults on any payment.

The maximum credit risk exposure equates to the carrying value of assets at the balance sheet date:

	2011	2010
	£000	£000
Investments – UK Gilts	3,118	4,147
Cash & cash equivalents	1,202	1,088
Other current (liabilities)/assets (net)	(109)	(66)
	-----	-----
	4,211	5,169
	-----	-----

Cash balances were held on deposit with RBS at 30 September 2011.

g) Fair value of financial assets and financial liabilities

Equity investments and UK gilts are held at fair value. No investments are held for trading purposes only.

h) Capital Management Policies and Procedures

The current policy is to fund investments through equity. No future change to this policy is envisaged. As a PLC, the Company is required to hold a minimum £50,000 share capital.

The Company's capital is summarised in Note 11 to these accounts. The Company has no debt and is fully funded by equity.

18. Dividends

	2011	2010
	Ord	Ord
	£000	£000
Paid per share:		
Final dividend of 2 pence for the year ended 30 September 2010	526	-
Paid per share:		
Interim dividend of 2 pence for year ended 30 September 2011	537	-
Paid per share:		
Interim dividend of 2 pence for year ended 30 September 2010	-	537
	-----	-----
	1,063	537
	-----	-----
Proposed per share:		
Final dividend of 2 pence for the year ended 30 September 2011	527	-
	-----	-----
Proposed per share:		
Final dividend of 2 pence for the year ended 30 September 2010	-	526
	-----	-----

GLOSSARY OF TERMS

Discount

The amount by which the bid-market price per share of a venture capital trust is lower than the net asset value per share. The discount is normally expressed as a percentage of the net asset value per share.

EBITDA

This is the earnings before interest, taxes, depreciation and amortisation. An approximate measure of a company's operating cash flow based on data from the company's income statement.

Enterprise Value (EV)

This is how much a company would cost, if you were to buy it outright—free and clear. You would have to pay the price per share times the number of shares plus you would have to pay off the debt of the company, but you could subtract the cash and marketable securities owned by the company, since you would now own it, which would reduce the effective price of the company. Note that sometimes, preferred stock is added to net debt because it is much like a debt instrument.

Market Capitalisation

The amount obtained by multiplying the stock market price of an ordinary share by the number of ordinary shares in issue.

Net Assets

Also called equity shareholders' funds. The amount due to the ordinary shareholders.

Net Asset Value

The net asset value is the value of the total assets less liabilities. Liabilities for this purpose include current and long term liabilities. The net asset value per share is calculated by dividing the net asset value by the number of ordinary shares in issue.

Shareholders' Fund

Also called equity shareholders' fund. The amount due to the ordinary shareholders.

Total Expense Ratio

Total expenses incurred (excluding interest but including any irrecoverable VAT and any expenses charged to capital reserve) divided by Shareholders' funds.

Total Return

The total return per share is the value of the total assets plus total dividend distributions made to date less liabilities (current and long term liabilities) divided by the number of ordinary shares in issue. This allows performance comparisons to be made between venture capital trusts with different dividend policies.

COMPANY INFORMATION

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Company Registration Number

05206425 in England and Wales

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of Hargreave Hale AIM VCT 1 plc ("the Company") will be held at 19 Cavendish Square, London W1A 2AW on 20 December 2011 at 11am for the purposes of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 7 will be proposed as ordinary resolutions and 8 and 9 as special resolutions:

Ordinary Business

1. To receive and, if thought fit, to accept the Reports of the Directors and Auditor and the audited financial statements for the year ended 30 September 2011;
2. To receive and approve the Directors Remuneration Report for the year ended 30 September 2011;
3. To reappoint BDO LLP as Auditors to the company and to authorise the Directors to determine their remuneration;
4. To re-elect Giles Hargreave as a Director of the Company;
5. To approve a final dividend of 2 pence per ordinary share in respect of the year ended 30 September 2011.

Special Business

Ordinary Resolutions

6. THAT, in substitution for existing authorities to the extent unused, the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot ordinary shares of 1p ("Ordinary Shares") each in the capital of the Company and to grant rights to subscribe for or convert any security into Ordinary Shares in the Company ("Rights") up to an aggregate nominal value of £30,000, this authority to expire on the earlier of the conclusion of the Company's next annual general meeting in 2012 and the expiry of 15 months from the passing of this resolution (unless previously revoked, varied or extended by the Company in general meeting), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require Ordinary Shares to be allotted or Rights to be granted after such expiry.
7. To approve, in accordance with the provisions of regulation 170 of the articles of association of the Company, the continuation of the Company as a venture capital trust for a further five year period

Additional note:

In relation to Resolution, in accordance with the provisions of regulation 170 of the articles of association of the Company, the resolution will not have been carried only if those members in person or by proxy who vote against the resolution hold in aggregate not less than twenty-five per cent of the issued capital of the Company at such time entitled to attend and vote at such meeting.

