
HARGREAVE HALE AIM VCT 1 plc

Annual Report and Accounts
Year ended 30 September 2016





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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 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 fixed income securities and bank deposits) and non-qualifying equity investments on an opportunistic basis. 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".

FINANCIAL HIGHLIGHTS

Ordinary Shares (as at 30 September):	2016	2015
Net asset value per share	75.93p	74.64p
Cumulative distributions paid per share since launch	42.00p	38.00p
Total return per share	117.93p	112.64p
Earnings per share (basic and diluted):		
Revenue return	(0.11)p	(0.40)p
Capital return	5.69p	(0.66)p
Combined return	5.58p	(1.06)p
Dividends per share:		
Interim paid	1.75p	1.75p
Final proposed/paid	2.25p	2.25p
Total dividend for year	4.00p	4.00p
Ongoing Expense Ratio*	1.99%	2.24%
Performance Benchmark:		
FTSE AIM All-share Index (results rebased to 100 at 29 October 2004)	84.98	75.24

* Calculated as total expenses minus ad hoc legal costs, divided by year end net assets

The Glossary of Terms can be found on page 59 of the report.

CHAIRMAN'S STATEMENT

INTRODUCTION

At 30 September 2016 the net asset value (NAV) was 75.93 pence which after adjusting for the dividends paid gives a Total Return since inception of 117.93 pence. The earnings per ordinary share for the year was 5.58 pence per share (comprising a revenue loss of 0.11 pence and capital gains of 5.69 pence).

INVESTMENTS

The investment manager, Hargreave Hale Limited, invested a further £3.67 million in eighteen qualifying companies during the year. The fair value of Qualifying Investments at 30 September 2016 was £28.68 million invested in sixty-six AIM companies and seven unquoted companies. £18.54 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 14.

DIVIDEND

An interim dividend of 1.75 pence was paid on 8 July 2016 (Interim 2015 – 1.75 pence).

A final dividend of 2.25 pence is proposed (2015 – 2.25 pence) which, subject to shareholder approval at the Annual General Meeting will be paid on 17 January 2017, to ordinary shareholders on the register on 16 December 2016.

Provided the underlying investment performance of the Company remains acceptable and the liquidity position allows, it remains our policy to target a 5% distribution yield referenced to the year end NAV per share of the Company.

BUYBACKS

In total, 1,206,293 shares were purchased during the year at a weighted average price of 69.61 pence per share.

The Board continues to target a share price discount of 5% of the NAV per share (as measured against the mid-price) for market purchases. It should be emphasised that this target is non-binding and dependent on circumstances including the Company's liquidity and market conditions.

ISSUE OF EQUITY

The Directors of the Company announced on 2 December 2015 the launch of a new joint offer for subscription for shares in both Hargreave Hale AIM VCTs to raise up to £15 million in Hargreave Hale AIM VCT1 plc and up to £10 million in Hargreave Hale AIM VCT 2 plc. The offer was approved by shareholders of the Company at a General Meeting on 12 January 2016.

The offer resulted in gross funds being received of £12.46 million and the issue of 16.62 million new shares in the Company. The offer closed at 12pm on 16 November 2016.

NEW JOINT OFFER FOR SUBSCRIPTION

The Directors of Hargreave Hale AIM VCT 1 plc announced on 16 November 2016 their intention to launch a new offer for subscription of new ordinary shares this calendar year for subscription in the 2016/2017 and 2017/18 tax years. Full details of the offer will be contained in a prospectus that is expected to be published shortly.

VCT STATUS

To maintain its VCT qualifying status we must invest at least 70% of the net funds raised in any one accounting period in Qualifying Investments by the start of the accounting period containing the third anniversary of the date on which the funds were raised. I am pleased to report that we continue to make good progress against this test and, at the year end, we had achieved 94.66% and have satisfied all the relevant tests.

VCT REGULATION

In order to comply with EU regulations regarding State Aid, the VCT rules were subject to substantial changes in the budget on 8 July 2015, which came into effect on 18 November 2015. In the round we do not think these rules will greatly affect the Company, although we will no longer be able to make non-qualifying investments in companies listed on AIM or UK government bonds. We will be able to continue to invest via the Marlborough Special Situations Fund and we will be free to invest in companies listed on the main market.

BOARD CHANGES

Giles Hargreave will not stand for re-election at the Annual General Meeting in January 2017. I would like to take this opportunity to thank Giles for all his work on the Board. The Board intends to appoint Oliver Bedford and this will be put to shareholders for their approval at the next General Meeting.

ELECTRONIC COMMUNICATIONS

Your Board believes that adopting electronic communications would be beneficial to the Company and its shareholders. The benefits include substantial cost savings and improved timeliness and transparency of communications. The Board intends to seek authority in due course at the Company's next general meeting. I would like to reassure shareholders that if they wish to continue to receive paper communications they will be able to do so.

OUTLOOK

We certainly live in interesting times. Having got over the threat of a Greek Euro Exit and the Chinese realignment of their currency, we were hit with Brexit and the US election, which seems to have taken the City by surprise. There was an inevitable correction in the stock market which has been followed by a climb back to previous levels as it became clear, that in spite of "Project fear", the British economy was not about to fall off a cliff. Furthermore, the pound has devalued against other currencies which should be good for the UK economy's trade deficit and, provided the slide does not go too far, should be generally beneficial for the economy as a whole.

There is a threat that this slide in the pound will lead to higher inflation. This is not necessarily a bad thing. In general, governments have learned how to cope with inflation; what no-one has yet managed to solve is deflation. For example, the Japanese economy has been seeking to reverse it for the last decade.

The press seems intent on blowing any Brexit story out of all proportion, such that we had the availability of Marmite occupying most of the front pages for a day or two. The effect of this is that markets will inevitably be volatile for the next few months until the government discovers what it is actually going to negotiate with Europe.

The fund has a high level of liquid funds and is generally invested in high quality stocks which are well placed to prosper whatever the vagaries of the stock market.

SIR AUBREY BROCKLEBANK

Chairman

Date: 7 December 2016

BOARD OF DIRECTORS



SIR AUBREY BROCKLEBANK

Following a career in corporate finance and venture capital, Aubrey assumed his first role within the VCT industry in 1997. Since then he has gone on to become one of the most experienced directors within the industry. Aubrey maintains a wide range of business interests and has been a director of six AIM listed companies. He is non-executive chairman of Puma VCT 8 plc and senior independent director of Downing Planned Exit VCT 4 plc.



GILES HARGREAVE

Giles Hargreave is the chairman of Hargreave Hale and the manager of the award winning Marlborough Special Situations Fund, which has returned more than 2,258% since he assumed responsibility for the fund in 1998 (source: Hargreave Hale Limited, 30 September 2016). He also co-manages the Marlborough UK Micro Cap Growth Fund, the Marlborough UK Nano-Cap Growth Fund and both VCTs.



DAVID BROCK

An experienced company chairman in both private and public companies, and a former main board director of MFI Furniture Group plc, David joined the Board of Hargreave Hale AIM VCT 1 plc in September 2010. David is chairman of ECS Global and Elderstreet VCT plc and a non-executive director of Puma VCT 8 plc.

STRATEGIC REPORT

The purpose of the strategic report is to inform shareholders on key matters and help them to assess how the directors have performed in their duty to promote the success of the Company. The report has been prepared by the Directors in accordance with the requirements of Section 414A of the Companies Act 2006. The Company's independent auditor is required by law to report on whether the information given within the strategic report is consistent with the financial statements. The auditor's report is set out on pages 39 to 42.

THE COMPANY AND ITS BUSINESS MODEL

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

The Company has been approved as a Venture Capital Trust by HMRC under section 259 of the Income Taxes Act 2007. 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 and can be found under the TIDM code "HHV".

In common with many other VCTs, the Company revoked its status as an investment company as defined in section 266 of the Companies Act 1985 on 23 May 2006 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 UK based companies, primarily trading on AIM, with a view to maximising tax free dividend distributions to shareholders.

The Company is an externally managed fund with a Board comprising of three non-executive directors. Hargreave Hale Limited acts as investment manager, administrator and custodian to the Company and provide the company secretary.

The Board has overall responsibility for the Company's affairs including the determination of its investment policy, however, the Board may exercise these responsibilities through delegation to Hargreave Hale as it considers appropriate.

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.

INVESTMENT OBJECTIVES

The Company's investment objectives are:

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

ASSET ALLOCATION

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

- Equity investments in qualifying companies, referred to as “Qualifying Investments”. Qualifying Investments will:
 - comprise qualifying holdings for a VCT as defined in Chapter 4 Part 6 of the Income Tax Act 2007;
 - primarily be made in AIM companies, but the Company’s investment manager will also consider ISDX-quoted companies (formally PLUS) and private companies that meet the investment criteria summarised below; and
 - vary in size from £50,000 to £1 million;
- Quasi-sovereign debt, bonds and other fixed income securities;
- Bank deposits that are readily realisable; and
- Non qualifying equity exposure in the form of equity exposure to UK and international equities through targeted investments made on an opportunistic basis or through an investment into the Marlborough Special Situations Fund.

INVESTMENT MANAGER

The Company is managed by Hargreave Hale Limited, a fund manager with approximately £6.9 billion under administration and £6.0 billion under managed accounts. Hargreave Hale has been managing investments in UK Small and Micro Cap companies for 18 years and VCTs for 12 years. It has a long established reputation that stems from its management of the Marlborough Special Situations Fund and the Marlborough UK Micro Cap Fund, and more recently the VCTs. It has won numerous awards for its management of small cap funds. In accordance with the investment policy, both Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2 have made investments in the Marlborough Special Situations Fund, which has returned 2,258% (to 30 September 2016) since Giles Hargreave took responsibility for it in July 1998.

The investments of the Company are co-managed by Giles Hargreave and Oliver Bedford, with support from the rest of the firm’s investment team together comprising a total investment team of 14. The investment team manages approximately £3.9 billion, of which approximately £2.6 billion is invested in small companies, many of which are quoted on AIM. The breadth of the investment team, the scale of investment in small companies and the investment manager’s track record help attract deal flow.

INVESTMENT STRATEGY

QUALIFYING INVESTMENTS

The investment manager will maintain a diversified and fully invested portfolio of Qualifying Investments, primarily in small UK companies with a quotation on AIM. The primary purpose of the investment strategy is to ensure the Company maintains its status as a VCT. To achieve this, the Company must have 70% of all funds raised from the issue of shares invested in Qualifying Investments throughout accounting periods of the VCT beginning no later than three years after the date on which those shares are issued.

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

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

- the strength and credibility of the management team;
- the business plan;
- the risk/reward profile of the investment opportunity;

- the quality of the finance function and budgetary process;
- the strength of the balance sheet relative to anticipated cash flow from operations; and
- the existing balance of investments within the portfolio of Qualifying Investments.

The investment manager follows a stock specific, rather than sector specific, investment approach and is more likely to provide expansionary capital than seed capital.

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

NON-QUALIFYING INVESTMENTS

The Company will have additional non-qualifying equity exposure to UK and international equities through targeted investments made on an opportunistic basis. This will vary in accordance with the investment manager's view of the equity markets and may fluctuate between nil and 30% of the net assets of the Company. The investment manager will also invest in fixed income securities and cash.

The investment manager may invest up to 75% of the net proceeds of any issue of new shares into the Marlborough Special Situations Fund subject to a maximum of 20% of the gross assets of the Company. This will enable the Company to maintain their exposure to small companies indirectly, whilst the investment manager identifies opportunities to invest directly into small UK companies through a suitable number of Qualifying Investments.

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

BUSINESS REVIEW

The chairman's statement and investment manager's report on pages 3 to 4 and 14 to 15 respectively contain a balanced and comprehensive analysis of the business during the financial year and the position of the investments at the year end. The financial position of the Company at 30 September 2016 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:

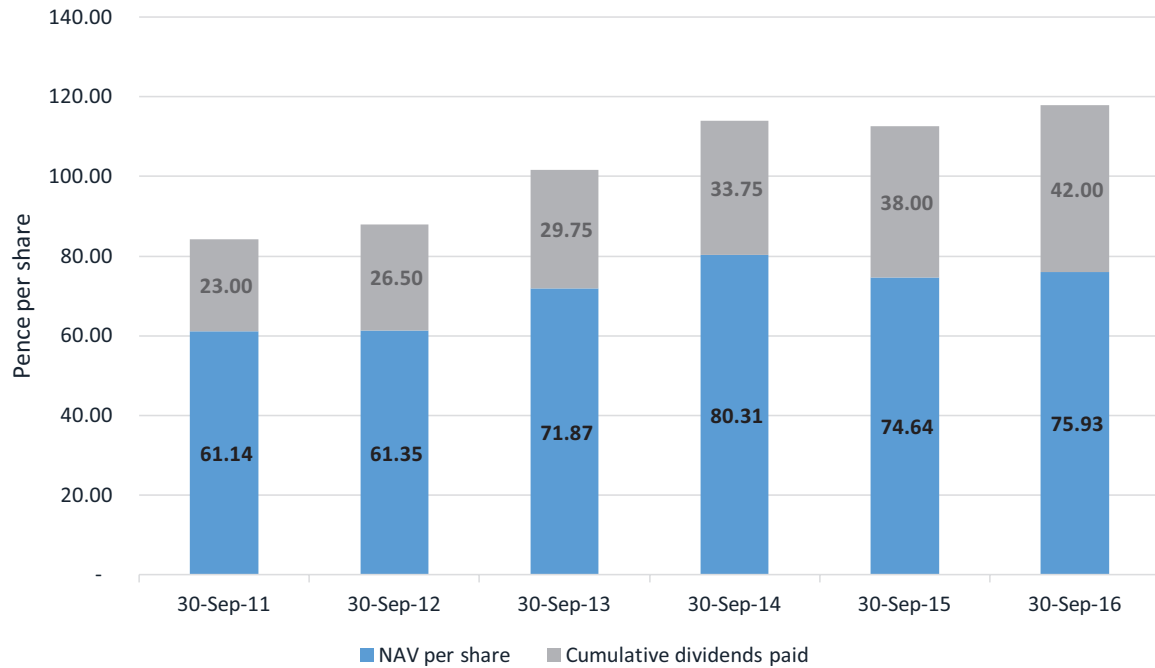
- Net asset value;
- Total return;
- Ongoing expense ratio;
- Earnings and dividend per share; and
- Percentage invested in Qualifying Companies.

