Hargreave Hale AIM VCT 1 plc

Annual Report and Accounts

Year ended 30 September 2010

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

Shareholder Communication
The Company's daily share price can be found on various financial websites under the TIDM code "HHV" or on our dedicated website at www.hargreave-hale.co.uk/VCT/aimvct/default.htm.

FINANCIAL HIGHLIGHTS

Ordinary Shares:	**2010**	**2009**
Net asset value per share	62.67p	63.98p
Cumulative distributions paid since launch	19.0p	17.0p
Total return	81.67p	80.98p
Discount to Net Asset Value (based on bid market price at balance sheet date)	15.0%	23.0%
Annual Returns per share:		
Revenue return	0.07p	(0.31)p
Capital return	0.21p	(1.27)p
Return per share	0.28p	(1.58)p
Dividends:		
Interim paid	2.0p	2.0p
Final proposed	2.0p	-
Total dividend for year	4.0p	2.0p
Performance Benchmark:		
Total Return	86.0%	85.2%
FTSE AIM All-share Index	81.2%	67.0%
(results rebased to 100 at 29 October 2004)		

The Glossary of Terms can be found on page 40 of the report.

CHAIRMAN'S STATEMENT

Introduction
I am pleased to report that the financial results for the year to 30 September 2010 show an improvement over the previous year. At 30 September 2010 the NAV was 62.67 pence which after adjusting for the dividends paid gives a total return of 81.67 pence. The gain per ordinary share for the year was 0.28 pence per share (comprising revenue gains of 0.07 pence and capital gains of 0.21 pence).

I am pleased to report that the NAV on 10 December had risen to 68.77p per share.

Investments
The Investment Manager, Hargreave Hale Limited, invested a further £0.98 million in 5 qualifying companies during the year and 3 companies went into administration realising a net loss of £1.4 million. The Fair Value of qualifying investments at 30 September 2010 was £9.9 million invested in 41 AIM companies and 1 unquoted company Mexican Grill Limited, the balance was held in non-qualifying AIM stocks.

Dividend
An interim dividend of 2 pence was paid on 2 July 2010 (2009 – 2 pence).

A final dividend of 2 pence is proposed (2009 – Nil) which, subject to shareholder approval at the AGM will be paid on 14 February 2011, to ordinary shareholders on the register on 14 January 2011.

Buybacks
We were pleased that we were able to maintain our policy of offering our shareholders an efficient exit route through the buyback scheme. In total, 1,621,991 Shares were purchased during the year at an average price of 56.3 pence per share.

Arrangements with Keydata Investment Services (KIS)/Change in Hargreave Hale's Investment Management Agreement
On 8 June 2009 KIS went into administration. On the 29 September 2010 the Company signed a variation agreement with KIS and PricewaterhouseCoopers (the administrators of KIS) to terminate certain obligations between the Company and KIS under offer agreements which related to previous offers of shares by the Company and an administration agreement that was formerly in place. Of the obligations terminated, these included the payment of annual fees of 0.9 per cent. per annum and performance incentive fees by the Company to KIS, and the payment by KIS of commissions to financial intermediaries in connection with those offers (with the Company assuming the obligation for the payment of these directly).

Since the year end, the Company and Hargreave Hale Limited entered into a deed of variation on 15 December 2010 to vary the terms of the Investment Management Agreement to increase the annual management fee payable to the Manager from 0.9 per cent. to 1.5 per cent. of the Net Asset Value of the Company. In exchange Hargreave Hale Limited has agreed to provide an indemnity to cap the annual running costs of the Company at 3.5 per cent. of the Net Asset Value (such costs excluding VAT, any Performance Incentive Fee and any trail commissions the payment of which is the responsibility of the Company) and cover any excess.

The effect of the change in annual management fee from 0.9 to 1.5 per cent. would lead to an increase of £108,181 (based on the latest NAV as at 10 December 2010).

Joint Offer for Subscription of Ordinary Shares
On the 20 March 2010 a joint offer for subscription of Ordinary Shares of 1p each in Hargreave Hale AIM VCT 1 plc and Hargreave Hale AIM VCT 2 plc to raise up to, in aggregate, £10 million was offered to the public. In the tax year 2009/2010, the Offer resulted in funds being received of £0.66 million and 0.99 million shares have been issued in respect of Hargreave Hale AIM VCT 1 plc.

In the tax year 2010/2011, the Offer has resulted so far in funds being received of £0.25 million and 0.39 million shares have been issued in respect of Hargreave Hale AIM VCT 1 plc. The Offer opened on 20 March 2010 has been extended and will now close on 18 March 2011 (unless fully subscribed earlier). The allocation of successful applicants will be on a first come first served basis, unless the maximum subscription under the offer has been exceeded, in this case the directors reserve the right to exercise their discretion in allocating shares. In respect of the ongoing Offer, to have full subscription new funds will be limited to £6.09m in respect of Hargreave Hale AIM VCT 1 plc.

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 within three years. At the year end we had achieved 80.12% and have satisfied all the relevant tests.

UK Listing Rule Changes
As a public listed company, Hargreave Hale AIM VCT 1 plc is required to comply with the regulations of the UK listings Authority. Certain changes to the existing Board were required prior to the new UKLA regulations on Board independence which came into effect on 28 September 2010. As a result of these changes, on the 28 September 2010, David Hurst-Brown resigned as a non executive director of the company. I should like to thank David for all his help and sagacity since we started. David Brock whose biography is on page 7 was appointed in his place.

Outlook
Whilst the economy seems to have avoided the worst recession that was feared the cost has been an unprecedented level of Government borrowings and an enormous ongoing budget deficit. The new government has recognised that this is not sustainable for long and has started to make cuts. It faces a hard balancing act between fiscal rectitude and killing off the green shoots of recovery.

I am hopeful that we will see continued recovery but there is little doubt that we live in uncertain economic times. If the market suffers a reversal we may see share prices go lower. Because a VCT has to maintain 70 per cent. of its assets in qualifying companies the manager would have little scope to sell assets in such circumstances. However, whilst we may see a short term drop in Net Asset Value, I believe that your portfolio is largely comprised of robust companies with competent management and good growth plans and will be well placed to weather any such storm.

Sir Aubrey Brocklebank Bt
Chairman

Date: 20 December 2010

BOARD OF DIRECTORS

Sir Aubrey Thomas Brocklebank Bt, (aged 58)
After qualifying as a chartered accountant Sir Aubrey worked for Guinness Mahon from 1981 to 1986, initially in its corporate finance department before assisting in the establishment of a specialist development capital department. From 1986 to 1990 he was a director of Venture Founders Limited, managing a £12 million venture capital fund, which had been raised to invest in early stage ventures. He managed the Avon Enterprise Fund (a venture capital fund of £4.5 million investing in approximately 20 companies) from 1990 until all investments had been realised in 1997. He is on the board of two other VCTs, Downing Distribution VCT1 plc as a non-executive director and Puma VCT IV plc as chairman. He is, and has also been, a director of a number of companies, some of which are, or have been, quoted on AIM.

Giles Hargreave (aged 62)
Giles is Chief Executive of Hargreave Hale Limited. Giles commenced his career in 1969 with James Capel as a trainee analyst. In 1974 he joined Management Agency And Music Plc as a private fund manager. In 1986 he founded Hargreave Investment Management, which was merged in 1988 with Hargreave Hale & Co, a provincial stockbroking firm controlled by other members of his family.

