
HARGREAVE HALE AIM VCT 1 plc

Annual Report and Accounts
Year ended 30 September 2015



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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 gilts, other fixed interest 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" or on our dedicated website at <http://www.hargreaveaimvcts.co.uk>.

FINANCIAL HIGHLIGHTS

Ordinary Shares (as at 30 September):	2015	2014
Net asset value per share	74.64p	80.31p
Cumulative distributions paid per share since launch	38.00p	33.75p
Total return per share	112.64p	114.06p
Annual Returns per share (basic and diluted):		
Revenue return	(0.40)p	(0.41)p
Capital return	(0.66)p	10.91p
Combined return	(1.06)p	10.50p
Dividends per share:		
Interim paid	1.75p	1.75p
Final proposed/paid	2.25p	2.50p
Total dividend for year	4.00p	4.25p
Ongoing Expense Ratio	2.24%	2.39%
Performance Benchmark:		
FTSE AIM All-share Index (results rebased to 100 at 29 October 2004)	75.24	77.82

The Glossary of Terms can be found on page 53 of the report.

CHAIRMAN'S STATEMENT

INTRODUCTION

At 30 September 2015 the net asset value ("NAV") was 74.64 pence which after adjusting for the dividends paid gives a Total Return since inception of 112.64 pence. The loss per ordinary share for the year was 1.06 pence per share (comprising a revenue loss of 0.40 pence and capital losses of 0.66 pence).

INVESTMENTS

The investment manager, Hargreave Hale Limited, invested a further £4.84 million in 18 Qualifying Companies during the year. The fair value of Qualifying Investments at 30 September 2015 was £25.53 million invested in 63 AIM companies and 7 unquoted companies. £10.59 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 10.

DIVIDEND

An interim dividend of 1.75 pence was paid on 17 July 2015 (interim 2014 – 1.75 pence).

A final dividend of 2.25 pence is proposed (2014 – 2.50 pence) which, subject to shareholder approval at the Annual General Meeting will be paid on 20 January 2016, to ordinary shareholders on the register on 18 December 2015.

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, 1,173,259 shares were purchased during the year at an average price of 72.38 pence per share. A further 172,797 shares have been purchased since the year end at an average price of 73.46 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 from time to time and market conditions.

ISSUE OF EQUITY

On 18 August 2015 the joint offer for subscription for new shares in Hargreave Hale AIM VCT 1 plc and AIM VCT 2 plc (launched in October 2014) was closed fully subscribed with £10m raised for Hargreave Hale AIM VCT 1 plc.

NEW 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 new shares in both Hargreave Hale AIM VCTs to raise up to £15 million in Hargreave Hale AIM VCT 1 plc and £10 million in Hargreave Hale AIM VCT 2 plc.

The offer is to be approved by shareholders of the Company at a General Meeting on 12 January 2016 and is open to both new and existing shareholders.

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 89.35% and have satisfied all the relevant tests.

ADMINISTRATION CHARGES

As disclosed in the Interim Report your Board, together with that of Hargreave Hale AIM VCT 2 plc, has agreed to an increase in the Company's administration fee of £20,000 per annum per VCT. The proposed increase in the administration fee is the first since the company was incorporated in 2004.

CHANGES TO VCT RULES

You may be aware that considerable changes have been made to the VCT rules in order for the VCT scheme to be granted a State Aid exemption by the EU and some of these changes have more draconian consequences, than hitherto. We have examined the effects that these might have on your Company and conclude that of the companies in which we invested in the fourteen months to 31 August 2015 over 80 per cent. would have qualified under the new rules. We think that the only major change that will affect us is that we will no longer be able to make non qualifying investments in AIM listed companies. However until HMRC issue their guidance notes we will proceed with caution.

OUTLOOK

Having emerged from the political uncertainties of a general election and the prospect of a Greek exit from the Eurozone we were hit by the decision of the Chinese authorities to make a downward realignment of their currency to the US dollar. The markets have been turbulent on the back of the evident slowdown in the Chinese economy. Your Company still has a significant amount of non-qualifying investments held in cash and other readily realisable investments which would allow the Company to adopt a more defensive posture should market sentiment further deteriorate.

The UK and US economies seem to be making satisfactory progress and whilst a rise in interest rates on either side of the Atlantic may dampen growth this seems set to carry on for the next couple of years. However the markets look to be volatile as some of our other trading partners go through periods of turmoil, in particular the Eurozone and China. The Chinese curse “May you live in interesting times” seems particularly apposite at the moment.

The manager invests for the long term in good quality, well run companies with strong growth prospects, which in the long term should prosper even if the share prices fluctuate in the meantime.

SIR AUBREY BROCKLEBANK BT

Chairman

Date: 10 December 2015

BOARD OF DIRECTORS



SIR AUBREY BROCKLEBANK Bt

Following a career in corporate finance and venture capital, Aubrey assumed his first role within the VCT industry in 1997. Since then he has gone on to become one of the most experienced directors within the industry. Aubrey maintains a wide range of business interests and has been a director of six AIM listed companies. He is 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 2,000% since he assumed responsibility for the fund in 1998 (source: Hargreave Hale Limited, 31 October 2015). 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 Kitwave, Episys Group Limited and Elderstreet VCT plc and a non-executive director of Puma VCT 8 plc.

STRATEGIC REPORT

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 34 to 37.

INVESTMENT OBJECTIVES

The Company's investment objectives are:

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

ASSET ALLOCATION

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

- Equity investments in Qualifying Companies, referred to as "**Qualifying Investments**". Qualifying Investment will:
 - comprise qualifying holdings for a VCT as defined in Chapter 4 Part 6 of the Income Tax Act 2007;
 - primarily be made in AIM companies, but the 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.
- Sovereign debt, 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 £6.0 billion under administration and £5.2 billion under managed accounts. Hargreave Hale has been managing investments in UK Small and Micro Cap companies for 17 years and VCTs for 11 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, most recently the 2012 Quoted Company 'Investor of the Year' Award. 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 2,066% (to 30 September 2015) 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 £3.1 billion, of which approximately £2.2 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 gilts, other 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.

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.

BUSINESS REVIEW

A review of the Company's business during the year and consideration of its future development and prospects are contained in the chairman's statement and investment manager's report. The financial position of the Company at 30 September 2015 was strong with no debt or gearing.

OVERVIEW OF THE YEAR

In the financial year under review, net assets increased from £29.3m to £35.9m. In this period the NAV per share decreased from 80.31p to 74.64p. This resulted in a loss to ordinary shareholders of 1.42 pence per share after adjusting for dividends paid of 4.25 pence per share.

DIVIDENDS

An interim dividend of 1.75 pence was paid on 17 July 2015 and a final dividend of 2.25p has been proposed.

BUYBACKS

In total, 1,173,259 shares were purchased during the year at an average price of 72.38 pence per share.

INVESTMENTS

As a whole, during the year, the qualifying portfolio increased from £23.3m to £25.5m. The Company invested in 19 qualifying investments at a cost of £4.8m, of which 10 were investments into new Qualifying Companies.

For further details please refer to the investment managers report on page 10.

EARNINGS PER SHARE

The Company's earnings per share for the year ended 30 September 2015 was -1.06 pence per share (2014: 10.50p).

ONGOING EXPENSES

The ongoing charges of the Company for the financial year under review represented 2.24% (2014: 2.39%) of average net assets. Shareholders should note this ratio has been calculated in accordance with the Association of Investment Companies' ("AIC") recommended methodology.

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;
- 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 3-4 and 10-11 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.

