HARGREAVEHALE AIM VCT 1 plc

Annual Report and Accounts

Year ended 30 September 2013

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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

Ordinary Shares (as at 30 September):	2013	2012
Net asset value per share	71.87	61.35p
Cumulative distributions paid per share since launch	29.75	26.5p
Total return	101.62	87.85p
Annual Returns per share:		
Revenue return	(0.24)p	(0.30)p
Capital return	14.05p	3.94p
Combined Return	13.81p	3.64p
Dividends per share:		
Interim paid	1.5p	1.5p
Final proposed	2.25p	1.75p
Total dividend for year	3.75p	3.25p
Performance Benchmark:		
Total Return	107%	92.5%
FTSE AIM All-share Index	82.3%	73.2%
(results rebased to 100 at 29 October 2004)		

The Glossary of Terms can be found on page 48 of the report.

CHAIRMAN'S STATEMENT

Introduction
At 30 September 2013 the NAV was 71.87 pence which after adding back the dividends paid gives a total return since inception of 101.62 pence. The gain per ordinary share for the year was 13.81 pence per share (comprising revenue loss of 0.24 pence and capital gains of 14.05 pence) which after adding back the dividends paid amounts to a rise of some 22.44%.

Investments
The Investment Manager, Hargreave Hale Limited, invested a further £1.76 million in 10 qualifying companies during the year. The Fair Value of qualifying investments at 30 September 2013 was £16.33 million invested in 37 AIM companies and 7 unquoted companies. £3.74 million was held in a mix of cash, fixed income and other non-qualifying equities; more detail can be found in the Investment Manager's Report on page 10.

Dividend
An interim dividend of 1.5 pence was paid on 5 July 2013 (Interim 2012 – 1.5 pence).

A final dividend of 2.25 pence is proposed (2012 – 1.75 pence) which, subject to shareholder approval at the AGM will be paid on 24 January 2014, to ordinary shareholders on the register on 3 January 2014.

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, 1,269,517 shares were purchased during the year at an average price of 60.04 pence per share.

Issue of Equity
The joint offer for subscription (together with Hargreave Hale AIM VCT 2) closed on 25 September 2013 and resulted in funds being received for Hargreave Hale AIM VCT 1 of £2.6 million and the issue of 3,998,082 shares.

New Joint Offer for Subscription of Ordinary Shares
After our success this year, on the 1 November 2013 the Directors of Hargreave Hale AIM VCT 1 plc and Hargreave Hale AIM VCT 2 plc announced the launch of a new joint offer for subscription of new shares in both VCT's to raise up to £10 million into this company.

The offer for subscription was approved by shareholders of the Company at a General Meeting on 31 October 2013.

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 94.2% per cent and have satisfied all the relevant tests.

Outlook
At the time of the budget in March the Office for Budget Responsibility reduced its forecast for GDP growth to 0.6% in the space of just 8 months, the general consensus forecasts are now of the order of 1.4% rising to as much as 2.5% for 2014. This remarkable change in the economy has had a beneficial effect on the stock market and in particular we have seen a marked positive change in sentiment towards the merits of investing in AIM.

There are many reasons to be cautious about the future as we should not forget that the UK is still running an enormous budget deficit and many of our European neighbours are far from being economically out of the woods. However on the positive front various observers see Shale gas as a being potentially even more beneficial to the UK economy than was North Sea oil. If only 10% of the estimated reserves in the North West come to production that would provide all the gas requirements for the UK for the next 40 years. As usual the greatest danger to our economy comes from Westminster and a labour leader with views slightly left of Karl Marx could provide for an interesting General election in 2015.

The Fund is largely invested in good well run companies which continue to outperform their peers. The number of new issues seems to be starting to increase which will provide opportunities to make suitable new investments with the new money that we raised in 2013. The outlook for 2014 looks to be well placed for those who invest in the new issue referred to above.

Sir Aubrey Brocklebank
Chairman

Date: 13 December 2013

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.

STRATEGIC REPORT

The report has been prepared by the directors in accordance with the requirements of Section 414 of the Companies Act 2006. The company's independent auditor is required by law to report on whether the information given within the strategic report is consistent with the financial statements. The auditor's report is set out on pages 30.

Investment Objectives
The Company's investment objectives are:

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

Asset Allocation
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 ISDX-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, bank deposits that are readily realisable and other fixed income securities.
- Non qualifying equity exposure to UK and international equities through targeted investments made on an opportunistic basis to boost the performance of the company or through an investment into the Marlborough Special Situations Fund.

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

Investment Manager
The Company is managed by Hargreave Hale Limited, a fund manager with approximately £2.83 billion under management. Hargreave Hale has been managing investments in UK Small and Micro Cap companies for 15 years and VCTs for 9 years. It has a long established reputation that stems from its management of the Marlborough Special Situations Funds and the Marlborough UK Micro Cap Fund, and more recently the VCTs. It has won numerous awards for its management of small cap funds, most recently the 2012 Quoted Company 'Investor of the Year' Award. In accordance with the investment policy, both Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2 have made investments in the Marlborough Special Situations Fund, which has returned 1,589% since Giles Hargreave took responsibility for it in July 1998.

The investments of the Company are co-managed by Giles Hargreave and Oliver Bedford, with support from the rest of the firm's investment team together comprising a total investment team of 9. The investment team manages approximately £1.6 billion, of which approximately £1.4 billion is invested in small companies, many of which are quoted on AIM. The breadth of the investment team, the scale of investment in small companies and the Investment Manager's track record help attract deal flow.

Investment Strategy

Qualifying Investments.
The Investment Manager will maintain a diversified and fully invested portfolio of Qualifying Investments, primarily in small UK companies with a quotation on AIM. The primary purpose of the investment strategy is to ensure 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 does include, inter alia:

- the strength and credibility of the management team;
- the business plan;
- the risk/reward profile of the investment opportunity;
- the quality of the finance function and budgetary process;
- the strength of the balance sheet relative to anticipated cash flow from operations; and
- the existing balance of investments within the portfolio of Qualifying Investments.

The Investment Manager follows a stock specific investment approach which 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

The Company 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 Company's intention to have any borrowings. The Company does, however, have the ability to borrow a maximum amount up to 15% of the "Adjusted Capital and Reserves" amount (as such term is defined in the Articles of Association of the Company), which is effectively the aggregate of the nominal capital of the Company's' issued and paid up and the amount standing to the credit of the consolidated reserves of the Company, less specified adjustments, exclusions and deductions. There are no plans to utilise this ability at the current time.

Overview of the year

In the financial year under review, net assets increased from £15.3m to £19.9m. In this period the NAV increased from 61.35p to 71.87p and achieved a return to ordinary shareholders, before dividends of 13.81p per share, equivalent to 22.5% of the opening net asset value per share of 61.35p.

Dividends

An interim dividend of 1.5 pence was paid on 05 July 2013 and a final dividend of 2.25p has been proposed.

Buybacks

In total, 1,269,517 shares were purchased during the year at an average price of 60.04 pence per share.

Investments

As a whole, during the year, the qualifying portfolio increased from £12.7m to £16.3m. The company invested in 10 qualifying investments at a cost of £1.8m, of which 7 were investments into new holdings.

For further details please refer to the Investment Managers Report on page 10.