Commentary on the performance of these KPIs has been discussed in the chairman's statement and investment manager's report on pages 3 to 4 and 14 to 15 respectively. 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 2.

OVERVIEW OF THE YEAR

In the financial year under review, net assets increased from £35.9m to £47.1m. In this period the NAV per share increased from 74.64p to 75.93p. This resulted in a gain to ordinary shareholders of 5.29 pence per share after adjusting for dividends paid of 4.00 pence per share.

NAV PER SHARE, CUMULATIVE DIVIDENDS PAID AND CUMULATIVE TOTAL SHAREHOLDER RETURN

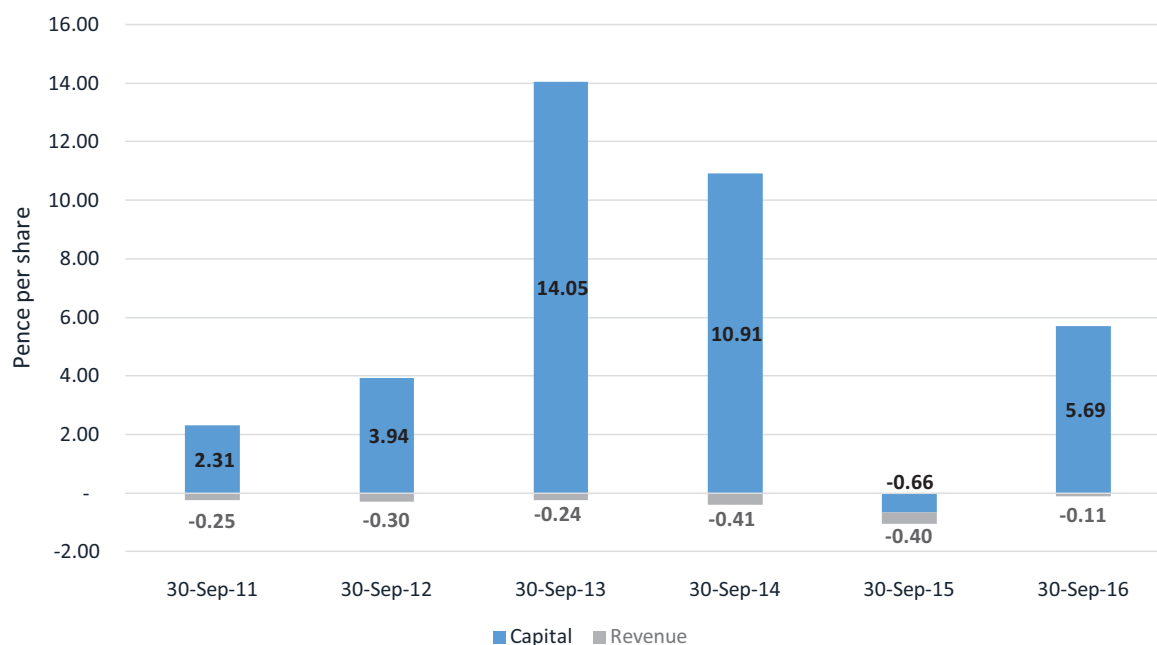


ONGOING EXPENSES

The ongoing charges of the Company for the financial year under review represented 1.99% (2015: 2.24%) of year end net assets, which remains competitive when compared with other AIM focused VCTs. Shareholders should note this ratio has been calculated as total expenses minus ad hoc legal costs, divided by year-end net assets.

EARNINGS PER SHARE

The Company's earnings per share for the year ended 30 September 2016, together with those of the previous five financial years are outlined in the graph below:



The Board remains pleased with the Company's performance.

DIVIDENDS

An interim dividend of 1.75 pence was paid on 8 July 2016 and a final dividend of 2.25p has been proposed.

INVESTMENTS

As a whole, during the year, the qualifying portfolio increased from £25.5m to £28.7m. The Company invested in 19 Qualifying Investments at a cost of £3.7m, of which 11 were investments into new Qualifying Companies.

For further details please refer to the investment managers report on page 14.

BORROWINGS

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

BUYBACKS

In total, 1,206,293 shares were purchased during the year at a weighted average price of 69.61 pence per share.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors acknowledge that they are responsible for the effectiveness of the Company's risk management and internal controls and periodically review the principal risks faced by the Company at the quarterly board meetings. The Board may exercise these responsibilities through delegation to Hargreave Hale Limited as it considers appropriate.

The principal risks facing the Company relate to the Company's investment activities and include risks stated below:

Risk	How the Board mitigates risk
<p>Venture Capital Trust approval 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 disqualification of the Company as a VCT and the loss of tax reliefs for the Company and individual shareholders.</p>	<p>To reduce this risk, the Board has appointed the investment manager, who has significant experience in venture capital trust management and reports to the Board regularly throughout the year. In addition, to provide further formal assurance, the Board has appointed Philip Hare & Associates LLP to monitor compliance with regulations and provide half yearly compliance reports to the Board.</p>
<p>Investment risk – Many of the Company's investments are held in high risk companies, which are either listed on AIM or privately held.</p>	<p>The investment manager maintains a broad portfolio of investments and holds regular company meetings to monitor investments and identify potential risk. Regular board meetings and dialogue with the Directors support strong governance. Whilst tax legislation limits each Company's maximum exposure to a single Qualifying Investment to 15% of net assets (at book cost), the investment manager's preference for portfolio diversification means that Qualifying Investments rarely exceed 5% of net assets.</p>
<p>Discount volatility – Venture Capital Trust shares tend to trade at discounts to their underlying net asset values, which can fluctuate considerably.</p>	<p>To minimise the impact of such fluctuations, the Company has a share buyback policy whereby the Company purchases shares for cancellation.</p>
<p>Compliance risk – The Company is required to comply with the rules of the UK Listing Authority, the Companies Act, Accounting Standards and other legislation. The Company is also a small registered Alternative Investment Fund Manager ("AIFM") and has to comply with the requirements of the AIFM Directive.</p>	<p>Failure to comply with these regulations could result in a delisting of the Company's shares, financial penalties, a qualified audit report or loss of shareholder trust. Board members and the investment manager have considerable experience of operating at senior levels within quoted businesses. Regulatory requirements are continually reviewed and the Board seek legal advice when appropriate.</p>
<p>Economic risk – Events such as economic recession and movement in interest rates could affect smaller companies' valuations.</p>	<p>The investment manager constantly monitors the markets and the portfolio companies and reports to the Board at each meeting. The risk that the value of a security or portfolio of securities could decline in the future is mitigated by holding a diversified portfolio, across a broad range of sectors.</p>
<p>Fraud – Fraud may occur enacted by a third party, the investment manager or administrator.</p>	<p>Internal controls are documented and periodically reviewed on a quarterly basis by senior management. The investment management and administration functions are segregated by department and location.</p>

Risk	How the Board mitigates risk
Operational risk – Failure of the investment manager/administrator’s systems or disruption to their business could result in the inability to provide accurate reporting.	The Board regularly reviews performance at quarterly board meetings.
Reputational risk – Inadequate or failed controls might result in breaches of regulations or loss of shareholder trust.	The investment manager operates a robust risk management system which is reviewed regularly to ensure controls remain effective in mitigating risks to the Company. Details of the Company’s internal controls are on pages 35 to 36.
Liquidity risk – Investments in small companies are often illiquid and may be difficult to realise.	The funds liquidity is monitored on a monthly basis.
Outsourcing risk – Any task outsourced to an external company.	Reputable firms used and documents reviewed internally.

Additional risks and further details of the above risks and how they are managed are explained in Note 16 of the financial statements. Trends affecting future developments are discussed in the chairman’s statement on page 3 and the investment manager’s report on page 14.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

The Board conducts the Company’s affairs responsibly and expects the investment manager to consider social and environmental matters when appropriate, particularly with regard to investment decisions. The Board acknowledges that adopting electronic communications would reduce the volume of paper used for investor communication and intends to seek authority from its shareholders at the Company’s next general meeting. Board meetings are held by conference call where appropriate.

HUMAN RIGHTS

The Board conducts the Company’s affairs responsibly and expects the investment manager to consider human rights when fulfilling their role, particularly with regard to investment decisions.

LONG TERM VIABILITY STATEMENT

In accordance with provision C.2.2 of the 2014 revision of the Code, the Directors have assessed the prospect of the Company over a longer period than the 12 months required by the ‘Going Concern’ provision. The Board conducted this review for a period of five years, which was selected because it:

- i. falls in line with the Company continuation vote and investors minimum holding period to retain tax relief; and
- ii. covers a sufficient period for all funds raised to comply with HMRC investment test rules.

The Directors have taken account of the Company’s current position and the potential impact of the principal risks documented in this report. Based on this assessment the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years.

In making this statement the Directors have considered the current position of the Company, carried out a robust assessment of the principal risks facing the Company in severe but reasonable scenarios and the effect of any mitigating actions and considered the potential impact of these risks on the business model, future performance and liquidity of the Company.

PROSPECTS

The prospects and future development of the Company are discussed in detail in the outlook section of the chairman's statement on page 4.

ADDITIONAL DISCLOSURES REQUIRED BY THE COMPANIES ACT

EMPLOYEES

The Company had no employees during the year. Board members are appointed according to knowledge and expertise. The Board currently comprises three male non-executive directors who confirm they will consider gender diversity when making future appointments.

By order of the Board of Directors.

STUART BROOKES

Company Secretary

Date: 7 December 2016

INVESTMENT MANAGER'S REPORT

This report covers the 2015/16 financial year, 1 October 2015 to 30 September 2016. The investment manager's report contains references to movements in the Net Asset Value per share (NAV) and Total Return per share (net asset value per share plus distributed earnings per share). Movements in the NAV per share do not necessarily mirror the earnings per share (EPS) reported in the accounts and elsewhere, which convey the profit after tax within the Company within the reported period as a function of the weighted average number of shares in issue for the period.

INVESTMENT REPORT

The year has largely been characterised by consistent NAV appreciation disrupted by two vigorous sell offs. After a strong first quarter in which the VCT gained 3.83 pence per share, the market corrected in January as investors reacted to a stronger US dollar and downward revisions to global growth. UK small caps, we are sorry to say, were not immune to this contagion.

The uplift in global markets that started in mid-February continued through to late June as several central banks either intervened, appeared set to intervene or, in the case of the US, looked likely to adopt a more dovish position on further increases in interest rates. The UK's decision to leave the European Union led to further volatility and falls in the NAV. Some soothing words from the Bank of England restored much needed stability in the market and allowed the NAV to recover as we moved into the final quarter of the year under review.

We feel it is too early to know the impact (if any) of Brexit on our portfolio and our view seems unlikely to change in the short-term. By and large we have left the portfolio of Qualifying Investments untouched, while reducing at the margin some of our non-qualifying equity risk. While we are cautious of certain sectors, financials and consumer discretionary for example, we continue to find interesting investment opportunities in qualifying companies that we believe can grow regardless of the outcome. To that end, we intend to continue with business as usual while keeping a close eye on events as they unfold.

PERFORMANCE

In the twelve months to 30 September 2016, the NAV increased from 74.64p to 75.93p. A total of 4 pence per share was paid in dividends, giving investors a total return of 5.29 pence per share, which translates to a gain of 7.1%. During the same period the FTSE AIM All-Share Total Return gained 15.6%, whilst the FTSE 100 gained 13.8% (18.4% on a total return basis).

The Qualifying Investments made a net contribution of 3.32 pence per share with thirty-five out of the eighty making gains, four unchanged and forty-one losing ground. The balance was the net of non-qualifying portfolio gains, running costs and investment income.

DP Poland was the top performing Qualifying Investment (+169.4%, +1.13 pence per share) as the shares responded to a set of strong results in March, an encouraging trading update in July and substantial director's buying. Craneware also performed very well (+87.4%, +1.11 pence per share). On top of strong progress over the year Craneware is a significant net benefiter of the depreciation in sterling, with 100% of revenues and only 75% of costs derived in the US (the remaining 25% of costs are based in the UK). The market has been quick to re-rate dollar earners post Brexit. Portr (+76.6%, +0.89 pence per share), an early stage private company providing London with an on-demand luggage transfer service, raised capital at a 76.6% premium to our initial cost to help fund the recently launched off airport check in solution in partnership with British Airways (we participated in the last round and marked the shares up accordingly). Idox (+67.9%, +0.89 pence per share), Abcam (+44.7%, +0.84 pence per share) and Quixant (+86.2%, +0.76) were all also significant contributors over the period.