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

- i. **Regulatory risk** – the Company operates in a complex regulatory environment and faces a number of related risks. A breach of section 259 of the Income Taxes Act 2007 could result in the disqualification of the Company as a VCT and the loss of tax reliefs for the Company and individual shareholders. The Board receives a half yearly compliance report prepared by Philip Hare & Associates LLP to monitor compliance with regulations;
- ii. **Investment risk** – Many of the Company's investments are held in small to medium sized unlisted private companies or AIM listed companies making them by nature risky investments. The Directors aim to mitigate the risk by ensuring the maximum initial investment in any single company does not exceed 15% of the Company's net assets; and
- iii. **Discount volatility** – Venture Capital Trust shares tend to trade at discounts to their underlying net asset values, which can fluctuate considerably. To minimise the impact of such fluctuations, the Company has a share buyback policy whereby the Company purchases shares for cancellation.

Additional risks and further details of the above risks and how they are managed are explained in Note 17 of the financial statements.

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 5 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.

ADDITIONAL DISCLOSURES REQUIRED BY THE COMPANIES ACT

EMPLOYEES

The Company had no employees during the year and all Directors are male.

By order of the Board of Directors.

STUART BROOKES
Company Secretary

Date: 10 December 2015

INVESTMENT MANAGER'S REPORT

INTRODUCTION

This report covers the 2014/15 financial year, 1 October 2014 to 30 September 2015. The 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 dividends 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 financial year featured multiple episodes of elevated volatility across global financial markets as markets responded to weakness in the Eurozone economies, Grexit, disinflation/deflation and collapsing oil prices. More recently, the focus has shifted to the slowing Chinese economy and the implications for global growth, the devaluation of the Renminbi and weakness in emerging market equities. Overlying all of this was the prospect of the first increase in US interest rates.

Whilst a sluggish China has clear implications for certain industries (commodities, autos and capital goods), we still believe the outlook for small UK companies looks healthy with the impact of lower energy prices, strong real wage growth and low unemployment all feeding through to increased consumer confidence and consumer spending. Business investment has started to pick up, which should in turn support UK domestic growth and improved productivity. We are yet to see what impact the living wage will have on profit margins within the leisure industry; however, management teams appear confident of their ability to pass the cost burden through to consumers through modest price increases. Domestically orientated mid and small caps have outperformed off the back of strong corporate news-flow. While certain parts of the portfolio are exposed (in some cases materially) to the cyclical headwinds referred to above, our predominant focus on UK centric small businesses with secular growth leads us to believe that our long term returns are unlikely to be materially influenced by events in China. We therefore continue to deploy capital into attractively valued UK centric companies that should benefit from a business friendly government and a healthy UK economy.

PERFORMANCE

In the twelve months to 30 September 2015, the NAV decreased from 80.31 pence per share to 74.64 pence per share. After adjusting for the 4.25 pence per share distributed to shareholders through dividend payments, the Company recorded an adjusted loss of 1.42 pence per share (-1.8%). During the same period, the FTSE 100 Total Return Index fell 5.1%, whilst the FTSE AIM All-Share fell 3.3%.

The qualifying investments made a net loss of 0.42 pence per share with 31 out of the 71 making gains, 3 unchanged and 37 falling in value. The balance was a mixture of non-qualifying portfolio gains (0.17 pence per share), costs, income and small gains made through buy backs.

Cohort was the biggest driver of gains within the portfolio (+85.8%, +2.07 pence per share) after reporting results for the year to 30 April 2015 that were materially ahead of expectations. Contract wins and an earnings enhancing acquisition have further boosted earnings and sentiment towards the shares. TrakM8 was another to make a significant contribution (+174.3%, +1.65 pence per share) after reporting a 94% increase in 2015 revenues as a result of strong organic and acquisition led growth. Adjusted earnings per share climbed 66% year on year. A strong outlook statement guided the market to material upgrades for 2016. Other stocks that made a significant contribution included Abcam (+44.4%, +0.81 pence per share), TLA (+53.9%, +0.65 pence per share) and Vision Direct (+148.3%, +0.67 pence per share).

The biggest losses within the period came from Flowgroup (-71.3%, -1.65 pence per share), Audioboom (-78.8%, -1.76 pence per share) and Pressure Technology (-74.8%, -1.23 pence per share).

We made 19 qualifying investments over the twelve months, which comprised 11 additional investments into existing qualifying companies, five secondary placings into listed companies, two IPOs and one private investment. We invested a total of £4.84m into qualifying investments over the period.

Within the portfolio of qualifying investments, Vista Partners completed their acquisition of Advanced Computer Software, realising a gain of £1.47m (+724%). Over the period we reduced the size of our investments in Premaitha Health, Audioboom, Illika, Imaginatik, TrakM8 and Cohort following particularly strong runs in the shares. We also reduced our positions in Nektan following its listing on AIM, Tangent Communications, which continues to report difficult trading and Pressure Technologies.

PORTFOLIO STRUCTURE

The VCT is comfortably through the HMRC defined investment test and ended the period at 89.35% invested as measured by the HMRC investment test. By market value, the VCT had 71.03% weighting to qualifying investments.

The allocation to non-qualifying equity investments increased from 6.5% to 13.8% as we sought to deploy more of the proceeds of the 2014/15 offer into the market following the correction in late August. At the same time, we further increased our investment in the Marlborough Special Situations Fund, lifting the weighting from 1.0% to 4.4% of net assets. Cash ended the period much how it started with a 10.5% weighting (versus 10.9% as at 30 September 2014). This weighting fluctuation significantly over the period as the Company received funds from the 2014/15 offer and gradually deployed the cash. Fixed income as a percentage of the fund fell from 2.7% to 0.8%.

The HMRC investment tests are set out in Chapter 3 of Part 6 Income Tax 2007, which should be read in conjunction with this section of the investment manager's 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 Company.

POST PERIOD UPDATE

Five additional qualifying investments have been made in Belvoir, Gfinity, Mirada, Science in Sports and Haydale Graphene following the period end.

For further information please contact:

Stuart Brookes
Company Secretary

Hargreave Hale AIM VCT1 plc

01253 754740

Date: 10 December 2015

INVESTMENT PORTFOLIO SUMMARY

ORDINARY SHARE FUND

AS AT 30 SEPTEMBER 2015

Qualifying investments	Book Cost £000	Valuation £000	Valuation %
Cohort plc	651	1,830	5.66
Abcam plc	67	1,161	3.59
TrakM8 Holdings plc	124	1,139	3.52
K3 Business Technology Group plc	270	894	2.76
TLA Worldwide plc	300	877	2.71
Intercede Group plc	247	802	2.48
AnimalCare Group plc	220	800	2.47
Craneware plc	150	782	2.42
Mexican Grill Ltd (A Preference Shares)	185	769	2.38
Idox plc	135	729	2.25
Learning Technologies Group plc	663	726	2.24
Vertu Motors plc	600	670	2.07
Eagle Eye Solutions Ltd	541	643	1.99
Ideagen plc	410	561	1.73
Portr Ltd	550	550	1.70
Vision Direct Group Ltd	205	510	1.58
Quixant plc	160	504	1.56
Tasty plc	288	433	1.34
Angle plc	348	428	1.32
Kalibrate Technologies plc	323	428	1.32
CentralNic Group plc	293	424	1.31
Premaitha Health plc	432	411	1.27
Reneuron Group plc	534	402	1.24
EKF Diagnostics Holdings plc	300	400	1.24
DP Poland plc	333	380	1.17
Belvoir Lettings plc	453	374	1.16
MartinCo plc	225	362	1.12
Clearstar Inc	449	339	1.05
Science in Sport plc	240	336	1.04
Instem plc	297	323	1.00
ULS Technology plc	221	315	0.97
Hardide plc	635	314	0.97
Flowgroup plc	577	311	0.96
Fusionex International plc	138	309	0.95
Porta Communications plc	505	303	0.94
Microsaic Systems plc	350	298	0.92
Jelf Group plc	148	294	0.91
Universe Group plc	210	277	0.86
Verona Pharma plc	127	268	0.83
Mirada plc	444	257	0.79
Plastics Capital plc	250	255	0.79
Imaginatik plc	200	235	0.73
Electrical Geodesics Inc	200	231	0.71
APC Technology Group plc	498	224	0.69
Audioboom plc	166	209	0.65
Midatech Pharma plc	200	198	0.61
Everyman Media Group plc	172	188	0.58

