
HARGREAVE HALE AIM VCT 1 plc

Annual Report and Accounts
Year ended 30 September 2017

HARGREAVEHALE



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INVESTMENT OBJECTIVE

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

FINANCIAL HIGHLIGHTS

Ordinary Shares (as at 30 September):	2017	2016
Net asset value per share	80.82p	75.93p
Cumulative distributions paid per share since launch	46.00p	42.00p
Total return per share	126.82p	117.93p
Annual Returns per share (basic and diluted):		
Revenue return	(0.13)p	(0.11)p
Capital return	8.99p	5.69p
Combined return	8.86p	5.58p
Dividends per share:		
Interim paid	1.75p	1.75p
Final proposed/paid	2.25p	2.25p
Total dividend for year	4.00p	4.00p
Ongoing Expense Ratio*	1.86%	1.99%
Performance Benchmark:		
FTSE AIM All-share Index (results rebased to 100 at 29 October 2004)	104.19	84.98

* Calculated as total expenses minus ad hoc legal costs and adjusted for trail commission written off, divided by year end net assets

The Glossary of Terms can be found on page 55 of the report.

CHAIRMAN'S STATEMENT

INTRODUCTION

Following the success of our joint offer for subscription I would like to welcome a large number of new shareholders.

At 30 September 2017, the Net Asset Value (NAV) was 80.82 pence which after adjusting for the dividends paid gives a Total Return since inception of 126.82 pence. The earnings per share gain for the year was 8.86 pence (comprising a revenue loss of 0.13 pence and capital gains of 8.99 pence). The NAV Total Return (NAV plus dividends paid) for the period was a gain of 11.7% compared to a gain of 24.4% in the FTSE AIM All-share Total Return Index. We are pleased with this performance given the constraints placed on managers of VCT funds and note that the AIM index is heavily influenced by a handful of companies.

INVESTMENTS

The investment manager, Hargreave Hale Limited, invested a further £8.29 million in 21 Qualifying Companies during the year. The fair value of Qualifying Investments at 30 September 2017 was £38.01 million invested in 64 AIM companies and 13 unquoted companies. £28.12 million was held in a mix of cash and non-qualifying equities; more detail can be found in the investment manager's report on page 13.

DIVIDEND

An interim dividend of 1.75 pence was paid on 30 June 2017 (Interim 2016: 1.75 pence).

A final dividend of 2.25 pence is proposed (2016: 2.25 pence) which, subject to shareholder approval at the Annual General Meeting, will be paid on 30 January 2018 to ordinary shareholders on the register on 29 December 2017.

The Directors continue to maintain their policy of targeting a tax free dividend yield equivalent to 5% of the year end NAV.

BUYBACKS

In total, 880,040 shares were purchased during the year at a weighted average price of 75.33 pence per share. A further 1,056,883 shares have been purchased since the year end at a weighted average price of 79.27 pence per share.

The Board continues to target a share price discount of 5% to the NAV per share (as measured against the mid-price) for market purchases. It should be emphasised that this target is non-binding and depends upon a range of factors, including the Company's liquidity, its shareholder permissions and market conditions.

JOINT OFFER FOR SUBSCRIPTION – 2015

On 17 November 2016, the joint offer for subscription for new shares in Hargreave Hale AIM VCT 1 plc and Hargreave Hale AIM VCT 2 plc (launched in December 2015) was closed with £12.46 million raised for Hargreave Hale AIM VCT 1 plc.

JOINT OFFER FOR SUBSCRIPTION – 2016

The Directors of the Company announced on 14 December 2016 the launch of a new joint offer for subscription for shares in both Hargreave Hale AIM VCTs to raise up to £10 million in the Company and up to £10 million in Hargreave Hale AIM VCT 2 plc. The offer was approved by shareholders of the Company at a general meeting on 12 January 2017 and was open to both new and existing shareholders.

On 9 March 2017 Hargreave Hale AIM VCT 1 plc announced that it had received applications in excess of £10 million and, accordingly, the Directors of Hargreave Hale AIM VCT 1 plc announced that they intended to utilise the £5 million over-allotment facility.

On 15 March 2017, the Company announced that the offer was fully subscribed, resulting in gross funds being received of £15 million and the issue of 18.96 million new shares in the Company.