The biggest losses within the period came from Intercede (-47.7%, -0.54 pence per share) after they announced a slow start to the financial year ending March 2017, with delays continuing in the receipt of anticipated license orders from both new and existing customers. Other losses came from TLA (-29.9%, -0.50 pence per share), Microsaic (-83.6%, -0.46 pence per share) and Cohort (-15.3%, -0.40 pence per share).

We invested £3.67m into nineteen Qualifying Investments over the period, including eight further investments into existing qualifying companies; four IPOs; six secondary placings into listed companies and one additional private investment.

Within the qualifying portfolio we reduced our investments in TrakM8, DP Poland, Imaginatik, Directa Plus, Abcam, Craneware and Cohort. All seven companies experienced strong runs in the market with a combined realised gain of £778k. We completely exited Sphere Medical, Nektan, Proxama and Outsourcery following prolonged periods of poor progress recognising a realised loss of £1,078k. We exited Vision Direct and Jelf through competitive trade sales and also exited Tangent Communications through a Management Buyout resulting in a net gain of £614k.

PORTFOLIO STRUCTURE

The VCT is comfortably through the HMRC defined investment test and ended the period at 94.66% invested as measured by the HMRC investment test. By market value, the VCT had a 60.9% weighting to Qualifying Investments.

The allocation to non-qualifying equity investments increased marginally from 13.8% to 15.4%. We continued to make use of the Marlborough Special Situations Fund as a temporary home for proceeds from fundraising; the allocation marginally increased from 4.4% to 4.7%. The non-qualifying investments contributed +2.87 pence per share to the overall gains. Fixed income as a percentage of the fund increased from 0.8% to 0.9% and cash increased from 10.5% to 18.4%.

The HMRC investment tests are set out in Chapter 3 of Part 6 Income Tax Act 2007, which should be read in conjunction with this section of the annual report. Funds raised by VCTs are first included in the investment tests from the start of the accounting period containing the third anniversary of the date on which the funds were raised. Therefore, the allocation of Qualifying Investments as defined by the legislation can be different to the portfolio weighting as measured by market value relative to the net assets of the VCT.

POST PERIOD END UPDATE

Deal flow has been good since period end and we have made one follow on investment in an existing qualifying holding, one investment in a new qualifying holding and one investment in a new private qualifying company. We also have a number of deals in the pipeline which we expect to complete in the coming weeks.

For further information please contact:

STUART BROOKES

Company Secretary

Hargreave Hale AIM VCT1 plc

01253 754740

Date: 7 December 2016

INVESTMENT PORTFOLIO SUMMARY

ORDINARY SHARE FUND

AS AT 30 SEPTEMBER 2016

Qualifying Investments	Book Cost £000	Valuation £000	Valuation %	Net Assets %	Sector
Abcam plc	60	1,512	3.92	3.21	Health Care
Cohort plc	619	1,473	3.82	3.13	Industrials
Craneware plc	135	1,318	3.42	2.80	Health Care
Portr Ltd**	722	1,275	3.31	2.71	Information Technology
Idox plc	135	1,225	3.18	2.60	Information Technology
Animalcare Group plc	220	1,068	2.77	2.27	Health Care
K3 Business Tech Group plc	270	1,056	2.74	2.24	Information Technology
Learning Technologies Group plc	663	1,010	2.62	2.15	Information Technology
Science in Sport plc	778	1,010	2.62	2.15	Consumer Discretionary
Quixant plc	160	939	2.43	1.99	Consumer Discretionary
TrakM8 Holdings plc	106	935	2.42	1.99	Information Technology
DP Poland plc	262	804	2.08	1.71	Consumer Discretionary
Mexican Grill Ltd (A Preference Shares)**	185	770	2.00	1.64	Consumer Discretionary
Ideagen plc	410	639	1.66	1.36	Information Technology
TLA Worldwide plc	300	615	1.59	1.31	Consumer Discretionary
Instem plc	297	542	1.41	1.15	Health Care
Surface Transforms plc	289	500	1.30	1.06	Industrials
Belvoir Lettings plc	513	494	1.28	1.05	Real Estate
Vertu Motors plc	600	463	1.20	0.98	Consumer Discretionary
Hardide plc	786	431	1.12	0.92	Materials
Tasty plc	288	430	1.11	0.91	Consumer Discretionary
Intercede Group plc	247	420	1.09	0.89	Information Technology
Eagle Eye Solutions plc	541	414	1.07	0.88	Information Technology
Angle plc	348	380	0.98	0.81	Health Care
Osirium Technologies plc	301	371	0.96	0.79	Information Technology
ULS Technology plc	221	362	0.94	0.77	Information Technology
MartinCo plc	225	349	0.90	0.74	Real Estate
Kalibrate Technologies plc	323	326	0.85	0.69	Information Technology
Premaitha Health plc	432	324	0.84	0.69	Health Care
Gfinity plc	326	316	0.82	0.67	Information Technology
CentralNic Group plc	293	315	0.82	0.67	Information Technology
Loopup Group plc	257	307	0.80	0.65	Information Technology
Laundrapp Ltd**	301	300	0.78	0.64	Consumer Discretionary
EKF Diagnostics Holdings plc	300	285	0.74	0.61	Health Care
Plastics Capital plc	250	280	0.73	0.59	Materials
Clearstar Inc	449	276	0.72	0.59	Industrials
Satellite Solutions Worldwide Group plc	154	275	0.71	0.58	Telecommunication Services
Flowgroup plc	577	264	0.68	0.56	Industrials
Universe Group plc	210	263	0.68	0.56	Information Technology
Renuron plc	534	251	0.65	0.53	Health Care
Mirada plc	618	242	0.63	0.51	Information Technology
Electrical Geodesics, Inc	200	240	0.62	0.51	Health Care
Everyman Media Group plc	171	225	0.58	0.48	Consumer Discretionary
Maxcyte Inc	190	225	0.58	0.48	Health Care
Globaldata plc	173	206	0.53	0.44	Information Technology
Egdon Resources plc	158	203	0.53	0.43	Energy
Ilika plc	218	198	0.51	0.42	Industrials

Qualifying Investments (continued)	Book Cost £000	Valuation £000	Valuation %	Net Assets %	Sector
Faron Pharmaceuticals Oy	200	196	0.51	0.42	Health Care
APC Technology Group plc	499	186	0.48	0.40	Information Technology
Verona Pharma plc	127	179	0.46	0.38	Health Care
Medaphor Group plc	250	167	0.43	0.35	Consumer Discretionary
Porta Communications plc	505	164	0.43	0.35	Consumer Discretionary
Pressure Technologies plc	170	147	0.38	0.31	Energy
Fusionex International plc	138	138	0.36	0.29	Information Technology
					Telecommunication
Cloudcall Group plc	259	135	0.35	0.29	Services
Audioboom plc	166	134	0.35	0.28	Information Technology
Directa Plus plc	70	121	0.31	0.26	Materials
WANDisco plc	89	103	0.27	0.22	Information Technology
Lidco Group plc	220	98	0.25	0.21	Health Care
Genedrive plc	140	96	0.25	0.20	Health Care
Redcentric plc	214	95	0.25	0.20	Information Technology
Midatech Pharma plc	200	93	0.24	0.20	Health Care
Synairgen plc	140	90	0.23	0.19	Health Care
Mexican Grill Ltd (Ordinary Shares)**	21	86	0.22	0.18	Consumer Discretionary
Haydale Graphene Industries plc	67	78	0.20	0.17	Materials
Imaginatik plc	254	76	0.20	0.16	Information Technology
TP Group plc	185	66	0.17	0.14	Industrials
Microsaic Systems plc	51	49	0.13	0.10	Information Technology
Mycelx Technologies Corporation plc (Com SHS \$0.025 + (D1) shares)	300	39	0.10	0.08	Industrials
Mporium Group plc	301	21	0.05	0.04	Information Technology
Brigantes Energy Ltd***	0	0	0.00	0.00	Energy
Corfe Energy Ltd***	0	0	0.00	0.00	Energy
Infoserve Group plc***	0	0	0.00	0.00	Consumer Discretionary
Invocas Group plc***	0	0	0.00	0.00	Consumer Discretionary
<i>Total Qualifying Investments</i>	<i>20,381</i>	<i>28,683</i>	<i>74.36</i>	<i>60.93</i>	

Non-Qualifying Investments					
MFM Special Situations Fund**	1,949	2,206	5.72	4.69	
<i>Total – Unit trusts</i>	<i>1,949</i>	<i>2,206</i>	<i>5.72</i>	<i>4.69</i>	
UK Treasury Stock 0.125% 2068	312	443	1.15	0.94	
<i>Total – UK gilts</i>	<i>312</i>	<i>443</i>	<i>1.15</i>	<i>0.94</i>	
FCFM Group Ltd**	300	565	1.46	1.20	Financials
Melrose Industries plc	334	522	1.35	1.11	Industrials
Fulcrum Utility Services Ltd	125	504	1.31	1.07	Utilities
Atkins (WS) plc	345	423	1.10	0.90	Industrials
Royal Dutch Shell plc	333	400	1.04	0.85	Energy
Merlin Entertainments plc	331	330	0.86	0.70	Consumer Discretionary
RPC Group plc	234	327	0.85	0.69	Materials
Quixant plc	159	304	0.79	0.65	Consumer Discretionary
Finsbury Food Group plc	140	299	0.77	0.64	Consumer Staples
BP plc	216	291	0.75	0.62	Energy
Babcock International Group plc	236	259	0.67	0.55	Industrials

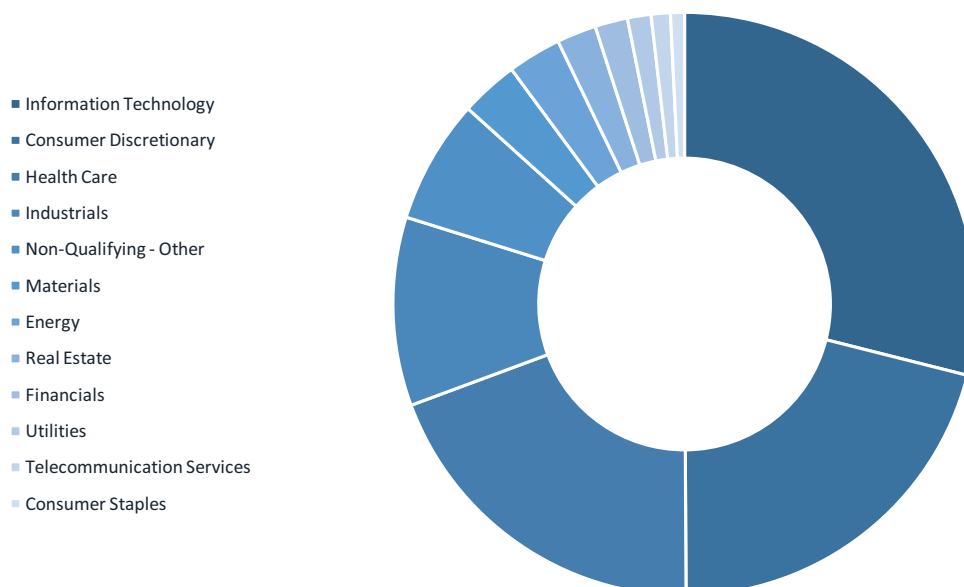
Non-Qualifying Investments (continued)					
On the Beach Group plc	357	251	0.65	0.53	Consumer Discretionary
Ladbrokes plc	259	245	0.64	0.52	Consumer Discretionary
JD Sports Fashion plc	202	242	0.63	0.51	Consumer Discretionary
Just Eat plc	200	241	0.62	0.51	Information Technology
Horizon Discovery Group plc	260	226	0.59	0.48	Health Care
Taylor Wimpey plc	299	223	0.58	0.47	Consumer Discretionary
Micro Focus International plc	152	220	0.57	0.47	Information Technology
Mexican Grill Ltd (A Preference Shares)**	128	196	0.51	0.42	Consumer Discretionary
Mccarthy and Stone plc	225	158	0.41	0.34	Health Care
Learning Technologies Group plc	76	136	0.35	0.29	Information Technology
Sanne Group plc	106	134	0.35	0.28	Financials
Sportech plc	130	128	0.33	0.27	Consumer Discretionary
Everyman Media Group plc	85	109	0.28	0.23	Consumer Discretionary
Reneuron plc	104	91	0.24	0.19	Health Care
Amerisur Resources plc	167	74	0.19	0.16	Energy
The Fulham Shore plc	38	68	0.18	0.14	Consumer Discretionary
Regent Pacific Group Ltd	150	63	0.16	0.13	Health Care
Midatech Pharma plc	134	62	0.16	0.13	Health Care
Audioboom plc	59	43	0.11	0.09	Information Technology
Eagle Eye Solutions plc	44	36	0.09	0.08	Information Technology
Plexus Holdings plc	125	31	0.08	0.07	Energy
Mexican Grill Ltd (Ordinary Shares)**	26	26	0.07	0.06	Consumer Discretionary
Mycelx Technologies Corporation plc (Com SHS \$0.025 REG S+ shares)	200	13	0.03	0.03	Industrials
<i>Total – Non-Qualifying equities</i>	<i>6,279</i>	<i>7,240</i>	<i>18.77</i>	<i>15.38</i>	
<i>Total –Non-Qualifying Investments</i>	<i>8,540</i>	<i>9,889</i>	<i>25.64</i>	<i>21.01</i>	
Total investments	28,921	38,572	100.00	81.94	
Cash at bank		8,647		18.37	
Prepayments & Accruals		(147)		(0.31)	
Net Assets		47,072		100.00	

*These are actual holdings of less than £500.