Qualifying investments (continued)	Book Cost £000	Valuation £000	Valuation %
Pressure Technologies plc	170	186	0.57
Synety Group plc	259	185	0.57
Gfinity plc	125	184	0.57
Lidco Group plc	220	147	0.45
Satellite Solutions Worldwide Group plc	154	141	0.44
Progressive Digital Media Group plc	173	137	0.42
Egdon Resources plc	158	131	0.40
Sphere Medical Holdings plc	407	120	0.37
Nektan Ltd	92	116	0.36
Redcentric plc	214	97	0.30
Mexican Grill Ltd (Ordinary Shares)	21	85	0.26
Ilika plc	68	78	0.24
Synairgen plc	140	78	0.24
Tangent Communications plc	337	70	0.22
Outsourcery Group Ltd	650	63	0.19
WANDisco plc	89	62	0.19
Mycelx Technologies Corporation plc	300	57	0.18
TP Group plc	185	52	0.16
Proxama plc	105	34	0.11
Mporium Group plc	301	14	0.04
Brigantes Energy Ltd	50	9	0.03
Corfe Energy Ltd	50	9	0.03
Infoserve Group plc*	0	0	0.00
Invocas Group plc*	169	0	0.00
<i>Total qualifying investments</i>	<i>19,471</i>	<i>25,528</i>	<i>78.89</i>

* Actual holdings of less than £500.

Non-qualifying investments			
MFM Special Situations Fund	1,528	1,584	4.90
<i>Total – Unit Trusts</i>	<i>1,528</i>	<i>1,584</i>	<i>4.90</i>
Scottish Amicable Finance 8.5% 2049	256	277	0.86
<i>Total – UK corporate bonds</i>	<i>256</i>	<i>277</i>	<i>0.86</i>
FC Fund Managers Ltd	300	300	0.93
Finsbury Food Group plc	150	254	0.79
Fulcrum Utility Services Ltd	129	245	0.76
Clipper Logistics plc	127	220	0.68
Mexican Grill Ltd (A Preference Shares)	128	196	0.61
Horizon Discovery Group plc	219	182	0.56
Eurocell plc	146	172	0.53
Greene King plc	171	167	0.52
Quixant plc	159	164	0.51
Cineworld Group plc	155	149	0.46
Renuron Group plc	104	146	0.45
JD Sports Fashion plc	123	143	0.44
Legal and General Group plc	152	143	0.44

Non-qualifying investments (continued)	Book Cost £000	Valuation £000	Valuation %
Workspace Group plc	136	141	0.44
Babcock International Group plc	143	137	0.42
Midatech Pharma plc	134	133	0.41
Tarsus Group plc	134	132	0.41
DS Smith plc	123	130	0.40
Dart Group plc	129	125	0.39
Puretech Health plc	152	117	0.36
Clinigen Group plc	84	110	0.34
Dixons Carphone plc	106	106	0.33
AA plc	116	99	0.31
Playtech plc	104	99	0.31
Restaurant Group plc	100	101	0.31
Learning Technologies Group plc	76	98	0.30
RPC Group plc	94	95	0.29
Everyman Media Group plc	85	91	0.28
Johnson Service Group plc	75	89	0.28
Melrose Industries plc	79	79	0.24
Plexus Holdings plc	125	78	0.24
Amerisur Resources plc	167	74	0.23
Mycelx Technologies Corporation plc	200	73	0.23
Mithril Capital plc	63	72	0.22
Audioboom plc	59	67	0.21
Eagle Eye Solutions Ltd	44	56	0.17
The Fulham Shore plc	37	51	0.16
Fevertree Drinks plc	26	47	0.15
Plethora Solutions Holdings plc	149	44	0.14
Mexican Grill Ltd (Ordinary Shares)	26	26	0.08
Abcam plc	3	3	0.01
Craneware plc	2	2	0.01
AnimalCare Group plc	1	1	0.00
CentralNic Group plc	1	1	0.00
Gfinity plc	0	1	0.00
Hardide plc	1	1	0.00
MartinCo plc	1	1	0.00
TLA Worldwide plc	0	1	0.00
ULS Technology plc	1	1	0.00
Verona Pharma plc	1	1	0.00
APC Technology Group plc*	0	0	0.00
Angle plc*	1	0	0.00
Premaitha Health plc*	1	0	0.00
Science in Sport plc*	1	0	0.00
<i>Total – non-qualifying equities</i>	<i>4,843</i>	<i>4,964</i>	<i>15.35</i>
<i>Total – non-qualifying investments</i>	<i>6,627</i>	<i>6,825</i>	<i>21.11</i>
Total investments	26,098	32,353	100.00

* Actual holdings of less than £500.

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

	Listed	Head-quartered	Registered
<i>AIM listed Investments:</i>			
Audioboom plc	UK	London	Jersey
Clearstar Inc	UK	Cayman Islands	Cayman Islands
Electrical Geodesics Inc	UK	USA	USA
Fulcrum Utility Services plc	UK	South Yorkshire	Cayman Islands
Fusionex International plc	UK	London	Jersey
Mycelx Technologies Corporation plc	UK	USA	USA
Nektan Ltd	UK	Gibraltar	Gibraltar
Playtech plc	UK	Isle of Man	Isle of Man
Tarsus Group Ltd	UK	Dublin	Jersey
WANDisco plc	UK	Sheffield	Jersey
<i>Unlisted private companies:</i>			
Brigantes Energy Ltd	-	Middlesex	UK
Corfe Energy Ltd	-	Middlesex	UK
FC Fund Managers Ltd	-	Cornwall	UK
Genagro Ltd	-	Jersey	Jersey
Infoserve Group plc	-	Leeds	UK
Invocas Group plc	-	Livingston	UK
Mexican Grill Ltd	-	London	UK
Portr Ltd	-	London	UK
Vision Direct Group Ltd	-	London	UK
<i>Authorised unit trust:</i>			
Marlborough Special Situations Fund	-	Bolton	UK

TOP TEN INVESTMENTS

As at 30 September 2015 (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.

Cohort plc			366.0p
Investment date	February 2006	Forecasts for year to	April 2016
Equity held	1.22%	Turnover (£'000)	115,300
Av. Purchase Price	130.2p	Profit before tax (£'000)	12,100
Cost (£'000)	651	Net Cash (£'000)	19,700
Valuation (£'000)	1,830	Net Assets 30 April 2015 (£'000)	62,847

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 companies. 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 system engineering, software and electronic engineering services and solutions, including specialist design and manufacture. MCL designs, services and supports advanced electronic and surveillance equipment.

Abcam plc			580.5p
Investment date	November 2010	Forecasts for year to	June 2016
Equity held	0.10%	Turnover (£'000)	161,200
Av. Purchase Price	34.7p	Profit before tax (£'000)	52,300
Cost (£'000)	70	Net Cash (£'000)	58,700
Valuation (£'000)	1,164	Net Assets 30 June 2015 (£'000)	214,104

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.