David Brock (aged 60) – appointed 28 September 2010
David was, until July 1997, a main board director of MFI Furniture Group plc and managing director of MFI International Limited having been involved at a senior level in both MFI's management buyout and its subsequent flotation. He started his career at Marks and Spencer Group plc. He is currently chairman of Episys Group Limited and director of Elderstreet VCT plc and Puma VCT III plc.

MANAGER’S REPORT

Investment Policy

a) Investment Objectives

The Companies’ objectives are:

- to invest in a diversified portfolio of small UK based companies on a high risk, medium term capital growth basis, primarily being companies which are traded on AIM and which have the opportunity for significant value appreciation;

- to invest in smaller companies which may not be readily accessible to private individuals and which also tend to be more risky;

- to maximise distributions to shareholders from capital gains and income generated from the Companies' funds; and

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

b) Asset Allocation

In order to achieve these objectives, “Qualifying Investments” (being investments which comprise qualifying holdings for a venture capital trust as defined in Chapter 4 Part 6 of the Income Tax Act 2007) will be made in AIM companies, but the Investment Manager will also consider PLUS traded companies and private companies that meet the investment criteria summarised below. The Investment Manager will follow a stock specific, rather than sector specific, investment approach. Individual Qualifying Investments are likely to range from £100,000 to £1 million. Investments in AIM traded Qualifying Investments will be in new shares issued by the investee company at the time of its flotation or in new shares issued by existing AIM companies (with a preference for secondary issues of existing AIM companies as they are likely to have an established track record and these issues are often priced at an attractive discount to market price).

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

Market Commentary

The stock market was buffeted by cross-currents of mixed global economic developments, renewed talk of further central bank QE, rise and fall of sovereign debt concerns and swing in risk sentiments in the first half of this year. Despite considerable volatility, the FTSE All-Share finished the year to 30 September 2010 up 8.8%. Growing concern of a double dip recession in the developed nations was coupled with increasing expectation of further support from policy makers. Complacency which arose from the European bank stress test was later challenged by news of large capital shortfall in banks in Germany and the peripheral European countries. Sentiment swung between deflation to inflation; risk and safe haven assets were attracting growing interests across the board.

Portfolio Performance

Over the twelve months, the NAV was down slightly to 62.67p from 63.98p. Adjusting for the 2p dividend distribution in July 2010, there was a small gain of 1.08% in the year. During the same period, the FTSE 100 gained 8.1%, the FTSE Small Cap (Ex-IT) lost 3.8%, whilst the FTSE AIM All-Share saw a much stronger 21% rise on an account of contribution from large mining and commodity stocks.

The portfolio of investments didn't perform well through the summer months with the NAV dropping almost 4p (-6.0%) between 31 March 2010 and 20 August 2010, net of the 2p dividend. We then had a very strong finish to the year and recorded a 7.5% rise in September, our second largest monthly gain. The fall in value in our qualifying portfolio was spread across a broad range of qualifying investments, and did not necessarily reflect underlying trading in the companies concerned. Cohort (-31.1%, -0.65 pence per share), Advanced Computer (-17.9%, -0.62 pence per share) were good examples of this, as was Animalcare (-25.0%, -0.62 pence per share). There have been disappointments: Intercede (-4.8%, -0.12 pence per share) failed to meet its expectations for 20% revenue growth but remains comfortably profitable and well financed. It has recovered strongly since warning on profits. More painful was the loss of Legion Group (-0.47 pence per share), placed into administration by HMRC in early August. But we also had some notable successes: Abcam continued to power ahead (+40.3%, 1.88 pence per share), driven by strong trading; Craneware (+39.5%, 0.68 pence per share) continued to strengthen its position as a software provider to the US healthcare market; and EKF (+61.7%, 0.70 pence per share), a medical diagnostics company run by a highly regarded management team, made a strong start following its listing in June 2010. Three of our companies are subject to cash bids: Neutrahealth has a recommended bid of 6.5p (+31.6%, 0.17 pence per share); Mount Engineering (+25.0%, 0.32 pence per share) remains subject to an 82p per share cash bid with two companies bidding against one another. Innovision (+141.4%, +0.3 pence per share) was also acquired in July for 35 pence per share.

We have had some mixed results in the non-qualifying. In particular, we held a non-qualifying position in Legion Group, (a further -0.56 pence per share), Optare (-0.17 pence per share). These were offset in part by gains in City of London (0.14 pence per share), Cape (0.13 pence per share), Anglo Pacific (0.12 pence per share) and TT Electronics (0.12 pence per share).

Portfolio Structure

Although by HMRC's measure the fund is 80.12% invested, by market value the qualifying portfolio remained static at 59% of Net Assets on 30 September 2010. The Cash balances remain unchanged at 6.5% despite the July dividend distribution and as a result of the share issues in March, April and May. We continue to make selective non-qualifying equity investments and slightly increased our investment exposure from £1.45m (31 March 2010) to £1.53m. As a proportion of the fund, this was unchanged at around 9% of Net Assets.

Within the portfolio, we invested in a second subordinated bond (Scottish Amicable) to provide further income in the portfolio. The aggregate investment in fixed income decreased from £4.3m (26.0% of Net Assets) to £4.1m (25.0% of Net Assets)

Investment Test

We continue to meet the HMRC qualification criteria (80.12%, 30 September 2010) and, whilst we need to make some further investments over time to reflect the recently issued equity, we can continue to remain selective when making further qualifying investments. We can also undertake some fine-tuning and replace weaker companies with stronger ones as and when the opportunity presents itself. We made two Qualifying investments in the second half: Bglobal and EKF Diagnostics, taking our total to 42.

Hargreave Hale Limited

Date: 20 December 2010

INVESTMENT PORTFOLIO SUMMARY

Ordinary Share Fund

As at 30 September 2010

Qualifying investments	Book Cost £000	Valuation £000	Valuation %
Abcam Plc	125	1,290	8.3
Advanced Computer Software	400	753	4.9
Craneware	150	633	4.1
Intercede Group	518	627	4.0
Brulines Holdings	509	497	3.2
Animal Care	300	491	3.2
EKF (formerly IBL)	300	485	3.1
Mount Engineering	400	428	2.8
K3 Business Tech Group	270	411	2.6
Pressure Technologies	340	397	2.6
Cohort plc	800	381	2.5
Bglobal	258	320	2.1
Vertu Motors	600	265	1.7
I-Dox	150	230	1.5
Keycom	300	225	1.4
Rotala	400	218	1.4
Egdon Resources plc	158	189	1.2
Neutra Health plc	315	187	1.2
Mexican Grill A Preference	185	185	1.2
Chime (formerly Essentially Group)	220	178	1.2
Universe Group	385	165	1.1
Energetix Group	380	146	0.9
CBG Group	534	109	0.7
Feedback	201	101	0.7
Maxima Holdings	251	99	0.6
Plastics Capital	250	95	0.6
Reneuron Group	238	92	0.6
Advanced Power Components	148	87	0.6
Tasty plc	288	85	0.5
Autoclenz Holdings	256	78	0.5
Jelf Group	174	74	0.5
Tangent Communications	300	69	0.4
Progressive Digital	173	68	0.4
Richoux	300	60	0.4
Infrastrata (formerly Portland Gas)	46	36	0.2
Expansys	331	31	0.2
Mexican Grill	20	20	0.1
Invocas Group	169	12	0.1
Hardide	396	11	0.1
Enfis Group	146	10	0.1
Invu	200	7	0.0
Infoserve Group	200	6	0.0
Sports Media Group	300	4	0.0
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Total qualifying investments	12,384	9,855	63.5

