HARGREAVEHALE AIM VCT 1 plc

Annual Report and Accounts
Year ended 30 September 2012

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

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

FINANCIAL HIGHLIGHTS AND INVESTMENT POLICY

Ordinary Shares (as at 30 September):	2012	2011
Net asset value per share	61.35p	61.14p
Cumulative distributions paid per share since launch	26.5p	23.0p
Total return	87.85p	84.14p
Discount to Net Asset Value (based on bid-market price at balance sheet date)	7.1%	13.3%
Annual Returns per share:		
Revenue return	(0.30)p	(0.25)p
Capital return	3.94p	2.31p
Combined Return	3.64p	2.06p
Dividends per share:		
Interim paid	1.5p	2.0p
Final proposed	1.75p	2.0p
Total dividend for year	3.25p	4.0p
Performance Benchmark:		
Total Return	92.5%	88.6%
FTSE AIM All-share Index	73.2%	72.7%
(results rebased to 100 at 29 October 2004)		

The Glossary of Terms can be found on page 43 of the report.

A. Investment Objectives

The Company's investment objectives are:

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

B. Asset Allocation

Hargreave Hale AIM VCT 1 will have a range of investments in three distinct asset classes:

- Equity investments in Qualifying Companies, referred to as "**Qualifying Investments**". Qualifying Investment will:
  - comprise qualifying holdings for a VCT as defined in Chapter 4 Part 6 of the Income Tax Act 2007;
  - primarily be made in AIM companies, but the Company's investment manager ("**Investment Manager**") will also consider PLUS-quoted companies and private companies that meet the investment criteria summarised below.
  - vary in size from £50,000 to £1 million.
- Sovereign debt, quasi-sovereign debt, bonds and other fixed income securities.
- Bank deposits that are readily realisable.

Hargreave Hale AIM VCT 1 Ordinary Share Fund will have additional non-qualifying equity exposure to UK and international equities.

Investment Strategy

Qualifying Investments.

The Investment Manager will maintain the Ordinary Share Fund’s diversified and fully invested portfolio of Qualifying Investments, primarily in small UK companies with a quotation on AIM. The primary purpose of the investment strategy is to ensure Hargreave Hale AIM VCT 1 maintains its status as a VCT. To achieve this, the Company must have 70% of all funds raised from the issue of shares invested in Qualifying Investments throughout accounting periods of the VCT beginning no later than three years after the date on which those shares are issued.

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

The Investment Manager has expanded the key selection criteria used in deciding which Qualifying Investments to make. The criteria will include, inter alia:

- the strength and credibility of the management team;
- the business plan;
- the risk/reward profile of the investment opportunity;
- the quality of the finance function and budgetary process;
- the strength of the balance sheet relative to anticipated cash flow from operations; and
- the existing balance of investments within the portfolio of Qualifying Investments. The Investment Manager will follow a stock specific, rather than sector specific, investment approach and is more likely to provide expansionary capital than seed capital.

The Investment Manager will follow a stock specific investment approach and is more likely to provide expansionary capital than seed capital.

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

Non-Qualifying Investments

Hargreave Hale AIM VCT 1 Ordinary Share Fund will have additional non-qualifying equity exposure to UK and international equities through targeted investments made on an opportunistic basis to boost the performance of the Company. This will vary in accordance with the Investment Manager's view of the equity markets and may fluctuate between nil and 30% of the net assets of the Company. The Investment Manager will also invest in Gilts, other fixed income securities and cash.

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

Borrowings

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

CHAIRMAN'S STATEMENT

Introduction
At 30 September 2012 the NAV was 61.35 pence which after adding back the dividends paid gives a total return since inception of 87.85 pence. The gain per ordinary share for the year was 3.64 pence per share (comprising revenue loss of 0.30 pence and capital gains of 3.94 pence).

Investments
The Investment Manager, Hargreave Hale Limited, invested a further £1.93 million in 9 qualifying companies during the year. The Fair Value of qualifying investments at 30 September 2012 was £12.65 million invested in 38 AIM companies and 4 unquoted companies. £2.83 million was held in a mix of cash, fixed income and other non-qualifying equities; more detail can be found in the Investment Manager's Report on page 8.

Dividend
An interim dividend of 1.5 pence was paid on 4 July 2012 (Interim 2011 – 2 pence).

A final dividend of 1.75 pence is proposed (2011 – 2 pence) which, subject to shareholder approval at the AGM will be paid on 25 January 2013, to ordinary shareholders on the register on 4 January 2013.

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

Buybacks
We were pleased that we were able to maintain our policy of offering our shareholders an efficient exit route through the buyback scheme. In total, 1,292,345 shares were purchased during the year at an average price of 56.4 pence per share. In addition to this 8,326,006 shares were repurchased through the Enhanced Share Buy Back.

Offer for Subscription of Ordinary Shares
On the 29 February 2012 the Directors of Hargreave Hale AIM VCT 1 plc and Hargreave Hale AIM VCT 2 plc announced the launch of a new offer for subscription of new shares in both VCT's. The companies also launched Enhanced Share Buy Backs for existing shareholders who have held their shares for at least 5 years.

Both the offers for subscription and the Enhanced Share Buy Back were approved by shareholders of the Company at a General Meeting on 26 March 2012.

The Enhanced Share Buy Back for the 2011/12 tax year resulted in 8,326,006 Ordinary shares being purchased by the Company for cancellation and 8,068,056 new Ordinary shares being issued by the Company raising gross proceeds of £5.16 million under the terms of the Enhanced Share Buy Back. A maximum of 9,000,000 Ordinary Shares could be repurchased by the Company and so all applications have been accepted in full.

On the 5 April 2012 the Company announced that as the minimum subscription condition required for the C Share Offer to proceed had not been satisfied by 12pm on 5 April 2012 in accordance with the terms of the C Share Offer set out in the prospectus issued by the Company dated 29 February 2012 (the "Prospectus"), the C Share Offer would not proceed. All subscription monies received by the Company for C Shares were returned to investors in accordance with the terms of the Prospectus.

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 yearend we have achieved 93.85% per cent. and have satisfied all the relevant tests.

Outlook
In spite of the dire financial position of many countries in the EU the stock market has been remarkably resilient over the last 12 months. The FTSE 100 rose by 11.96% however the AIM index only rose by 0.77% which may be an indication that in turbulent times investors flee to the perceived quality of larger companies.

The probability of one or more EU countries defaulting on its loans seems to be highly likely. The resulting fall-out from this is difficult to predict. Such upheaval will inevitably have an impact on our portfolio valuations but one would hope that it will be short lived. However the more financially secure countries appear to be committed to ensuring that any one country's financial crash will be contained. This seems to be the main driver of confidence. Whether this confidence is misplaced will become apparent in due course.