Mexican Grill Ltd			8550.0p
Investment date	October 2009	Forecasts for year to	December 2015
Equity held	3.55%	Turnover (£'000)	–
Purchase Price	2850.0p	Profit before tax (£'000)	–
Cost (£'000)	360	Estimated Net Cash (£'000)	–
Valuation (£'000)	1,076	Net Assets 31 December 2014 (£'000)	4,797

COMPANY DESCRIPTION

Mexican Grill is a private company that operates 26 fast casual California-Mexican restaurants that provide fresh, made to order cuisine for eat in or take-away, making it among the largest chains within its niche.

TrakM8 Holdings plc			203.00p
Investment date	October 2013	Forecasts for year to	March 2016
Equity held	1.86%	Turnover (£'000)	26,000
Av. Purchase Price	22.0p	Profit before tax (£'000)	3,600
Cost (£'000)	124	Net Cash (£'000)	-2,200
Valuation (£'000)	1,139	Net Assets 30 April 2015 (£'000)	11,626

COMPANY DESCRIPTION:

TrakM8 provides market leading Fleet Management Solutions and Vehicle Tracking Systems, Engineering Services and Telematics Devices to organisations worldwide. TrakM8's customers range from corporate fleets to small businesses that all benefit from improved operational efficiency, driver safety and fuel economy from utilising TrakM8's products and services.

K3 Business Technology Group plc			298.0p
Investment date	September 2005	Forecasts for year to	June 2016
Equity held	0.94%	Turnover (£'000)	90,000
Purchase Price	90.0p	Profit before tax (£'000)	9,700
Cost (£'000)	270	Net Cash (£'000)	-12,100
Valuation (£'000)	894	Net Assets 30 June 2015 (£'000)	53,495

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.

TLA Worldwide plc			58.50p
Investment date	November 2011	Forecasts for year to	December 2015
Equity held	1.05%	Turnover (\$'000)	33,900
Av. Purchase Price	20.0p	Profit before tax (\$'000)	12,700
Cost (£'000)	300	Net Cash (\$'000)	-22,400
Valuation (£'000)	878	Net Assets 30 June 2015 (\$'000)	10,414

COMMENTS:

TLA Worldwide is an integrated sports representation and marketing business. The Company owns and operates sports agencies involved in athlete representation and sports marketing, with a focus primarily on professional baseball in the United States.

Learning Technologies Group plc			23.0p
Investment date	November 2014	Forecasts for year to	December 2015
Equity held	1.01%	Turnover (£'000)	21,500
Purchase Price	20.6p	Profit before tax (£'000)	4,000
Cost (£'000)	739	Net Cash (£'000)	3,000
Valuation (£'000)	824	Net Assets 31 December 2014 (£'000)	14,409

COMPANY DESCRIPTION

Learning Technologies 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.

Intercede Group plc			107.0p
Investment date	May 2007	Forecasts for year to	March 2016
Equity held	1.54%	Turnover (£'000)	11,600
Av. Purchase Price	33.0p	Profit before tax (£'000)	-200
Cost (£'000)	247	Net Cash (£'000)	5,800
Valuation (£'000)	802	Net Assets 30 September 2015 (£'000)	4,680

COMPANY DESCRIPTION

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

AnimalCare Group plc			200.0p
Investment date	December 2007	Forecasts for year to	June 2016
Equity held	1.90%	Turnover (£'000)	13,800
Av. Purchase Price	55.2p	Profit before tax (£'000)	2,900
Cost (£'000)	221	Net Cash (£'000)	5,800
Valuation (£'000)	801	Net Assets 30 June 2015 (£'000)	20,991

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 principal product lines are licensed veterinary medicines and companion animal identification products and services.

Craneware plc			667.0p
Investment date	September 2007	Forecasts for year to	June 2016
Equity held	0.44%	Turnover (\$'000)	52,000
Av. Purchase Price	129.2p	Profit before tax (\$'000)	14,900
Cost (£'000)	152	Net Cash (\$'000)	41,832
Valuation (£'000)	784	Net Assets 30 June 2015 (\$'000)	47,630

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.

CO-INVESTMENT

As at 30 September 2015, other funds managed by Hargreave Hale Ltd were also invested in all of the investments held within the Company's portfolio with the exception of the following: Universe Group plc and Invocas Group plc.

DIRECTORS' REPORT

For the year end 30 September 2015

The Directors present their report together with the audited financial statements of the Company for the year from 1 October 2014 to 30 September 2015.

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

PRINCIPAL ACTIVITY AND STATUS

The Company has been approved 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.

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

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

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

REVENUE AND DIVIDENDS

The revenue loss after tax for the year amounted to £176,700 (2014 – £136,659 loss). An interim ordinary dividend of 1.75 pence per ordinary share was paid on 17 July 2015 (2014 – 1.75 pence per share). The final dividend of 2.25 pence per share for the year ended 30 September 2015 is due to be paid on 20 January 2016 (2014 – 2.50 pence per share).

SHARE VALUATION

On 30 September 2015, the bid price and the net asset value per ordinary share were 70.00 pence and 74.64 pence respectively.

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.

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 58.

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. Prior to this appointment, PricewaterhouseCoopers LLP provided this service.

SUBSTANTIAL HOLDINGS IN THE COMPANY

At 30 September 2015, there were 2 holdings of 3% and over of the Company's ordinary share capital. These holdings related to Hargreave Hale Nominees Limited and Hargreaves Lansdown (Nominees) Limited. As at 30 September 2015 these were 5.70% and 5.27% respectively.

DIRECTORS

The present directors are listed below.

DIRECTORS' INTERESTS

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	
	2015	2014
Sir Aubrey Brocklebank	4,845	4,845
Giles Hargreave	200,108	136,510
David Brock	15,325	15,325

There have been no changes to the beneficial interests of Directors between 30 September 2015 and the date of this report.

SHARE BUYBACKS

During the year, the Company repurchased 1,173,259 ordinary shares (nominal value £11,733) at a cost of £849,211. The repurchased shares represent 3.22% of ordinary shares in issue on 1 October 2014. All repurchased shares were cancelled. A further 172,797 ordinary shares (nominal value £1,728) have been purchased since the year end at a total cost of £126,931.

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

On 18 August 2015 the joint offer for subscription for new shares in Hargreave Hale AIM VCT 1 plc and AIM VCT 2 plc (launched in October 2014) was closed fully subscribed with £10m raised for Hargreave Hale AIM VCT 1 plc.

NEW 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 new shares in both Hargreave Hale AIM VCTs to raise up to £15 million in Hargreave Hale AIM VCT 1 plc and £10 million in Hargreave Hale AIM VCT 2 plc.

The offer is to be approved by shareholders of the Company at the General Meeting on 12 January 2016 and is open to both new and existing shareholders.

SHARES ISSUED

During the year, the Company issued 12,852,406 ordinary shares of 1 pence per share (nominal value £128,524) which resulted in funds being received of £9,807,442. The 3.5% premium of £350,000 was payable to Hargreave Hale Limited to cover the cost of additional shares allotted of £157,442 and introducer commission of £150 resulting in net fees payable to Hargreave Hale Limited of £192,408.