INVESTMENT PORTFOLIO SUMMARY (continued)

Non-Qualifying investments	Book Cost £000	Valuation £000	Valuation %
UK Treasury 2.25% 2014	978	1,034	6.7
Uk Treasury 2.5% 2016	492	550	3.5
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Total – UK gilts	1,470	1,584	10.2
Lloyds TSB 4% 2011	1,024	1,031	6.6
Nationwide 3.75% 2011	1,018	1,029	6.6
Scot Amicable 8.5% 2049	256	253	1.6
Nationwide 7.971% 2049	242	250	1.6
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Total – UK corporate bonds	2,540	2,563	16.4
Easyjet	188	185	1.2
City of London	121	157	1.0
Anglo Pacific	106	150	1.0
OPG	133	139	0.9
West Coal	167	136	0.9
TT Elect	70	106	0.7
Skill P&L	100	100	0.6
EMIS	82	98	0.6
Cove Energy plc	35	71	0.5
Westhouse Holdings plc	90	68	0.4
Acta	60	60	0.4
Expansys	60	59	0.4
DDD	75	57	0.4
Petro Matad	41	55	0.4
Optare plc	80	46	0.3
Cap-XX	20	21	0.1
Craneware	11	16	0.1
Animalcare Group plc	2	2	0.0
Advanced Computer Software plc	2	1	0.0
Vertu Motors	3	1	0.0
EKF	0	0	0.0
Enfis Group plc	1	0	0.0
Tasty Plc	1	0	0.0
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Total – non-qualifying equities	1,448	1,528	9.9
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Total – non-qualifying investments	5,458	5,675	36.5
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Total investments	17,842	15,530	100.0
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TOP TEN INVESTMENTS
As at 30 September 2010

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

Abcam plc			**1720p**
Investment date	October 2005	Unaudited results for year ended	June 2010
Equity held	0.21%	Turnover (£'000)	71,106
Purchase Price	167p	Profit before tax (£'000)	25,831
Cost (£'000)	125	Net assets (£'000)	53,222
Valuation (£'000)	1,290		

Abcam is a producer and distributor of research-grade antibodies headquartered in Cambridge, UK, with offices in Cambridge, Massachusetts, USA and Tokyo, Japan. The Company produces and distributes its own and third party produced antibodies to academic and commercial users throughout the world. Product ordering is available through the Company's website where customers are also able to access up-to-date and detailed technical product data sheets. All the antibodies are sold under the Abcam brand name and the Company's vision is to build the world's largest online resource of high quality and commercially viable antibodies.

Advanced Computer Software plc			**32p**
Investment date	July 2008	Audited results for year ended	February 2010
Equity held	0.66%	Turnover (£'000)	30,191
Av. Purchase Price	17p	Profit before tax (£'000)	4,169
Cost (£'000)	402	Net assets (£'000)	78,546
Valuation (£'000)	754		

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

Craneware			**540p**
Investment date	September 2007	Audited results for year ended	June 2010
Equity held	0.47%	Turnover (£'000)	28,397
Av. Purchase Price	134p	Profit before tax (£'000)	7,258
Cost (£'000)	161	Net assets (£'000)	20,052
Valuation (£'000)	649		

Craneware provides proprietary software solutions that improve the financial performance of US hospitals and healthcare organisations through strategic pricing, revenue cycle and supply management solutions. The Group's main product, Chargemaster Toolkit™ ("CMT"), assists US healthcare providers in reducing billing errors, ensuring accurate submission of claims and managing compliance risk. CMT is designed to help hospital finance departments maintain accurate and up-to-date information, increase operational efficiency and increase reimbursement related to outpatient items. Craneware was founded in 1999 and currently maintains its corporate headquarters in Livingston, Scotland, with offices in Florida, Arizona and Kansas.

Intercede plc			**40p**
Investment date	May 2007	Audited results for year ended	March 2010
Equity held	3.26%	Turnover ($'000)	6,194
Purchase Price	33p	Profit before tax ($'000)	510
Cost (£'000)	518	Net assets ($'000)	3,142
Valuation (£'000)	627		

Intercede is an international developer and supplier of software for identity and credential management. This software is branded as the Intercede MyID® Identity and Credential Management System. MyID is a commercial-off-the-shelf product that Intercede has licensed the use of governments, public authorities and companies around the world to improve the level of identity assurance of their citizens and employees.

Brulines plc			**120p**
Investment date	October 2006	Audited results for year ended	March 2010
Equity held	1.48%	Turnover (£'000)	19,834
Purchase Price	123p	Profit before tax (£'000)	4,540
Cost (£'000)	509	Net assets (£'000)	21,044
Valuation (£'000)	497		

Brulines is a leading provider of volume and revenue protection systems for draught alcoholic drinks for the UK Licensed on-trade, in particular the tenanted pub sector. The Dispense Monitoring Division, which represents the Group's core product, measures the actual volume of liquid dispensed each hour against legitimate deliveries and protects the pub owners from the potential loss of revenue from 'buying out'. A more recent product offering is i-Draught, which scrutinizes the quality as well as the quantity of product being dispensed. Through acquisition Brulines has built up a range of additional services to meet the needs of the industry's vending and gaming machines. Through acquisition, Brulines has established a footprint in the petrol forecourt market, where it provides a range of associated services.

Animalcare Group plc			**90p**
Investment date	December 2007	Unaudited results for 6 months to	December 2009
Equity held	2.73%	Turnover (£'000)	8,933
Purchase Price	55p	Profit before tax (£'000)	894
Cost (£'000)	302	Net Assets (£'000)	15,557
Valuation (£'000)	493		

Animalcare plc has operated through two trading division, Animalcare and Ritchey. Animalcare develops, markets and supplies a range of licensed veterinary medicines, companion animal identification microchips and other animal welfare products to veterinary surgeons and other veterinary professionals within the UK and Europe, whilst Ritchey manufactures and supplies livestock identification and other products to agricultural retailers in the UK and Republic of Ireland. On 20 September 2010, Animalcare sold its Agriculture businesses, including Ritchey, for £3.25m cash. The company will now focus on its core veterinary medicines business.

EKF Diagnostics Holdings plc			**24.25p**
Investment date	June 2010	No financial information available at year end	
Equity held	1.41%	Turnover (£'000)	-
Av. Purchase Price	15p	Profit before tax (£'000)	-
Cost (£'000)	300	Net assets (£'000)	-
Valuation (£'000)	485		

The EKF Group is a leading diagnostic business with its head office in the UK and operations in Germany, Poland and Russia. The business is focused on the development, production and worldwide distribution of blood analysers. Established in manifold applications, the products are sold into hospitals, universities, laboratories, blood donor centres, for industrial use and point of care testing. International Brand Licensing acquired EKF Diagnostics in August 2010 by reverse takeover. The new management team, which has strong credentials in the life sciences arena, intends to develop a meaningful life sciences business through a combination of organic and acquisitive growth.