It seems likely that the UK economy is set for a period of low or no growth for several years to come. This itself is not a reason for gloom, most companies in which your fund is invested have sound business models and good management which are not solely dependent on general economic growth for their prosperity.

Sir Aubrey Brocklebank
Chairman

Date: 19 December 2012

BOARD OF DIRECTORS

Sir Aubrey Brocklebank
After qualifying as a chartered accountant Sir Aubrey Brocklebank worked for Guinness Mahon from 1981 to 1986, initially in its corporate finance department before assisting in the establishment of a specialist development capital department. From 1986 to 1990 he was a director of Venture Founders Limited, managing a £12 million venture capital fund, which had been raised to invest in early stage ventures. He managed the Avon Enterprise Fund (a venture capital fund of £4.5 million, investing in approximately 20 companies) from 1990 until all investments had been realised in 1997. He is Chairman of two other VCTs, Downing Planned Exit VCT 2011 Plc and Puma VCT 8 plc. 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
Giles is the Chief Executive of Hargreave Hale Limited. After leaving Cambridge in 1969 Giles began his career as a trainee analyst with James Capel before moving to Management Agency and Music Plc as a private fund manager in 1974. In 1986 he founded Hargreave Investment Management, which was merged with Hargreave Hale & Co in 1988, Giles took over as the fund manager of a Special Situations Fund. He also manages a UK Micro Cap Fund and a UK Leading Companies Fund. Giles heads up Hargreave Hale's investment committee and chairs the weekly meetings in which the team reviews existing and potential investments.

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

INVESTMENT MANAGER'S REPORT

Market Commentary

Following a strong start to the year, global stock markets turned lower in March as Eurozone sovereign debt issues returned to the fore. The European Central Bank "ECB", seen by many as the only credible backstop to the market, initially remained on the side-lines before finally relenting in July and publicly announcing that the central bank would do "whatever it takes to support the euro". Although the comment was initially short on detail, the market took this proclamation as a strong signal that the ECB stood ready to intervene in the Sovereign bond markets. Yields fell and global stock markets rallied. This more accommodative ECB stance was soon followed by the Federal Reserve's third round of quantitative easing as they shifted their focus to the persistently high levels of unemployment in the US. The UK and Japan also obliged whilst the Chinese Government announced their own stimulus package. But whilst risk assets have rallied, it is important to note that the economic outlook remains very poor within parts of the Eurozone, particularly in Spain and Greece, and France and Italy to a lesser extent. The Eurozone as a whole is expected to post negative growth this year and next. The UK, enduring its longest recorded post-war recession, is expected to make a marginal return to growth this quarter, whilst the US has started to release data indicating a noticeable recovery in the housing market and employment conditions. Over the 12 months to 28 September 2012, the FTSE 100 Index gained 11.96% whilst FTSE AIM All-Share Index only managed a more marginal gain of 0.77%.

Investment Report

In the financial year to 30 September 2012, the NAV went from 61.14p to 61.35p. The gain per ordinary share for the year was 3.64 pence per share (comprising revenue loss of 0.30 pence and capital gains of 3.94 pence). For investors into the 2004/5 Ordinary Share issue, the total return increased from 84.14p to 87.85p. For investors that came into the 2005/6 Convertible Share issue, the total return increased from 90.13p to 94.73p.

Within the portfolio of qualifying investments, net realised and unrealised gains totalled 4.67 pence per share. 22 out of the 42 investments increased in value, 4 marked time and 16 lost ground. We were fairly active within the qualifying portfolio as we sought to reposition it for future growth. As a result, we made 10 qualifying investments, of which 6 were new and 4 were follow on, whilst exiting 7. This process of pruning and reinvestment, along with some good performances from a number of individual stocks has had a marked impact on the unrealised profit and loss position of the qualifying portfolio, which improved from a net unrealised loss of £0.3m at the start of the financial year to close with a net unrealised profit of £1.4m. We ended the financial year with 42 qualifying investments with the VCT at 93.85% invested when measured using HMRC's methodology.

The 6 new qualifying investments were Angel Biotechnology (contract manufacturer for advanced biologics), Porta Communications (marketing and communications), TLA Worldwide (US baseball agency), Sphere Medical (medical monitoring equipment), Energetix (alternative energy technology) and WANdisco (infrastructure software company). The follow-on investments were in Microsaic, Reneuron, Energetix, Mexican-Grill and Hardide. WANdisco has been the stand out performer amongst the new investments, gaining 108% since its IPO on the back of its maiden interim results and third quarter trading update. The company has created collaboration software that allows software developers to work simultaneously from distributed locations over a seamless global network.

We sold Autoclenz, Expansys, Richoux, Vianet, Omega Diagnostics, Infrastrata and Chime. In-Deed became non-qualifying on 14 May 2012 but remains within the non-qualifying portfolio.

Advanced Computer Software was the largest contributor to NAV appreciation among the qualifying holdings (+1.82 pence per share) with a 48% increase in its share price as the business continued to re-rate higher. The preliminary results confirmed the strength of the business in difficult end markets with 8% organic growth and significant cash generation. The company is expected to use its balance sheet to fund further Merger and Acquisition activity. Idox gained 73% (+1.29 pence per share) as a combination of value enhancing acquisitions and strong trading drove the shares higher. Cohort's shares gained 42% (+0.91 pence per share) as strong results, contract wins and a growing order book confirmed the company continued to recover from problems that first emerged in late 2009.

Craneware (-0.84 pence per share) suffered a very significant de-rating after a series of disappointing updates triggered several earnings downgrades and a sharp fall in the share price. The shares then staged a significant recovery and gained 50% of their lows as investors became more confident in the near-term earnings outlook ahead of their final results in September. Instem Life (-0.68 pence per share) had a difficult year as clients within the pharmaceutical sector deferred investment decisions and delayed new orders. Animalcare (-0.61 pence per share) was another to repeatedly reduce market expectations as the companion animal division struggled in a weak consumer market whilst also terminating a distribution agreement. The stronger veterinary medicines division continues to trade well but was unable to claw back the lost profits following a delay to the re-launch of its Buprecare ampules. Management have taken steps to stabilise the companion animal division and the recent results update suggests that the outlook is improving.

Trading in non-qualifying investment yielded a small loss of 0.19 pence per share, realised and unrealised. We've remained fairly defensive and relatively inactive; the allocation to non-qualifying equity investments fell from 4.5% to 3.7% (£0.73m to £0.57m). The cash position decreased from 7.4% to 5.6% (£1.2m to £0.86m) as a result of the net investment into qualifying companies. The fixed income allocation declined from 19.2% to 9.1% (£3.1m to £1.4m).