POST BALANCE SHEET EVENTS

Post Balance Sheet Events are disclosed in Note 19 on page 52 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 10 respectively.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

DISCLOSABLE INTERESTS

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

FINANCIAL INSTRUMENTS

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

AUDITORS

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

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 27 to 32 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.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at Accurist House, 44 Baker Street, London, W1U 7AL at 12.00 pm on 12 January 2016. 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 £330,000. This resolution replaces the authority given to the Directors at the General Meeting on 7 November 2014. 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 £330,000 of the nominal value of the share capital.

This resolution replaces the authority given to the Directors at the General Meeting on 7 November 2014. 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 2015 authority, which was on similar terms. During the financial year under review, the Company purchased 1,173,259 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 220,278 shares.

By order of the Board of Directors.

STUART BROOKES

Company Secretary

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

Date: 10 December 2015

DIRECTORS' REMUNERATION REPORT

For the year ended 30 September 2015

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 34 to 37.

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. These have remained unchanged since the Company was formed 11 years ago. During the intervening period, the Company's net assets have increased by more than 140%, whilst the regulatory burden has increased and become more complex. Having regard to these factors and remuneration across the VCT industry, the Board decided to increase the annual remuneration of the non-executive Directors to £18,000 (from £15,000) and the Chairman to £22,500 (from £18,000).

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 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 2016, 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 28 February 2016	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			

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 CA06 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 2016, to receive and adopt the directors' remuneration report and to receive and approve the directors' remuneration policy.

At the Annual General Meeting held on 22 January 2015 the following votes were cast on the remuneration report:

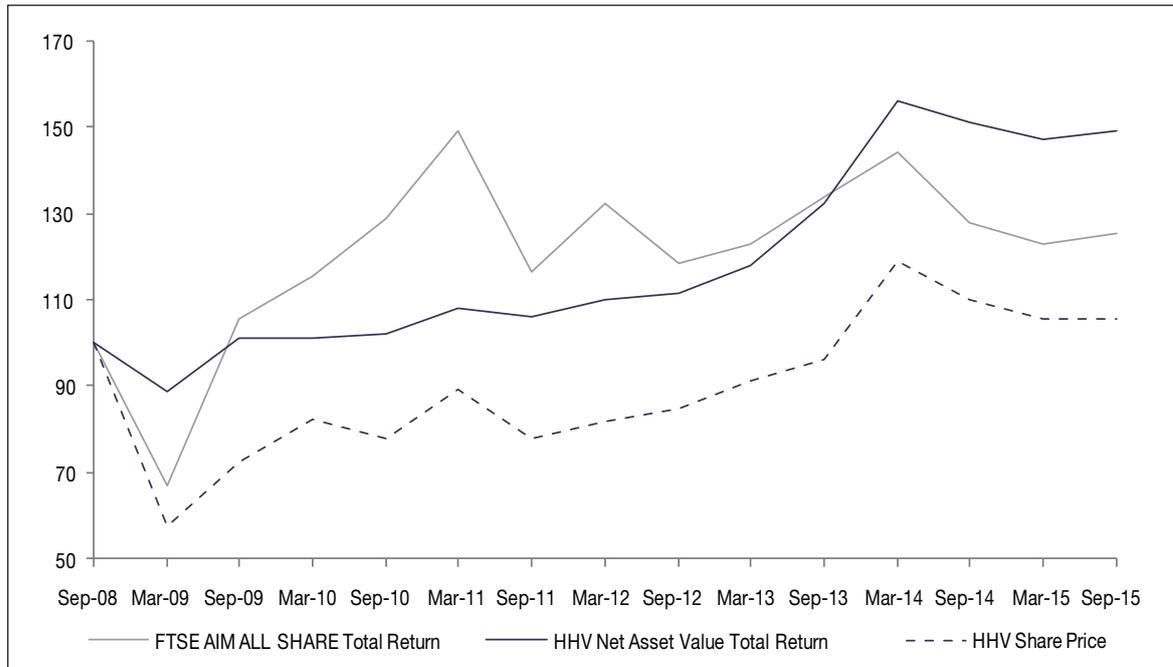
	Number of votes	% of votes cast
For	3,430,333	95.6%
Against	26,738	0.8%
Discretionary	131,305	3.6%
Total votes cast	3,588,376	100.0%
Number of votes withheld	24,213	

The remuneration policy was approved by shareholders at the Annual General Meeting held on 22 January 2015. Votes were cast as follows:

	Number of votes	% of votes cast
For	3,423,470	95.6%
Against	26,738	0.8%
Discretionary	131,305	3.6%
Total votes cast	3,581,513	100.0%
Number of votes withheld	31,076	

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 2015 and the preceding financial year:

	Year ended 30 September 2015 £	Year ended 30 September 2014 £	Growth %
Directors' remuneration*	53,250	48,000	10.9
Dividend paid	1,840,827	1,320,243	39.4
Share buybacks	849,211	409,177	107.5

* Excluding national insurance contributions

	2015 Fees £	2015 Benefits in Kind £	2015 Total £	2014 Fees £	2014 Benefits in Kind £	2014 Total £
Sir Aubrey Brocklebank Bt (Chairman)	20,250	-	20,250	18,000	-	18,000
Giles Hargreave	16,500	-	16,500	15,000	-	15,000
David Brock	16,500	-	16,500	15,000	-	15,000
Total	53,250	-	53,250	48,000	-	48,000

DIRECTORS' INTERESTS

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	
	2015	2014
Sir Aubrey Brocklebank	4,845	4,845
Giles Hargreave	200,108	136,510
David Brock	15,325	15,325

There have been no changes to the beneficial interests of Directors between 30 September 2015 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 23 to 26 was approved by the Board of Directors on 10 December 2015 and will be further subject to an advisory vote at the Annual General Meeting being held on the 12 January 2016 and every year thereafter.

Signed on behalf of the Board of Directors.

SIR AUBREY BROCKLEBANK BT
Chairman

10 December 2015

CORPORATE GOVERNANCE

For the year ended 30 September 2015

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.

Due to the size of the Board, 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 is 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.

Aubrey Brocklebank is 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.

David Brock is required to stand for election at the Annual General Meeting to be held in 2017.

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 23 to 26.

ACCOUNTABILITY AND AUDIT

The Directors' responsibilities for the Company's accounting records and financial statements are set out on page 33. The independent auditor's report appears on pages 34 to 37.

PERFORMANCE APPRAISAL

The Directors recognise the importance of the Code (Code B.6) in terms of evaluating the performance of the Board as a whole and the individual directors. As the directors of the Company are non-executive their role is to ensure that the Company is managed by the investment manager and administrator to the best of their ability and make changes to the management if they are not acting in the best interests of the shareholders. The Directors' role is to review the performance of the management and ensure this is the case. The Directors' performance is reviewed on an ongoing basis by the Board on attendance to board meetings, input at the board meetings and ability to continue in their role as a non-executive director of the Company. This is formalised in the retirement process as detailed in the Articles of Association where each director retires every 3 years and stands for re-election by the shareholders at the 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 2015 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;
- 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 (formerly Robertson Hare 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. In accordance with professional guidelines, the audit partner is rotated every 5 years, the previous partner had served the maximum 5 years and was replaced by a new audit partner. As part of the review of auditor effectiveness the committee had met with the successor and were satisfied the auditor held the necessary experience and skills to perform the required duties.

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 2004, 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 are 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 (2014 - £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)	5	5
Giles Hargreave	5	5
David Brock	5	5

	Fundraising and Share Allotments No of Board Meetings	
	Held	Attended
Sir Aubrey Brocklebank Bt (Chairman)	19	17
Giles Hargreave	19	16
David Brock	19	6

	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).