Mount Engineering			**75p**
Investment date	June 2007	Unaudited results for 6 months to	June 2010
Equity held	2.44%	Turnover (£'000)	4,628
Purchase Price	70p	Profit before tax (£'000)	1,190
Cost (£'000)	400	Net Assets (£'000)	19,685
Valuation (£'000)	428		

Mount Engineering Plc has three operating subsidiaries; Redapt Engineering Company Limited, Hi-Flow Valves Limited and Raxton Limited. Redapt and Raxton specialise in the manufacture and supply of thread converting Adaptors and Reducers that are "Ex Certified", which means that they have been certified for use in potentially explosive or hazardous areas. Hi-Flow is engaged in the stocking, distribution and merchanting of industrial valves and actuators to the oil, gas, petrochemical, process and related industries globally. Mount is currently in a competitive bid situation with an 82p per share cash offer.

K3 Business Technology Group			**137p**
Investment date	September 2005	Audited results for year ended	June 2010
Equity held	1.17%	Turnover (£'000)	59,783
Purchase Price	90p	Profit before tax (£'000)	4,767
Cost (£'000)	270	Net assets (£'000)	31,443
Valuation (£'000)	411		

K3 supplies and installs Microsoft based enterprise resource planning software solutions for the supply chain around the world. The company focuses on the retail, manufacturing and distribution markets. ERP software is business critical and provides companies with an integrated software solution to manage inventory, resources and business processes. Once installed these software systems remain in place typically 12 years or more. K3's customers are primarily mid-tier retailers, manufacturers or distributors but also include larger companies within these sectors. In total, the Company has installed and now supports its Microsoft based software solutions in c1,500 customers operating across 30 countries.

Pressure Technologies plc			**175p**
Investment date	May 2007	Audited results for 26 weeks to	3 April 2010
Equity held	2.00%	Turnover (£'000)	9,663
Purchase Price	150p	Profit before tax (£'000)	1,515
Cost (£'000)	340	Net assets (£'000)	14,720
Valuation (£'000)	397		

Pressure Technologies is the holding company for Chesterfield Special Cylinders ("CSC") and Chesterfield BioGas. CSC designs, manufactures and offers retesting and refurbishment services for a range of specialty high pressure, seamless steel gas cylinders for global energy and defense markets. Chesterfield BioGas, formed in November 2008 following the signing of a co-operation agreement with Greenlane® Biogas Limited, gives Pressure Technologies exclusive rights to market Greenlane® equipment in the UK and Eire. Chesterfield BioGas will provide turnkey solutions for the cleaning, storage and dispensing of biomethane, produced from waste water treatment and anaerobic digestion of organic waste.

Co-Investment

As at 30 September 2010, other funds managed by Hargreave Hale Limited were also invested in 35 of the investments – Abcam, Acta, Advanced Computer Software, Anglo Pac, Animalcare, Cap-XX, City of London, Cohort, Cove, DDD, Easyjet, Egdon Resources, EKF, EMIS, Energetix, Enfis, Infrastrata, Invocas, Invu, Jelf, K3, Maxima, OPG Power, Optare, Petro Matad, Plastics Cap, Pressure Tech, Reneuron, Richoux, Skill P&L, Tangent Comms, Tasty, TT Electronics, West Coal Corp and Westhouse Holdings.

DIRECTORS' REPORT

For the year end 30 September 2010

The Directors present their report together with the audited financial statements of the Company for the year from 1 October 2009 to 30 September 2010.

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

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

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

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

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

Business Review
A review of the Company's business during the year and consideration of its future development and prospects are contained in the Chairman's Statement and Manager's Report. The financial position of the Company at 30 September 2010 was strong with no debt or gearing.

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

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

In addition to the above, the Board considers peer group comparative performance. Performance is also measured against the Company's closest benchmark, The FTSE AIM All-share Index. The performance measures for the year are included in the Financial Highlights on page 4.

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

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

Revenue and Dividends
The revenue gain after tax for the year amounted to £18,000 (2009 – £92,000 loss). An interim ordinary dividend of 2p per Ordinary share was paid on 2 July 2010 (2009 – 2p per share).

Share Valuation
On 30 September 2010, the bid-market price and the net asset value per ordinary share were 53.25p and 62.67p respectively.

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

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

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

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

Substantial Holdings in the Company
At 30 September 2010, there was one holdings of 3% and over of the Company's ordinary share capital. This holding related to the treasury shares and as at 30 September 2010 comprised 9.3%.

Directors
The present directors are listed below.

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

	Ordinary Shares	
	2010	**2009**
Sir Aubrey Brocklebank Bt	5,000	5,000
Giles Hargreave	109,163	109,163
David Brock (appointed 28 September 2010)	-	-
David Hurst-Brown (resigned 28 September 2010)	25,750	25,750

There have been no changes to the beneficial interests of Directors between 30 September 2010 and the date of this report.

Share Buybacks
During the year, the Company repurchased 1,621,991 ordinary shares (nominal value £16,220) at a cost of £912,548. The shares repurchased represent 6.1% of ordinary shares in issue on 1 October 2009. All shares repurchased were cancelled.

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

Shares Issued

During the year, the Company issued 1,298,377 ordinary shares (nominal value £12,984) in a joint offer for subscription which resulted in funds being received of £853,500.

The joint offer for subscription of ordinary shares opened on 20 March 2010 has been extended and will now close on 18 March 2011 (unless fully subscribed earlier).

Post Balance Sheet Events
Post Balance Sheet Events are disclosed in Note 19 on page 39 of the accounts.

Directors' and Officers' Liability Insurance
All directors and officers benefit from qualifying third party indemnity insurance cover.

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

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

Supplier Payment Policy
It is the Company's policy to obtain the best terms for all business and to abide by those agreed terms. It is the Company's policy to settle all investment transactions according to settlement periods operating for the relevant markets. The majority of transactions undertaken for services provided and goods received are payable on demand. The supplier payments due are usually settled within one week given the time needed to authorise the payments and attain the dual signatories.

Charitable and Political Donations
The Company made no charitable or political donations in the year (2009: nil).

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

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

Annual General Meeting
The Notice of AGM to be held on 10 February 2011 is set out on page 42.

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

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

By order of the Board

STUART BROOKES
Company Secretary

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

Date: 20 December 2010

DIRECTORS' REMUNERATION REPORT

For the year ended 30 September 2010

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

Your Company's auditors are required to audit certain disclosures provided in this Report. Where disclosures have been audited, they are indicated in this Report. The auditors' opinion is included in their report on pages 24 and 25.

Remuneration Responsibilities

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

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

Policy on Directors' Remuneration

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

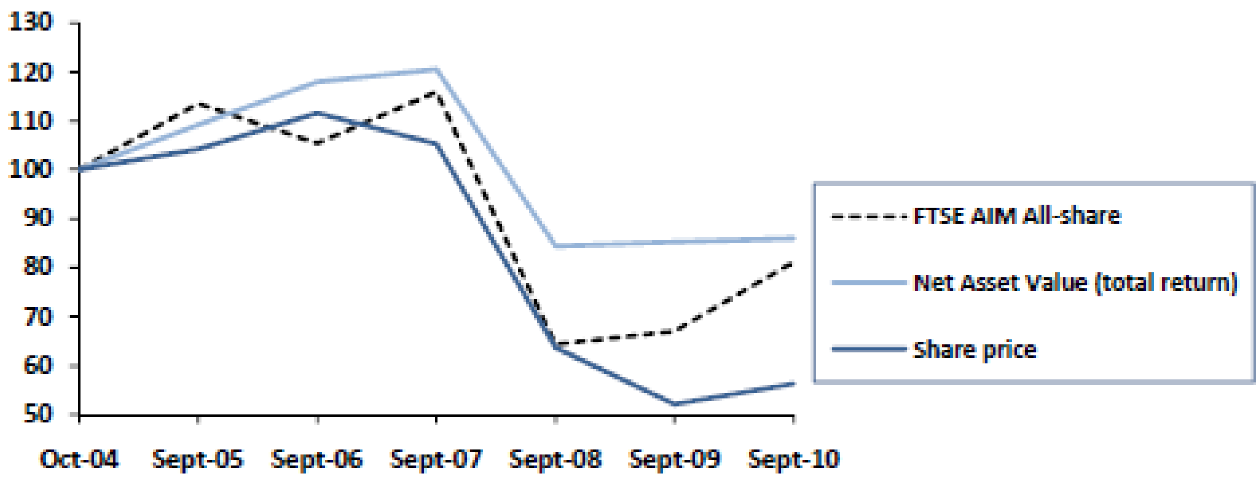
Fees for the Directors are determined by the Board within the limits stated in the Company's Articles of Association. The maximum permitted by the Company's Articles of Association is £200,000 per annum. The Directors are not eligible for bonuses, pension benefits, share options or other incentives or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