AUDIT TENDER

As announced in the annual report and accounts for the year ended 30 September 2016, BDO LLP is approaching the maximum 10-year term permitted under mandatory audit tendering legislation for public listed entities. The audit committee led a review process with invitations to tender extended to 10 accountancy practices with relevant knowledge and experience as auditors of Venture Capital Trusts and/or investments trusts. The Board noted personal

recommendations, prior experience and industry reputation in identifying which 5 practices should be taken forward to the second round, which included a meeting with the Board. The audit committee defined and documented the objectives of the review, including the selection criteria and a scorecard to be used when assessing each application. Each of the five applicants made written and verbal representations to the Board, after which they were scored by each Director against the selection criteria. The review process found BDO LLP to be the strongest candidate and the Board moved to re-appoint them as statutory auditor for the Company.

VCT STATUS

To maintain its status as a Venture Capital Trust, the Company is required to invest at least 70% of the net funds raised in any one accounting period into Qualifying Companies by the start of the accounting period containing the third anniversary of the date on which the funds were raised, often referred to as the 'investment test'. I am pleased to report that we continue to perform well against this test and, at the year end, the investment test was 88.59% when measured using HMRC's methodology. The Company satisfied all other tests relevant to its status as a Venture Capital Trust.

REGULATORY UPDATE

Through the budget delivered on 22 November 2017, the government announced substantial changes to the legislation governing the management of Venture Capital Trusts. Broadly speaking, the proposed changes are designed to bring greater focus to the scheme and encourage more investment into small British companies. These changes will come into effect in stages over the period to 5 April 2019.

Some of these changes will have little or no impact on the management of your Company. The most significant of the proposed changes will be the increase in the investment test (as described above) with the minimum percentage of the Company that must be invested into Qualifying Companies increasing from 70% to 80% with effect from 1 October 2019. To assist with this change, the period of disregard for the disposal of Qualifying Investments will be increased from 6 months to 12 months with effect from 6 April 2019.

As described above, Venture Capital Trusts have between two and three years to invest new funds into Qualifying Companies before those new funds are included within the investment test. The draft legislation includes an additional condition to encourage early investment into Qualifying Companies. The new condition will apply to all new funds raised after 5 April 2018, with 30% of the new funds to be invested into Qualifying Companies within 12 months of the end of the accounting period in which the VCT issues the new shares.

The budget did not propose any changes to the tax reliefs available to new or existing shareholders, nor did it propose a change to the 5-year minimum holding period required by those claiming the 30% income tax relief. The first draft of the Finance Bill was published on 1 December 2017.

OUTLOOK

As I suggested last year, the devaluation of the pound has provided support to parts of the UK economy. However, the resulting increase in inflation has put the UK consumer under pressure and consumer confidence is brittle. We have seen evidence of this through reports of weak trading within the retail and casual dining sectors. Perhaps ironically, another casualty of the weakness in sterling has been the UK Government which, through the MOD, is a substantial buyer of USD denominated aircraft and other assets. The resulting squeeze on the defence budget has rippled through the sector and its supply chain.

It is difficult to look at the economic outlook without reference to Brexit. Whilst it is pleasing to see that future negotiations will now include our trade relationship with the European Union, it is a challenge to see how a 'Canada Plus Plus Plus' type arrangement (as recently described by David Davis) can be reached by March 2019. Clearly, there are many obstacles that are yet to be overcome and it is far from clear on what basis we will trade with the European Union or, for that matter, the rest of the world as we transition out of our current trade agreements. It seems the only thing we can be confident of is that the fog of uncertainty will not lift any time soon.

Your Company has a high level of liquid funds and is sufficiently advanced against the investment test to not feel under pressure to invest to achieve the 70% investment test. The portfolio is well diversified and comprises a good number of high quality companies that are well placed to prosper despite the current uncertainties.

SIR AUBREY BROCKLEBANK

Chairman

Date: 19 December 2017

BOARD OF DIRECTORS



SIR AUBREY BROCKLEBANK

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



OLIVER BEDFORD (APPOINTED AS DIRECTOR 13 DECEMBER 2016)

Oliver graduated from Durham University in 1995 with a degree in Chemistry. He served in the British Army for 9 years before joining Hargreave Hale in 2004. Oliver co-manages the investments with Giles Hargreave and supports the other unit trusts as part of the fund management team. Oliver is also a director of Hargreave Hale AIM VCT 2 plc.



DAVID BROCK

An experienced company chairman in both private and public companies, and a former main board director of MFI Furniture Group plc, David joined the Board of Hargreave Hale AIM VCT 1 plc in September 2010. David is chairman of Episys Group Limited and Elderstreet VCT plc and a non-executive director of Puma VCT 12 plc.