DIRECTOR/PDMR SHAREDEALING

In April 2015 the Company became aware of certain recent breaches in relation to the Listing Rules, the Model Code and the Disclosure and Transparency Rules. The Company immediately sought advice from its sponsors and lawyers and conducted an extensive review exercise which found other historic breaches where notifications and announcements had not been made in respect of dealings in the Company by PDMRs and their connected persons.

The Company notified the UK Listing Authority on a voluntary basis at the beginning of May of all such breaches. The Company has also undergone a comprehensive review of its procedures, systems and controls and implemented appropriate procedures to ensure that it complies with its obligations going forward. The Board and relevant employees of the investment manager have attended mandatory refresher training to ensure they fully understand their responsibilities and obligations under the Listing Rules, the DTRs and the Model Code. Following a response from the UK Listing Authority the Company made an announcement of all relevant dealings that were not announced at the time that they were made but should have been under the DTRs and this was released on 29 May 2015.

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: 10 December 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In respect of the financial statements

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) subject to any material departures disclosed and explained in the financial statements; 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 provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Directors' Responsibility Statement pursuant to DTR4

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

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

WEBSITE PUBLICATION

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

INDEPENDENT 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 VCT1 plc financial statements for the year ended 30 September 2015, 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 2015 and of its loss 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;
- Cash Flow Statement;
- Reconciliation of Movement in Shareholders' Funds; 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 FRC's Ethical Standards for Auditors.

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's (FRC) website at www.frc.org.uk/auditscopeukprivate.

OUR APPROACH

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. Below are those risks which we considered to have the greatest impact on our audit strategy and our audit response:

Risk area	Audit response
<p>Valuation of investments: 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 funds, derived using those valuations.</p>	<p>We 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.</p> <p>Where loans to unquoted companies were valued at cost (reviewed for impairment), we also considered the wider economic and commercial factors that, in our judgement, could impact on the recoverability and valuation of the loans, and we considered whether there was any permanent diminution in value in investments held, that should be reported as realised losses. We noted that the assessment of the unquoted valuations and whether losses in value are permanent (and therefore realised) is highly subjective.</p> <p>We reviewed the recently published trading statements for the unquoted investments and for a sample of all investments and considered the period over which significant falls in value below cost arose, as well as the apparent reasons and whether they were likely to be permanent. We also assessed the design and the implementation of the controls over the pricing of quoted investments and agreed the pricing of a sample of quoted investments to independent sources.</p>
<p>Management override of controls: In the context of a VCT, this risk is of most relevance to the valuation of investments, which is discussed earlier in this report.</p>	<p>In response to the overall risk of management override of controls, we have reviewed the appropriateness of journals made in the general ledger and in the preparation of the accounts.</p> <p>We have also reviewed accounting estimates for evidence of possible bias and have obtained an understanding of the business rationale for significant transactions that are outside the normal course of business or that otherwise appear to be unusual. In particular, we have considered the valuation of investments as noted above.</p>
<p>Revenue recognition: Revenue consists of dividends receivable from investee companies and interest earned on loans to investee companies. Revenue recognition is considered to be a significant audit risk as it is the key driver of dividend returns to investors. In particular, as the Company is primarily investing in AIM companies, dividends receivable can be difficult to predict.</p>	<p>We have considered the design and implementation of controls in place over the completeness and validity of receipts based on the portfolio of investments held at the year-end. We have also reviewed the accuracy of the accounting for redemption premia.</p> <p>We have performed analytical procedures as a method of developing expectations over the completeness, accuracy and existence of dividend income and analysed any significant variances.</p> <p>We have recalculated expected income from loan stock investments in line with the underlying agreements/confirmations from investee companies. We have traced a sample of interest receipts to bank and have considered the recoverability of loan stock interest with reference to post year end receipts. We have also reviewed the recognition and classification of accrued fixed income receipts to ascertain whether it meets the definition of realised income under the Companies Act, or whether it should be recognised as an unrealised capital gain.</p>

The Audit Committee's consideration of their key issues is set out on page 30.

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	Assessing whether the financial statements as a whole present a true and fair view	<ul style="list-style-type: none"> ■ The value of non-current asset investments ■ The level of judgement inherent in the valuation ■ The range of reasonable alternative valuation 	650,000
Specific materiality – classes of transactions and balances which impact on revenue returns	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.	Revenue return before taxation	20,000

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £7,000, 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 27 to 32 of the annual report with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent 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' statement, set out on page 32, in relation to going concern and set out on page 9 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 8 December 2015

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

INCOME STATEMENT

For the year ended 30 September 2015

	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

INCOME STATEMENT

For the year ended 30 September 2014
(Comparative Information)

	Note	Revenue £000	Capital £000	Total £000
Net gain on investments held at fair value through profit or loss	7	-	3,953	3,953
Income	2	230	-	230
		230	3,953	4,183
Management fee	3	(101)	(302)	(403)
Other expenses	4	(266)	-	(266)
		(367)	(302)	(669)
(Loss)/Profit on ordinary activities before taxation		(137)	3,651	3,514
Taxation	5	-	-	-
(Loss)/Profit after taxation		(137)	3,651	3,514
(Loss)/profit per share basic and diluted	6	(0.41)p	10.91p	10.50p

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 2015

COMPANY REGISTRATION NUMBER:
5206425 (IN ENGLAND AND WALES)

	Note	2015 £000	2014 £000
Fixed assets			
Investments at fair value through profit or loss	7	32,353	26,248
Current assets			
Debtors	9	32	35
Cash at bank	12	3,764	3,203
		3,796	3,238
Creditors: amounts falling due within one year	10	(208)	(193)
Net current assets		3,588	3,045
Net assets		35,941	29,293
Capital and reserves			
Called up share capital	11	482	365
Share premium		10,987	1,308
Capital redemption reserve		16	4
Special reserve		22,044	24,734
Capital reserve – realised		(3,506)	(4,917)
Capital reserve – unrealised		6,254	7,958
Revenue reserve		(336)	(159)
Total shareholders' funds		35,941	29,293
Net asset value per share	13	74.64p	80.31p

These financial statements were approved and authorised for issue by the Board of Directors on 10 December 2015 and signed on its behalf by

SIR AUBREY BROCKLEBANK BT
Chairman

10 December 2015

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

CASH FLOW STATEMENT

For the year ending 30 September 2015

	Note	2015 £000	2014 £000
Net cash (outflow) from operating activities	15	(540)	(428)
Net cash (outflow) from investment activities	15	(6,017)	(4,295)
Dividends paid	18	(1,840)	(1,320)
		(8,397)	(6,043)
Net cash inflow from financing activities	15	8,958	7,169
Increase in cash	12	561	1,126

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

For the year ending 30 September 2015

	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)
Share Issues	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 losses 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

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

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

For the year ending 30 September 2014
(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 2013	304	9,186	884	(5,606)	4,996	10,188	(22)	19,930
Share buybacks	(32)		32			(409)		(409)
Subscriptions	93	7,485						7,578
Capital Reduction		(15,363)	(912)			16,275		-
Equity dividends paid (Note 18)						(1,320)		(1,320)
Realised gains on investments				991				991
Unrealised gains on investments					2,962			2,962
Management fee charged to capital				(302)				(302)
Revenue loss after taxation for the year							(137)	(137)
Total profit after taxation				689	2,962		(137)	3,514
At 30 September 2014	365	1,308	4	(4,917)	7,958	24,734	(159)	29,293

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

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

Basis of Preparation

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

Investments

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

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. Accordingly, as permitted by FRS 26, the investments are designated as fair value through profit or loss (FVTPL) on the basis that they qualify as a group of assets managed, and whose performance is evaluated, on a fair value basis in accordance with a documented investment strategy. Subsequent to initial recognition, investments are valued at fair value which is deemed to be bid market prices.