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

- Net asset value
- Total return
- Earnings and Dividend per share

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 risks stated below:

i. **Regulatory risk** – the Company operates in a complex regulatory environment and faces a number of related risks. A breach of section 259 of the Income Taxes Act 2007 could result in the 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.

ii. **Investment Risk** – Many of the company's investments are held in small to medium sized unquoted or AIM quoted companies making them by nature risky investments. The directors aim to mitigate the risk by ensuring the maximum investment in any company does not exceed 15% of the company's net assets.

iii. **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.

iv. **Currency risk** – The Company is exposed to currency risk when disposing of investments in foreign currencies, to minimise this risk investments into foreign companies are kept to a minimum.

v. **Interest rate risk –** The Company is solely funded through equity and therefore has no borrowings. The company does however invest in UK Gilts and corporate bonds from which the company receives interest income. Any material movements in interest rates could affect the amount of income the company receives. Revenue received from Gilts and corporate bonds equates to less than 2% of revenue, the company therefore does not consider this to be a material risk.

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

Additional disclosures required by the Companies Act

Greenhouse Emissions
Whilst as a UK quoted company the VCT is required to report on its Greenhouse Gas Emissions, as it outsources all of its activities and does not have any physical assets, property, employees or operations, it is not responsible for any direct emissions.

Employees
The company had no employees during the year and all directors are male.

STUART BROOKES
Company Secretary

13 December 2013

INVESTMENT MANAGER'S REPORT

This report covers the 2013 financial year, 1 October 2012 to 30 September 2013.

Market Commentary

There has been an undeniable shift in sentiment towards AIM listed shares that started in July with the introduction of new rules that allow the purchase of AIM shares within ISAs. This, along with an improving economic outlook, has triggered renewed interest in small and micro-cap stocks, and in particular those listed on AIM. There is no doubting that this has clearly helped some of the stocks that we follow, along with the wider small cap market. And whilst we can see clear evidence of retail interest in some of the stocks in the VCT, for the most part it is the strength of the company's business and improving investor confidence that has driven the shares higher rather than technical factors. 5 stocks more than doubled their share price in the period.

Performance

In the financial year to 30 September 2013, the NAV increased from 61.35p to 71.87p. Dividend payments totalled 3.25p, giving investors a total return of 13.77 pence per share, which translates to a gain of 22.44%. During the same period, the FTSE 100 Index gained 12.54% whilst the FTSE AIM All-Share Index gained 12.40%.

The qualifying investments made a net contribution of +14.12 pence per share with 32 out of the 49 making gains, 7 marking time and 10 losing ground. Intercede (67.7%, 1.93 pence per share) was the top performer among the qualifying investments following a series of contract wins that started in April and continued through the Summer and Autumn. Others stocks that made a significant contribution included Advanced Computer Software (+44.6%, +1.65pence per share), Pressure Technology (124.5%, +1.60 pence per share), WANdisco (200.0%, 1.50 pence per share), MyCelx (+102.0%, +1.29 pence per share) and Cohort (44.8%, +1.24 pence per share).

The biggest losses within the period came from Flow Group (-68.3%, -1.12 pence per share) and Sphere Medical (-57.3%, -0.50 pence per share). Flow Group reported a delay to the rollout of its micro-CHP boiler and the departure of its Chief Executive. However, Flow Group has confirmed that the delay was not technology driven, whilst we also note the rapid growth in their fledgling energy supply business. Sphere Medical announced a strong collaboration agreement with Johnson & Johnson to take their next generation arterial blood analyser through to commercial launch. However, the deal required a further capital raise to fund the working capital required to support the extended timetable proposed by Johnson & Johnson. Angel Biotech (-100%, -0.43 pence per share) was placed into administration.

Qualifying Investments

We made 10 qualifying investments in the financial year, which included 3 secondary investments into existing qualifying investments, 3 secondary placings into listed companies, 2 IPOs and one pre-IPO (now listed) and one investment into a private company.

The 3 companies that already featured within the qualifying portfolio were Porta Communications, an international media relations and market intelligence company that raised £4m to further fund its acquisition strategy; Reneuron, a stem cell research company that raised £25m of new equity alongside a £7m Welsh Government grant; and Tangent Communications, a digital printing and marketing services, that raised £10m to fund an acquisition and accelerate investment in its online proposition.

The qualifying investments in previously listed companies included DP Poland, the exclusive master franchise in Poland for Domino's Pizza that raised £10.5m to fund the opening of another 10 stores; Lidco, the hemodynamic monitoring company that raised £2.4m to fund growth in the US and UK; and Imaginatik, a provider of innovation software and consultancy services that raised £1.3m to strengthen the balance sheet and fund the development of the business.

The two IPOs, Quixant and Fusionex, enjoyed successful floats with the shares performing strongly post admission. Fusionex (+113.3%, 0.57 pence per share) is a data analytics and business intelligence solutions within the Asia Pacific Region that raised £12m alongside its admission to AIM. Quixant (+91%, +0.53 pence per share), which raised £3.9m when it floated, provides specialised computing platforms for gaming and slot machine applications.

The remaining two new investments were in Nektan, a private company that develops software for the mobile cash gaming solutions that raised £5.25m through a private round and Outsourcery, a cloud service provider that we invested in through a pre-IPO round, that subsequently raised another £13m when it listed on AIM in May 2013.

We made 5 complete exits and numerous partial disposals from within the qualifying portfolio as we continued to adjust the profile of the fund to reduce the influence of the biggest stocks and increased the weighting to profitable companies. The complete exits included BGlobal, Feedback, Keycom, Redstone, and Sinclair IS Pharma.

Portfolio Structure

The VCT is comfortably through the HMRC defined investment test and ended the period at 94.20% invested according to the HMRC investment test (as defined in ITA). By market value, the VCT had an 82.0% weighting to qualifying investments.

The heavy weighting to qualifying investments has limited our ability to make non-qualifying equity investments, which dipped from 3.7% to 3.3% of the net asset value. And whilst we are constantly trying to manage down the allocation to qualifying investments, the large amount and improving quality of the qualifying deal flow has made this more difficult to achieve. As such, the contribution to the net asset value from non-qualifying equity investment was a loss at -0.10 pence per share. In line with the revised investment policy, we made a small investment into the Marlborough special Situations Fund using the proceeds of the previous offer for subscription, equivalent to 1.1% of net asset value. The fund performed well and had delivered an 8.7% unrealised gain at the time of the year end. The fixed income allocation as a percentage of the fund fell from 9.1% to 4.0% following the sale of a UK Index Linked Gilt. Although cash increased from 5.6% to 10.4%, it was largely due to the receipt of proceeds from the prior offer.

Dividends

There were two dividend distributions in the financial year totalling 3.25p pence per share.

Post Period Update

Deal flow has been particularly strong since the period end, allowing us to continue to rebalance the portfolio through a programme of partial or complete exits and subsequent reinvestment. Proceeds from the disposals have been recycled into another 4 qualifying investments. We made one further complete exit from within the qualifying portfolio (DP Poland).