**Unquoted Companies.

***Unquoted Company holding of less than £500.

Investments by market sector as at 30 September 2016



The majority of investments held within the portfolio are listed and/or headquartered in the UK with the exception of the following:

	Listed	Headquartered	Registered
<i>AIM listed Investments:</i>			
Audioboom plc	UK	UK	Jersey
Clearstar Inc	UK	Cayman Islands	Cayman Islands
Electrical Geodesics Inc	UK	USA	USA
Faron Pharmaceuticals Oy	UK	Finland	Finland
Fulcrum Utility Services Ltd	UK	UK	Cayman Islands
Fusionex International plc	UK	UK	Jersey
Maxcyte Inc	UK	USA	USA
Mycelx Technologies Corporation plc	UK	USA	USA
Sanne Group plc	UK	Jersey	Jersey
WANDisco plc	UK	UK	Jersey
<i>Unlisted private companies:</i>			
Brigantes Energy Ltd	-	UK	UK
Corfe Energy Ltd	-	UK	UK
FCFM Group Ltd	-	UK	UK
Infoserve Group plc	-	UK	UK
Invocas Group plc	-	UK	UK
Laundrapp Ltd	-	UK	UK
Mexican Grill Ltd	-	UK	UK
Portr Ltd	-	UK	UK
Authorised unit trust:			
Marlborough Special Situations Fund	-	UK	UK

TOP TEN INVESTMENTS

As at 30 September 2016 (By Market Value)

The top 10 equity investments are shown below; each is valued by reference to the bid price, or in the case of unquoted companies, values are either based on the last arm's length transaction or valuation techniques, such as earnings multiples. Forecasts, where given, are drawn from a combination of broker research and/or Bloomberg consensus forecasts and exclude amortisation, share based payments and exceptional items. Forecasts are in relation to a period end for which the company results are yet to be released. The net asset figures are drawn from audited accounts and net cash values are from published accounts in most cases.

Abcam plc			840.0p
Investment date	November 2010	Forecasts for the year to	June 2017
Equity Held	0.09%	Turnover (£'000)	203,600
Av Purchase Price	33.4p	Profit/(loss) before tax (£'000)	59,500
Cost (£'000)	60	Net Cash (£'000)	68,919
Valuation (£'000)	1,512	Net Assets June 2016 (£'000)	261,190

COMPANY DESCRIPTION

Abcam PLC produces and distributes research-grade antibodies via an online catalogue. The Company's customers include universities, research institutes and pharmaceutical and biotechnology companies in countries around the world.

Cohort plc			310.0p
Investment date	February 2006	Forecasts for the year to	April 2017
Equity Held	1.16%	Turnover (£'000)	131,700
Av Purchase Price	130.2p	Profit/(loss) before tax (£'000)	14,300
Cost (£'000)	619	Net Cash (£'000)	19,800
Valuation (£'000)	1,473	Net Assets June 2016 (£'000)	70,789

COMPANY DESCRIPTION

Cohort is the parent company of four 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. MCL designs, services and supports advanced electronic and surveillance equipment.

Craneware plc			1250.0p
Investment date	September 2007	Forecasts for the year to	June 2017
Equity Held	0.39%	Turnover (£'000)	56,700
Av Purchase Price	128.0p	Profit/(loss) before tax (£'000)	17,200
Cost (£'000)	135	Net Cash (£'000)	48,800
Valuation (£'000)	1,318	Net Assets June 2016 (£'000)	52,808

COMPANY DESCRIPTION

Craneware develops and sells billing software analysis tools for the United States healthcare sector. The company's software automates the checking process, aids in cash flow and revenue generation, and ensures accurate submission of claims and managing compliance risk.

Portr Ltd			Unquoted
Investment date	July 2015	Results for the year to	December 2015
Equity Held	4.60%	Turnover (£'000)	26
Av Purchase Price	599.2p	Profit/(loss) before tax (£'000)	(2,200)
Cost (£'000)	722	Net Cash (£'000)	826
Valuation (£'000)	1,275	Net Assets June 2016 (£'000)	659
Income recognised in period (£)	0		

COMPANY DESCRIPTION

Portr runs AirPortr, London's premium same day luggage transfer service. In its most basic form they deliver luggage through a flexible, transparent and cost efficient solution from London Airports to your hotel, office or home and vice versa. Additional functionality will launch later, allowing users to specify service enhancements such as carousel collection and delivery and off-airport check in solutions.

Idox plc			68.0p
Investment date	May 2007	Forecasts for the year to	October 2016
Equity Held	0.50%	Turnover (£'000)	80,100
Av Purchase Price	7.5p	Profit/(loss) before tax (£'000)	16,600
Cost (£'000)	135	Net Cash (£'000)	(13,900)
Valuation (£'000)	1,225	Net Assets June 2016 (£'000)	53,639

COMPANY DESCRIPTION

IDOX operates a software company, which produces and develops integrated and adaptable software systems for document, content and information management via web-based applications. The Company's main product, Image-Gen, allows paper-based processes to be converted into an electronic process, which can be accessed from any computer with a network or Internet link.

Animalcare Group plc			267.0p
Investment date	December 2007	Forecasts for the year to	June 2017
Equity Held	1.90%	Turnover (£'000)	15,100
Av Purchase Price	55.0p	Profit/(loss) before tax (£'000)	3,200
Cost (£'000)	220	Net Cash (£'000)	7,100
Valuation (£'000)	1,068	Net Assets June 2016 (£'000)	22,515

COMPANY DESCRIPTION

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.

K3 Business Technology Group plc			352.0p
Investment date	September 2005	Forecasts for the year to	June 2017
Equity Held	0.83%	Turnover (£'000)	93,700
Av Purchase Price	90.0p	Profit/(loss) before tax (£'000)	11,300
Cost (£'000)	270	Net Cash (£'000)	(8,880)
Valuation (£'000)	1,056	Net Assets June 2016 (£'000)	73,410

COMPANY DESCRIPTION

K3 Business Technology Group specialises in the provision of enterprise resource planning software, which encompasses supply chain management and e-business solutions products and services. More than 200 companies rely on K3 Business Solutions to advise, recommend, implement and support their critical business systems.

Learning Technologies Group plc			32.0p
Investment date	November 2014	Forecasts for the year to	December 2016
Equity Held	0.86%	Turnover (£'000)	30,000
Av Purchase Price	20.6p	Profit/(loss) before tax (£'000)	6,200
Cost (£'000)	739	Net Cash (£'000)	(9,795)
Valuation (£'000)	1,146	Net Assets June 2016 (£'000)	25,479

COMPANY DESCRIPTION

Learning Technologies Group (LTG) provides a comprehensive and integrated range of e-learning services and technologies to corporate and government clients. LTG is making good progress towards its goal of establishing a substantial global organisation of specialist digital learning businesses from Europe, US, Latin America and Asia to form a market-leading technologies agency.

Science in Sport plc			70.0p
Investment date	April 2014	Forecasts for the year to	December 2016
Equity Held	3.34%	Turnover (£'000)	12,002
Av Purchase Price	53.9p	Profit/(loss) before tax (£'000)	(1,187)
Cost (£'000)	778	Net Cash (£'000)	6,622
Valuation (£'000)	1,010	Net Assets December 2015 (£'000)	12,016

COMPANY DESCRIPTION

Science in Sport plc manufactures and sells sports nutrition products. The Company develops and distributes food, nutritional supplements, and beverages formulated to hydrate, energize, recover, and enhance sports performance.

Quixant plc			270.0p
Investment date	May 2013	Forecasts for the year to	December 2016
Equity Held	0.70%	Turnover (£'000)	82,500
Av Purchase Price	69.3p	Profit/(loss) before tax (£'000)	13,000
Cost (£'000)	319	Net Cash (£'000)	(3,300)
Valuation (£'000)	1,243	Net Assets June 2016 (£'000)	25,651

COMPANY DESCRIPTION

Founded in 2005, Quixant designs and manufactures complete advanced hardware and software solutions for the pay-for-play gaming and slot machine industry. Quixant's specialised products provide an all-in-one solution, based on PC technology but with additional hardware features and operating software developed specifically to address the requirements of the gaming industry.

CO-INVESTMENT

As at 30 September 2016, other funds managed by Hargreave Hale Ltd were also invested in some of the investments held within the Company's portfolio, these include: Abcam plc, Angle plc, Animalcare Group plc, CentralNic Group plc, Cohort plc, DP Poland plc, Eagle Eye Solutions plc, Egdon Resources plc, EKF Diagnostics Holdings plc, Finsbury Food Group plc, Flowgroup plc, Fulcrum Utility Services Ltd, The Fulham Shore plc, Genedrive plc, Gfinity plc, Globaldata plc, Horizon Discovery Group plc, Ideagen plc, Idox plc, Ilika plc, Imaginatik plc, Instem plc, Intercede Group plc, K3 Business Technology Group plc, Kalibrate Technologies plc, Learning Technologies Group plc, Lidco Group plc, Microsaic Systems plc, Midatech Pharma plc, Mirada plc, Mporium Group plc, Mycelx Technologies Corporation plc, On The Beach Group plc, Osirium Technologies plc, Plexus Holdings plc, Premaitha Health plc, Pressure Technologies plc, Quixant plc, Redcentric plc, Sanne Group plc, Satellite Solutions Worldwide Group plc, Tasty plc and Verona Pharma plc.

DIRECTORS' REPORT

For the year end 30 September 2016

The Directors present their report together with the audited financial statements of the Company for the year from 1 October 2015 to 30 September 2016, incorporating the corporate governance statement on pages 32 to 37. The principal activity of the company has been outlined in the strategic report on page 6.

DIRECTORS

The directors of the Company during the year were Sir Aubrey Brocklebank (Chairman), David Brock and Giles Hargreave. Brief biographical details are given on page 5.

DIRECTORS' INTERESTS

The Directors' interests (including those of connected persons) in the issued share capital of the Company are outlined in the director's remuneration report on page 31. There is no minimum holding requirement that the Directors need to adhere to.

There have been no changes to the beneficial interests of Directors between 30 September 2016 and the date of this 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 15, 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.

MANAGEMENT

Hargreave Hale Limited is the Company's appointed investment manager. The principal terms of the Company's agreement with Hargreave Hale Limited are set out in Note 3 to the financial statements.

Following an initial period of three years, 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.

Hargreave Hale Limited also provides administration services, custody services, company secretarial services and one non-executive director, Giles Hargreave.

REVENUE AND DIVIDENDS

The revenue loss after tax for the year amounted to £62,763 (2015 – £176,700 loss). An interim ordinary dividend of 1.75 pence per ordinary share was paid on 8 July 2016 (2015 – 1.75 pence per share). The final dividend of 2.25 pence per share for the year ended 30 September 2016 is due to be paid on 17 January 2017 (2015 – 2.25 pence per share).

SHARE VALUATION

On 30 September 2016, the bid-market price and the net asset value per ordinary share were 70.50 pence and 75.93 pence respectively.

CAPITAL STRUCTURE

The Company's capital structure is summarised in Note 1 to the accounts.

VOTING RIGHTS IN THE COMPANY'S SHARES

Details of the voting rights in the Company's shares as at the date of this report are given in Note 2 to the Notice of Annual General Meeting on page 64.

SUBSTANTIAL HOLDINGS IN THE COMPANY

At 30 September 2016, there were 2 holdings of 3% and over of the Company's ordinary share capital. These holdings related to Hargreaves Lansdown (Nominees) Limited and Hargreave Hale Nominees Limited. As at 30 September 2016 these were 5.07% and 4.63% respectively.

SHARE BUYBACKS

During the year, the Company repurchased 1,206,293 ordinary shares (nominal value £12,063) at a cost of £845,848. The repurchased shares represent 2.51% of ordinary shares in issue on 1 October 2015. All repurchased shares 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.

The Directors believe it is in the shareholders best interest to target a reduced buyback discount. As a guide, and subject to the Boards' discretion and providing that, in the opinion of the Board, there is adequate surplus cash available, the Company will consider buying back shares at a 5% discount to the last published NAV per share. The target of a share price discount of 5% of the NAV per share (as measured against the mid-price) is non-binding and at the Board's discretion.

JOINT OFFER FOR SUBSCRIPTION OF ORDINARY SHARES

The Directors of the Company announced on 2 December 2015 the launch of a new joint offer for subscription for shares in both Hargreave Hale AIM VCTs to raise up to £15 million in Hargreave Hale AIM VCT 1 plc and up to £10 million in Hargreave Hale AIM VCT 2 plc. The offer was approved by shareholders of the Company at a General Meeting on 12 January 2016.

The offer resulted in gross funds being received of £12.46 million and the issue of 16.62 million new shares in the Company. The offer closed at 12pm on the 16 November 2016.