STRATEGIC REPORT

The purpose of the strategic report is to inform shareholders on key matters and help them to assess how the directors have performed in their duty to promote the success of the Company. The report has been prepared by the Directors in accordance with the requirements of Section 414A of the Companies Act 2006. The Company's independent auditor is required by law to report on whether the information given within the strategic report is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. The auditor's report is set out on pages 35 to 39.

THE COMPANY AND ITS BUSINESS MODEL

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

The Company has been approved as a Venture Capital Trust by HMRC under Section 259 of the Income Taxes Act 2007. The shares of the Company were first admitted to the Official List of the UK Listing Authority and trading on the London Stock Exchange on 29 October 2004 and can be found under the TIDM code "HHV". The Company is premium listed.

In common with many other VCTs, the Company revoked its status as an investment company as defined in Section 266 of the Companies Act 1985 on 23 May 2006 to facilitate the payment of dividends out of capital profits.

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

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

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

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

INVESTMENT OBJECTIVES

The Company's investment objectives are:

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

ASSET ALLOCATION

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

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

- Bank deposits that are readily realisable; and
- Non qualifying equity exposure in the form of equity exposure to UK and international equities through targeted investments made on an opportunistic basis or through an investment into the Marlborough Special Situations Fund.

INVESTMENT MANAGER

The Company is managed by Hargreave Hale Limited who have been managing investments in UK Small and Micro Cap companies for 19 years and VCTs for 13 years. Hargreave Hale has a long-established reputation as a substantial investor in and a supporter of small British Companies through the main market of the London Stock Exchange and AIM. As well as the two Venture Capital Trusts, the investment team manages 6 unit trusts including the Marlborough Special Situations Fund, the Marlborough UK Micro-Cap Growth Fund and the Marlborough Multi-Cap Income Fund. 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. The breadth of the investment team, the scale of investment into small companies and the investment manager's track record help attract deal flow.

In accordance with the investment policy, both Hargreave Hale AIM VCT 1 and Hargreave Hale AIM VCT 2 have made investments in the Marlborough Special Situations Fund, which has returned 2,884% (to 30 September 2017) since Giles Hargreave took responsibility for it in July 1998.

INVESTMENT STRATEGY

QUALIFYING INVESTMENTS

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

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

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

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

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

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

NON-QUALIFYING INVESTMENTS

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

The investment manager may invest up to 75% of the net proceeds of any issue of new shares into the Marlborough Special Situations Fund subject to a maximum of 20% of the gross assets of the Company. This will enable the Company

to maintain their exposure to small companies indirectly, whilst the investment manager identifies opportunities to invest directly into small UK companies through a suitable number of Qualifying Investments.

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

BUSINESS REVIEW

The chairman's statement and investment manager's report on pages 3 to 4 and 13 to 14 respectively contain a balanced and comprehensive analysis of the business during the financial year and the position of the investments at the year end. The financial position of the Company at 30 September 2017 was strong with no debt or gearing.

KEY PERFORMANCE INDICATORS

At each board meeting, the Directors consider a number of performance measures to assess the investment manager's performance, thereby helping shareholders to assess how the Company is performing against its objectives. The key performance indicators (KPIs) are established industry measures and are as follows:

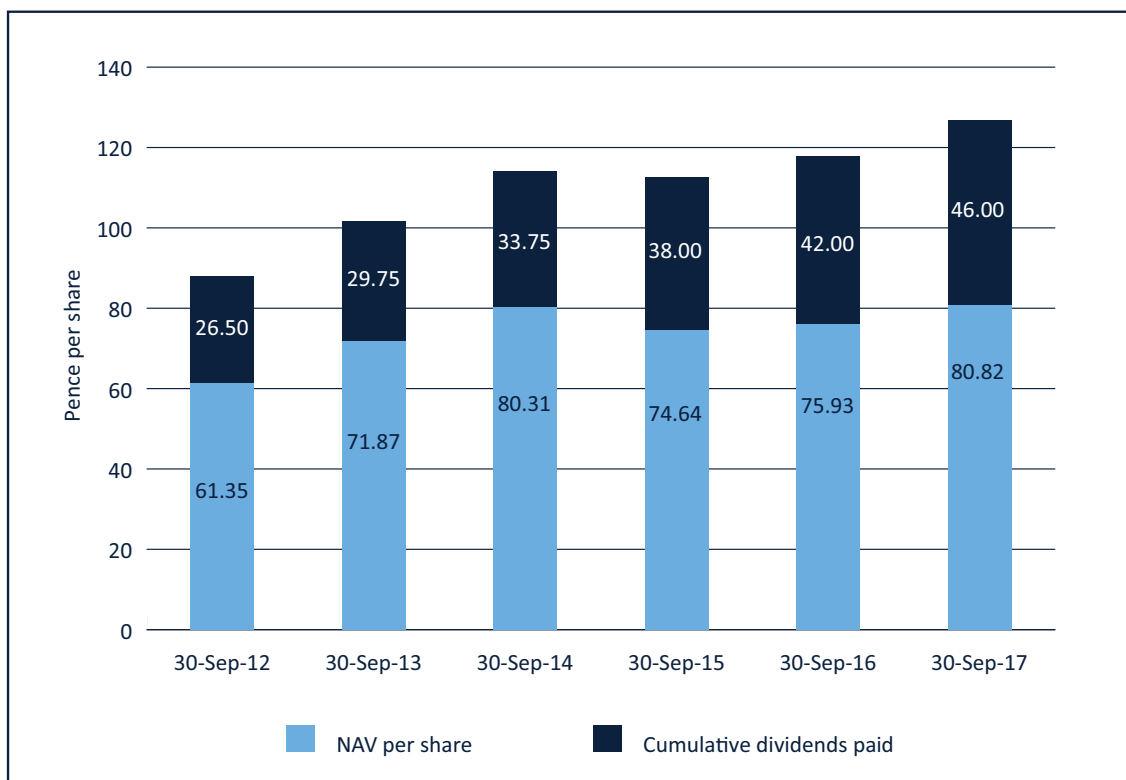
- Net asset value;
- Total return;
- Ongoing Expense Ratio;
- Earnings and dividend per share; and
- Percentage invested in Qualifying Companies.

Commentary on the performance of these KPIs has been discussed in the chairman's statement and investment manager's report on pages 3 to 4 and 13 to 14 respectively. In addition to the above, the Board considers peer group comparative performance. Performance is also measured against the Company's closest benchmark, The FTSE AIM All-share Index. The performance measures for the year are included in the financial highlights on page 2.

OVERVIEW OF THE YEAR

In the financial year under review, net assets increased from £47.1m to £66.0m. In this period the NAV per share increased from 75.93p to 80.82p. This resulted in a gain to ordinary shareholders of 8.89 pence per share after adjusting for dividends paid of 4.00 pence per share, which translates to a gain of 11.7%.