For further information please contact:

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Company Secretary
Hargreave Hale AIM VCT1 plc
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INVESTMENT PORTFOLIO SUMMARY

Ordinary Share Fund

As at 30 September 2012

Qualifying investments	Book Cost £000	Valuation £000	Valuation %
Advanced Computer Software Group plc	340	1,202	8.22
Abcam plc	84	998	6.83
Intercede Group plc	452	890	6.09
Cohort plc	800	768	5.25
Animalcare Group plc	300	720	4.93
Idox plc	135	684	4.68
EKF Diagnostics Holdings plc	300	635	4.34
Craneware plc	150	481	3.29
K3 Business Technology Group plc	270	465	3.18
Energetix Group plc	399	459	3.14
Microsaic Systems plc	350	401	2.74
Pressure Technologies plc	340	351	2.40
Mycelx Technologies Corporation	299	350	2.39
Vertu Motors plc	600	350	2.39
TLA Worldwide plc	300	345	2.36
Sinclair IS Pharma plc	350	309	2.11
Mexican Grill Ltd (A Preference shares)	185	288	1.97
WANDisco plc	127	265	1.81
Sphere Medical Holdings plc	299	243	1.66
Hardide plc	535	217	1.49
Tangent Communications plc	300	208	1.42
Instem plc	298	204	1.39
Reneuron Group plc	398	172	1.18
Tasty plc	288	171	1.17
Plastics Capital plc	250	163	1.11
TMO Renewables Ltd	200	143	0.98
Porta Communications plc	225	124	0.85
Angel Biotechnology Holdings	240	120	0.82
Egdon Resource plc	158	116	0.79
Corac Group plc	150	107	0.74
Advanced Power Components plc	149	103	0.70
Jelf Group plc	174	100	0.68
Progressive Digital Media Group plc	172	92	0.63
Universe Group plc	210	90	0.62
Bglobal plc	259	59	0.41
Brigantes Energy Ltd	50	50	0.34
Corfe Energy Ltd	50	50	0.34
Feedback plc	194	48	0.33
Keycom plc	280	35	0.24
Maxima Holdings plc	251	33	0.23
Mexican Grill Ltd (Ordinary shares)	20	32	0.22
Invocas Group plc	169	12	0.08
Infoserve Group plc	200	1	0.01
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Total qualifying investments	11,300	12,654	86.55

INVESTMENT PORTFOLIO SUMMARY (continued)

Non-Qualifying investments	Book Cost £000	Valuation £000	Valuation %
UK Treasury stock 2.5% 2016	492	600	4.10
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Total – UK gilts	492	600	4.10
Petrobras International Finance 6.25% 2026	247	276	1.89
Scottish Amicable Finance 8.5% 2049	256	263	1.79
Nationwide Building Society 7.971% 2049	242	257	1.75
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Total – UK corporate bonds	745	796	5.43
In-Deed Online plc	268	217	1.48
Prophotonix Ltd	110	102	0.70
Amerisur Resources plc	85	79	0.55
Entertainment One Ltd	66	74	0.51
Fastnet Oil & Gas plc	30	42	0.29
Mexican Grill Ltd (A Preference shares)	34	38	0.26
Cap-XX Ltd	30	18	0.12
Microsaic Systems plc	1	1	0.01
Energetix Group plc**	0	0	0.00
Reneuron Group plc Warrants ***	0	0	0.00
TMO Renewables Ltd Warrants ***	0	0	0.00
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Total – non-qualifying equities	624	571	3.92
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Total – non-qualifying investments	1,861	1,967	13.45
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Total investments	13,161	14,621	100.00
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** These are actual holdings of less than £500.
*** Warrants held not exercised

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

Cap-XX Ltd: UK listed but headquartered in Australia
Entertainment One Ltd: UK listed but headquartered in Canada
Fastnet Oil & Gas plc: UK listed but headquartered in Ireland
Mycelx Technologies Corporation: UK listed but headquartered in USA
Prophotonix Ltd: UK listed but headquartered in USA

TOP TEN QUALIFYING INVESTMENTS

As at 30 September 2012 (By Market Value)

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

Advanced Computer Software Group plc			**60p**
Investment date	July 2008	Audited results for year ended	February 2012
Equity held	0.54%	Turnover (£'m)	98.2
Av Purchase Price	17.0p	Profit before tax (£'m)	6.4
Cost (£'000)	340	Net assets (£'m)	98.2
Valuation (£'000)	1,202		

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.

Abcam plc			**399p**
Investment date	October 2005	Audited results for year ended	June 2012
Equity held	0.13%	Turnover (£'000)	97,839
Av Purchase Price	33.4p	Profit before tax (£'000)	34,662
Cost (£'000)	84	Net assets (£'000)	148,213
Valuation (£'000)	998		

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

Intercede Group plc			**65p**
Investment date	May 2007	Audited results for year ended	March 2012
Equity held	2.81%	Turnover (£'000)	6,964
Av Purchase Price	33.0p	Profit before tax (£'000)	910
Cost (£'000)	452	Net Assets (£'000)	6,032
Valuation (£'000)	890		

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

Cohort plc			**125p**
Investment date	October 2007	Audited results for year ended	April 2012
Equity held	1.51%	Turnover (£'000)	75,408
Purchase Price	130.2p	Profit before tax (£'000)	4,156
Cost (£'000)	800	Net assets (£'000)	52,100
Valuation (£'000)	768		

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

Animalcare Group plc			**132p**
Investment date	December 2007	Preliminary results for year ended	June 2012
Equity held	2.63%	Turnover (£'000)	10,856
Av Purchase Price	55.0p	Profit before tax (£'000)	2,106
Cost (£'000)	300	Net assets (£'000)	16,837
Valuation (£'000)	720		

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

Idox plc			**38p**
Investment date	May 2007	Unaudited results for six months to	April 2012
Equity held	0.52%	Turnover (£'000)	28,556
Purchase Price	7.5p	Profit before tax (£'000)	3,474
Cost (£'000)	135	Net Assets (£'000)	35,500
Valuation (£'000)	684		

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

EKF Diagnostic Holdings plc			**32p**
Investment date	June 2010	Unaudited results for six months to	June 2012
Equity held	0.79%	Turnover (£'000)	12,652
Av Purchase Price	15.0p	Profit before tax (£'000)	152
Cost (£'000)	300	Net assets (£'000)	36,596
Valuation (£'000)	635		

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

Craneware plc			**410p**
Investment date	September 2007	Preliminary results for year ended	June 2012
Equity held	0.43%	Turnover ($'000)	41,067
Purchase Price	128.0p	Profit before tax ($'000)	11,202
Cost (£'000)	150	Net assets ($'000)	37,437
Valuation (£'000)	481		