SHARES ISSUED

During the year, the Company issued 15,049,286 ordinary shares of 1 pence per share (nominal value £150,493) which resulted in gross funds being received of £11,242,501. The 3.5% premium of £393,488 was payable to Hargreave Hale Limited to cover the cost of additional shares allotted of £158,726 and introducer commission of £290 resulting in net fees payable to Hargreave Hale Limited of £234,472.

FINANCIAL INSTRUMENTS

The Company's financial instruments and principal risks are disclosed in Note 16 to the accounts.

VCT STATUS MONITORING

In November 2014, the Company appointed Philip Hare & Associates LLP (formerly Robertson Hare LLP) as advisors on, inter alia, compliance with legislative requirements. The Directors monitor the Company's VCT status through regular reports from Philip Hare & Associates LLP.

AUDITORS

Mandatory audit tendering legislation states that the maximum period for which a firm can be appointed auditor of a public interest entity is 10 years. The last year BDO LLP can act as auditor before a mandatory tender process is required is 30 September 2016. The Board are considering the process and confirm that BDO LLP will step down as auditor in the current year and a mandatory tender process will take place.

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 Annual General Meeting. However, as explained above BDO LLP would then resign once the mandatory tender process has been completed.

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.

CORPORATE GOVERNANCE

The statement on corporate governance set out on pages 32 to 37 is included in the directors' report by reference.

GREENHOUSE EMISSIONS

As a UK quoted company, the VCT is required to report on its greenhouse gas emissions. As it outsources all of its activities to third parties and does not have any physical assets, property, employees or operations, the Company is not directly responsible for any greenhouse gas emissions.

POST BALANCE SHEET EVENTS

Post balance sheet events are disclosed in Note 18 on page 58 of the accounts.

FUTURE DEVELOPMENTS

Consideration of the Company's future development and prospects are contained in the chairman's statement and investment manager's report on pages 3 and 14 respectively.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at Accurist House, 44 Baker Street, London, W1U 7AL at 11.00 am on 12 January 2017. The notice of the Annual General Meeting is at the end of this document.

The proxy form enclosed with this annual report and financial statements permits shareholders to disclose votes 'for', 'against', and 'withheld'. A vote 'withheld' is not a vote in law and will not be counted in proportion of the votes for and against the resolution.

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting for which shareholder approval is required in order to comply either with the Companies Act 2006 or the Listing Rules of the Financial Conduct Authority.

POWER TO ALLOT SHARES

Ordinary resolution number 8 will request the authority to allot up to an aggregate nominal amount of £100,000. This resolution replaces the authority given to the Directors at the General Meeting on 12 January 2016. The authority sought at the forthcoming Annual General Meeting will expire 15 months from the date that this resolution is passed, or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier.

DISAPPLICATION OF PRE-EMPTION RIGHTS

Special resolution number 9 will request the authority for the Directors to allot equity securities for cash without first being required to offer such securities to existing members. This will include the sale on a non pre-emptive basis of any shares the Company holds in treasury for cash. The authority relates to a maximum aggregate of £100,000 of the nominal value of the share capital.

This resolution replaces the authority given to the Directors at the General Meeting on 12 January 2016. The authority sought at the forthcoming Annual General Meeting will expire 15 months from the date that this resolution is passed or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier.

PURCHASE OF OWN SHARES

Special resolution number 10 will request the authority to purchase a maximum of 14.99 per cent. of the Company's issued Ordinary share capital at, or between, the minimum and maximum prices specified in resolution 10. Shares bought back under this authority may be cancelled and up to 10 per cent. may be held in treasury.

The Board believes that it is helpful for the Company to continue to have the flexibility to buy its own shares and this resolution seeks authority from shareholders to do so.

This resolution would renew the 2016 authority, which was on similar terms. During the financial year under review, the Company purchased 1,206,293 ordinary shares which were then cancelled.

The authority sought at the forthcoming Annual General Meeting will expire 15 months from the date that this resolution is passed, or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier.

RECOMMENDATION

The Board believes that the passing of the resolutions above are in the best interests of the Company and its shareholders as a whole, and unanimously recommends that you vote in favour of these resolutions, as the Directors intend to do in respect of their own beneficial shareholdings of 234,100 shares.

By order of the Board

STUART BROOKES

Company Secretary

Registered office:
Hargreave Hale AIM VCT1 plc,
Accurist House,
44 Baker Street
London W1U 7AL

Date: 7 December 2016

DIRECTORS' REMUNERATION REPORT

For the year ended 30 September 2016

The Board presents this report which has been prepared in accordance with the requirements of The Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013. Shareholders are encouraged to vote on the remuneration report annually at the Annual General Meeting and on the remuneration policy at least every three years.

Your Company's independent auditor is required to audit certain disclosures provided in this report. Where disclosures have been audited, they are indicated in this report. The auditor's opinion is included in their report on pages 39 to 42.

STATEMENT FROM THE CHAIRMAN OF THE BOARD IN RELATION TO DIRECTORS' REMUNERATION MATTERS

The Board is mindful of its obligation to set remuneration at levels which attract and maintain an appropriate calibre of individuals whilst simultaneously protecting the interests of shareholders.

In light of the obligations set out above, the Board has reviewed its existing remuneration levels and compared to a peer group of VCTs with net asset values of a similar size to the Company. The Board has decided to maintain the annual remuneration of the non-executive Directors at £18,000 and the Chairman at £22,500.

REMUNERATION RESPONSIBILITIES

As the Board consists entirely of non-executive directors it is considered appropriate that matters relating to remuneration are considered by all the Board as a whole, rather than a separate remuneration committee. All directors are considered independent with the exception of Giles Hargreave who is chairman of Hargreave Hale Limited and is not therefore independent.

The remuneration policy is set by the Board, which considers whether the remuneration policy is fair and in line with comparable VCTs, together with the remuneration of each of the directors. The Board deals with all matters relating to directors remuneration and reporting thereon and has established clear terms of reference.

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.

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, other incentives or benefits or payment on loss of office.

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.

BASIS OF REMUNERATION

All of the Directors are non-executive and considered to be independent with the exception of Giles Hargreave, who is not independent. It is not considered appropriate to relate any portion of their remuneration to the performance of the Company and performance conditions have not been set in determining their level of remuneration. As the Company has no employees, it is not possible to take account of the pay and employment conditions of the employees when determining the levels of the Directors' remuneration.

The table below shows the expected maximum payment that can be received per annum by each director for the year to 30 September 2017, together with a summary of the Company's strategy and how this is supported by the current remuneration policy.

Director	Role	Components of Pay Package	Expected fees for the year to 30 September 2017	Performance Conditions	Company Strategy	Remuneration Policy
Sir Aubrey Brocklebank Bt	Chairman	Basic Salary	£22,500	N/A	To achieve long term capital growth and to maximise tax free distributions to shareholders by investing in a diversified portfolio of small UK companies primarily traded on AIM.	The levels of remuneration are considered to be fair and reasonable in relation to the time committed and responsibilities of the Directors and in line with the remuneration paid by other VCTs and investment trusts.
David Brock	Director		£18,000			
Giles Hargreave*	Director		£18,000			

* Giles Hargreave will not stand for re-election at the Annual General Meeting in 2017.

ANNUAL REMUNERATION REPORT

The purpose of this report is to demonstrate the method by which the Board has implemented the Company's remuneration policy and provide shareholders with specific information in respect of the Directors' remuneration.

Under Companies Act 2006 s439, the rules require companies to ask shareholders to approve the annual remuneration paid to directors every year and to formally approve the directors' remuneration policy on an annual or on a three yearly basis. Any change to the directors' remuneration policy will require shareholder approval. As in prior years, the vote on the directors' remuneration report is an advisory vote, whilst the vote on the directors' remuneration policy is binding. Accordingly ordinary resolutions will be put to shareholders at the forthcoming Annual General Meeting to be held on 12 January 2017, to receive and adopt the directors' remuneration report and to receive and approve the directors' remuneration policy.

At the Annual General Meeting held on 12 January 2016 the following votes were cast on the remuneration report:

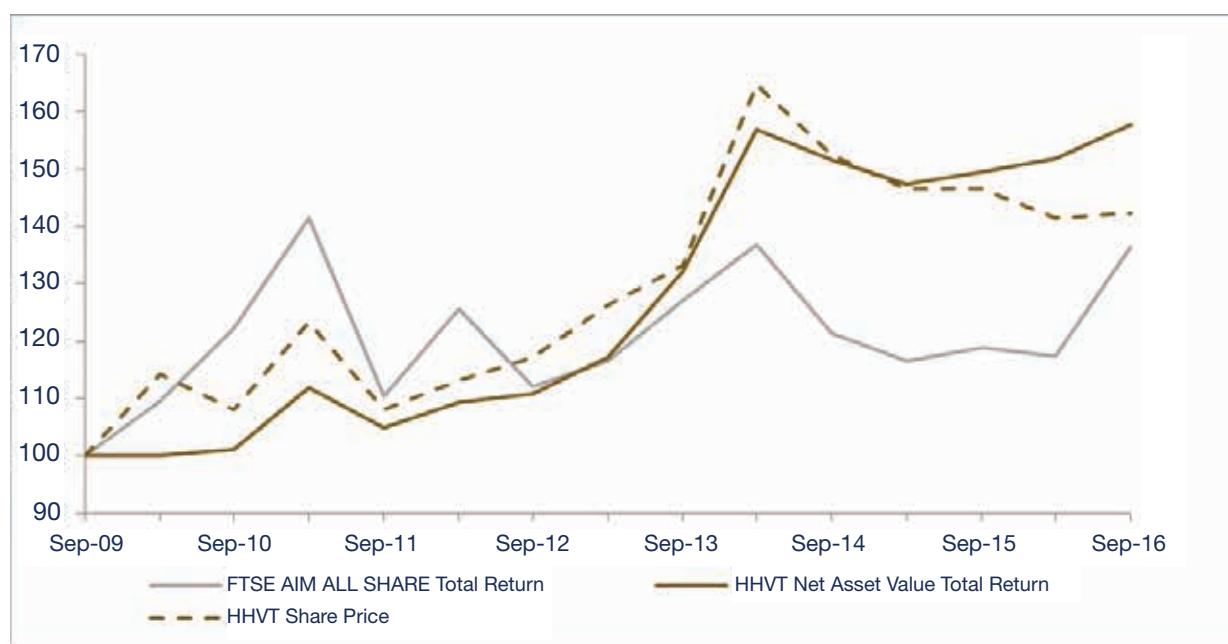
	Number of votes	% of votes cast
For	3,145,405	90.9
Against	168,137	4.9
Discretionary	145,285	4.2
Total votes cast	3,458,827	100.0%
Number of votes withheld	51,931	

The remuneration policy was approved by shareholders at the Annual General Meeting held on 12 January 2016. Votes were cast as follows:

	Number of votes	% of votes cast
For	3,209,127	92.4
Against	116,979	3.4
Discretionary	145,285	4.2
Total votes cast	3,471,391	100.0%
Number of votes withheld	39,367	

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 (rebased to 100) and share price (rebased to 100) over the last seven years 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 half yearly intervals.



DIRECTORS' EMOLUMENTS FOR THE YEAR (AUDITED)

The total emoluments of each person who served as a director during the year are set out in the table below. Sir Aubrey Brocklebank Bt is entitled to a higher fee due to his role as Chairman.

The table below compares Director's remuneration to shareholder distributions (through dividend payments and share buybacks) in respect of the financial year ended 30 September 2016 and the preceding financial year:

	Year ended 30 September 2016 £	Year ended 30 September 2015 £	Growth %
Directors' remuneration*	58,500	53,250	9.9
Dividend paid	2,146,013	1,840,827	16.6
Share buybacks	845,848	849,211	(0.4)

*No national insurance contributions due/paid.

	2016 Fees £	2016 Benefits in Kind £	2016 Total £	2015 Fees £	2015 Benefits in Kind £	2015 Total £
Sir Aubrey Brocklebank Bt (Chairman)	22,500	-	22,500	20,250	-	20,250
Giles Hargreave	18,000	-	18,000	16,500	-	16,500
David Brock	18,000	-	18,000	16,500	-	16,500
Total	58,500	-	58,500	53,250	-	53,250

DIRECTORS' INTERESTS (AUDITED)

The Directors' interests (including those of connected persons) in the issued share capital of the Company are outlined below. There is no minimum holding requirement that the Directors need to adhere to.

	Ordinary Shares	
	2016	2015
Sir Aubrey Brocklebank	4,845	4,845
Giles Hargreave	200,108	200,108
David Brock	29,147	15,325

There have been no changes to the beneficial interests of Directors between 30 September 2016 and the date of this report.

TAXABLE BENEFITS (AUDITED)

The Directors who served during the year received no taxable benefits in the year.

VARIABLE PAY (AUDITED)

The Directors who served during the year received no variable pay relating to the performance of the Company in the year.

PENSION BENEFITS (AUDITED)

The Directors who served during the year received no pension benefits in the year.

RECRUITMENT REMUNERATION POLICY

The remuneration levels are designed to reflect the duties and responsibilities of the roles and the value of time spent in carrying these out. The Board will obtain independent advice where it considers it necessary. No such advice was taken during the year under review. This policy would be used when agreeing the remuneration of any new director.