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

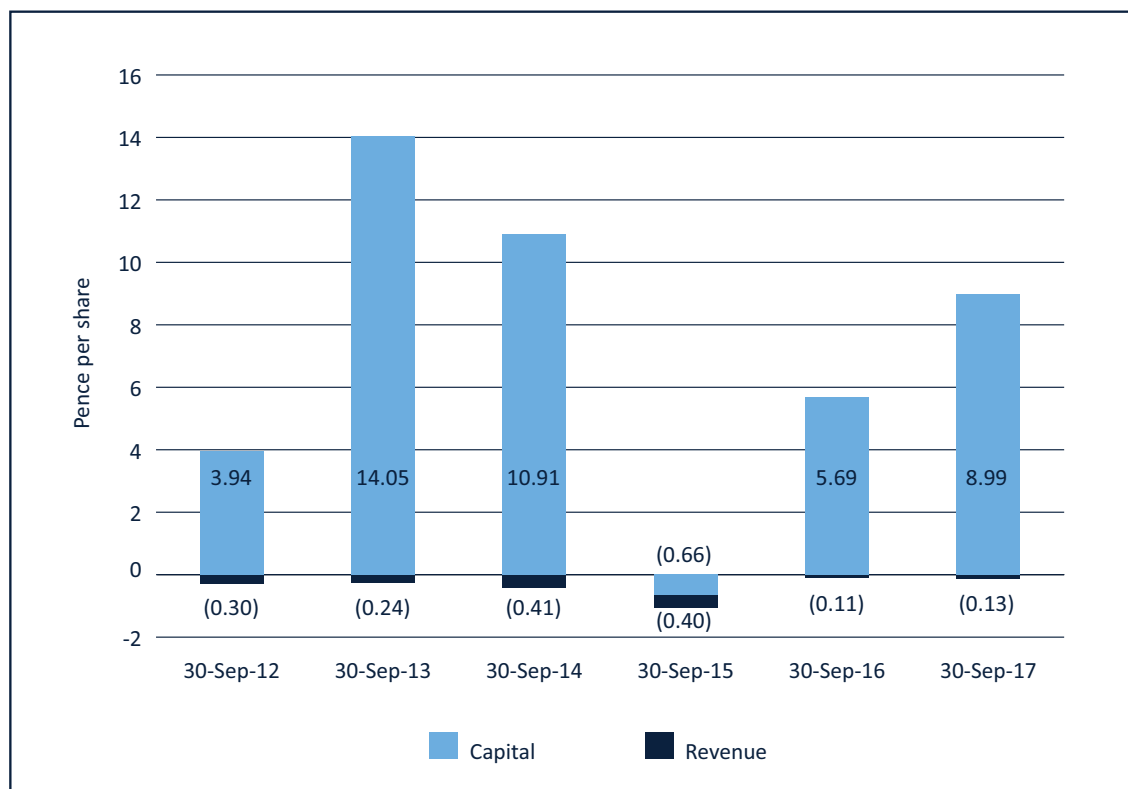


ONGOING EXPENSES

The ongoing charges of the Company for the financial year under review represented 1.86% (2016: 1.99%) of year end net assets, which remains competitive when compared with other AIM focused VCTs. Shareholders should note this ratio has been calculated as total expenses minus ad hoc legal costs, adjusted for trail commission written off in the year, and divided by year end net assets.

EARNINGS PER SHARE

The Company's earnings per share for the year ended 30 September 2017, together with those of the previous five financial years are outlined in the graph below:



The Board is pleased with the Company's performance over the period under review.

DIVIDENDS

An interim dividend of 1.75 pence was paid on 30 June 2017 and a final dividend of 2.25p has been proposed.

INVESTMENTS

As a whole, during the year, the qualifying portfolio increased from £28.7m to £38.0m. The Company made 22 Qualifying Investments at a cost of £8.3m, of which 12 were investments into new Qualifying Companies.

For further details please refer to the investment managers report on pages 13-14.

BORROWINGS

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

BUYBACKS

In total, 880,040 shares were purchased during the year at a weighted average price of 75.33 pence per share.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

Risk	How the Board mitigates risk
<p>Venture Capital Trust approval risk – the Company operates in a complex regulatory environment and faces a number of related risks. A breach of Section 259 of the Income Taxes Act 2007 could result in the disqualification of the Company as a VCT and the loss of tax reliefs for the Company and individual shareholders.</p>	<p>To reduce this risk, the Board has appointed the investment manager, who has significant experience in venture capital trust management and reports to the Board regularly throughout the year. In addition, to provide further formal assurance, the Board has appointed Philip Hare & Associates LLP to monitor compliance with regulations and provide half yearly compliance reports to the Board.</p>
<p>Investment risk – Many of the Company's investments are held in high risk companies which are either listed on AIM or privately held.</p>	<p>The investment manager maintains a broad portfolio of investments and holds regular company meetings to monitor investments and identify potential risk. Regular board meetings and dialogue with the Directors support strong governance. Whilst tax legislation limits each Company's maximum exposure to a single Qualifying Investment to 15% of net assets (at cost), the investment manager's preference for portfolio diversification means that Qualifying Investments rarely exceed 5% of net assets.</p>
<p>Discount volatility – Venture Capital Trust shares tend to trade at discounts to their underlying net asset values, which can fluctuate considerably.</p>	<p>To minimise the impact of such fluctuations, the Company has a share buyback policy whereby the Company purchases shares for cancellation.</p>
<p>Compliance risk – The Company is required to comply with the rules of the UK Listing Authority, the Companies Act, Accounting Standards and other legislation. The Company is also a small registered Alternative Investment Fund Manager ("AIFM") and has to comply with the requirements of the AIFM Directive.</p>	<p>Failure to comply with these regulations could result in a delisting of the Company's shares, financial penalties, a qualified audit report or loss of shareholder trust. Board members and the investment manager have considerable experience of operating at senior levels within quoted businesses. Regulatory requirements are continually reviewed and the Board seek legal advice when appropriate.</p>
<p>Economic risk – Events such as economic recession and movement in interest rates could affect smaller companies' valuations.</p>	<p>The investment manager constantly monitors the markets and the portfolio companies and reports to the Board at each meeting. The risk that the value of a security or portfolio of securities could decline in the future is mitigated by holding a diversified portfolio, across a broad range of sectors.</p>
<p>Fraud – Fraud may occur enacted by a third party, the investment manager or administrator.</p>	<p>Internal controls are documented and periodically reviewed on a quarterly basis by senior management. The investment management and administration functions are segregated by department and location.</p>