For further information please contact:
Stuart Brookes
Company Secretary
Hargreave Hale AIM VCT1 plc
01253 754740

INVESTMENT PORTFOLIO SUMMARY

Ordinary Share Fund

As at 30 September 2013

Qualifying investments	Book Cost £000	Valuation £000	Valuation %
Intercede Group plc	363	1,199	6.66
Cohort plc	800	1,111	6.17
Advanced Computer Software Group plc	212	1,083	6.01
Abcam plc	67	1,005	5.58
AnimalCare Group plc	220	708	3.93
Mycelx Technologies Corporation plc	300	707	3.93
Idox plc	135	702	3.9
Pressure Technologies Corporation plc	300	696	3.87
EKF Diagnostic Holdings plc	300	630	3.5
WANDisco plc	88	563	3.13
Porta Communications plc	505	530	2.94
Vertu Motors plc	600	520	2.89
TLA Worldwide plc	300	488	2.71
Craneware plc	150	480	2.67
Microsaic Systems plc	350	463	2.57
K3 Business Technology Group plc	270	441	2.45
Hardide plc	535	362	2.01
Reneuron Group plc	518	332	1.85
Outsourcery Group Ltd	300	308	1.71
Quixant plc	160	306	1.7
APC Technology Group plc	148	297	1.65
Fusionex International plc	138	295	1.64
Mexican Grill Ltd (A Preference Shares)	185	288	1.6
Instem plc	297	284	1.58
Tasty plc	288	276	1.54
Plastics Capital plc	250	263	1.46
Imaginatik plc	180	245	1.36
Lidco Group plc	220	236	1.31
Tangent Communications plc	400	215	1.19
Universe Group plc	210	150	0.83
Flowgroup plc	399	148	0.82
Egdon Resources plc	158	138	0.76
Jelf Group plc	174	138	0.76
Nektan Ltd	130	130	0.72
Progressive Digital Media Group plc	173	120	0.67
Corac Group plc	135	108	0.6
Sphere Medical Holdings plc	300	104	0.58
DP Poland plc	64	77	0.42
Brigantes Energy Ltd	50	50	0.28
Corfe Energy Ltd	50	50	0.28
Redcentric plc	214	45	0.25
Mexican Grill Ltd (Ordinary shares)	21	32	0.18
Invocas Group plc	169	12	0.07
Infoserve Group plc	200	1	0.01
TMO Renewables Ltd	200	0	0
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Total qualifying investments	11,226	16,336	90.74

INVESTMENT PORTFOLIO SUMMARY (continued)

Non-Qualifying investments	Book Cost £000	Valuation £000	Valuation %
Marlborough Special Situations Fund	200	217	1.21
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Total – Unit Trusts	200	217	1.21
Scottish Amicable Finance 8.5% 2049	256	280	1.56
Nationwide Building Society 7.971% 2049	242	255	1.42
Petrobras International Finance 6.25% 2026	247	255	1.42
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Total – UK corporate bonds	745	790	4.40
WANdisco plc	150	178	0.99
Restore plc	137	145	0.80
Telford Homes plc	100	114	0.63
Amerisur Resources plc	93	97	0.54
In-Deed Online plc	268	51	0.28
Mexican Grill Ltd (A Preference shares)	34	38	0.21
HELIUS Energy plc	40	23	0.13
MyCelx Technologies Corporation plc	8	10	0.06
Microsaic Systems plc	1	1	0.01
TMO Renewables Ltd Warrants***	0	0	0
Reneuron Group plc Warrants***	0	0	0
APC Technology Group plc**	0	0	0
Idox plc**	1	0	0
Flowgroup plc**	0	0	0
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Total – non-qualifying equities	832	657	3.65
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Total – non-qualifying investments	1,777	1,664	9.26
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Total investments	13,003	18,000	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:

Fusionex International plc: UK listed, registered in Jersey but headquartered in Selangor, Malaysia.
Mycelx Technologies Corporation: UK listed but headquartered in USA
Petrobras International Finance: Listed in Sao Paulo and New York but headquartered in Brazil.
Wandisco plc: UK listed, registered and domiciled in St Helier, Jersey but headquartered in Sheffield.
Nektan Ltd: A non-listed company and headquartered in Gibraltar

TOP TEN QUALIFYING INVESTMENTS

As at 30 September 2013 (By Market Value)

The top 10 equity investments are shown below; each is valued by reference to the bid price. Forecasts, where given, are drawn from a combination of broker research and/or Bloomberg consensus forecasts and exclude amortisation, share based payments and exceptional items. The net cash values are drawn from published accounts.

Abcam plc			**502.50p**
Investment date	October 2005	Forecasts for year to	June 2014
Equity held	0.10%	Turnover (£'000)	132,714
Av Purchase Price	33.4p	Profit before tax (£'000)	47,957
Cost (£'000)	67	Net Cash (£'000)	38,300
Valuation (£'000)	1,005	Earnings Risk	M
		Balance Sheet Risk	L

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

Advanced Computer Software Group plc			**86.75p**
Investment date	July 2008	Forecasts for year to	February 2014
Equity held	0.28%	Turnover (£'000)	199,200
Av. Purchase Price	17.0p	Profit before tax (£'000)	35,600
Cost (£'000)	212	Net Cash (£'000)	-50,700
Valuation (£'000)	1,083	Earnings Risk	L
		Balance Sheet Risk	M

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.

Animalcare Group plc			**177.0p**
Investment date	December 2007	Forecasts for year to	June 2014
Equity held	1.93%	Turnover (£'000)	12,430
Av. Purchase Price	55.0p	Profit before tax (£'000)	2,657
Cost (£'000)	220	Net Cash (£'000)	3,745
Valuation (£'000)	708	Earnings Risk	M
		Balance Sheet Risk	L

Animalcare is a leading supplier of generic veterinary medicines and animal identification products to companion animal verterinary 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.

Cohort plc			**181.0p**
Investment date	February 2006	Forecasts for year to	April 2014
Equity held	1.50%	Turnover (£'000)	73,600
Av. Purchase Price	130.2p	Profit before tax (£'000)	7,800
Cost (£'000)	800	Net Cash (£'000)	16,426
Valuation (£'000)	1,111	Earnings Risk	L
		Balance Sheet Risk	L

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

EKF Diagnostics Holdings plc			**31.50p**
Investment date	June 2010	Forecasts for year to	December 2013
Equity held	0.73%	Turnover (£'000)	34,000
Av. Purchase Price	15.0p	Profit before tax (£'000)	600
Cost (£'000)	300	Net Cash (£'000)	648
Valuation (£'000)	630	Earnings Risk	M
		Balance Sheet Risk	M

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 anemia, diabetes and associated conditions. EFK analysers are used in more than 70 countries by healthcare professionals in blood banks, GP surgeries, diabetes clinics, pharmacies, hospitals, sports medicine and laboratories.

Idox plc			**39.0p**
Investment date	May 2007	Forecasts for year to	October 2014
Equity held	0.52%	Turnover (£'000)	60,500
Av. Purchase Price	7.5p	Profit before tax (£'000)	15,400
Cost (£'000)	136	Net Cash (£'000)	-17,766
Valuation (£'000)	702	Earnings Risk	M
		Balance Sheet Risk	M

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.

Intercede Group plc			**109.0p**
Investment date	May 2007	Forecasts for year to	March 2014
Equity held	2.26%	Turnover (£'000)	8,800
Av. Purchase Price	33.0p	Profit before tax (£'000)	0
Cost (£'000)	363	Net Cash (£'000)	7,400
Valuation (£'000)	1,199	Earnings Risk	M
		Balance Sheet Risk	L

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

Mycelx Technologies Corporation plc			**495.0p**
Investment date	September 2012	Forecasts for year to	December 2013
Equity held	1.11%	Turnover ($'000)	18,910
Av. Purchase Price	212.3p	Profit before tax ($'000)	600
Cost (£'000)	308	Net Cash ($'000)	1,169
Valuation (£'000)	717	Earnings Risk	M
		Balance Sheet Risk	H

MyCelx is an emerging oil-free water technology company that uses a patented polymer to permanently remove oil molecules from water using molecular cohesion to reduce contamination to less than 1ppm. The technology is applicable to a number of markets, including the treatment of produced water from oil wells and waste water at petrochemical plants.