APPROVAL

The directors' remuneration report on pages 28 to 31 was approved by the Board of Directors on 7 December 2016 and will be further subject to an advisory vote at the Annual General Meeting being held on the 12 January 2017 and every year thereafter.

Signed on behalf of the Board of Directors.

SIR AUBREY BROCKLEBANK BT
CHAIRMAN

7 December 2016

CORPORATE GOVERNANCE

For the year ended 30 September 2016

DIRECTORS' 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.

The Company has taken note of and implemented the 2014 UK Corporate Governance Code. 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 Giles Hargreave. Giles Hargreave is chairman 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 5.

The Chairman is Sir Aubrey Brocklebank, a non-executive director, who has no conflicting relationships. The other directors are all non-executive. The Company does not have a Chief Executive Officer as the responsibilities for the day to day management and administration of the Company has been delegated to Hargreave Hale Limited in their capacity as the investment manager and administrator to the Company.

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 the investment portfolio. A report is produced by the investment manager and includes information on the current investment position and outlook, strategic direction, performance against stock market indices, the Company's peer group, cash management, revenue forecasts for the financial year, marketing and shareholder relations, corporate governance and industry and other issues.

As all the directors are non-executives, the Board has not set up separate nomination and remuneration committees (as required by Code B.2.1 and D.2.1 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 Annual General Meeting and then retires at an Annual General Meeting 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 will stand down and will not stand for re-election.

Aubrey Brocklebank and David Brock are required to stand for election at this year's Annual General Meeting. 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' letters of appointment will be available at the Annual General Meeting 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 Officer's 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 28 to 31.

ACCOUNTABILITY AND AUDIT

The Directors' responsibilities for the Company's accounting records and financial statements are set out on page 38. The independent auditor's report appears on pages 39 to 42.

PERFORMANCE APPRAISAL

The Directors recognise the importance of the 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 Annual General Meeting.

The Directors complete an annual board evaluation questionnaire for each director covering performance appraisal of the Board, the Chairman and the Directors. The questionnaires were completed during the year and on review the Board is satisfied with the results and finds that the Board, the Chairman and the Directors are suitably qualified to undertake their responsibilities and perform their duties in respect of managing the Company.

AUDIT COMMITTEE

The Committee consists of two members appointed by the Board, these members are David Brock (Chairman) and Sir 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. 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 auditor in their management letters; and
- To consider other topics, as defined by the Board.

The committee reviews its terms of reference and its effectiveness annually and recommends to the Board any changes post review. The terms of reference are available on the Company's website <http://www.hargreaveaimvcts.co.uk> and by request from the Company Secretary. The audit committee ordinarily meets twice a year and has direct access to BDO LLP, the Company's external auditor. The Board considers that the members of the committee are both independent and collectively have the skills and experience to discharge their duties effectively, and that the Chairman of the committee meets the requirements of the UK Corporate Governance Code as to recent and relevant financial experience.

During the year ended 30 September 2016 the audit committee discharged its responsibilities by:

- Reviewing the Company's draft annual and half yearly results statements, interim manager's statements, and the proposed fair value of investments as determined by the investment manager;
- Reviewing the Company's accounting policies;
- Reviewing the audit committee report on the financial statements and recommending necessary adjustments;
- Ongoing review of the internal controls within the investment management company and assessing the effectiveness of those controls in minimising the impact of key risks;
- Reviewing the Company's on-going compliance procedures and effectiveness of those procedures in minimising the impact of key risks;
- Reviewing and approving the external auditor's terms of engagement, remuneration and independence; and
- Recommending to the Board and shareholders the ongoing appointment of BDO LLP.

The key areas of risk identified by the audit committee in relation to the business activities and financial statements of the Company are as follows:

- Compliance with HM Revenue & Customs legislation to maintain the Company's VCT status;
- Fluctuations in the value of investments; and
- Valuation and existence of investments in private unlisted companies.

These issues were discussed with the investment manager and the auditor at the audit planning meeting and at the board meeting prior to sign off of the financial statements. The committee concluded:

- **Venture Capital status.** The investment manager confirmed to the audit committee that the conditions for maintaining the Company's status had been complied with throughout the year. The Company's status is also reviewed by the Company's tax advisors Philip Hare & Associates LLP and further half yearly reconciliations are carried out. The committee reviewed the reports and were satisfied with the reports produced.
- **Fluctuations in the value of investments.** The committee reviewed the Company's portfolio and were satisfied that the maximum exposure to a single Qualifying Investment was less than 15% of net assets.
- **Valuation and existence of investments in unlisted private companies.** The investment manager and the auditor confirmed to the audit committee that the basis of valuation for investments in unlisted private companies was consistent with the prior year. The audit committee reviewed the estimates and judgements made by the investment manager and were satisfied with the valuations proposed.

The investment manager and the Company's auditor confirmed to the audit committee that they were not aware of any material misstatements to the financial statements. Having reviewed the financial statements and the report produced by the auditor, the audit committee were satisfied that key areas of risks and judgement were appropriately addressed.

As part of the review of auditor effectiveness and independence, BDO LLP confirmed it is independent to the Company and continues to comply with applicable audit standards.

The committee considered the appointment of the current auditors and confirmed that it is satisfied with the standard of service received. Should the committee be dissatisfied, a tender process would be undertaken. A tender was last undertaken when the Company was incorporated in 2006, although there was rotation of the engagement partners in the prior year in accordance with the Auditors' Ethical Standards. A tender has not been undertaken since this date as the committee has been satisfied with the performance of the external auditor.

CAPITAL STRUCTURE

The Company's capital structure is summarised in Note 1 to the accounts.

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 is reviewed annually by the Board and accords with the guidance set out in the FRC's "Risk Management and Internal Control and Related Financial and Business Reporting" document. 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 the appointment of Hargreave Hale Limited as administrators, the method of controlling company payments has changed. The Directors and the Company Secretary are authorised signatories. Each cheque must be signed by two authorised signatories, including one that is independent of Hargreave Hale.

The Board has approved electronic payments up to £10,000 to be authorised by either Stuart Brookes or Aubrey Brocklebank, payments over £10,000 must be dual authorised. Copy documentation to support all payments is circulated to the Directors for review.

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.

AUDITOR'S NON-AUDIT SERVICE

During the year no fees were paid for non-audit services (2015 – £nil).

ATTENDANCE AT BOARD MEETINGS

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	3
David Brock	4	4

	Fundraising and Share Allotments No of Board Meetings	
	Held	Attended
Sir Aubrey Brocklebank Bt (Chairman)	12	12
Giles Hargreave	12	12
David Brock	12	0

	No of Audit Meetings	
	Held	Attended
Sir Aubrey Brocklebank Bt (Chairman)	2	2
David Brock	2	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 NAV of the Company's ordinary shares, which is published via the Stock Exchange and on our website at <http://www.hargreaveaimvcts.co.uk>. Shareholders have the opportunity to communicate directly with the Board at the Annual General Meeting. All shareholders are encouraged to attend the Annual General Meeting.

AMENDMENTS OF ARTICLES OF ASSOCIATION

The Company's Articles of Association may be amended by the members of the Company by special resolution (requiring a majority of at least 75% of the persons voting on the relevant resolution).

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: 7 December 2016

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP") (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;
- state whether they have been prepared in accordance with UK GAAP; subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a director's report, a strategic report and director's 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.

The Directors are responsible for ensuring that the annual report and accounts, taken as a whole, are fair, balanced, and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

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.

DIRECTORS' RESPONSIBILITY STATEMENT PURSUANT TO DTR4

Sir Aubrey Brocklebank (Chairman), David Brock and Giles Hargreave, the Directors confirm to the best of their knowledge that:

- The financial statements have been prepared in accordance with UK GAAP and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company; and
- 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.

For and on behalf of the Board

SIR AUBREY BROCKLEBANK BT

Chairman

Date: 7 December 2016

INDEPENDENT AUDITOR'S REPORT

To the members of Hargreave Hale AIM VCT 1 plc

OUR OPINION ON THE FINANCIAL STATEMENTS

In our opinion the Hargreave Hale AIM VCT 1 plc Financial Statements for the year ended 30 September 2016, which have been prepared by the Directors in accordance with applicable law and United Kingdom Accounting Standards:

- give a true and fair view of the state of the Company's affairs as at 30 September 2016 and its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

WHAT OUR OPINION COVERS

Our audit opinion on the Financial Statements covers the:

- Income Statement;
- Balance Sheet;
- Statement of Changes in Equity;
- Statement of Cash Flows; and
- Related Notes.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the report of the Directors, 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

A description of the scope of an audit of Financial Statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate

AN OVERVIEW OF THE SCOPE OF THE AUDIT INCLUDING OUR ASSESSMENT OF THE RISK OF MATERIAL MISSTATEMENT

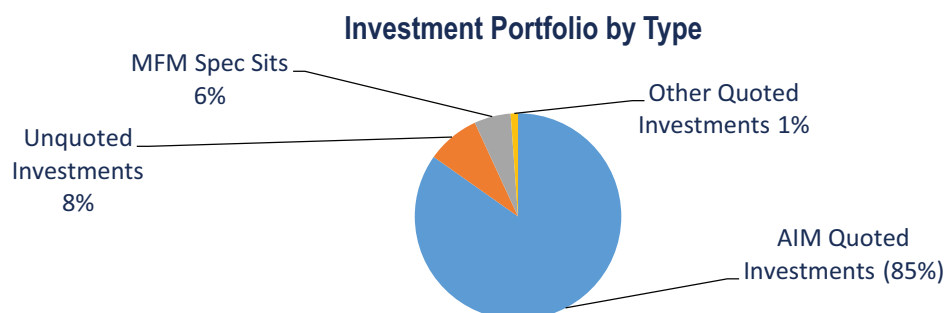
Our audit approach was developed by obtaining an understanding of the Company's activities, the key functions undertaken on behalf of the Board by the investment manager and administrator and the overall control environment. Based on this understanding we assessed those aspects of the Company's transactions and balances which were most likely to give rise to a material misstatement.

INVESTMENTS

The outcome of our risk assessment was that the valuation of investments was considered to be the area with the greatest effect on the overall audit strategy including the allocation of resources in the audit.

The valuation of investments is a key accounting estimate where there is an inherent risk of management override arising from the investment valuations being prepared by the investment manager, who is remunerated based on the net asset value of the Company.

We performed initial analytical procedures to determine the extent of our work considering, inter alia, the value of individual investments, the nature of the investment and the extent of the fair value movement. A breakdown of the investment portfolio by nature of instrument type is shown below.



In respect of AIM Quoted Investments, Other Quoted Investments and the MFM Special Situations Fund, we confirmed that bid price had been used and that there were no contra indicators, such as liquidity considerations, to suggest the price was not the most appropriate indication of fair value. 92% of the portfolio is valued at bid price.

8% of the portfolio is in unquoted private company investments; held in ordinary and preference shares. In respect of a sample of these investments, we:

- reviewed the valuation methodology and supporting documentation;
- considered whether the valuation methodology is the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation (“IPEV”) Guidelines;
- verified the cost or price of recent investment to supporting documentation and reviewed the investment manager’s determination of whether there were any reasons why the valuation did not remain appropriate;
- re-performed the calculation of the investment valuations;
- verified and benchmarked key inputs and estimates to independent information and our own research;
- challenged the assumptions inherent in the valuation of unquoted investments, and we assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the Financial Statements;
- considered the economic environment in which the investment operates to identify factors that could impact the investment valuation; and
- for all investments tested, we developed our own point estimate where alternative assumptions could reasonably be applied and considered the overall impact of such sensitisations on the portfolio of investments in determining whether the valuations as a whole are reasonable and unbiased.

REVENUE

We also considered revenue recognition to be a significant risk. Revenue predominately consists of dividends receivable from the portfolio companies. Revenue recognition is a significant audit risk as it is one of the key drivers of dividend returns to investors. In particular, in unlisted companies, dividends receivable can be difficult to predict.

We assessed the design and the implementation of the controls relating to revenue recognition.

In respect of dividends receivable, we compared actual income to expectations set based on independent published data on dividends declared by the portfolio companies held. We tested the categorisation of dividends received from the portfolio companies between revenue and capital.

The audit committee’s consideration of their key issues is set out on pages 34 to 35.

MATERIALITY IN CONTEXT

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the Financial Statements. Importantly, misstatements below this level will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements. The application of these key considerations gives rise to two levels of materiality, the quantum and purpose of which are tabulated below.

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
Financial statement materiality – Based on 1% of invested assets	Assessing whether the Financial Statements as a whole present a true and fair view	<ul style="list-style-type: none">■ The value of investments■ The level of judgement inherent in the valuation■ The range of reasonable alternative valuation	390,000
Specific materiality – classes of transactions and balances which impact on revenue profits – Based on 10% of the gross expenditure	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the Financial Statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements	The level of net income return	90,000

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £5,000 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the information given in the Corporate Governance Statement set out on pages 35 and 36 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.

STATEMENT REGARDING THE DIRECTORS' ASSESSMENT OF PRINCIPAL RISKS, GOING CONCERN AND LONGER TERM VIABILITY OF THE COMPANY

We have nothing material to add or to draw attention to in relation to:

- the Directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated;

- the Directors' statement in the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements; and
- the Directors' explanation in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Financial Statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' statements, set out on page 37, in relation to going concern and on page 12 in relation to longer-term viability; and
- the part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of these matters.