Special Resolutions

8. THAT, in substitution for any existing power under Section 570 of the Act, but without prejudice to the exercise of any such power prior to the date hereof, the Directors be and are hereby empowered during the period commencing on the passing of this resolution and expiring on the conclusion of the Company's next annual general meeting in 2012 or on the expiry of 15 months from the date of the passing of this resolution, whichever is the earlier (unless previously revoked, varied or renewed by the Company in general meeting pursuant to Section 570 of the Act), to allot equity securities (as defined in Section 560(1) and 560(2) of the Act) for cash pursuant to the authority given in accordance with Section 551 of the Act, pursuant to resolution (6) above, or by way of sale of treasury shares, as if Section 561 of the Act did not apply to any such allotment or sale, but so that this authority shall allow the Company to make offers or agreements before the expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired.
9. THAT in substitution for any existing authority but without prejudice to the exercise of any such power prior to the date hereof, the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of Section 163(3) of the Act) of Ordinary Shares on such terms and in such manner as the Directors may determine (either for cancellation or for the retention as treasury shares for future re-issue, transfer or cancellation) provided that:

- a) the maximum aggregate number of Ordinary Shares authorised to be purchased is such number thereof being 14.99% of the issued share capital;
- b) the maximum price which may be paid for an Ordinary Share is an amount equal to the maximum amount permitted to be paid in accordance with the rules of the UK Listing Authority in force as at the date of purchase;
- c) the minimum price which may be paid for an Ordinary Share is its respective nominal value;
- d) this authority shall expire at the conclusion of the Company's next annual general meeting in 2012 or on the expiry of 15 months following the passing of the resolution, whichever is the earlier (unless previously revoked, varied or renewed by the Company in general meeting); and
- e) the Company may make a contract or contracts to purchase Ordinary Shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

By order of the Board

Stuart Brookes
Company Secretary

Registered Office:
19 Cavendish Square
London W1A 2AW

Date: 21 November 2011

A member entitled to attend and vote at this meeting may appoint a proxy to attend and vote instead of him or her. A proxy need not also be a member of the Company. To be effective, forms of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notorically certified copy or a copy certified in accordance with the Powers of Attorney Act 1941 of that power or authority must be lodged with the Company's Registrar, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Lodgement of the form of proxy will not preclude a Shareholder from attending the meeting and voting in person.

The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with Section 146 of the 2006 Act ("nominated persons"). Nominated persons may have a right under an agreement with the member who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 specifies that only those Shareholders registered in the register of members of the Company as at 6.00pm on 18 December 2011 or, in the event that the meeting is adjourned, on the register of members at 6.00pm on the day 2 days prior to the reconvened meeting, shall be entitled to attend or vote at the aforesaid annual general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant registrar of securities after 6.00pm on 18 December 2011 (or in the event that the meeting is adjourned, as at 6.00pm two days prior to the adjourned meeting) shall be disregarded in determining the rights of any person to attend or vote at the meeting notwithstanding any provisions in any enactment, the Articles of Association of the Company or any other instrument to the contrary.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual (www.euroclear.com/CREST). CREST personal members or other CREST sponsored 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 appropriate action on their behalf. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST proxy instruction") must be properly authenticated in accordance with Euroclear'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 Equiniti, the Company's Registrar (ID RA19), not later than 48 hours before the time appointed for the Annual General Meeting. 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 Equiniti 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 provider(s) should note that Euroclear 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 provider(s) 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.

Pursuant to section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.

In accordance with section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website <http://www.hargreave-hale.co.uk/fund-management/venture-capital-trusts/hargreave-hale-aim-vct-1/factsheets-and-reports/>

Shareholders (and any proxy or representatives they appoint) agree, by attending the meeting, that they are expressly requesting that they are willing to receive any communications (including communications relating to the Company's securities) made at the meeting.

You may not use any electronic address provided either in this Notice of Meeting or any related documents (included in the Form of Proxy) to communicate with the Company for any purpose other than those expressly stated.

Note:

1. The following documents will be available for inspection at the registered office of the Company during usual business hours on a weekday (except Saturdays, Sundays and Public Holidays) until the date of the meeting and at the place of the meeting for a period of 15 minutes up to and during the meeting;
 - a) The Articles of Association
2. As at 21 November 2011 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 29,075,335 (of which 2,711,134 are held in Treasury) ordinary shares, carrying one vote each. Therefore the total voting rights in the Company are 26,364,201.