Pressure Technologies Corporation plc			**348p**
Investment date	May 2007	Forecasts for year to	September 2014
Equity held	1.76%	Turnover (£'000)	36,500
Av. Purchase Price	150.0p	Profit before tax (£'000)	3,500
Cost (£'000)	300	Net Cash (£'000)	2,700
Valuation (£'000)	696	Earnings Risk	L
		Balance Sheet Risk	L

Pressure Technologies is a leading designer and manufacturer of speciality engineering solutions for high pressure systems serving large global markets. The company is organised into three divisions: Cylinders, Engineered Products and Alternatively Energy. The largest division, the Cylinders division, is a global market leader in the design and manufacture of speciality high pressure, seamless steel gas cylinders for the offshore oil and gas, defence, industrial gases and alternative energy markets.

Wandisco plc			**1125p**
Investment date	May 2012	Forecasts for year to	December 2013
Equity held	0.32%	Turnover (£'000)	8,893
Av. Purchase Price	365.3p	Profit before tax (£'000)	-5,605
Cost (£'000)	238	Net Cash (£'000)	Est. 36,000
Valuation (£'000)	741	Earnings Risk	M
			M

WANdisco stands for Wide Area Network Distributed Computing. Its patent pending technology enables software developers in distributed locations to work simultaneously. WANdisco's customers include a host of Fortune 1000 companies such as Hewlett Packard, Intel, John Deere, European Southern Observatory, Barclays Capital, Walmart, GE, Cisco and Nokia.

Co-Investment

As at 30 September 2013, other funds managed by Hargreave Hale Limited were also invested in 38 of the following investments – Abcam plc, Advanced Computer Software Group plc, Animalcare Group plc, Amerisur Resources plc, APC Technology Group plc, Cohort plc, Corac Group plc, Craneware plc, DP Poland plc, Egdon Resources plc, EKF Diagnostic Holdings plc, Flowgroup plc, Fusionex International plc, Helius Energy plc, Idox plc, Imaginatik plc, In-deed Online plc, Instem plc, Intercede Group plc, Invocas Group plc, Jelf Group plc, K3 Business Technology Group plc, Lidco Group plc, Microsaic Systems plc, Mycelx Technologies Corporation plc, Outsorcery Group Ltd, Plastics Capital plc, Porta Communications plc, Pressure Technologies Corporation plc, Progressive Digital Media Group plc, Quixant plc, Redcentric plc, Reneuron Group plc, Sphere Medical Holdings plc, Tangent Communications plc, Tasty plc, Vertu Motors plc and WANDisco plc.

DIRECTORS' REPORT

For the year end 30 September 2013

The Directors present their report together with the audited financial statements of the Company for the year from 1 October 2012 to 30 September 2013.

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 2013 was strong with no debt or gearing.

Revenue and Dividends
The revenue loss after tax for the year amounted to £63,935 (2012 – £76,754 loss). An interim ordinary dividend of 1.5 pence per Ordinary share was paid on 5 July 2013 (2012 – 1.5 pence per share). The final dividend of 2.25 pence per share for the year ended 30 September 2013 is due to be paid on 24 January 2014 (2012 – 1.75 pence per share).

Share Valuation
On 30 September 2013, the bid-market price and the net asset value per ordinary share were 65 pence and 71.87 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 50.

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 2013, 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 2013 were 8.91% and 6.95% 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	
	2013	**2012**
Sir Aubrey Brocklebank	4,845	4,845
Giles Hargreave	105,784	105,784
David Brock	15,325	-

There have been no changes to the beneficial interests of Directors between 30 September 2013 and the date of this report.

Share Buybacks
During the year, the Company repurchased 1,269,517 ordinary shares (nominal value £12,695) at a cost of £766,795. The shares repurchased represent 5.08% of ordinary shares in issue on 1 October 2012. All shares repurchased were cancelled.

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

As detailed in the Circular published on 9 October 2013 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 Directors' discretion.

Shares Issued
During the year, the Company issued 3,998,082 ordinary shares of 1 pence per share (nominal value £39,980) which resulted in funds being received of £2,614,052. The 3% premium of £78,422 was payable to Hargreave Hale Limited to cover the cost of additional shares allotted of £23,021 and introducer commission of £10,015 resulting in net fees payable to Hargreave Hale Limited of £55,052.

New Joint Offer for Subscription of Ordinary Shares
The Directors of the Company announced on 1 November 2013 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 31 October 2013 and is open to both new and existing shareholders.

Post Balance Sheet Events
Post Balance Sheet Events are disclosed in Note 19 on page 47 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 5 days (2012 – 2.9 days).

Charitable and Political Donations
The Company made no charitable or political donations in the year (2012 - 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.

Corporate Governance
The statement on corporate governance set out on pages 24 to 28 is included in the directors' report by reference.

Annual General Meeting
The Annual General Meeting will be held at Accurist House, 44 Baker Street, London, W1U 7AL at 10.30 am on 22 January 2014. The notice of the Annual General Meeting is at the end of this document.

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

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

Power to allot shares
Ordinary resolution number 6 will request the authority to allot up to an aggregate nominal amount of £100,000. This resolution replaces the authority given to the Directors at the General Meeting on 31 October 2013. The authority sought at the forthcoming Annual General Meeting will expire 15 months from the date that this resolution is passed, or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier.

Disapplication of pre-emption rights
Special resolution number 7 will request the authority for the Directors to allot equity securities for cash without first being required to offer such securities to existing members. This will include the sale on a non pre-emptive basis of any shares the Company holds in treasury for cash. The authority relates to a maximum aggregate of £100,000 of the nominal value of the share capital.

This resolution replaces the authority given to the Directors at the General Meeting on 31 October 2013. The authority sought at the forthcoming Annual General Meeting will expire 15 months from the date that this resolution is passed or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier. Members should note that this resolution also relates to treasury shares.

Purchase of own shares
Special resolution number 8 will request the authority to purchase approximately 14.99 per cent. of the Company's issued Ordinary share capital at, or between, the minimum and maximum prices specified in resolution 8. Shares bought back under this authority may be cancelled and up to 10 per cent. may be held in treasury.

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

This resolution would renew the 2013 authority, which was on similar terms.

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

Cancellation of share capital

Special resolution number 9 is a proposal (the "Proposal") by the Board to increase the Company's distributable reserves by way of a cancellation of its capital redemption and share premium reserves, subject to shareholder approval and confirmation by the Court.

The Company's distributable reserves are used for the payment of dividends, for share buy-backs and for other corporate purposes. Subject to any creditor protection demanded by the Court (see below), the proposed cancellation of its capital redemption and share premium reserves will create additional distributable reserves of approximately £10.07m.

The Company is permitted by its articles of association to cancel its capital redemption and share premium reserves by obtaining the approval of shareholders by special resolution. If the special resolution is approved by shareholders, the Company will apply to Court for a Court Order and this is expected to take place during the course of the summer of 2013. The Court may require the Company to protect the interests of the creditors of the Company and the Company can confirm that it will seek approval from all creditors to this proposal.

It is the Board's policy to pay regular and predictable dividends to shareholders as the Directors believe that this is a key source of shareholder value. The Company also has a policy of buying back its own shares for cancellation or for holding as treasury shares, when such purposes are considered to be to the advantage of the Company and shareholders as a whole. These shares are purchased at a discount to Net Asset Value which enhances the Company's Net Asset Value per share.

Under the Companies Act 2006, the Company is only permitted to pay dividends and to make buy-backs from its accumulated distributable reserves. Therefore, the Board believes that increasing the distributable reserves is in the interests of shareholders. Details of these reserves are shown on page 34 of this Annual Report and Financial Statements.

The Directors believe that the Company should restructure its balance sheet by cancelling the sum credited to its capital redemption and share premium reserves.

The Company's capital redemption reserve was created as a result of previous buy-backs of the Company's shares. As at 30 September 2013, the amount credited to the Company's capital redemption reserve was £0.88m.