Directors' Service Contracts

It is the Board's policy that none of the Directors has a service contract. Each of the Directors has entered into an agreement with the Company dated 10 September 2004 except Giles Hargreave who was appointed on 12 August 2009 when an agreement was made with Hargreave Hale Limited to provide the directorship service and David Brock who 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. Either party can terminate the agreement by giving to the other at least 3 months notice in writing.

Your Company's Performance

The Company was incorporated on 16 August 2004 and commenced trading on 29 October 2004. The performance chart below charts the Company's Ordinary share NAV (total return) and share price from Admission of shares to listing on 29 October 2004 to 30 September 2010 (rebased to 100 at 29 October 2004) compared to the total return of a notional investment in the FTSE AIM All-share Index over the same period. The graph has been plotted at intervals of 12 months. This index was chosen for comparison purposes as it represents a comparable broad equity market index for AIM quoted small companies (the target investment class for the VCT).



Directors' Emoluments for the Year (audited)

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

	2010	2009
	£	£
Sir Aubrey Brocklebank Bt (Chairman)	18,000	18,000
Giles Hargreave	15,000	2,500
David Brock (appointed 28 September 2010)	-	-
David Hurst-Brown* (resigned 28 September 2010)	18,750	15,000
Stewart Ford (resigned 16 June 2009)	-	14,365
	----------	----------
	51,750	49,865
Total	----------	----------

*The emoluments paid to David Hurst-Brown include a payment of three months fees of £3,750 in lieu of notice.

The Directors fees have not increased in the year with the exception of the payment in lieu of notice to David Hurst-Brown.

Approval

The Directors' Remuneration Report on pages 18 and 19 was approved by the Board of Directors on 20 December 2010.

Signed on behalf of the Board of Directors

Sir Aubrey Brocklebank Bt
Chairman

CORPORATE GOVERNANCE

Director's Statement of Compliance with the 2008 FRC Combined Code on Corporate Governance ("the Code").

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

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

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

The Directors have a range of business, financial and asset management skills and experiences relevant to the direction and control of the Company. Brief biographical details of the members of the Board are shown on Page 7.

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

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

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

Due to the size of the Board, the Board has not set up separate audit, nomination and remuneration committees (as required by Code C3.1, A4.1 and B2.1 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 A3.3) as the Chairman performs the role.

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

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

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

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

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

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

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

Directors' Induction

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

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

Directors' Remuneration

The board as a whole reviews Directors' remuneration on a regular basis. Details of the Company's policy on Directors' remuneration and of payments to Directors are given in the Directors' Remuneration Report on pages 18 and 19.

Accountability and Audit

The Directors' responsibilities for the Company's accounting records and financial statements are set out on page 23. The Auditors' Report appears on pages 24 and 25.

Performance Appraisal

The Directors recognise the importance of the Code (Code A.6.1) in terms of evaluating the performance of the Board as a whole and the individual Directors. As the Directors of the Company are non-executive their role is to ensure that the company is managed by the Investment Manager and Administrator to the best of their ability and make changes to the management if they are not acting in the best interests of the shareholders. The Directors' role is to review the performance of the management and ensure this is the case. The Directors' performance is reviewed on an ongoing basis by the Board on attendance to Board meetings, input at the Board meetings and ability to continue in their role as a non-executive director of the Company. This is formalised in the retirement process as detailed in the Articles of Association where each director retires every 3 years and stands for re-election by the shareholders at the AGM.

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

Audit Committee

All audit committee responsibilities are performed by the Board. Due to the small size of the Board, there are no written terms of reference setting out roles and responsibilities (Code C3.2).

The Board meets twice each year to review the internal financial and non-financial controls, approving the contents of the draft interim and annual reports to shareholders and reviewing the accounting policies. In addition, the Board reviews the quality of the service of all the service providers to the Company and, together with the Manager and Administrator, reviews the Company's compliance with financial reporting and regulatory requirements. Representatives of BDO LLP, the Company's auditors, attend the Board meeting at which the draft annual report and financial statements are reviewed.

The Company's internal financial controls and risk management systems have been reviewed with the Manager against risk parameters approved by the Board. The Audit programme and timetable are drawn-up and agreed with the Company's Auditors in advance of the financial year end. At this stage, matters for the audit focus are discussed and agreed. These matters are given particular attention during the audit process and among other matters they are reported on by the Auditors in their audit report to the Board. The audit report is considered by the Board and discussed with the Auditors prior to approving and signing the Financial Statements.

The Board has reviewed the independence and objectivity of the Auditors with particular regard to the level of non audit services provided by the Auditors. Details of the audit and non-audit fees paid to the Auditors are shown in note 4 to the financial statements.

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

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

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

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

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

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

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

Auditors' Non-Audit Service
During the year no fees were paid for non-audit services (2009 - £1k).

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

	No of Board Meetings	
	Held	Attended
Sir Aubrey Brocklebank Bt	5	5
Giles Hargreave	5	5
David Brock (appointed 28 September 2010)	-	-
David Hurst-Brown (resigned 28 September 2010)	5	4

Relations with Shareholders
Shareholder relations are given high priority by the Board. The prime medium by which the Company communicates with shareholders is through the interim and Annual Report and Accounts, which aim to provide shareholders with a full understanding of the Company's activities and its results. This information is supplemented by the weekly calculation of the net asset value of the Company's ordinary shares, which is published via the Stock Exchange and on our website at www.hargreave-hale.co.uk/VCT/aimvct/default.htm. Shareholders have the opportunity to communicate directly with the Board at the AGM. All shareholders are encouraged to attend the AGM.