MICHELLE CARROLL (SENIOR STATUTORY AUDITOR)

For and on behalf of BDO LLP, statutory auditor
 London
 United Kingdom
 Date 7 December 2016

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

INCOME STATEMENT

For the year ended 30 September 2016

	Note	Revenue £000	Capital £000	Total £000
Net gain on investments held at fair value through profit or loss	7	-	3,645	3,645
Income	2	369	-	369
		369	3,645	4,014
Management fee	3	(156)	(467)	(623)
Other expenses	4	(276)	-	(276)
		(432)	(467)	(899)
(Loss)/gain on ordinary activities before taxation		(63)	3,178	3,115
Taxation	5	-	-	-
(Loss)/gain after taxation		(63)	3,178	3,115
(Loss)/gain per share basic and diluted	6	(0.11)p	5.69p	5.58p

INCOME STATEMENT

For the year ended 30 September 2015
(Comparative Information)

	Note	Revenue £000	Capital £000	Total £000
Net gain on investments held at fair value through profit or loss	7	-	88	88
Income	2	240	-	240
		240	88	328
Management fee	3	(127)	(381)	(508)
Other expenses	4	(290)	-	(290)
		(417)	(381)	(798)
(Loss) on ordinary activities before taxation		(177)	(293)	(470)
Taxation	5	-	-	-
(Loss) after taxation		(177)	(293)	(470)
(Loss) per share basic and diluted	6	(0.40)p	(0.66)p	(1.06)p

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

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

BALANCE SHEET

As at 30 September 2016

COMPANY REGISTRATION NUMBER:
5206425 (IN ENGLAND AND WALES)

	Note	2016 £000	2015 £000
Fixed assets			
Investments at fair value through profit or loss	7	38,572	32,353
Current assets			
Debtors	9	44	32
Cash at bank	12	8,647	3,764
		8,691	3,796
Creditors: amounts falling due within one year	10	(191)	(208)
Net current assets		8,500	3,588
Net assets		47,072	35,941
Capital and Reserves			
Called up share capital	11	620	482
Share premium		21,845	10,987
Capital redemption reserve		28	16
Special reserve		19,052	22,044
Capital reserve – realised		(3,725)	(3,506)
Capital reserve – unrealised		9,651	6,254
Revenue reserve		(399)	(336)
Total shareholders' funds		47,072	35,941
Net asset value per share	13	75.93p	74.64p

These financial statements were approved and authorised for issue by the Board of Directors on 7 December 2016 and signed on its behalf by

SIR AUBREY BROCKLEBANK BT
Chairman

7 December 2016

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

STATEMENT OF CHANGES IN EQUITY

For the year ending 30 September 2016

	Share Capital £000	Share Premium £000	Capital Redemption Reserve £0000	Capital Reserve Realised £000	Capital Reserve Unrealised £000	Special Reserve £000	Revenue Reserve £000	Total £000
At 1 October 2015	482	10,987	16	(3,506)	6,254	22,044	(336)	35,941
Share buybacks	(12)		12			(846)		(846)
Share Issues	150	11,093						11,243
Issue Costs		(235)						(235)
Equity dividends paid (Note 18)						(2,146)		(2,146)
Realised gains on investments				248				248
Unrealised gains on investments					3,397			3,397
Management fee charged to capital				(467)				(467)
Revenue loss after taxation for the year							(63)	(63)
Total gain after taxation				(219)	3,397		(63)	3,115
At 30 September 2016	620	21,845	28	(3,725)	9,651	19,052	(399)	47,072

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

STATEMENT OF CHANGES IN EQUITY

For the year ending 30 September 2015 (Comparative Information)

	Share Capital £000	Share Premium £000	Capital Redemption Reserve £000	Capital Reserve Realised £000	Capital Reserve Unrealised £000	Special Reserve £000	Revenue Reserve £000	Total £000
At 1 October 2014	365	1,308	4	(4,917)	7,958	24,734	(159)	29,293
Share buybacks	(12)		12			(850)		(850)
Subscriptions	129	9,871						10,000
Issue Costs		(192)						(192)
Equity dividends paid (Note 18)						(1,840)		(1,840)
Realised gains on investments				1,792				1,792
Unrealised gains on investments					(1,704)			(1,704)
Management fee charged to capital				(381)				(381)
Revenue loss after taxation for the year							(177)	(177)
Total loss after taxation				1,411	(1,704)		(177)	(470)
At 30 September 2015	482	10,987	16	(3,506)	6,254	22,044	(336)	35,941

STATEMENT OF CASH FLOWS

For the year ending 30 September 2016

	Note	2016 £000	2015 £000
Total gain/(loss) on ordinary activities after taxation		3,115	(470)
Realised (gain) on investments		(248)	(1,792)
Unrealised (gain)/loss on investments		(3,397)	1,704
(Increase)/decrease in debtors		(12)	3
(Decrease)/increase in creditors		(17)	15
Net cash (outflow) from operating activities		(559)	(540)
Purchase of investments		(13,410)	(10,253)
Sale of investments		10,836	4,236
Net cash (outflow) from investment activities		(2,574)	(6,017)
Share buybacks		(846)	(849)
Issue of share capital		11,008	9,807
Dividends paid	17	(2,146)	(1,840)
Net cash inflow from financing activities		8,016	7,118
Increase in cash	12	4,883	561
Opening cash	12	3,764	3,203
Cash movement		4,883	561
Closing cash		8,647	3,764

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 FRS 102 and with the Statement of Recommended Practice (SORP) for “Financial Statements of Investment Trust Companies” issued in November 2014. This is the first period in which the Financial Statements have been prepared under FRS102 which became mandatory for companies with a financial year beginning on or after 1 January 2015.

The main change from the adoption of FRS 102 to impact the Company is presentational changes to the primary statements. There have been no changes to the recognition or measurement of assets and liabilities following the transition so no restatements have been deemed necessary.

Financial Instruments

All investments are classified as fair value through profit or loss. Investments are measured initially and subsequently at fair value which is deemed to be bid market prices for listed investments and investments traded on AIM. Unquoted investments are valued using the most appropriate methodology recommended by the International Private Equity Venture Capital (“IPEV”) guidelines.

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 holds the investment at cost for a period where there is considered to be no change in fair value.

Valuations of unquoted investments are reviewed on a six monthly basis and more frequently if events occur that could have a material impact on the investment. Where cost is no longer considered appropriate the Company will use a value indicated by a material arms-length transaction by an independent third party in the shares of a company. Where no such transaction exists the Company will use the most appropriate valuation technique including discounted cash flow analysis, earnings multiples, net assets and industry valuation benchmarks. All inputs are market observable with the exception of level C financial instruments (Note 7).

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. Purchases and sales of unlisted investments are recognised when the contract for acquisition or sale becomes unconditional. Transaction costs are included in the initial book cost or deducted from the disposal proceeds as appropriate.

These investments will be managed and their performance evaluated on a fair value basis in accordance with a documented investment strategy and information about them is provided internally on that basis to the Board.

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 taken to the unrealised capital reserve or realised capital reserve as appropriate.

If an investment has been impaired such that there is no realistic expectation that there will be a full return from the investment, the loss is treated as a permanent impairment and transferred to the capital reserve realised.

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.

Trail Commission

Trail commission previously due is held as a creditor until such time as claims are made by the relevant intermediary and supporting documentation provided. If claims are not received these amounts are written off after a period of six years.

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.

Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not yet reversed at the balance sheet date. Deferred tax assets are only recognised to the extent that recovery is probable in the foreseeable future.

Current tax is expected tax payable on the taxable revenue for the period using the current tax rate. The tax effect of different items of income and expenditure is allocated between capital and revenue on the same basis as the particular item to which it relates.

Approved VCTs are exempt from tax on capital gains from the sale of fixed asset investments. The Directors intend that the Company will continue to conduct its affairs to maintain its VCT status, no deferred tax has been provided in respect of any capital gains or losses arising from the revaluation or disposal of investments.

Dividends

Only dividends recognised during the year are deducted from revenue or capital reserves. Final and interim dividends are recognised in the accounts when the Company's liability to pay them has been established.

Functional Currency

In accordance with FRS 102 s.30, 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 statement of changes in equity. 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.

CAPITAL STRUCTURE

Share Capital

Ordinary shares are classed as equity. The ordinary shares in issue have a nominal value of one pence and carry one vote each. Substantial holdings in the Company are disclosed in the directors' report on page 24.

Share Premium

This reserve represents the difference between the issue price of shares and the nominal value of shares at the date of issue, net of related issue costs.

Capital Redemption Reserve

This reserve is used for the cancellation of shares bought back under the buyback facility.

Special Reserve

Distributable reserve used to pay dividends and re-purchase shares under the buyback facility.

Capital Reserve Realised

Gains/losses on disposal of investments, permanent impairment of financial assets and 75% of the investment management fee are accounted for in the capital reserve realised.

Capital Reserve Unrealised

Unrealised gains and losses on investments held at the year-end arising from movements in fair value are taken to the capital reserve unrealised.

Revenue Reserve

Net revenue profits and losses of the Company.

Key judgements and estimates

The preparation of the financial statements requires the Board to make judgements and estimates that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Key estimation uncertainties mainly relate to the fair valuation of unquoted investments, which are based on historical experience and other factors that are considered reasonable including the transfer price of the most recent transaction on an arm's length basis. The estimates are under continuous review with particular attention paid to the carrying value of the investments. The process of estimation is also affected by the determination of fair value hierarchy described in note 7 to the Financial Statements.

2. INCOME

	2016 £000	2015 £000
Income from investments:		
UK dividends	366	206
Unfranked investment income	3	34
	369	240

3. MANAGEMENT FEES

	2016 Revenue £000	2016 Capital £000	2016 Total £000	2015 Revenue £000	2015 Capital £000	2015 Total £000
Management fees	156	467	623	127	381	508
	156	467	623	127	381	508

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 NAV of the Company, calculated and payable quarterly in arrears. At 30 September 2016, £57,089 (2015 – £43,844) was owed in respect of management fees. 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. No fees were waived between 1 October 2015 and 30 September 2016 and no fees were waived between 1 October 2014 and 30 September 2015 under the indemnity.

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 NAV per share is at least 95p and any cumulative shortfalls below 6p per ordinary share per annum 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 2016.

4. OTHER EXPENSES

	2016 £000	2015 £000
General expenses:		
Administration fee	37	35
Legal & professional	6	36
Other expenses	196	151
Directors' fees	59	53
Trail commission	(39)	-
Auditors' remuneration – for audit services	17	15
	276	290

Directors' salaries and fees are including national insurance contributions.

The maximum aggregate directors' emoluments authorised by the Articles of Association are detailed in the directors' remuneration report on page 29.

5. TAX ON ORDINARY ACTIVITIES

The tax charge for the year is based on the standard rate of UK Corporation Tax of 20%.

	2016 Total £000	2015 Total £000
Profit/(loss) on ordinary activities before taxation	3,115	(470)
UK Corporation Tax 20% (2015 – 20.5%)	623	(96)
Effect of non taxable gains/losses on investments	(729)	(18)
Effect of non taxable UK dividend income	(73)	(42)
Effect of current year losses on which deferred tax not recognised	179	156
Current tax charge	-	-

At the 30 September 2016 the Company had tax losses carried forward of £4,073,368 (2015 – £3,177,519). It is unlikely that the Company will generate enough taxable income in the future to use these expenses to reduce future tax charges and therefore no deferred tax asset has been recognised.

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.

The change in applicable tax rate compared with the previous reporting period is due to a decrease in the corporation tax rate from 21% to 20% effective from 1 April 2015.

6. EARNINGS PER SHARE

	2016 Revenue pence	2016 Capital pence	2016 Total pence	2015 Revenue pence	2015 Capital pence	2015 Total pence
(Loss)/gain per ordinary share (basic and diluted)	(0.11)	5.69	5.58	(0.40)	(0.66)	(1.06)

Revenue return per ordinary share based on a net revenue loss on ordinary activities after taxation of £62,763 (2015 – £176,700 loss) and on 55,810,087 (2015 – 44,087,008) 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 gain of £3,177,775 (2014 – £292,746 loss) for the year and on 55,810,087 (2015 – 44,087,008) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

7. INVESTMENTS

	AIM Quoted Investments		Unquoted Investments		Other Quoted Investments		Total Investments	
	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000
Investments	32,706	28,037	5,423	4,039	443	277	38,572	32,353
Movement in year:								
Opening Valuation	28,037	23,462	4,039	1,989	277	797	32,353	26,248
Re-Classification	-	155	-	(155)	-	-	-	-
Purchases at cost	11,472	8,330	1,626	1,923	312	-	13,410	10,253
Sale proceeds	(8,906)	(3,764)	(1,654)	-	(276)	(472)	(10,836)	(4,236)
Realised gains / (losses)	(219)	2,009	447	(200)	20	(17)	248	1,792
Unrealised (losses) / gains	2,322	(2,155)	965	482	110	(31)	3,397	(1,704)
Closing valuation	32,706	28,037	5,423	4,039	443	277	38,572	32,353
Closing book cost	24,978	22,631	3,631	3,211	312	256	28,921	26,098
Closing unrealised	7,728	5,406	1,792	828	131	21	9,651	6,255
Realised gain/(loss) on sales	(219)	2,009	447	(200)	20	(17)	248	1,792
Unrealised (loss)/gain on investments	2,322	(2,155)	965	482	110	(31)	3,397	(1,704)
(Loss)/gain on investments	2,103	(146)	1,412	282	130	(48)	3,645	88

Transaction Costs

During the year the Company incurred transaction costs of £54,057 and £11,842 on purchases and sales respectively. These amounts are included in gain/(loss) on investments as disclosed in the income statement.