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

K3 Business Technology Group plc			**155p**
Investment date	September 2005	Preliminary results for year ended	June 2012
Equity held	1.06%	Turnover (£'000)	67,961
Purchase Price	90.0p	Profit before tax (£'000)	6,043
Cost (£'000)	270	Net assets (£'000)	46,905
Valuation (£'000)	465		

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

Energetix Group plc			**30p**
Investment date	July 2007	Unaudited results for six months to	June 2012
Equity held	1.86%	Turnover (£'000)	88
Purchase Price	25.7p	Profit before tax (£'000)	-2,455
Cost (£'000)	399	Net assets (£'000)	13,282
Valuation (£'000)	459		

Energetix Group is an alternative energy company with focus on distributed generation, energy storage and energy efficiency. The company consists of three business units: Genlec (distributed generation in the home), Pnu Power (compressed air back-up power) and Kingston Energy (a fledgling energy supply business). The Group's strategy is to produce products based on robust engineering principles, regularly utilising existing mass produced components configured in a novel and patentable way. Avoiding cutting edge science has enabled them to de-risk the new product development process which in turn reduces development time and costs.

Co-Investment

As at 30 September 2012, other funds managed by Hargreave Hale Limited were also invested in 27 of the investments - Abcam plc, Advanced Computer Software Group plc, Bglobal plc, Cap-XX Ltd, Cohort plc, Craneware plc, Egdon Resources plc, Energetix Group plc, Entertainment One Ltd, Fastnet Oil & Gas plc, In-Deed Online plc, Instem plc, Invocas Group, Jelf Group, K3 Business Technology Group, Maxima Holdings plc, Microsaic Systems plc, Mycelx Technologies Corporation, Plastics Capital plc, Porta Communications plc, Pressure Technologies plc, Progressive Digital Media Group plc, Reneuron Group, Sphere Medical Holdings plc, Tasty plc, Vertu Motors plc and WANDisco plc.

DIRECTORS' REPORT
For the year end 30 September 2012

The Directors present their report together with the audited financial statements of the Company for the year from 1 October 2011 to 30 September 2012.

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

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

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

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

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

Business Review
A review of the Company's business during the year and consideration of its future development and prospects are contained in the Chairman's Statement and Investment Manager's Report. The financial position of the Company at 30 September 2012 was strong with no debt or gearing.

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

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

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

Principal Risks and Uncertainties
The principal risks facing the Company relate to the Company's investment activities and include market price, interest rate and liquidity. An explanation of these risks and how they are managed is contained in note 17 to the accounts. Additional risks faced by the Company, together with the mitigation approach, 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 half yearly compliance report prepared by PricewaterhouseCoopers LLP to monitor compliance with regulations.

Revenue and Dividends
The revenue loss after tax for the year amounted to £76,754 (2011 – £66,278 loss). An interim ordinary dividend of 1.5 pence per Ordinary share was paid on 4 July 2012 (2011 – 2 pence per share). The final dividend of 1.75 pence per share for the year ended 30 September 2012 is due to be paid on 25 January 2013 (2011 – 2 pence per share).

Share Valuation
On 30 September 2012, the bid-market price and the net asset value per ordinary share were 57 pence and 61.35 pence respectively.

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

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

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

Capital Structure
The Company's capital structure is summarised in note 1 to the accounts.

Voting Rights in the Company's shares

Details of the voting rights in the Company's shares as at the date of this report are given in Note 2 to the Notice of AGM on page 48.

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 2012, there were 2 holdings of 3% and over of the Company's ordinary share capital. These holdings related to the treasury shares and Hargreave Hale Nominees Limited and as at 30 September 2012 were 9.76% and 3.86% respectively.

Directors
The present Directors are listed below.

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

	Ordinary Shares	
	2012	**2011**
Sir Aubrey Brocklebank	4,845	5,000
Giles Hargreave	105,784	109,163
David Brock	-	-

Sir Aubrey Brocklebank
Sir Aubrey Brocklebank committed to participating in the Enhanced Share Buy Back in respect of the 5,000 Hargreave Hale AIM VCT 1 plc ordinary shares held. Under the terms of the tender this resulted in the re-purchase and cancellation of these shares and the issue of 4,845 new ordinary shares.

Giles Hargreave
Giles Hargreave committed to participating in the Enhanced Share Buy Back in respect of the 109,163 Hargreave Hale AIM VCT 1 plc ordinary shares held. Under the terms of the tender this resulted in the re-purchase and cancellation of these shares and the issue of 105,784 new ordinary shares.

David Brock
David Brock intended to invest £10,000 into Hargreave Hale AIM VCT 1 plc C Share Fund, under the Offer. The minimum subscription requirement for the C Share Offer to proceed was not satisfied and all monies received by the Company for C Shares were returned to investors in accordance with the terms of the Prospectus.

There have been no changes to the beneficial interests of Directors between 30 September 2012 and the date of this report.

Share Buybacks
During the year, the Company repurchased 1,292,345 ordinary shares (nominal value £12,923) at a cost of £728,904. The shares repurchased represent 4.87% of ordinary shares in issue on 1 October 2011. All shares repurchased were cancelled. In addition to this 8,326,006 (nominal value £83,260) shares were repurchased through the Enhanced Share Buy Back at a cost of £5,188,772 and were subsequently 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.

As detailed in the Circular published on 29 February 2012 the Directors believe it is in the Shareholders best interest to target a reduced buyback discount. As a guide, and subject to the Boards' discretion and providing that, in the opinion of the Boards, there is adequate surplus cash available, the Company will consider buying back shares at a 5% discount to the last published Net Asset Value. The target of a 5% buyback discount is non-binding and at the Director's discretion.

Shares Issued
During the year, the Company issued 8,068,006 1 pence ordinary shares (nominal value £80,680) through the Enhanced Share Buy Back which resulted in funds being received of £5,162,956. The 5% premium of £274,428 was payable to Hargreave Hale Limited to cover the cost of additional shares allotted of £103,171 and introducer commission of £54,286, resulting in net fees payable to Hargreave Hale Limited of £166,676.

On the 5 April 2012 the Company announced that as the minimum subscription condition required for the C Share Offer to proceed had not been satisfied by 12pm on 5 April 2012 in accordance with the terms of the C Share Offer set out in the prospectus issued by the Company dated 29 February 2012 (the "Prospectus"), the C Share Offer would not proceed. All subscription monies received by the Company for C Shares were returned to investors in accordance with the terms of the Prospectus.

Post Balance Sheet Events
Post Balance Sheet Events are disclosed in Note 19 on page 42 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 standard terms. The supplier payments due are settled on due date. The average time recorded to pay creditors in the year was 2.9 days (2011 – 11 days).