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

Signed on behalf of the Board of Directors

Sir Aubrey Brocklebank Bt
Chairman

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In respect of the financial statements

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

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

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

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

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

Directors' responsibility statement pursuant to DT4
The directors confirm to the best of their knowledge:

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

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

INDEPENDENT AUDITORS' REPORT

To the members of Hargreave Hale AIM VCT1 plc

We have audited the financial statements of Hargreave Hale AIM VCT1 Plc for the year ended 30 September 2010 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Reconciliation of Movement in Shareholders' Funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections 495, 496 and 497 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2010 and its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 22, in relation to going concern; and
- the parts of the corporate governance statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

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

Date: 20 December 2010

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

INCOME STATEMENT
For the year ended 30 September 2010

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

INCOME STATEMENT
For the year ended 30 September 2009

	Note	Revenue £000	Ordinary Shares Capital £000	Total £000
Net loss on investments held at fair value through profit or loss	7	-	(266)	(266)
Income	2	362	-	362
		362	(266)	96
Management fee	3	(39)	(118)	(157)
Other expenses	4	(415)	-	(415)
		(454)	(118)	(572)
Loss on ordinary activities before taxation		(92)	(384)	(476)
Taxation	5	-	-	-
Loss after taxation		(92)	(384)	(476)
Loss per share	6	(0.31)p	(1.27)p	(1.58)p

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

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

BALANCE SHEET

As at 30 September 2010

Company registration number: 5206425
(in England and Wales)

	Note	2010 Ordinary £000	2009 Ordinary £000
Fixed assets			
Investments at fair value through profit or loss	7	15,530	16,079
Current assets			
Debtors	9	94	95
Cash at bank	12	1,088	1,059
		1,182	1,154
Creditors: amounts falling due within one year	10	(160)	(129)
Net current assets		1,022	1,025
Net assets		16,552	17,104
Capital and Reserves			
Called up share capital	11	291	294
Special reserve		21,263	21,901
Capital reserve – realised		(3,637)	(2,871)
Capital reserve – unrealised		(2,312)	(3,133)
Revenue reserve		185	167
Capital redemption reserve		762	746
Equity shareholders' funds		16,552	17,104
Net asset value per share	13	62.67p	63.98p

These financial statements were approved and authorised for issue by the Board of Directors on 20 December 2010 and signed on its behalf by

Sir Aubrey Brocklebank Bt
Chairman

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

CASH FLOW STATEMENT

For the year ending 30 September 2010

	Note	2010 Ordinary £000	2009 Ordinary £000
Net cash (outflow)/inflow from operating activities	15	(60)	(101)
Net financial investment	15	714	4,349
Dividends paid	18	(537)	(864)
		---------	---------
Cash outflow before management of liquid resources		117	3,384
Financing	15	(88)	(2,934)
		---------	---------
Increase in cash	12	29	450
		---------	---------

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

For the year ending 30 September 2010

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

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 2009

Ordinary Shares	**Share Capital £000**	**Capital Redemption Reserve £000**	**Capital Reserve Realised £000**	**Capital Reserve Unrealised £000**	**Special Reserve £000**	**Revenue Reserve £000**	**Total £000**
At 1 October 2008 (Ord shares)	103	40	61	(3,301)	9,772	163	6,838
At 1 October 2008							
(C shares transferred)	886	11	(21)	(2,359)	15,927	96	14,540
Transfer of conversion of C shares	(666)	666	-	-	-	-	-
	--------	--------	--------	--------	--------	--------	--------
	323	717	40	(5,660)	25,699	259	21,378
Previously recognised losses now realised	-	-	(2,793)	-	-	-	(2,793)
Unrealised losses on investments	-	-	-	2,527	-	-	2,527
Management fee charged to capital	-	-	(118)	-	-	-	(118)
Share buybacks	(29)	29	-	-	(2,934)	-	(2,934)
Equity dividends paid (Note 18)	-	-	-	-	(864)	-	(864)
Revenue profit after taxation for the year	-	-	-	-	-	(92)	(92)
	--------	--------	--------	--------	--------	--------	--------
At 30 September 2009	294	746	(2,871)	(3,133)	21,901	167	17,104
	--------	--------	--------	--------	--------	--------	--------

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

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

Basis of preparation

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

Investments

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

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

Determining fair value

Where the classification of a financial instrument requires it to be stated at fair value, this is determined by reference to the quoted bid price in an active market wherever possible. Where no such active market exists for the particular asset or liability, the Company uses a valuation technique to arrive at the fair value, including the use of prices obtained in recent arms length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants. The fair value of such assets or liabilities will be reviewed on a 6 monthly basis and more frequently if events occur that could have a material impact on the investment. All inputs are market observable (with the exception of level 3 financial instruments note7).

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.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the accounts. Deferred tax assets are only recognised to the extent they are recoverable.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted at the balance sheet date. Deferred tax is measured on a non-discounted basis.

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.

2. Income

	2010 £000	2009 £000
Income from listed investments:		
UK dividends	148	136
Unfranked investment income	143	214
	------	------
	291	350
Other income:		
Deposit interest	5	12
	------	------
Total income	296	362
	------	------

3. Management Fees

Ordinary Shares	2010 Revenue £000	2010 Capital £000	2010 Total £000	2009 Revenue £000	2009 Capital £000	2009 Total £000
Management fees	36	110	146	39	118	157
	------	------	------	------	------	------
	36	110	146	39	118	157
	------	------	------	------	------	------

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 0.9% per annum of the net asset value of the Company, calculated and payable quarterly in arrears. At 30 September 2010, £12,181 was owed in respect of management fees.

A performance related incentive fee will be payable at the rate of 20% of any dividends paid to shareholders in excess of 6p per ordinary share per annum, provided that the net asset value per share is at least 95p. The first payment will be made after 30 September 2010 provided cumulative distributions in the preceding three accounting periods exceed 18p per ordinary share. Thereafter, a performance related incentive fee will be payable annually provided the hurdles have been exceeded, with any cumulative shortfalls below 6p per ordinary share having to be made up in subsequent years before the incentive fee becomes payable. No performance related incentive fee is payable as at 30 September 2010.

4. Other Expenses

	2010 £000	2009 £000
General expenses	179	353
Directors' fees	52	50
Auditors' remuneration		
- for audit services	11	11
- for non-audit services	-	1
	242	415

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

5. Tax on ordinary activities

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

	2010 Total £000	2009 Total £000
Profit on ordinary activities before taxation	73	(476)
UK Corporation Tax 28% (2009 – 28%)	20	(133)
Effect of non taxable gains/losses on investments	(46)	74
Effect of non taxable UK dividend income	(41)	(38)
Effect of prior year losses utilised	-	-
Effect of current year losses carried forward	67	97
Current tax charge	-	-

Tax losses carried forward at the balance sheet date were £608,278 (2009 - £368,016).

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

	2010 Revenue pence	2010 Capital pence	2010 Total pence	2009 Revenue pence	2009 Capital pence	2009 Total pence
Return (loss) per ordinary share: - basic	0.07p	0.21p	0.28p	(0.31)p	(1.27)p	(1.58)p

Revenue return per ordinary share based on a net revenue gain on ordinary activities after taxation of £18,000 (2009 - £92,000 loss) and on 26,416,692 (2009 – 29,963,737) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

Capital return per ordinary share based on a net capital profit of £55,000 (2009 – £384,000 loss) for the year and on 26,416,692 (2009 – 29,963,737) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