The Company's share premium reserve accounts for the difference between the price paid for shares and the nominal value of the shares, less issue costs and transfers to special reserve. As at 30 September 2013, the amount credited to the Company's share premium account was £9.19m.

It is anticipated that the Company will issue further shares and carry out further buy-backs of Ordinary Shares before the date of the final hearing (the "Final Hearing") of the Company's application to reduce its share capital and cancel its capital redemption and share premium reserves. The Company's issued share capital and amount credited to the capital redemption and share premium reserves will therefore be subject to changes after the Company's Annual General Meeting. Special resolution number 10 provides for the cancellation of the amount credited to the Company's capital redemption and share premium reserves as at the close of business on the day before the date of the Final Hearing.

In order for the cancellation of share capital to become effective, the Court Order confirming the reduction must be filed at Companies House for registration by the Registrar of Companies, usually 2-3 days after the date of Court approval.

Recommendation

The Board believes that the passing of the resolutions above are in the best interests of the Company and its shareholders as a whole, and unanimously recommends that you vote in favour of these resolutions, as the Directors intend to do in respect of their own beneficial shareholdings of 125,954 shares.

By order of the Board

STUART BROOKES
Company Secretary

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

Date: 13 December 2013

DIRECTORS' REMUNERATION REPORT

For the year ended 30 September 2013

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 30 to 32.

Remuneration Responsibilities

The remuneration committee presently consists of solely 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. The committee has been established by the Board to set Remuneration policy and to deal with all matters relating to Directors remuneration and reporting thereon. It has clear Terms of Reference established by the Board.

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.

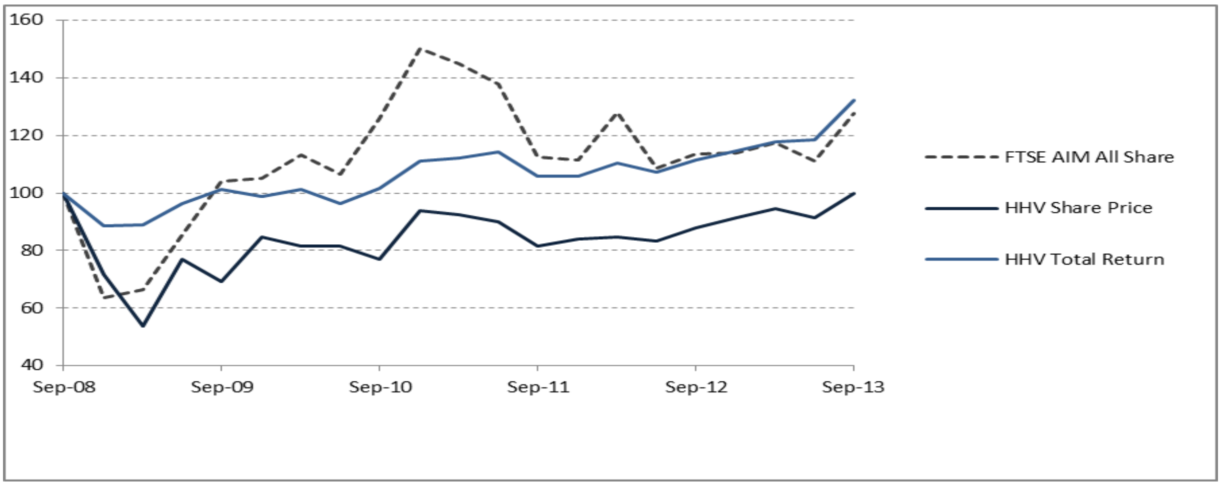
Fees for the Directors are determined by the Board within the limits stated in the Company's Articles of Association. The maximum permitted by the Company's Articles of Association is £200,000 per annum. The Directors are not eligible for bonuses, pension benefits, share options or other incentives or 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 2013 (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).



Shareholders may be aware that new rules for the reporting of Directors' remuneration came into effect on 1 October 2013. These now require companies to ask shareholders to approve the annual remuneration paid to directors every year and to formally approve the Directors Remuneration Policy on a yearly or on a three yearly basis. Any change to the Directors Remuneration Policy will require shareholder approval. The vote on the Directors remuneration report is, as previously an advisory note, whilst the vote on the Directors remuneration report is a binding one. Accordingly ordinary resolutions will be put to shareholders at the forthcoming Annual General Meeting to be held 22 January 2014, to receive and adopt the Directors remuneration report and to receive and approve the Directors remuneration policy.

Emoluments for the Year (audited)

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

	2013 Fees	**2013** Benefits in Kind	**2013** Total	**2012** Fees	**2012** Benefits in Kind	**2012** Total
	£	**£**	£	**£**	**£**	**£**
Sir Aubrey Brocklebank Bt (Chairman)	18,000	-	18,000	18,000	-	18,000
Giles Hargreave	15,000	-	15,000	15,000	-	15,000
David Brock	15,000	-	15,000	15,000	-	15,000
Total	48,000	-	48,000	48,000	-	48,000

The Directors fees have not increased in the year.

Taxable Benefits (audited)

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

Variable Pay (audited)

The Directors who served during the year received no variable pay relating to the performance of the company in the year. The company does not adopt a policy rewarding directors where vesting becomes effective over multiple reporting periods.

Pension Benefits (audited)

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

Approval

The Directors' Remuneration Report on pages 22 and 23 was approved by the Board of Directors on 3 December 2013 and will be further subject to a binding vote at the AGM being held on the 22 January 2014 and every year thereafter.

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 Giles Hargreave. Giles Hargreave is Chief Executive of Hargreave Hale Limited and is not therefore independent of the Investment Manager.

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

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

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

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

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

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

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

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

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

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

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

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

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

The Board has formalised arrangements under which the Directors in the furtherance of their duties, may seek independent professional advice at the expense of the Company. The Company also maintains Directors and 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 22 and 23.

Accountability and Audit
The Directors' responsibilities for the Company's accounting records and financial statements are set out on page 29. The Auditors' Report appears on pages 30 to 32.

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 Sir Aubrey Brocklebank. The Terms of Reference for the Committee setting out roles and responsibilities (Code C.3.2) were approved at the Board Meeting on 10 February 2011. The responsibilities of the Committee are as follows:-

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

The committee reviews its terms of reference and its effectiveness annually and recommends to the board any changes post review. The terms of reference are available on the company's website http://www.hargreave-hale.co.uk/fund-management/venture-capital-trusts/hargreave-hale-aim-vct-1/ and by request from the company secretary. The audit committee ordinarily meets twice a year and has direct access to BDO LLP, the company's external auditor. The board considers that the members of the committee are both independent and collectively have the skills and experience to discharge their duties effectively, and that the chairman of the committee meets the requirements of the UK Corporate Governance Code as to recent and relevant financial experience.

During the year ended 30 September 2013 the audit committee discharged its responsibilities by:

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

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

- Compliance with HM Revenue & Customs to maintain the company's VCT status
- Fluctuations in the value of investments
- Valuation and existence of unquoted investments.

These issues were discussed with the investment manager and the auditor at the pre- year end audit planning meeting and at the board meeting pre sign off of the financial statements, the committee concluded:

- **Venture Capital status**; the investment manager confirmed to the audit committee that the conditions for maintaining the company's status had been complied with throughout the year. The company's status is also reviewed by the company's tax advisors Pricewaterhouse Coopers LLP and further half yearly reconciliations are carried out. The committee reviewed the reports and were satisfied with the reports produced.

- **Fluctuations in the value of investments;** the committee reviewed the company's portfolio and were satisfied that the maximum exposure to a single qualifying investment was less than 15% of net assets.