Charitable and Political Donations
The Company made no charitable or political donations in the year (2011 - 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 23 January 2013 is set out on page 45.

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,
Accurist House,
44 Baker Street
London W1U 7AL Date: 19 December 2012

DIRECTORS' REMUNERATION REPORT

For the year ended 30 September 2012

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 26 and 27.

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

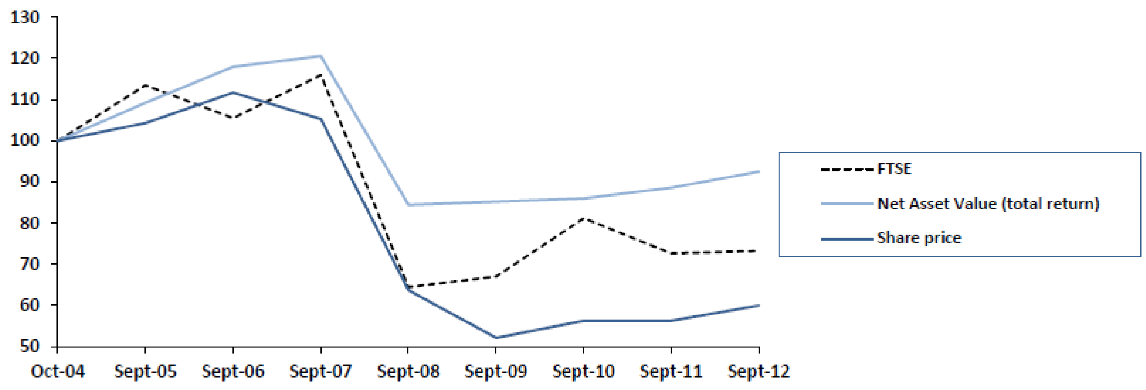
The Board consists solely of non-executive Directors. All are considered independent with the exception of Mr Giles Hargreave who is Chief Executive of Hargreave Hale Limited and is not therefore independent.

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

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

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

Your Company's Performance
The Company was incorporated on 16 August 2004 and commenced trading on 29 October 2004. The performance chart below charts the Company's Ordinary share NAV (total return) and share price from Admission of shares to listing on 29 October 2004 to 30 September 2012 (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:

	2012	2011
	£	£
Sir Aubrey Brocklebank Bt (Chairman)	18,000	18,000
Giles Hargreave	15,000	15,000
David Brock	15,000	15,000
Total	48,000	48,000

The Directors fees have not increased in the year.

Approval

The Directors' Remuneration Report on pages 19 and 20 was approved by the Board of Directors on 19 December 2012.

Signed on behalf of the Board of Directors

Sir Aubrey Brocklebank
Chairman

CORPORATE GOVERNANCE

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

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

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

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

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

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

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

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

Due to the size of the Board, the Board has not set up a separate nomination and remuneration committees (as required by Code B.2.1 and D2.1 respectively) on the grounds that the Board as a whole considers these matters. As all Directors are non-executives, the board has not appointed a senior independent non-executive director (Code A.4.1) as the Chairman performs the role.

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

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

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

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

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

Sir Aubrey Brocklebank 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.

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

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

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

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

Directors' Remuneration
The board as a whole reviews Directors' remuneration on a regular basis. Details of the Company's policy on Directors' remuneration and of payments to Directors are given in the Directors' Remuneration Report on pages 19 and 20.

Accountability and Audit
The Directors' responsibilities for the Company's accounting records and financial statements are set out on page 25. The Auditors' Report appears on pages 26 and 27.

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

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

Audit Committee
Formation of an audit committee was approved at a Board Meeting on 10 February 2011. The Committee consists of two members appointed by the Board, these members are David Brock (Chairman) and Aubrey Brocklebank. The Terms of Reference for the Committee setting out roles and responsibilities (Code C.3.2) were approved at the Board Meeting on 10 February 2011. The responsibilities of the Committee are as follows:-

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

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

Capital Structure
The Company's capital structure is summarised in note 1 to the accounts.

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

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

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

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

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

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

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

Auditor's Non-Audit Service
During the year no fees were paid for non-audit services (2011 - £nil).

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

	Ordinary Business No of Board Meetings	
	Held	Attended
Sir Aubrey Brocklebank Bt (Chairman)	6	6
Giles Hargreave	6	6
David Brock	6	5

	Fundraising and Share Allotments No of Board Meetings	
	Held	Attended
Sir Aubrey Brocklebank Bt (Chairman)	5	5
Giles Hargreave	5	4
David Brock	5	4

	No of Audit Meetings	
	Held	Attended
Sir Aubrey Brocklebank Bt (Chairman)	2	2
David Brock	2	2

Relations with Shareholders

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

Going Concern

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

Approved on behalf of the Board of Directors

Sir Aubrey Brocklebank Bt
Chairman
Date: 19 December 2012

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 2012 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Reconciliation of Movement in Shareholders' Funds and the related notes. The financial reporting framework that has been applied in the preparation of the company's financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 30 September 2012 and of the company's profit for the year then ended;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the information given in the Corporate Governance Statement set out on pages 21 to 24 of the annual report with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 24, in relation to going concern;
- the part of the corporate governance statement relating to the company's compliance with the seven provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

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

Date: 19 December 2012

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

INCOME STATEMENT
For the year ended 30 September 2012

	Note	Revenue £000	Capital £000	Total £000
Net gain on investments held at fair value through profit or loss	7	-	1,184	1,184
Income	2	217	-	217
		217	1,184	1,401
Management fee	3	(58)	(174)	(232)
Other expenses	4	(236)	-	(236)
		(294)	(174)	(468)
(Loss)/Profit on ordinary activities before taxation		(77)	1,010	933
Taxation	5	-	-	-
(Loss)/Profit after taxation		(77)	1,010	933
(Loss)/Profit per share (pence)	6	(0.30)	3.94	3.64

INCOME STATEMENT
For the year ended 30 September 2011

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

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

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

BALANCE SHEET

Company registration number: 5206425

As at 30 September 2012

(in England and Wales)

	Note	2012 £000	2011 £000
Fixed assets			
Investments at fair value through profit or loss	7	14,621	15,141
Current assets			
Debtors	9	28	52
Cash at bank	12	863	1,202
		891	1,254
Creditors: amounts falling due within one year	10	(173)	(161)
Net current assets		718	1,093
Net assets		15,339	16,234
Capital and Reserves			
Called up share capital	11	277	292
Special reserve		11,808	18,632
Capital reserve – realised		(5,786)	(4,882)
Capital reserve – unrealised		1,460	(454)
Revenue reserve		42	119
Share Premium		6,667	1,752
Capital redemption reserve		871	775
Equity shareholders' funds		15,339	16,234
Net asset value per share	13	61.35p	61.14p