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

Recognition of Impairment and Realised Losses

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 is recognised as a realised loss in the financial statements.

Determining Fair Value

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

Income

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

Expenditure

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

Capital Reserves

Realised profits and losses on the disposal of investments, losses realised on investments considered to be permanently impaired and 75% of investment management fees are accounted for in the capital reserve realised.

Increases and decreases in the valuation of investments held at the year end are accounted for in the capital reserve unrealised.

Taxation

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

Dividends

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

Repurchase of Shares to Hold in Treasury

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

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

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 20.

Reserves

A description of each of the reserves follows:

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 and losses on realisation of investments.

Capital Reserve Unrealised

Unrealised gains and losses on investments.

Revenue Reserve

Net revenue profits and losses of the Company.

2. INCOME

	2015 £000	2014 £000
Income from investments:		
UK dividends	206	169
Unfranked investment income	34	57
	240	226
Other income:		
Deposit interest	-	4
Total income	240	230

3. MANAGEMENT FEES

	2015 Revenue £000	2015 Capital £000	2015 Total £000	2014 Revenue £000	2014 Capital £000	2014 Total £000
Management fees	127	381	508	101	302	403

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

The investment manager receives an investment fee of 1.5 per cent. per annum of the NAV of the Company, calculated and payable quarterly in arrears. At 30 September 2015, £43,844 (2014 – £35,751) 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 2014 and 30 September 2015 and no fees were waived between 1 October 2013 and 30 September 2014 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 2015.

4. OTHER EXPENSES

	2015 £000	2014 £000
General expenses:		
Administration Fee	35	35
Legal & Professional	36	28
Other expenses	151	139
Directors' fees	53	48
Auditors' remuneration – for audit services	15	16
	290	266

Directors' salaries and fees are including national insurance contributions.

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

5. TAX ON ORDINARY ACTIVITIES

The tax charge for the year is based on the standard rate of UK Corporation Tax of 20.5%.

	2015 Total £000	2014 Total £000
(Loss)/profit on ordinary activities before taxation	(470)	3,514
UK Corporation Tax 20.5% (2014 – 22%)	(96)	773
Effect of non taxable gains/losses on investments	(18)	(870)
Effect of non taxable UK dividend income	(42)	(37)
Effect of current year losses carried forward	156	134
Current tax charge	-	-

Tax losses carried forward at the balance sheet date were £3,177,519 (2014 – £2,413,828).

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

6. EARNINGS PER SHARE

	2015 Revenue pence	2015 Capital pence	2015 Total pence	2014 Revenue pence	2014 Capital pence	2014 Total pence
(Loss)/profit per ordinary share (basic and diluted)	(0.40)	(0.66)	(1.06)	(0.41p)	10.91p	10.50p

Revenue return per ordinary share based on a net revenue loss on ordinary activities after taxation of £176,700 (2014 – £136,659 loss) and on 44,087,008 (2014 – 33,452,489) 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 loss of £292,746 (2014 – £3,650,579) for the year and on 44,087,008 (2014 – 33,452,489) 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	
	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000
Investments	28,037	23,462	4,039	1,989	277	797	32,353	26,248
Movement in year:								
Opening Valuation	23,462	16,391	1,989	819	797	790	26,248	18,000
Re-Classification	155	-	(155)	-	-	-	-	-
Purchases at cost	8,330	7,593	1,923	2,449	-	-	10,253	10,042
Sale proceeds	(3,764)	(3,836)	-	(1,911)	(472)	-	(4,236)	(5,747)
Realised gains / (losses)	2,009	1,149	(200)	(158)	(17)	-	1,792	991
Unrealised (losses) / gains	(2,155)	2,165	482	790	(31)	7	(1,704)	2,962
Closing valuation	28,037	23,462	4,039	1,989	277	797	32,353	26,248
Closing book cost	22,631	15,926	3,211	1,619	256	745	26,098	18,290
Closing unrealised	5,406	7,536	828	370	21	52	6,255	7,958
Realised gain/(loss) on sales	2,009	1,149	(200)	(158)	(17)	-	1,792	991
Unrealised (loss)/gain on investments	(2,155)	2,165	482	790	(31)	7	(1,704)	2,962
(Loss)/gain on investments	(146)	3,314	282	632	(48)	7	88	3,953

Fair value measurement hierarchy

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

The fair value hierarchy has the following levels:

- (a) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (b) Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- (c) Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The fair value of Level 3 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 3.

FRS 29 requires disclosure, by class of financial instruments, if the effect of changing one of more inputs to reasonably possible alternative assumptions would result in a significant change to the fair value measurement. The information used in determination of the fair value of Level 3 investments is chosen with reference to the specific underlying circumstances and position of the investee company. The Directors have considered the nature of and the valuation techniques used to value the unquoted investments held within the portfolio. The majority of the unquoted portfolio by value is represented by the transfer price of the most recent acquisition in shares of the unquoted companies. Consequently, the Directors regard the valuation and associated inputs to provide the most reasonable estimate of fair value and any residual balance of unquoted investment as not material to the financial statements. The Directors are of the view that there are no reasonably possible alternative assumptions that will have a significant effect on the current valuation of the portfolio.

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 arm's 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 from 25p to 9p. The revaluation during the year has been made to reflect an increased risk to the exploration programme in Northern Ireland that has arisen as a result of funding challenges faced by other license partners.

Corfe Energy (unquoted)

The fair value of the investment has been written down from 50p to 9.5p. The revaluation during the year has been made to reflect the dramatic decrease in the price of oil and extensive working capital constraints on the company.

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.

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.

FC Fund Managers Ltd (unquoted)

The fair value of the investment was held at book cost in accordance with EVCA guidelines for investments of less than one year. Post period end it was appraised to £1,017, reflecting the transfer price of the most recent transaction in the shares (on an arm's length basis) in October 2015.

Vision Direct Ltd (formerly Get Lenses Ltd) (unquoted)

The fair value of the investment has been appraised to 0.72p from its initial book cost of 0.29p. As the company completed financial year ending 2015 (August) we rolled our trailing multiples forward. The valuation was tested against a peer group by comparing EV/Sales and EV/EBITDA ratios in the trailing and current year and was found to be materially lower.

Portr Ltd (unquoted)

The fair value of the investment has been maintained at book cost, £5.99 per share, in accordance with EVCA guidelines for investments of less than one year.

	2015 Level 1 £'000	2015 Level 2 £'000	2015 Level 3 £'000	2015 Total £'000	2014 Level 1 £'000	2014 Level 2 £'000	2014 Level 3 £'000	2014 Total £'000
Investments	28,314	1,584	2,455	32,353	24,259	285	1,704	26,248

Reconciliation of Level 2 Investments

	2015 £'000	2014 £'000
Balance Brought Forward	285	217
Re-Classification	-	-
Acquisitions	1,253	1,944
Sale Proceeds	-	(1,910)
Realised Gains/Losses	-	42
Movements Unrealised	46	(8)
Balance Carried Forward	1,584	285

Reconciliation of Level 3 Investments

	2015 £'000	2014 £'000
Balance Brought Forward	1,704	602
Re-Classification *	(155)	-
Acquisitions	670	505
Sale Proceeds	-	-
Realised Gains/Losses	(200)	(200)
Movements Unrealised	436	797
Balance Carried Forward	2,455	1,704

*The Re-Classification transfer represents Nektan Ltd which is now listed.