- **Valuation of unquoted investments;** the investment manager and the auditor confirmed to the audit committee that the basis of valuation for unquoted companies was consistent with the prior year. The auditor however, recommended an alternative valuation for Mexican Grill. The audit committee reviewed the estimates and judgements made by both the investment manager and the auditor, the committee were satisfied with the valuation proposed by the investment manager and agreed to further review the valuation for the half year results.

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

As part of the review of auditor effectiveness and independence, BDO LLP confirmed it is independent to the company and continues to comply with applicable audit standards. In accordance with professional guidelines, the audit partner is rotated every 5 years. The current partner has served for the maximum 5 years, as part of the review of auditor effectiveness the committee met with the successor and were satisfied the auditor held the necessary experience and skills to perform the required duties.

Having carried out its review the audit committee is satisfied BDO LLP have remained independent and effective in carrying out its responsibilities up to the date of signing this report and that it would not be appropriate to put the audit appointment out to tender at the present time.

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 (2012 - £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	6
	Fundraising and Share Allotments No of Board Meetings	
	Held	Attended
Sir Aubrey Brocklebank Bt (Chairman)	12	7
Giles Hargreave	12	11
David Brock	12	9
	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.

Amendments of articles of association

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

Going Concern

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

Approved on behalf of the Board of Directors

Sir Aubrey Brocklebank Bt
Chairman
Date: 13 December 2013

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 AUDITOR'S REPORT

To the members of Hargreave Hale AIM VCT 1 plc

We have audited the financial statements of Hargeave Hale AIM VCT 1 plc for the year ended 30 September 2013 which comprise the income statement, the balance sheet, the cash flow statement, the reconciliation of movements in shareholders' funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Our assessment of risks of material misstatement

We identified the following risks that we consider to have had the greatest impact on our audit strategy and scope:

- The assessment of the carrying value of investments, particularly unquoted investments. This is a key accounting estimate where there is an inherent risk of management override arising from the investment valuations being prepared by the Investment Manager, who is remunerated based on the net asset value of the funds, derived using those valuations.
- We challenged the assumptions inherent in the valuation of unquoted investments by comparing inputs used in the valuation models of these investments to multiples which are derived from stock market trading in shares in entities that are considered to be comparable to the unquoted investments held by the reporting entity. We have reviewed the recent published trading reports for the unquoted investments and considered differences between forecast and actual results. Where a recent transaction is used to value any unquoted investments, we obtained an understanding of the circumstances surrounding those transactions and whether they were considered to be on an arms-length basis. We have also reviewed disclosures made in the financial statements.
- We also considered the controls over the pricing of quoted investments and tested the pricing of quoted investments to independent sources.
- Revenue recognition, which consists of dividends receivable from investee companies and interest earned on corporate bonds, UK Gilts and cash balances. Revenue recognition is considered to be a significant audit risk as the company invests primary in AIM companies dividends receivable can be difficult to predict.
- We considered the controls relating to revenue recognition and undertook testing of interest income by comparing actual income to expectations generated using the interest rates in the loan instruments. We also tested dividends receivable, to expectations set from independent published data on dividends declared by the investee companies held in the reporting period. We sample tested the categorisation of dividends received from investee companies between revenue and capital.
- Completeness of expenditure, in view of industry practice to compare the performance of funds, partly based on the level of their on-going charges, as well as the existence of an expense cap on the management fee which could increase the risk of management override in the recognition of costs. We agreed recurring costs to expectations set based on prior years amended for known changes, agreed engagement terms with suppliers and agreement to invoices on a sample basis. We also confirmed the extent to which ad-hoc costs incurred on the fundraising represented obligations at the end of September 2013 and we confirmed the appropriateness of the classification of costs of the share buy-back and share offer being charged to reserves.

The Audit Committee's consideration of these key issues is set out on page 25 to 27.

Purpose of this report

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 auditor

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 Financial Reporting Council's (FRC'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 FRC's website at www.frc.org.uk/auditscopeukprivate

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users, that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements.

We determined materiality for the financial statements as a whole to be £398,000. In determining this, we based our assessment on a level of 2% of net assets which reflects the underlying level of precision within the valuation of the investment portfolio and the range of reasonably possible alternative valuations that could be expected to apply to all investments. On the basis of our risk assessment, together with our assessment of the company's control environment, our judgement is that performance materiality for the financial statements should be 75% of materiality, namely £298,500. Our objective in adopting this approach is to ensure that total detected and undetected audit differences do not exceed our materiality of £398,000 for the financial statements as a whole.

International Standards on Auditing (UK & Ireland) also allow the auditor to set a lower materiality for particular classes of transaction, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. In this context, we set a lower level of materiality to apply to those classes of transactions and balances which impact on the costs and the net revenue returns of the company. We determined materiality for this area to be £4,700.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £7,960, as well as differences below that threshold affecting the net revenue returns or that, in our view, warranted reporting on qualitative grounds.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the corporate governance statement set out on pages 24 to 28 of the annual report with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

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

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 28, in relation to going concern;
- the part of the corporate governance statement relating to the company's compliance with the nine 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.

We have nothing to report in respect of these matters.

Neil Fung-On (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
13 December 2013

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

INCOME STATEMENT
For the year ended 30 September 2013

	Note	Revenue £000	Capital £000	Total £000
Net gain on investments held at fair value through profit or loss	7	-	3,910	3,910
Income	2	213	-	213
		213	3,910	4,123
Management fee	3	(65)	(194)	(259)
Other expenses	4	(212)	-	(212)
		(277)	(194)	(471)
(Loss)/Profit on ordinary activities before taxation		(64)	3,716	3,652
Taxation	5	-	-	-
(Loss)/Profit after taxation		(64)	3,716	3,652
(Loss)/Profit per share (pence)	6	(0.24)	14.05	13.81

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

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

As at 30 September 2013

Company registration number: 5206425
(in England and Wales)

	Note	2013 £000	2012 £000
Fixed assets			
Investments at fair value through profit or loss	7	18,000	14,621
Current assets			
Debtors	9	32	28
Cash at bank	12	2,077	863
		2,109	891
Creditors: amounts falling due within one year	10	(179)	(173)
Net current assets		1,930	718
Net assets		19,930	15,339
Capital and Reserves			
Called up share capital	11	304	277
Special reserve		10,188	11,808
Capital reserve – realised		(5,606)	(5,786)
Capital reserve – unrealised		4,996	1,460
Revenue reserve		(22)	42
Share Premium		9,186	6,667
Capital redemption reserve		884	871
Equity shareholders' funds		19,930	15,339
Net asset value per share	13	71.87p	61.35p

These financial statements were approved and authorised for issue by the Board of Directors on 13 December 2013 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 2013

	Note	2013 £000	2012 £000
Net cash (outflow) from operating activities	15	(256)	(215)
Net financial investment	15	531	1,704
Dividends paid	18	(853)	(906)
Cash (outflow)/inflow before management of liquid resources		(578)	583
Financing	15	1,792	(922)
Increase/(Decrease) in cash	12	1,214	(339)

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

For the year ending 30 September 2013

	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 2012	277	871	(5,786)	1,460	11,808	6,667	42	15,339
Share buybacks	(13)	13	-	-	(767)	-	-	(767)
Subscriptions	40	-	-	-	-	2,519	-	2,559
Equity dividends paid (Note 18)	-	-	-	-	(853)	-	-	(853)
Realised gains on investments	-	-	374	-	-	-	-	374
Unrealised gains on investments	-	-	-	3,536	-	-	-	3,536
Management fee charged to capital	-	-	(194)	-	-	-	-	(194)
Revenue loss after taxation for the year	-	-	-	-	-	-	(64)	(64)
Total profit after taxation	-	-	180	3,536	-	-	(64)	3,652
At 30 September 2013	304	884	(5,606)	4,996	10,188	9,186	(22)	19,930

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 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

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 18.