These financial statements were approved and authorised for issue by the Board of Directors on 19 December 2012 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 2012

	Note	2012 £000	2011 £000
Net cash (outflow) from operating activities	15	(215)	(219)
Net financial investment	15	1,704	1,198
Dividends paid	18	(906)	(1,063)
Cash inflow/(outflow) before management of liquid resources		583	(84)
Financing	15	(922)	198
(Decrease)/Increase in cash	12	(339)	114

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

For the year ending 30 September 2012

	Share Capital £000	Capital Redemption Reserve £000	Capital Reserve Realised £000	Capital Reserve Unrealised £000	Special Reserve £000	Share Premium £000	Revenue Reserve £000	Total £000
At 1 October 2011	292	775	(4,882)	(454)	18,632	1,752	119	16,234
Share buybacks	(96)	96	-	-	(5,918)	-	-	(5,918)
Subscriptions	81	-	-	-	-	4,915	-	4,996
Equity dividends paid (Note 18)	-	-	-	-	(906)	-	-	(906)
Realised losses on investments	-	-	(730)	-	-	-	-	(730)
Unrealised gains on investments	-	-	-	1,914	-	-	-	1,914
Management fee charged to capital	-	-	(174)	-	-	-	-	(174)
Revenue loss after taxation for the year	-	-	-	-	-	-	(77)	(77)
Total profit after taxation	-	-	(904)	1,914	-	-	(77)	933
At 30 September 2012	277	871	(5,786)	1,460	11,808	6,667	42	15,339

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 2011

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

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

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).

Impairment of Investments

Where there is a permanent decline in the fair value of financial assets (which constitutes objective evidence of impairment), the full amount of the impairment, is recognised in profit or loss. Objective evidence of impairment includes events such as:

- companies entering into administration;
- companies going bankrupt and
- companies experiencing significant issues in relation to their ability to continue as a going concern.

Determining fair value

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

Income

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

Expenditure

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

Capital Reserves

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

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

1. **Accounting Policies (continued)**

Taxation

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

Dividends

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

Functional Currency

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

Repurchase of shares to hold in Treasury

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

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

Capital Structure

Share Capital

Ordinary shares are classed as equity. The ordinary shares in issue have a nominal value of one pence and carry one vote each. Substantial holdings in the Company are disclosed in the Directors report on page 16.

Reserves

A description of each of the reserves follows:

Special Reserve

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

Capital Reserve Realised

Gains and losses on realisation of investments.

Capital Reserve Unrealised

Unrealised gains and losses on investments.

Revenue Reserve

Net revenue profits and losses of the Company.

Share Premium

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

Capital Redemption Reserve

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

2. Income

	2012 £000	2011 £000
Income from investments:		
UK dividends	129	151
Unfranked investment income	84	119
	213	270
Other income:		
Deposit interest	4	9
Total income	217	279

3. Management Fees

Ordinary Shares	2012 Revenue £000	2012 Capital £000	2012 Total £000	2011 Revenue £000	2011 Capital £000	2011 Total £000
Management fees	58	174	232	65	196	261
	58	174	232	65	196	261

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

The Investment Manager receives an investment fee of 1.5 per cent. per annum of the net asset value of the Company, calculated and payable quarterly in arrears. At 30 September 2012, £18,934 (2011 – 20,038) was owed in respect of management fees.

A performance related incentive fee will be payable at the rate of 20 per cent. of any dividends paid to shareholders in excess of 6p per ordinary share per annum, provided that the net asset value per share is at least 95p. A payment will be made after 30 September 2012 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 2012.

4. Other Expenses

	2012 £000	2011 £000
General expenses		
Administration Fee	35	35
Legal & Professional	13	26
Other expenses	127	157
Directors' fees	48	48
Auditors' remuneration		
- for audit services	13	14
	236	280

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 24%.

	2012 Total £000	2011 Total £000
Profit on ordinary activities before taxation	933	547
	-------	-------
UK Corporation Tax 24% (2011 – 28%)	224	153
Effect of non taxable gains/losses on investments	(284)	(226)
Effect of non taxable UK dividend income	(31)	(42)
Effect of current year losses carried forward	91	115
	-------	----------
Current tax charge	-	-
	-------	----------

Tax losses carried forward at the balance sheet date were £1,400,276 (2011 - £1,020,478).

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**

	2012 Revenue pence	2012 Capital pence	2012 Total pence	2011 Revenue pence	2011 Capital pence	2011 Total pence
Return gain per ordinary share: - basic	(0.30p)	3.94p	3.64p	(0.25p)	2.31p	2.06p
	----------	----------	----------	----------	-----------	-----------

Revenue return per ordinary share based on a net revenue loss on ordinary activities after taxation of £76,754 (2011 - £66,278 loss) and on 25,634,536 (2011 – 26,527,597) 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 £1,009,644 (2011 – £613,000) for the year and on 25,634,536 (2011 – 26,527,597) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

7. **Investments**

	AIM Quoted Investments		Unquoted Investments		Other Quoted Investments		Total Investments	
	2012 £000	2011 £000	2012 £000	2011 £000	2012 £000	2011 £000	2012 £000	2011 £000
Investments	12,611	11,518	614	505	1,396	3,118	14,621	15,141
	--------	--------	-------	-------	---------	-------	--------	--------
Movement in year:								
Opening Valuation	11,518	11,178	505	205	3,118	4,147	15,141	15,530
Re-Classification	(13)	-	13	-				
Purchases at cost	3,633	4,632	34	300	246	-	3,913	4,932
Sales - proceeds	(3,586)	(5,102)	-	-	(2,031)	(1,028)	(5,617)	(6,130)
- realised (losses)/gains	(766)	(1,054)	-	-	36	5	(730)	(1,049)
Movements unrealised	1,825	1,864	62	-	27	(6)	1,914	1,858
	--------	--------	-------	-------	--------	--------	--------	--------
Closing valuation	12,611	11,518	614	505	1,396	3,118	14,621	15,141
Closing book cost	11,016	12,104	908	505	1,237	2,985	13,161	15,594
	--------	--------	-------	-------	---------	-------	--------	--------
Closing unrealised	1,595	(586)	(294)	-	159	133	1,460	(453)
	--------	--------	-------	-------	---------	-------	--------	--------
Realised (loss)/gain	(766)	(1,054)	-	-	36	5	(730)	(1,049)

on sales								
Unrealised gain/(loss) on investments	1,825	1,864	62	-	27	(6)	1,914	1,858
	--------	--------	-------	-------	---------	---------	--------	--------
Gain/(loss) on investments	1,059	810	62	-	63	(1)	1,184	809
	--------	--------	-------	-------	---------	---------	--------	--------

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 3 levels.