Fair Value Measurement Hierarchy

FRS 102 requires the classification of financial assets and financial liabilities according to a fair value hierarchy that reflects the significance of inputs used in making the fair value measurement.

The fair value hierarchy has the following levels:

- Level A: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level B: Inputs other than quoted prices included within Level A that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level C: If one or more of the significant inputs is not based on observable market data, the instrument is included in level C. The fair value of Level C instruments are determined by referencing the most recent arm's length transaction and/or valuation techniques such as earnings multiples, discounted cash flow analysis based on the most recent management accounts, forward looking forecasts and peer group review. If one or more of the significant inputs is not based on observable market data, the instrument is included in level C.

Mexican Grill Limited (unquoted)

The fair value of the investment has been maintained at £85.50, reflecting the transfer price of the most recent transaction in the shares (on an arms length basis) in December 2014. The valuation is tested against a peer group by comparing the EV/EBITDA ratios in the current financial year, although we note the limited number of listed comparators of an equivalent size and maturity.

Brigantes Energy (unquoted)

The fair value of the investment has been written down to nil on the basis that there is no realistic expectation that there will be a return from the investment. This has been treated as a permanent impairment and transferred to the capital reserve realised.

Corfe Energy (unquoted)

The fair value of the investment has been written down to nil on the basis that there is no realistic expectation that there will be a return from the investment. This has been treated as a permanent impairment and transferred to the capital reserve realised.

Invocas Group (unquoted)

The fair value of the investment has been written down to nil on the basis that the company is cash constrained and is at risk of failure. As there is no realistic expectation that there will be a return from the investment this has been treated as a permanent impairment and transferred to the capital reserve realised

Infoserve Group (unquoted)

The fair value of the investment has been maintained at nil. The company is heavily indebted with weak cash flows and we see little prospect of a return to equity holders. This impairment was previously transferred to the capital reserve realised as a permanent impairment.

FCFM Group Ltd (unquoted)

The fair value was appraised to £1,017 in October 2015, and to £1,353 in August 2016 reflecting the transfer price of the most recent transaction in the shares (on an arm's length basis).

Portr Ltd (unquoted)

The fair value of the investment was appraised to £10.58 reflecting the transfer price of the most recent transaction in the shares (on an arm's length basis).

Laundrapp Ltd (unquoted)

The fair value of the investment has been maintained at cost, £44.30 per share in accordance with EVCA guidelines for investments of less than one year.

	2016 Level A £000	2016 Level B £000	2016 Level C £000	2016 Total £000	2015 Level A £000	2015 Level B £000	2015 Level C £000	2015 Total £000
Investments	33,149	2,206	3,217	38,572	28,314	1,584	2,455	32,353

8. SIGNIFICANT INTERESTS

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

Imaginatik plc	5.03%
Mexican Grill Ltd	3.55%
Mirada plc	4.64%
Portr Ltd	4.60%
Science in Sport plc	3.34%

9. DEBTORS

	2016 £000	2015 £000
Prepayments and accrued income	44	32

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £000	2015 £000
Trade Creditors	81	108
Accruals and deferred income	110	100
	191	208

11. CALLED UP SHARE CAPITAL

	2016 £000	2015 £000
Allotted, called-up and fully paid: 61,995,274 (2015 – 48,152,281) ordinary shares of 1p each.	620	482

During the year 1,206,293 ordinary shares were purchased through the buyback facility at a cost of £845,848. The acquired shares have been cancelled.

During the year, the Company issued 15,049,286 ordinary shares (nominal value £150,493) in a joint offer for subscription which resulted in gross funds being received of £11,242,501.

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.

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.

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 2015 £000	Cash Flows £000	At 30 September 2016 £000
Cash at bank	3,764	4,883	8,647

	At 1 October 2014 £000	Cash Flows £000	At 30 September 2015 £000
Cash at bank	3,203	561	3,764

13. NET ASSET VALUE PER ORDINARY SHARE

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

	Net asset value per share		Net assets attributable	
	2016 pence	2015 pence	2016 £000	2015 £000
Ordinary shares – Basic	75.93	74.64	47,072	35,941

Net asset value per share is based on net assets at the year end and on 61,995,274 (2015 – 48,152,281) ordinary shares being the number of shares in issue at year end.

14. CONTINGENCIES, GUARANTEES AND FINANCIAL COMMITMENTS

There were no contingencies, guarantees or financial commitments of the Company at the year end (2015 – nil).

15. RELATED PARTY TRANSACTIONS

Hargreave Hale Limited

Hargreave Hale Limited is considered to be a related party to the Company. Giles Hargreave, a non-executive director of the Company and a member of its key management personnel, is the chairman of Hargreave Hale Limited and has an interest in excess of 7% in that company. In addition Hargreave Hale Limited acts as investment manager, administrator and custodian to the Company and it provides the company secretary. All of the support 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. Fees for the year are £622,596 (2015 – £507,556) as detailed in Note 3. In relation to the other support functions described above, Hargreave Hale Limited also provides administration services, custody services, company secretarial services and one non-executive director, and received fees of £81,667 (2015: £78,500) in relation to these services. Of those fees, £72,089 (2015: £57,177) 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. No fees were waived between 1 October 2015 and 30 September 2016.

16. FINANCIAL INSTRUMENTS

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 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 fixed income securities and bank deposits). The Company is managed as a 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 pages 32 to 37 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 investment manager's report on pages 3 and 14 respectively.

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

1. Equities – fair value 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 £8,646,878 (2015 – £3,764,276) which is classified as 'loans and receivables measured at amortised cost'. Financial liabilities consist of trade creditors and accruals of £190,605 (2015 – £207,963) which are classified as 'financial liabilities measured at amortised cost'.

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 their nature the investments are in small companies traded on the AIM market; therefore, they carry more 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:

		2016	2015
		£000	£000
Equity	Fair value	35,923	30,492
Authorised unit trust	Fair value	2,206	1,584
Gilts/Bonds	Fair value	443	277
		38,572	32,353

A 10% increase or decrease in the investment portfolio would have a £3,857,200 (2015 – £3,235,300) impact on the profit and loss account. A value of 10% has been used as a reasonable estimate for a change in the value of the listed portfolio, which makes up the majority of the investment portfolio.

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.

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 2016			Total £000
	Fixed Rate £000	Variable Rate £000	Non- Interest Bearing £000	
Investments	443	-	38,129	38,572
Cash and cash equivalents	-	8,647	-	8,647
Other current assets and current liabilities (net)	-	-	(147)	(147)
Net assets	443	8,647	37,982	47,072

	30 September 2015			Total £000
	Fixed Rate £000	Variable Rate £000	Non- Interest Bearing £000	
Investments	277	-	32,076	32,353
Cash and cash equivalents	-	3,764	-	3,764
Other current assets and current liabilities (net)	-	-	(176)	(176)
Net assets	277	3,764	31,900	35,941

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.

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 2016 the Company held £8,646,878 on bank deposit.

Credit risk

Credit risk relates to the risk of default by a counterparty. No assets are past due date for payment or impaired. There have been no changes in the financial value of the Company during the year that are attributable to credit risk.

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:

	2016 £000	2015 £000
Investments – (UK gilts and corporate bonds)	443	277
Cash and cash equivalents	8,647	3,764
Other net current liabilities	(147)	(176)
	8,943	3,865

Cash balances were held on deposit with RBS at 30 September 2016.

Fair value of financial assets and financial liabilities

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

Capital management policies and procedures

The current policy is to fund investments through equity. No future change to this policy is envisaged. As a public limited company, 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.

17. DIVIDENDS

	2016 Ord £000	2015 Ord £000
Paid per share:		
Final capital dividend of 2.50 pence for the year ended 30 September 2014	-	1,003
Paid per share:		
Interim dividend of 1.75 pence for year ended 30 September 2015	-	837
Paid per share:		
Final dividend of 2.25 pence for year ended 30 September 2015	1,079	-
Paid per share:		
Interim dividend of 1.75 pence for year ended 30 September 2016	1,067	-
	2,146	1,840
Proposed per share:		
Final dividend of 2.25 pence for the year ended 30 September 2016	1,430	-
Proposed per share:		
Final dividend of 2.25 pence for the year ended 30 September 2015	-	1,080

18. POST BALANCE SHEET EVENTS

Issue of Equity

Following the year end, the offer for subscription has resulted in an additional 1,573,371 ordinary shares being issued, raising gross proceeds of £1,217,664.50. The offer closed on 16 November 2016.

New Joint Offer for Subscription

The Directors announced on 16 November 2016 their intention to launch a new offer for subscription of new ordinary shares this calendar year for subscription in the 2016/2017 and 2017/2018 tax years. Full details of the offer will be contained in a prospectus that is expected to be published shortly.

GLOSSARY OF TERMS

NET ASSET VALUE (NAV)

The Net Asset Value (NAV) is the amount by which total assets exceed total liabilities, i.e. the difference between what the company owns and what it owes. It is equal to shareholders equity, sometimes referred to as shareholders' funds.

QUALIFYING COMPANY OR QUALIFYING INVESTMENT

A Qualifying Investment consists of shares or securities first issued to the VCT (and held by it ever since) by a company satisfying certain conditions. The conditions are detailed but include that the company must be a Qualifying Company, have gross assets not exceeding £15 million immediately before and £16 million immediately after the investment, apply the money raised for the purposes of a qualifying trade within a certain time period and not be controlled by another company. In any twelve month period the company can receive no more than £5 million from VCT funds and Enterprise Investment Schemes, and any other European State-aided risk capital source. The company must have fewer than 250 full time (or equivalent) employees at the time of making the investment. VCT funds raised after 5 April 2012 cannot be used by a Qualifying Company to fund the purchase of shares in another company

TOTAL RETURN

The sum of the published NAV per share plus all dividends paid per share over the lifetime of the Company. This allows performance comparisons to be made between venture capital trusts.

VCT OR VENTURE CAPITAL TRUST

A Venture Capital Trust or VCT is a company, broadly similar to an investment trust, which has been approved by HMRC and which subscribes for shares in, (or lends money to), small unquoted companies, including those quoted on AIM or certain ISDX (formally PLUS) markets. Under the VCT scheme, VCTs and their investors enjoy certain tax reliefs. The VCT scheme is designed to encourage investment in small unquoted companies. Individuals invest by holding shares in a VCT.

COMPANY INFORMATION

Directors

Aubrey Brocklebank, Chairman
David Brock
Giles Hargreave

Secretary and Registered Office

Stuart Brookes
Accurist House
44 Baker Street
London W1U 7AL

Manager

Hargreave Hale Limited
Accurist House
44 Baker Street
London
W1U 7AL

Registrars

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6ZL

Solicitors

Howard Kennedy
No. 1 London Bridge
London
SE1 9BG

Auditors

BDO LLP
55 Baker Street
London
W1U 7EU

VCT Status Adviser

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

Brokers

Singer Capital Markets Limited
One Hanover Street
London
W1S 1YZ

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 Accurist House, 44 Baker Street, London on 12 January 2017 at 11 am for the purposes of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 8 will be proposed as ordinary resolutions and 9 and 10 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 2016;
2. To receive and approve the directors’ remuneration report for the year ended 30 September 2016;
3. To approve the directors’ remuneration policy, the full text of which is contained in the directors’ remuneration report for the year ended 30 September 2016;
4. To reappoint BDO LLP as auditors to the Company and to authorise the Directors to determine their remuneration;
5. To re-elect Aubrey Brocklebank as a director of the Company;
6. To re-elect David Brock as a director of the Company;
7. To approve a final dividend of 2.25 pence per ordinary share in respect of the year ended 30 September 2016.

Special Business

Ordinary Resolutions

8. 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 £100,000, this authority to expire on the earlier of the conclusion of the Company’s next annual general meeting in 2018 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.

Special Resolutions

9. 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 2017 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 (8) 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.

10. 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 2017 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.

Information regarding the General Meeting, including the information required by section 311A of the Act, is available from <http://www.hargreaveaimvcts.co.uk>.

By order of the Board

STUART BROOKES
Company Secretary

Registered Office:
Accurist House
44 Baker Street
London
W1U 7AL

Date: 7 December 2016

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 6DA 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 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 6.30pm on 10 January 2017 or, in the event that the meeting is adjourned, on the register of members at 6.30pm 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 register of securities after 6.30pm on 10 January 2017 (or in the event that the meeting is adjourned, as at 6.30pm 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 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.hargreaveaimvcts.co.uk>.

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 document 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 7 December 2016 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 63,568,645 carrying one vote each. Therefore, the total voting rights in the Company are 63,568,645.





HARGREAVE HALE AIM VCT 1 PLC
(INCORPORATED IN ENGLAND AND WALES
UNDER THE COMPANIES ACT 1985
WITH REGISTERED NUMBER 05206425)