8. SIGNIFICANT INTERESTS

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

Imaginatik plc	5.28%
Portr Ltd	4.00%
Mexican Grill Ltd plc	3.54%

9. DEBTORS

	2015 £000	2014 £000
Prepayments and accrued income	32	35

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £000	2014 £000
Trade Creditors	108	108
Accruals and deferred income	100	85
	208	193

11. CALLED UP SHARE CAPITAL

	2015 £000	2014 £000
Allotted, called-up and fully paid: 48,152,281 (2014 – 36,473,134) ordinary shares of 1p each.	482	365

During the year 1,173,259 ordinary shares were purchased through the buyback facility at a cost of £849,211. The acquired shares have been cancelled.

During the year, the Company issued 12,852,406 ordinary shares (nominal value £128,524) in a joint offer for subscription which resulted in gross funds being received of £10,000,000.

The offer closed on 18 August 2015.

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

	At 1 October 2013 £000	Cash Flows £000	At 30 September 2014 £000
Cash at bank	2,077	1,126	3,203

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	
	2015 pence	2014 pence	2015 £000	2014 £000
Ordinary shares – Basic	74.64	80.31	35,941	29,293

Net asset value per share is based on net assets at the year end and on 48,152,281 (2014 – 36,473,134) 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 (2014 – nil).

15. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of operating profit to operating cash flows

	2015 £000	2014 £000
Total profit on ordinary activities before taxation	(470)	3,514
Realised (gain) on investments	(1,792)	(991)
Unrealised loss on investments	1,704	(2,962)
Decrease in debtors	3	(3)
Increase in creditors	15	14
Net cash (outflow) from operating activities	(540)	(428)

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

	2015 £000	2014 £000
Net financial investment:		
Purchase of investments	(10,253)	(10,042)
Sale of investments	4,236	5,747
	(6,017)	(4,295)

	2015 £000	2014 £000
Financing:		
Share Buybacks	(849)	(409)
Issue of Share Capital	9,807	7,578
	8,958	7,169

16. RELATED PARTY TRANSACTIONS

Hargreave Hale Limited

Giles Hargreave, a director of the Company, is the chairman of Hargreave Hale Limited and has an interest in excess of 7% in that company. As such, Hargreave Hale Limited is considered to be a related party to the Company. Hargreave Hale Limited acts as investment manager, administrator, custodian and provides one non-executive director and the company secretary to the Company. All of the functions performed by Hargreave Hale Limited are segregated by department and location and are independent of each other.

Hargreave Hale Limited in its capacity as investment manager of the fund receives annual fees of 1.5% per annum of the net asset value of the Company, calculated and payable quarterly in arrears. Fees for the year are £507,556 (2014 – £403,037) 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 £78,500 (2014: £77,000) in relation to these services. Of those fees, £57,177 (2014: £48,585) 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 2014 and 30 September 2015 and no fees were waived between 1 October 2013 and 30 September 2014 under the indemnity.

Joint Offer for Subscription of Ordinary Shares

During the year, the Company issued 12,852,406 ordinary shares (nominal value £128,524) in a joint offer for subscription which resulted in gross funds being received of £10,000,000. As marketing adviser and receiving agent to the Company, and in return for covering the costs of the joint offer, Hargreave Hale Limited was entitled to 3.5% of the gross proceeds (£350,000), often referred to as the 'premium'. From this, Hargreave Hale Limited paid for the allotment of additional shares to investors with a value of £157,442 and introducer commission of £150, resulting in net fees payable to Hargreave Hale of £192,408.

The offer closed on 18 August 2015.

New 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 new shares in both Hargreave Hale AIM VCTs to raise up to £15 million in Hargreave Hale AIM VCT 1 plc and £10 million in Hargreave Hale AIM VCT 2 plc.

The offer is to be approved by shareholders of the Company at the General Meeting on 12 January 2016 and is open to both new and existing shareholders.

17. 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 gilts, other fixed interest 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 27 to 32 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 4 and 10 respectively.

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

1. Equities – fair valued through the profit and loss account.
2. UK gilts and corporate bonds – fair value through the profit and loss account.

Other financial assets comprise cash at bank of £3,764,276 (2014 – £3,202,755) which is classified as 'loans and receivables measured at amortised cost'. Financial liabilities consist of trade creditors and accruals of £207,963 (2014 – £193,263) 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 its 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:

		2015 £000	2014 £000
Equity	Fair value	30,492	25,166
Authorised unit trust	Fair value	1,584	285
Gilts/Bonds	Fair value	277	797
		32,353	26,248

A 10% increase or decrease in the investment portfolio would have a £3,235,300 (2014 – £2,624,800) impact on the profit and loss account.

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

	30 September 2014			
	Fixed Rate £000	Variable Rate £000	Non-Interest Bearing £000	Total £000
Investments	797	-	25,451	26,248
Cash and cash equivalents	-	3,203	-	3,203
Other currents assets and current liabilities (net)	-	-	(158)	(158)
Net assets	797	3,203	25,293	29,293

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 2015 the Company held £3,764,276 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.

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:

	2015 £000	2014 £000
Investments – (UK gilts and corporate bonds)	277	797
Cash and cash equivalents	3,764	3,203
Other net current liabilities	(176)	(158)
	3,865	3,842

Cash balances were held on deposit with RBS at 30 September 2015.

Fair value of financial assets and financial liabilities

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

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.

18. DIVIDENDS

	2015 Ord £000	2014 Ord £000
Paid per share:		
Final capital dividend of 2.25 pence for the year ended 30 September 2013	-	690
Paid per share:		
Interim capital dividend of 1.75 pence for year ended 30 September 2014	-	630
Paid per share:		
Final capital dividend of 2.50 pence for year ended 30 September 2014	1,003	-
Paid per share:		
Interim capital dividend of 1.75 pence for year ended 30 September 2015	837	-
	1,840	1,320
Proposed per share:		
Final capital dividend of 2.25 pence for the year ended 30 September 2015	1,080	-
Proposed per share:		
Final capital dividend of 2.50 pence for the year ended 30 September 2014	-	982

19. POST BALANCE SHEET EVENTS

The Directors of the Company announced on 2 December 2015 the launch of an offer for subscription for new shares in both VCT's to raise up to £25 million. The Offer is to be approved by shareholders of the Company at a General Meeting on 12 January 2016 and is open to both new and existing shareholders.

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

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 2016 at 12 pm 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 2015;
2. To receive and approve the directors’ remuneration report for the year ended 30 September 2015;
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 2015;
4. To reappoint BDO LLP as auditors to the Company and to authorise the Directors to determine their remuneration;
5. To re-elect Giles Hargreave as a director of the Company;
6. To re-elect Aubrey Brocklebank 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 2015.

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 £330,000, this authority to expire on the earlier of the conclusion of the Company’s next annual general meeting in 2017 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 2016 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: 10 December 2015

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 Uncertified Securities Regulations 2001 specifies that only those Shareholders registered in the register of members of the Company as at 12.00pm on 10 January 2016 or, in the event that the meeting is adjourned, on the register of members at 6.00pm on the day 2 days prior to the reconvened meeting, shall be entitled to attend or vote at the aforesaid annual general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant registrar of securities after 12.00pm on 10 January 2016 (or in the event that the meeting is adjourned, as at 6.00pm two days prior to the adjourned meeting) shall be disregarded in determining the rights of any person to attend or vote at the meeting notwithstanding any provisions in any enactment, the Articles of Association of the Company or any other instrument to the contrary.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual (www.euroclear.com). CREST 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 9 December 2015 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 47,979,484 shares carrying one vote each. Therefore the total voting rights in the Company are 47,979,484.



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