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

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

Mexican Grill Limited (unquoted)

The fair value of the investment has been based on the most recent transactions based on arms length basis.

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

TMO Renewables Limited (unquoted)

The value per share was written down on 31 August 2012 from 35p to 25p to reflect the issue price of the most recent fundraising.

Brigantes Energy (unquoted)

The fair value of the investment has been based on the most recent transactions based on arms length basis.

Corfe Energy (unquoted)

The fair value of the investment has been based on the most recent transactions based on arms length basis.

Invocas Group (unquoted)

The fair value of the investment has been based on the last quoted price.

Infoserve Group (unquoted)

The fair value of the investment has been based on the last quoted price.

	2012 Level 1 £'000	2012 Level 3 £'000	2012 Total £'000	2011 Level 1 £'000	2011 Level 3 £'000	2011 Total £'000
Investments	14,007	614	14,621	14,636	505	15,141
	---------	---------	---------	---------	---------	---------

Reconciliation of Level 3 Investments

	2012 £'000	2011 £'000
Balance Brought Forward	505	205
Re-Classification **	13	-
Acquisitions	34	300
Sale Proceeds	-	-
Realised Gains/Losses	-	-
Movements Unrealised	62	-
Balance Carried Forward	-----	-----
	614	505
	-----	-----

** The Re-Classification transfer represents Invocas Group and Infoserve Group which are now private companies.

8. Significant Interests

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

Angel Biotechnology Holdings	3.18%
Feedback plc	4.94%
Mexican Grill Ltd	3.51%

9. Debtors

	2012 £000	2011 £000
Prepayments and accrued income	28	52
	------	------

10. Creditors: amounts falling due within one year

	2012 £000	2011 £000
Trade Creditors	108	77
Accruals and deferred income	65	84
	--------	--------
	173	161
	--------	--------

11. Called up share capital

	2012 £000	2011 £000
Allotted, called-up and fully paid:27,712,757 (2011 – 29,263,052) ordinary shares of 1p each (Includes 2,711,134 shares held as treasury).	277	292
	--------	--------

During the year 1,292,345 ordinary shares were purchased through the buy back facility at a cost of £728,904 of which all shares were cancelled. In addition to this 8,326,006 shares were repurchased through the Enhanced Share Buy Back at a cost of £5,188,772 and were subsequently cancelled.

During the year, the Company issued 8,068,006 1 pence ordinary shares (nominal value £80,680) through the Enhanced Share Buy Back which resulted in funds being received of £5,162,956. The 5% premium of

11. Called up share capital (continued)

£274,428 was payable to Hargreave Hale Limited to cover the cost of additional shares allotted of £103,171 and introducer commission of £54,286, resulting in fees payable to Hargreave Hale Limited of £166,676.

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 2011	Cash Flows	At 30 September 2012
	£000	£000	£000
Cash at bank	1,202	(339)	863
	--------	--------	--------
	At 1 October 2010	**Cash Flows**	**At 30 September 2011**
	£000	**£000**	**£000**
Cash at bank	1,088	114	1,202
	--------	--------	--------

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	
	2012	2011	2012	2011
	pence	pence	£000	£000
Ordinary shares - Basic	61.35	61.14	15,339	16,234
	--------	--------	--------	--------

Net asset value per share is based on net assets at the year end and on 25,001,623 (2011 – 26,551,918) ordinary shares being the number of shares in issue at year end (Not including 2,711,134 shares held as treasury (2011 – 2,711,134)).

14. Contingencies, guarantees and financial commitments

There were no contingencies, guarantees or financial commitments of the Company at the year end (2011 - nil).

15. Notes to the Cash Flow Statement

(a) Reconciliation of operating profit to operating cash flows

	2012 £000	2011 £000
Total profit on ordinary activities before taxation	933	547
Realised losses on investments	730	1,049
Unrealised (profit) on investments	(1,914)	(1,858)
Decrease in debtors	24	42
Increase in creditors	12	1
Net cash (outflow) from operating activities	(215)	(219)

15. Notes to the Cash Flow Statement (continued)

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

	2012 £000	2011 £000
Net financial investment:		
Purchase of investments	(3,913)	(4,932)
Sale of investments	5,617	6,130
	1,704	1,198

	2012 £000	2011 £000
Financing:		
Share Buybacks	(5,918)	(756)
Issue of Share Capital	4,996	954
	(922)	198

16. Related party transactions

Hargreave Hale Limited

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

Hargreave Hale Limited in its capacity as Investment Manager of the fund receives annual fees of 1.5% per annum of the net asset value of the Company, calculated and payable quarterly in arrears. Fees for the year are £232,515 (2011 - £260,966) as detailed in note 3. Hargreave Hale is responsible for Administration, Company Secretary, Directorship and Custodian services and received fees of £77,000 (2011 - £77,000) in relation to these services. Of those fees, £31,267 (2011 - £32,871) was still owed at the year end.

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

On the 29 February 2012 the Directors of Hargreave Hale AIM VCT 1 plc and Hargreave Hale AIM VCT 2 plc announced the launch of a new offer for subscription of new shares in both VCT's. The companies also launched Enhanced Share Buy Backs for existing shareholders who have held their shares for at least 5 years.

Both the offers for subscription and the Enhanced Share Buy Back were approved by shareholders of the Company at a General Meeting on 26 March 2012.

The Enhanced Share Buy Back for the 2011/12 tax year resulted in 8,326,006 Ordinary shares being purchased by the Company for cancellation and 8,068,056 new Ordinary shares being issued by the Company raising gross proceeds of £5.16 million under the terms of the Enhanced Share Buy Back. The 5% premium of £274,428 was payable to Hargreave Hale Limited to cover the cost of additional shares allotted of £103,171 and introducer commission of £54,286, resulting in net fees payable to Hargreave Hale Limited of £166,676. A maximum of 9,000,000 Ordinary Shares could be repurchased by the Company and so all applications have been accepted in full.

On the 5 April 2012 the Company announced that as the minimum subscription condition required for the C Share Offer to proceed had not been satisfied by 12pm on 5 April 2012 in accordance with the terms of the C Share Offer set out in the prospectus issued by the Company dated 29 February 2012 (the "Prospectus"), the C Share Offer would not proceed. All subscription monies received by the Company for C Shares were returned to investors in accordance with the terms of the Prospectus.