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

	2013 £000	2012 £000
Income from investments:		
UK dividends	148	129
Unfranked investment income	61	84
	------	------
	209	213
Other income:		
Deposit interest	4	4
	------	------
Total income	213	217
	------	------

3. Management Fees

Ordinary Shares	2013 Revenue £000	2013 Capital £000	2013 Total £000	2012 Revenue £000	2012 Capital £000	2012 Total £000
Management fees	65	194	259	58	174	232
	------	------	------	------	------	------
	65	194	259	58	174	232
	------	------	------	------	------	------

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 2013, £24,473 (2012 – £18,934) 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 2013 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 2013.

4. Other Expenses

	2013 £000	2012 £000
General expenses:		
Administration Fee	35	35
Legal & Professional	9	13
Other expenses	107	127
Directors' fees	48	48
Auditors' remuneration		
- for audit services	13	13
	------	------
	212	236
	------	------

The maximum aggregate Directors' emoluments authorised by the Articles of Association are £200,000 per annum. Future director emoluments will be subject to a binding vote at the next AGM and will be reviewed annually thereafter.

5. Tax on ordinary activities

The tax charge for the year is based on the standard rate of UK Corporation Tax of 23%.

	2013 Total £000	2012 Total £000
Profit on ordinary activities before taxation	1,010	933
	-------	-------
UK Corporation Tax 23% (2012 – 24%)	232	224
Effect of non taxable gains/losses on investments	(899)	(284)
Effect of non taxable UK dividend income	(34)	(31)
Effect of current year losses carried forward	(701)	91
	-------	----------
Current tax charge	-	-
	-------	----------

Tax losses carried forward at the balance sheet date were £1,805,824 (2012 - £1,400,276).

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

	2013 Revenue pence	2013 Capital pence	2013 Total pence	2012 Revenue pence	2012 Capital pence	2012 Total pence
Return gain per ordinary share: - basic	(0.24p)	14.05p	13.81p	(0.30p)	3.94p	3.64p
	----------	----------	----------	----------	-----------	-----------

Revenue return per ordinary share based on a net revenue loss on ordinary activities after taxation of £63,935 (2012 - £76,754 loss) and on 26,446,613 (2012 – 25,634,536) 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 £3,715,983 (2012 – £1,009,644) for the year and on 26,446,613 (2012 – 25,634,536) 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	
	2013 £000	2012 £000	2013 £000	2012 £000	2013 £000	2012 £000	2013 £000	2012 £000
Investments	16,391	12,611	819	614	790	1,396	18,000	14,621
	--------	--------	-------	-------	---------	-------	--------	--------
Movement in year:								
Opening Valuation	12,611	11,518	614	505	1,396	3,118	14,621	15,141
Re-Classification	300	(13)	(300)	13	-	-	-	-
In administration	(240)	-	-	-	-	-	(240)	-
Purchases at cost	2,805	3,633	630	34	-	246	3,435	3,913
Sales - proceeds	(3,355)	(3,586)	-	-	(611)	(2,031)	(3,966)	(5,617)
- realised (losses)/gains	494	(766)	-	-	119	36	613	(730)
Movements unrealised	3,776	1,825	(125)	62	(114)	27	3,537	1,914
	--------	--------	-------	-------	--------	--------	--------	--------
Closing valuation	16,391	12,611	819	614	790	1,396	18,000	14,621
Closing book cost	11,020	11,016	1,238	908	745	1,237	13,003	13,161
	--------	--------	-------	-------	---------	-------	--------	--------
Closing unrealised	5,371	1,595	(419)	(294)	45	159	4,997	1,460
	--------	--------	-------	-------	---------	-------	--------	--------

Realised (loss)/gain on sales	254	(766)	-	-	119	36	373	(730)
Unrealised gain/(loss) on investments	3,776	1,825	(125)	62	(114)	27	3,537	1,914
	--------	--------	-------	-------	---------	---------	--------	--------
Gain/(loss) on investments	4,030	1,059	(125)	62	5	63	3,910	1,184
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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 arm's 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 transaction in the shares (on an arm's length basis) in July 2011.

The valuation is tested against a peer group by comparing the EV/EBITDA ratios in the current financial year, although we note the limited number of listed comparators of an equivalent size and maturity.

TMO Renewables Limited (unquoted)

The fair value of the investment has been written down to 0p as the company requires further funding. We attribute a high level of risk to the likely success of the company's current fundraising initiatives.

Brigantes Energy (unquoted)

The fair value of the investment has been held at cost. Although the company is engaged in determining whether their respective assets hold oil and gas and whether extraction of these assets is commercially viable, there is no conclusive evidence to suggest this will be the case. As is prudent the fair value of the investment has been held at cost until further information is released.

Corfe Energy (unquoted)

The fair value of the investment has been held at cost. Although the company is engaged in determining whether their respective assets hold oil and gas and whether extraction of these assets is commercially viable, there is no conclusive evidence to suggest this will be the case. As is prudent the fair value of the investment has been held at cost until further information is released.

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.

Nektan (unquoted)
The fair value of the investment has been held at book cost.

	2013 Level 1 £'000	2013 Level 2 £'000	2013 Level 3 £'000	2013 Total £'000	2012 Level 1 £'000	2012 Level 2 £'000	2012 Level 3 £'000	2012 Total £'000
Investments	17,181	217	602	18,000	14,007	-	614	14,621
	---------	---------	---------	---------	---------	---------	---------	---------

Reconciliation of Level 2 Investments

	2013 £'000	2012 £'000
Balance Brought Forward	-	-
Re-Classification	-	-
Acquisitions	200	-
Sale Proceeds	-	-
Realised Gains/Losses	-	-
Movements Unrealised	17	-
Balance Carried Forward	-----	-----
	217	-
	-----	-----

Reconciliation of Level 3 Investments

	2013 £'000	2012 £'000
Balance Brought Forward	614	505
Re-Classification **	(300)	13
Acquisitions	430	34
Sale Proceeds	-	-
Realised Gains/Losses	-	-
Movements Unrealised	(142)	62
Balance Carried Forward	-----	-----
	602	614
	-----	-----

** The Re-Classification transfer represents Outsorcery Group which is now listed.

8. Significant Interests

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

Imaginatik	9.81%
Porta Communications	3.43%

9. Debtors

	2013 £000	2012 £000
Prepayments and accrued income	32	28
	------	------

10. Creditors: amounts falling due within one year

	2013 £000	2012 £000
Trade Creditors	108	108
Accruals and deferred income	71	65
	--------	--------
	179	173
	--------	--------

11. Called up share capital

	2013 £000	2012 £000
Allotted, called-up and fully paid:30,441,322 (2012 – 27,712,757) ordinary shares of 1p each (Includes 2,711,134 shares held as treasury).	304	277
	--------	--------

During the year 1,269,517 ordinary shares were purchased through the buy back facility at a cost of £766,795 of which all shares were cancelled.

11. Called up share capital (continued)

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 2012	Cash Flows	At 30 September 2013
	£000	£000	£000
Cash at bank	863	1,214	2,077
	--------	--------	--------
	At 1 October 2011	**Cash Flows**	**At 30 September 2012**
	£000	**£000**	**£000**
Cash at bank	1,202	(339)	863
	--------	--------	--------

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	
	2013	**2012**	**2013**	**2012**
	pence	**pence**	**£000**	**£000**
Ordinary shares - Basic	71.87	61.35	19,930	15,339
	--------	--------	--------	--------

Net asset value per share is based on net assets at the year end and on 27,730,188 (2012 – 25,001,623) ordinary shares being the number of shares in issue at year end (Not including 2,711,134 shares held as treasury (2012 – 2,711,134)).