7. Investments

	AIM Quoted Investments		Unquoted Investments		Listed Investments		Total Investments	
	2010	2009	2010	2009	2010	2009	2010	2009
	£000	£000	£000	£000	£000	£000	£000	£000
Investments	11,178	11,521	205	-	4,147	4,558	15,530	16,079
	--------	--------	--------	--------	---------	--------	--------	---------
Movement in year:								
Opening Valuation	11,521	6,393	-	-	4,558	-	16,079	6,393
Transfer from C share fund	-	5,536	-	-	-	8,765	-	14,301
Purchases at cost	4,142	2,995	205	-	730	7,735	5,077	10,730
Sales - proceeds	(4,555)	(2,822)	-	-	(1,236)	(12,257)	(5,791)	(15,079)
- realised gains	(690)	(3,125)	-	-	34	332	(656)	(2,793)
Movements unrealised	760	2,544	-	-	61	(17)	821	2,527
	--------	--------	--------	--------	--------	--------	--------	---------
Closing valuation	11,178	11,521	205	-	4,147	4,558	15,530	16,079
Closing book cost	13,628	14,730	205	-	4,009	4,482	17,842	19,212
	--------	--------	--------	--------	---------	--------	--------	---------
Closing unrealised	(2,450)	(3,209)	-	-	138	76	(2,312)	(3,133)
	--------	--------	--------	--------	---------	--------	--------	---------
Realised gain/(loss) on sales	(690)	(3,125)	-	-	34	332	(656)	(2,793)
Unrealised gain/(loss) on investments	760	2,544	-	-	61	(17)	821	2,527
	--------	--------	--------	--------	---------	--------	--------	---------
Gain/(loss) on investments	70	(581)	-	-	95	315	165	(266)
	--------	--------	--------	--------	---------	--------	--------	---------

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

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

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

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

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

	2010 Level 1 £'000	2010 Level 3 £'000	2010 Total £'000	2009 Level 1 £'000	2009 Level 3 £'000	2009 Total £'000
Investments	15,325	205	15,530	16,079	-	16,079
	---------	---------	---------	---------	---------	---------

8. Significant Interests

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

Advanced Power Components	3.21%	Mexican Grill	4.92%
Feedback	6.15%	Universe Group	4.80%
Intercede Group	3.26%		

9. Debtors

	2010	2009
	£000	£000
Prepayments and accrued income	94	95

10. Creditors: amounts falling due within one year

	2010	2009
	£000	£000
Trade Creditors	62	13
Accrual and deferred income	98	116
	160	129

11. Called up share capital

	2010	2009
	£000	£000
Authorised:		
50,000,000 ordinary shares of 1p each	500	500
Allotted, called-up and fully paid: 29,121,486 (2009–29,445,100) ordinary shares of 1p each	291	294

* The 29,121,486 ordinary shares in issue include 26,410,352 ordinary shares and 2,711,134 treasury shares.

During the year 1,621,991 ordinary shares were purchased at a cost of £912,548, of which 1,621,991 shares were cancelled.

During the year, the Company issued 1,298,377 ordinary shares (nominal value £12,984) in a joint offer for subscription which resulted in funds being received of £853,500.

Income entitlement

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

Capital entitlement

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

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

Voting entitlement

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

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 2009	Cash Flows	At 30 September 2010
	£000	£000	£000
Cash at bank	1,059	29	1,088
	--------	--------	--------
	At 1 October 2008	**Cash Flows**	**At 30 September 2009**
	£000	**£000**	**£000**
Cash at bank	609	450	1,059
	--------	--------	--------

13. Net asset value per ordinary share

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

	Net asset value per share		Net assets attributable	
	2010	2009	2010	2009
	pence	pence	£000	£000
Ordinary shares - Basic	62.67	63.98	16,552	17,104
	--------	--------	--------	----------

Net asset value per share is based on net assets at the year end and on 26,410,352 (2009 – 26,733,966) ordinary shares being the number of shares in issue at year end. The 26,410,352 ordinary shares together with the 2,711,134 treasury shares make up the total shares in issue of 29,121,486.

14. Contingencies, guarantees and financial commitments

There were no contingencies, guarantees or financial commitments of the Company at the year end (2009 - nil).

15. Notes to the Cash Flow Statement

(a) Reconciliation of operating profit to operating cash flows

	2010	2009
	£000	£000
Total profit on ordinary activities before taxation	73	(476)
Realised (gains)/losses on investments	(821)	2,793
Unrealised (profit)/losses on investments	656	(2,527)
Decrease in debtors	1	61
Increase in creditors	31	48
	--------	--------
Net cash (outflow)from operating activities	(60)	(101)
	--------	--------

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

	2010 £000	2009 £000
Net financial investment:		
Purchase of investments	(5,077)	(10,730)
Sale of investments	5,791	15,079
	----------	----------
	714	4,349
	----------	----------

	2010 £000	2009 £000
Financing:		
Share Buybacks	(913)	(2,934)
Issue of Share Capital	825	-
	----------	----------
	(88)	(2,934)
	----------	----------

16. Related party transactions

Hargreave Hale Limited

Mr G Hargreave, a director of the Company, is the Chief Executive Officer of Hargreave Hale Limited and has an interest in excess of 6% in that company. As such, Hargreave Hale is considered to be a related party to the Company. Hargreave Hale acts as Investment Manager, Administrator, Custodian and provides Directorship and Company Secretarial Services to the Company. All of the functions performed by Hargreave Hale are segregated by department and location and are independent of each other.

Hargreave Hale in its capacity as Investment Manager of the fund receives annual fees of 0.9% per annum of the net asset value of the Company, calculated and payable quarterly in arrears. Fees for the year are £145,783 (2009 - £157,503) as detailed in note 3. Hargreave Hale is responsible for Administration, Company Secretary, Directorship and Custodian services and received fees of £77,000 (2009 - £12,834) in relation to these services. Of those fees, £25,013 (2009 - £25,505) was still owed at the year end.

In relation to the joint offer for subscription made by the Company and Hargreave Hale AIM VCT 2 Plc pursuant to a prospectus dated 19 March 2010, Hargreave Hale Limited agreed as agent of those companies to use its reasonable endeavours to procure subscribers under that offer. Hargreave Hale Limited will receive 5 per cent. of the aggregate value of accepted applications for ordinary shares in relation to each company. Out of this fee, Hargreave Hale Limited will pay all other costs and expenses of or incidental to the offer. At the 30 September 2010, Hargreave Hale AIM VCT 1 plc paid commissions to Hargreave Hale Limited amounting to £28,594 after deducting commission rebated to shareholders and IFA's of £14,081.

17. Financial instruments

a) Risk Management Policies and Procedures

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

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

The structure in place to manage these risks is set out in the Corporate Governance report on page 20 of the annual report and accounts. The Board meets quarterly to review accounts and monitor all risks.

A detailed review of the investment portfolio is contained in the Chairman's statement and Manager's report on pages 5 and 8 respectively.

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

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

Other financial assets comprise cash at bank of £1,088,000 (2009 - £1,059,000) which is classified as 'loans and receivables measured at amortised cost'. Financial liabilities consist of trade creditors and accruals of £160,000 (2009 - £129,000) which are classified as 'financial liabilities measured at amortised cost'.

b) Market Risk

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

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

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

		2010 £000	2009 £000
Equity	Fair value	11,383	11,521
Gilts/Bonds	Fair value	4,147	4,558
		----------	----------
		15,530	16,079
		----------	----------

A 10% increase or decrease in the investment portfolio would have a £1,553,000 (2009 - £1,607,900) impact on the profit and loss account.

c) Currency Risk

All transactions are in pounds sterling therefore there is no currency risk.

d) Interest Rate Risk

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

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

	30 September 2010				30 September 2009			
	Fixed Rate £000	Variable Rate £000	Non-interest Bearing £000	Total £000	Fixed Rate £000	Variable Rate £000	Non-interest Bearing £000	Total £000
Investments	4,147	-	11,383	15,530	4,558	-	11,521	16,079
Cash and cash Equivalents	-	1,088	-	1,088	-	1,059	-	1,059
Other current assets and current liabilities (net)	-	-	(66)	(66)	-	-	(34)	(34)
	--------	--------	----------	----------	--------	--------	----------	----------
Net assets	4,147	1,088	11,317	16,552	4,558	1,059	11,487	17,104
	--------	--------	----------	----------	--------	--------	----------	----------

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 primary linked to bank base rates. Interest rate risk exposure on debt instruments is reflected in the market risk and since these securities are valued at fair value no additional disclosure is made in this respect. Movements in interest rates on cash and cash equivalents are not considered a material risk.

e) Liquidity Risk
Liquidity risk is the risk that the company is unable to meet obligations as they fall due. As the Company has no debt or other financial liabilities liquidity risk is not considered material. As at 30 September 2010 the Company held £1,088,000 on bank deposit.

f) Credit Risk
Credit risk relates to the risk of default by a counterparty. No assets are past due date for payment or impaired.
An asset is considered to be impaired in the case of investments if the investee company makes continued losses or defaults on any payment.