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 21 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 £862,622 (2011 - £1,202,254) which is classified as 'loans and receivables measured at amortised cost'. Financial liabilities consist of trade creditors and accruals of £173,103 (2011 - £161,313) which are classified as 'financial liabilities measured at amortised cost. There is no difference between the amortised cost and fair value of financial assets and liabilities at 30 September 2012.

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:

		2012	2011
		£000	£000
Equity	Fair value	13,225	12,023
Gilts/Bonds	Fair value	1,396	3,118
		14,621	15,141

A 10% increase or decrease in the investment portfolio would have a £1,462,100 (2011 - £1,514,100) impact on the profit and loss account.

c) Currency Risk

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

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 2012			
	Fixed Rate	**Variable Rate**	**Non-Interest Bearing**	**Total**
	£000	**£000**	**£000**	**£000**
Investments	1,396	-	13,225	14,621
Cash and cash equivalents	-	863	-	863
Other currents assets and current liabilities (net)	-	-	(145)	(145)
Net assets	1,396	863	13,080	15,339

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

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

e) Liquidity Risk

Liquidity risk is the risk that the company is unable to meet obligations as they fall due. As the Company has no debt or other financial liabilities, liquidity risk is not considered material. As at 30 September 2012 the Company held £862,622 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:

	2012	2011
	£000	£000
Investments – UK Gilts	1,396	3,118
Cash & cash equivalents	863	1,202
Other current (liabilities)/assets (net)	(145)	(109)
	--------	--------
	2,114	4,211
	--------	--------

Cash balances were held on deposit with RBS at 30 September 2012.

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

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

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

18. Dividends

	2012 Ord £000	2011 Ord £000
Paid per share: Final dividend of 2 pence for the year ended 30 September 2010	-	526
Paid per share: Final dividend of 2 pence for the year ended 30 September 2011	527	-
Paid per share: Interim dividend of 1.5 pence for year ended 30 September 2012	379	-
Paid per share: Interim dividend of 2 pence for year ended 30 September 2011	-	537
	------	------
	906	1,063
	------	------
Proposed per share: Final dividend of 1.75 pence for the year ended 30 September 2012	438	-
	------	------
Proposed per share: Final dividend of 2 pence for the year ended 30 September 2011	-	527
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19. Post Balance Sheet Events
The Directors of the Company announced on 5 November 2012 the launch of an offer for subscription for new shares in both VCT's to raise up to £10 million. The Offer was approved by shareholders of the Company at a General Meeting on 29 November 2012 and is open to both new and existing shareholders.

Since its launch on 5 November 2012 the offer has resulted in funds being received of £0.16 million and the issue of 0.25 million shares. The Offer will close at 12pm on 31 October 2013 unless previously extended beyond that date, or earlier if the maximum subscription has been reached before then.

GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

COMPANY INFORMATION

Secretary and Registered Office
Stuart Brookes
Accurist House
44 Baker Street
London W1U 7AL

Manager
Hargreave Hale Limited
Accurist House
44 Baker Street
LONDON
W1U 7AL

Registrars
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6ZL

Solicitors
Pinsent Masons LLP
30 Crown Place
London
EC2A 4ES

Auditors
BDO LLP
55 Baker Street
London
W1U 7EU

VCT Status Adviser
PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2 6RH

Brokers
Singer Capital Markets Limited
One Hanover Street
London
W1S 1YZ

Company Registration Number
05206425 in England and Wales

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of Hargreave Hale AIM VCT 1 plc ("the Company") will be held at Accurist House, 44 Baker Street, London on 23 January 2013 at 11am for the purposes of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 7 will be proposed as ordinary resolutions and 8 and 9 as special resolutions:

Ordinary Business

1. To receive and, if thought fit, to accept the Reports of the Directors and Auditor and the audited financial statements for the year ended 30 September 2012;
2. To receive and approve the Directors Remuneration Report for the year ended 30 September 2012;
3. To reappoint BDO LLP as Auditors to the company and to authorise the Directors to determine their remuneration;
4. To re-elect Giles Hargreave as a Director of the Company;
5. To re-elect Sir Aubrey Brocklebank as a Director of the Company;
6. To approve a final dividend of 1.75 pence per ordinary share in respect of the year ended 30 September 2012.

Special Business

Ordinary Resolutions

7. THAT, in substitution for existing authorities to the extent unused, the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot ordinary shares of 1p ("Ordinary Shares") each in the capital of the Company and to grant rights to subscribe for or convert any security into Ordinary Shares in the Company ("Rights") up to an aggregate nominal value of £30,000, this authority to expire on the earlier of the conclusion of the Company's next annual general meeting in 2013 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

8. THAT, in substitution for any existing power under Section 570 of the Act, but without prejudice to the exercise of any such power prior to the date hereof, the Directors be and are hereby empowered during the period commencing on the passing of this resolution and expiring on the conclusion of the Company's next annual general meeting in 2013 or on the expiry of 15 months from the date of the passing of this resolution, whichever is the earlier (unless previously revoked, varied or renewed by the Company in general meeting pursuant to Section 570 of the Act), to allot equity securities (as defined in Section 560(1) and 560(2) of the Act) for cash pursuant to the authority given in accordance with Section 551 of the Act, pursuant to resolution (6) above, or by way of sale of treasury shares, as if Section 561 of the Act did not apply to any such allotment or sale, but so that this authority shall allow the Company to make offers or agreements before the expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired.

9. THAT in substitution for any existing authority but without prejudice to the exercise of any such power prior to the date hereof, the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of Section 163(3) of the Act) of Ordinary Shares on such terms and in such manner as the Directors may determine (either for cancellation or for the retention as treasury shares for future re-issue, transfer or cancellation) provided that:

a) the maximum aggregate number of Ordinary Shares authorised to be purchased is such number thereof being 14.99% of the issued share capital;
b) the maximum price which may be paid for an Ordinary Share is an amount equal to the maximum amount permitted to be paid in accordance with the rules of the UK Listing Authority in force as at the date of purchase;
c) the minimum price which may be paid for an Ordinary Share is its respective nominal value;
d) this authority shall expire at the conclusion of the Company's next annual general meeting in 2013 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:
Accurist House
44 Baker Street
London
W1U 7AL

Date: 19 December 2012

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

The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with Section 146 of the 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 21 January 2013 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 21 January 2013 (or in the event that the meeting is adjourned, as at 6.00pm two days prior to the adjourned meeting) shall be disregarded in determining the rights of any person to attend or vote at the meeting notwithstanding any provisions in any enactment, the Articles of Association of the Company or any other instrument to the contrary.

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

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

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

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

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

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

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

Note:

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

a) The Articles of Association

2. As at 19 December 2012 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 27,740,105 (of which 2,711,134 are held in Treasury) ordinary shares, carrying one vote each. Therefore the total voting rights in the Company are 25,028,971.