14. Contingencies, guarantees and financial commitments
There were no contingencies, guarantees or financial commitments of the Company at the year end (2012 - nil).

15. Notes to the Cash Flow Statement

(a) Reconciliation of operating profit to operating cash flows

	2013 £000	2012 £000
Total profit on ordinary activities before taxation	3,652	933
Realised (profit)/losses on investments	(374)	730
Unrealised (profit) on investments	(3,536)	(1,914)
(Increase)/decrease in debtors	(4)	24
Increase in creditors	6	12
Net cash (outflow) from operating activities	(256)	(215)

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

	2013 £000	2012 £000
Net financial investment:		
Purchase of investments	(3,435)	(3,913)
Sale of investments	3,966	5,617
	531	1,704

	2013 £000	2012 £000
Financing:		
Share Buybacks	(767)	(5,918)
Issue of Share Capital	2,559	4,996
	1,792	(922)

16. Related party transactions

Hargreave Hale Limited

Giles 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 £258,616 (2012 - £232,515) as detailed in Note 3. Hargreave Hale is responsible for Administration, Company Secretary, Directorship and Custodian services and received fees of £77,000 (2012- £77,000) in relation to these services. Of those fees, £14,280 (2012 - £31,267) 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 13 September 2013 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 offer for subscription was approved by shareholders of the Company at a General Meeting on 31 October 2013.

As a result of the previous offer which closed on 25 September 2013, 3,998,082 new Ordinary shares were issued by the Company raising gross proceeds of £2.61 million. The 3% premium of £78,422 was payable to

Hargreave Hale Limited to cover the cost of additional shares allotted of £23,021 and introducer commission of £10,015, resulting in net fees payable to Hargreave Hale Limited of £55,052. A maximum of 3,738,300 Ordinary Shares could be repurchased by the Company and so all applications have been accepted in full.

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 24 of the annual report and accounts. The Board meets quarterly to review accounts and monitor all risks.

A detailed review of the investment portfolio is contained in the Chairman's statement and Manager's report on pages 4 and 10 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 £2,077,248 (2012 - £862,622) which is classified as 'loans and receivables measured at amortised cost'. Financial liabilities consist of trade creditors and accruals of £178,356 (2012 - £173,103) 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 2013.

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 more risk than large capitalisation investment portfolios.

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

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

		2013	2012
		£000	**£000**
Equity	Fair value	17,210	13,225
Gilts/Bonds	Fair value	790	1,396
		----------	----------
		18,000	14,621
		----------	----------

A 10% increase or decrease in the investment portfolio would have a £1,800,000 (2012 - £1,462,100) 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 2013			
	Fixed Rate	Variable Rate	Non-Interest Bearing	Total
	£000	£000	£000	£000
Investments	790	-	17,210	18,000
Cash and cash equivalents	-	2,077	-	2,077
Other currents assets and current liabilities (net)	-	-	(147)	(147)
Net assets	790	2,077	17,063	19,930

	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

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 2013 the Company held £2,077,248 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:

	2013 £000	2012 £000
Investments – UK Gilts	790	1,396
Cash & cash equivalents	2,077	863
Other current (liabilities)/assets (net)	(147)	(145)
	2,720	2,114

Cash balances were held on deposit with RBS at 30 September 2013.

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

	2013 Ord £000	2012 Ord £000
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: Final dividend of 1.75 pence for year ended 30 September 2012	438	-
Paid per share: Interim dividend of 1.5 pence for year ended 30 September 2013	415	-
	853	906
Proposed per share: Final dividend of 2.25 pence for the year ended 30 September 2013	637	-
Proposed per share: Final dividend of 2 pence for the year ended 30 September 2012	-	438

19. Post Balance Sheet Events
The Directors of the Company announced on 1 November 2013 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 31 October 2013 and is open to both new and existing shareholders.

Since its launch on 1 November 2013 the offer has resulted in funds being received of £0.58 million and the issue of 0.63 million shares. The Offer will close at 12pm on 31 October 2014 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

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Company Registration Number
05206425 in England and Wales

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of Hargreave Hale AIM VCT 1 plc ("the Company") will be held at Accurist House, 44 Baker Street, London on 22 January 2014 at 10.30am for the purposes of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 6 will be proposed as ordinary resolutions and 7 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 2013;
2. To receive and approve the Directors Remuneration Report for the year ended 30 September 2013;
3. To reappoint BDO LLP as Auditors to the company and to authorise the Directors to determine their remuneration;
4. To re-elect David Brock as a Director of the Company;
5. To approve a final dividend of 2.25 pence per ordinary share in respect of the year ended 30 September 2013.

Special Business

Ordinary Resolutions

6. THAT, in substitution for existing authorities to the extent unused, the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot ordinary shares of 1p ("Ordinary Shares") each in the capital of the Company and to grant rights to subscribe for or convert any security into Ordinary Shares in the Company ("Rights") up to an aggregate nominal value of £100,000, this authority to expire on the earlier of the conclusion of the Company's next annual general meeting in 2015 and the expiry of 15 months from the passing of this resolution (unless previously revoked, varied or extended by the Company in general meeting), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require Ordinary Shares to be allotted or Rights to be granted after such expiry.

Special Resolutions

7. THAT, in substitution for any existing power under Section 570 of the Act, but without prejudice to the exercise of any such power prior to the date hereof, the Directors be and are hereby empowered during the period commencing on the passing of this resolution and expiring on the conclusion of the Company's next annual general meeting in 2015 or on the expiry of 15 months from the date of the passing of this resolution, whichever is the earlier (unless previously revoked, varied or renewed by the Company in general meeting pursuant to Section 570 of the Act), to allot equity securities (as defined in Section 560(1) and 560(2) of the Act) for cash pursuant to the authority given in accordance with Section 551 of the Act, pursuant to resolution (6) above, or by way of sale of treasury shares, as if Section 561 of the Act did not apply to any such allotment or sale, but so that this authority shall allow the Company to make offers or agreements before the expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired.

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

a) the maximum aggregate number of Ordinary Shares authorised to be purchased is such number thereof being 14.99% of the issued share capital;
b) the maximum price which may be paid for an Ordinary Share is an amount equal to the maximum amount permitted to be paid in accordance with the rules of the UK Listing Authority in force as at the date of purchase;
c) the minimum price which may be paid for an Ordinary Share is its respective nominal value;
d) this authority shall expire at the conclusion of the Company's next annual general meeting in 2015 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.

9. THAT, the amount standing to the credit of the capital redemption and share premium reserves of the Company, at 6pm on the day before the date of the final hearing of the Company's application to cancel its capital redemption and share premium reserves, be and hereby is cancelled.

By order of the Board

Stuart Brookes
Company Secretary

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

Date: 13 December 2013

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

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

The Company, pursuant to Regulation 41 of the Uncertified Securities Regulations 2001 specifies that only those Shareholders registered in the register of members of the Company as at 6.00pm on 20 January 2014 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 20 January 2014 (or in the event that the meeting is adjourned, as at 6.00pm two days prior to the adjourned meeting) shall be disregarded in determining the rights of any person to attend or vote at the meeting notwithstanding any provisions in any enactment, the Articles of Association of the Company or any other instrument to the contrary.

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

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

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

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

In accordance with section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website http://www.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 12 December 2013 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 31,023,442 (of which 2,711,134 are held in Treasury) ordinary shares, carrying one vote each. Therefore the total voting rights in the Company are 28,312,308.