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

	2010	**2009**
	£000	**£000**
Investments – UK Gilts	4,147	4,558
Cash & cash equivalents	1,088	1,059
Other current assets (net)	(66)	(34)
	--------	--------
	5,169	5,583
	--------	--------

Cash balances were held on deposit with RBS at 30 September 2010.

g) Fair value of financial assets and financial liabilities
Equity investments and UK gilts are held at fair value. No investments are held for trading purposes only.

h) Capital Management Policies and Procedures
The current policy is to fund investments through equity. No future change to this policy is envisaged. As a PLC, the Company requires 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

	2010	**2009**
	Ord	**Ord**
	£000	**£000**
Paid:		
Interim dividend of 2 pence for year ended 30 September 2010	537	-
	------	------
Paid:		
Interim dividend of 2 pence for year ended 30 September 2009	-	541
	------	------
Paid:		
Final dividend of 1 pence for year ended 30 September 2008	-	323
	------	------
	537	864
	------	------
Proposed:		
Final dividend of 2 pence for the year ended 30 September 2010	524	-
	------	------

19. Post Balance Sheet Events

In the tax year 2010/2011, the Offer has resulted so far in funds being received of £0.25 million and 0.39 million shares have been issued in respect of Hargreave Hale AIM VCT 1 plc. The Offer opened on 20 March 2010 has been extended and will now close on 18 March 2011 (unless fully subscribed earlier).

Since the year end and signing of the Keydata Investment Services (KIS) Agreement with PricewaterhouseCoopers (KIS administrators) to end the relationship, the Company has agreed new terms for the Investment Management Agreement with Hargreave Hale Limited increasing the annual fee from 0.9 per cent. to 1.5 per cent. of the Net Asset Value of the Company from 1 October 2010. In exchange Hargreave Hale Limited has agreed to take on the indemnity from 1 October 2010 to cap running costs of the Company at 3.5% of the net assets per annum (excluding VAT, any performance Incentive Fee and trail commissions agreed under the KIS administration) and cover any excess.

GLOSSARY OF TERMS

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

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

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

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

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

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

Quantitative Easing (**QE**)
The expression quantitative easing refers to a procedure whereby a central bank creates new money from nothing, quite literally out of 'thin air', to inject into the banking system. It is therefore simply a mechanism for boosting the supply of money when a financial system is under extreme pressure and the normal process of cutting interest rates isn't helping – usually when interest rates are so low that it's impossible to cut them further. The theory is that, flush with extra cash, banks will be able to start lending again and get money flowing around the economy – quantitative easing is therefore a sort of antidote to the effects of the credit crunch.

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

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

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

Company Information

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Company Registration Number
05206425 in England and Wales

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of Hargreave Hale AIM VCT 1 plc ("the Company") will be held at 19 Cavendish Square, London W1A 2AW on 10 February 2011 at 11.00am for the purposes of considering and, if though fit, passing the following resolutions, of which resolutions 1 to 6 will be proposed as ordinary resolutions and 7 and 8 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 2010;
2. To receive and approve the Directors Remuneration Report for the year ended 30 September 2010;
3. To reappoint BDO LLP as Auditors to the company and to authorise the Directors to determine their remuneration;
4. To elect David Brock as a Director of the Company;
5. To approve a final dividend of 2 pence per ordinary share in respect of the year ended 30 September 2010.

Special Business

Ordinary Resolution

6. THAT, in substitution for existing authorities to the extent unused, the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot ordinary shares of 1p ("Ordinary Shares") each in the capital of the Company and to grant rights to subscribe for or convert any security into Ordinary Shares in the Company ("Rights") up to an aggregate nominal value of £110,000, this authority to expire on the earlier of the conclusion of the Company's next annual general meeting in 2012 and the expiry of 15 months from the passing of this resolution (unless previously revoked, varied or extended by the Company in general meeting), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require Ordinary Shares to be allotted or Rights to be granted after such expiry.

Special Resolutions

7. THAT, in substitution for any existing power under Section 570 of the Act, but without prejudice to the exercise of any such power prior to the date hereof, the Directors be and are hereby empowered during the period commencing on the passing of this resolution and expiring on the conclusion of the Company's next annual general meeting in 2012 or on the expiry of 15 months from the date of the passing of this resolution, whichever is the earlier (unless previously revoked, varied or renewed by the Company in general meeting pursuant to Section 570 of the Act), to allot equity securities (as defined in Section 560(1) and 560(2) of the Act) for cash pursuant to the authority given in accordance with Section 551 of the Act, pursuant to resolution (6) above, or by way of sale of treasury shares, as if Section 561 of the Act did not apply to any such allotment or sale, but so that this authority shall allow the Company to make offers or agreements before the expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired.

8. 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 2011 or on the expiry of 15 months following the passing of the resolution, whichever is the earlier (unless previously revoked, varied or renewed by the Company in general meeting); and
e) the Company may make a contract or contracts to purchase Ordinary Shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

By order of the Board

Stuart Brookes
Company Secretary

Registered Office:
19 Cavendish Square
London W1A 2AW

Date: 20 December 2010

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

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

The Company, pursuant to Regulation 41 of the Uncertified Securities Regulations 2001 specifies that only those Shareholders registered in the register of members of the Company as at 6.00pm on 8 February 2011 or, in the event that the meeting is adjourned, on the register of members at 6.00pm on the day 2 days prior to the reconvened meeting, shall be entitled to attend or vote at the aforesaid annual general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant registrar of securities after 6.00pm on 8 February 2011 (or in the event that the meeting is adjourned, as at 6.00pm two days prior to the adjourned meeting) shall be disregarded in determining the rights of any person to attend or vote at the meeting notwithstanding any provisions in any enactment, the Articles of Association of the Company or any other instrument to the contrary.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual (www.euroclear.com/CREST). CREST personal members or other CREST sponsored members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take appropriate action on their behalf. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST proxy instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by Equiniti, the Company's Registrar (ID RA19), not later than 48 hours before the time appointed for the 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 www.hargreave-hale.co.uk/VCT/aimvct.

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

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

Note:

1. The following documents will be available for inspection at the registered office of the Company during usual business hours on a weekday (except Saturdays, Sundays and Public Holidays) until the date of the meeting and at the place of the meeting for a period of 15 minutes up to and during the meeting;

a) The Articles of Association

b) The Directors' letters of appointment, and in relation to David Brock's appointment as a director of the Company, the Administration Agreement between the Company and David Brock.