Risk	How the Board mitigates risk
Operational risk – Failure of the investment manager/administrator’s systems or disruption to their business could result in the inability to provide accurate reporting.	The Board regularly reviews the system of internal controls, both financial and non-financial, operated by the Company and Hargreave Hale Ltd. Hargreave Hale Ltd has in place its own internal policies and procedures including a documented business continuity plan and a regularly tested disaster recovery plan to mitigate risk.
Reputational risk – Inadequate or failed controls might result in breaches of regulations or loss of shareholder trust.	The investment manager operates a robust risk management system which is reviewed regularly to ensure controls remain effective in mitigating risks to the Company. Details of the Company’s internal controls are on page 32.
Liquidity risk – Investments in small companies are often illiquid and may be difficult to realise.	The funds liquidity is monitored on a monthly basis.
Outsourcing risk – The risk that quality standards may be reduced through lack of understanding or loss of control.	Reputable firms are used and documents are reviewed internally.

Additional risks and further details of the above risks and how they are managed are explained in Note 16 of the financial statements. Trends affecting future developments are discussed in the chairman’s statement on pages 3 to 4 and the investment manager’s report on pages 13 to 14.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

The Board conducts the Company’s affairs responsibly and expects the investment manager to consider social and environmental matters when appropriate, particularly with regard to investment decisions. The Company offers electronic communications where acceptable to reduce the volume of paper it uses.

HUMAN RIGHTS

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

LONG TERM VIABILITY STATEMENT

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Directors have carried out a robust assessment of the principal risks relating to the Company. This assessment has been carried out over a longer period than the 12 months required by the ‘Going Concern’ provision. The Board conducted this review for a period of five years, which was selected because it:

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

The Board considers the viability of the Company as part of its continuing programme of monitoring risk. The Company has a detailed risk control framework, documented procedures and forecasting model in place to reduce the likelihood and impact of risk taking that exceeds the agreed levels by the Board. These controls are reviewed by the Board and Hargreave Hale on a quarterly basis.

The Board has considered severe but reasonable scenarios and the effect of any mitigating actions, the potential impact of these risks on the business model, future performance and liquidity of the Company.

The Directors consider the Company to be viable for a further five years for the following reasons:

- The Company maintains a broad portfolio of investments including approximately £20.1 million invested in non-qualifying investments and a further £8.0 million in cash. The Company therefore has sufficient liquidity which is monitored monthly;
- The Company is well invested against the VCT status test and ended the year at 88.59% invested in qualifying companies. The Board anticipate that there will continue to be suitable Qualifying Investments available over the next five years;

- The ongoing expense ratio of the Company for the year end was 1.86%, which is competitive for the VCT sector;
- The financial position of the Company at 30 September 2017 was strong with no debt or gearing; and
- The Company has sufficient procedures in place to identify, monitor and control risk.

Based on this assessment the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years.

PROSPECTS

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

EMPLOYEES

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

By order of the Board of Directors.

STUART BROOKES

Company Secretary

Date: 19 December 2017

INVESTMENT MANAGER'S REPORT

INTRODUCTION

This report covers the 2016/17 financial year, 1 October 2016 to 30 September 2017. The investment manager's report contains references to movements in the Net Asset Value (NAV) per share and Total Return per share (NAV per share plus distributed earnings per share). Movements in the NAV per share do not necessarily mirror the earnings per share (EPS) reported in the accounts and elsewhere, which convey the profit after tax of the Company within the reported period as a function of the weighted average number of shares in issue for the period.

INVESTMENT REPORT

In contrast to the volatility of last year, the year under review was one of stability and consistent NAV appreciation amid evidence of a sustained and coordinated recovery in the global economy. US equities have led the way as macroeconomic data continues to be supportive and US technology large caps continue to deliver impressive returns. In the UK, the economy has proved more resilient than expected against the backdrop of Brexit, and the equity markets have delivered good returns.

We continue to grapple with the potential impact of Brexit on our portfolio which, for now, is most apparent through the devaluation of sterling and the impact on those that export and/or import material amounts of goods and services to or from the EU27. We expect the next 12 months to bring greater clarity on this, at which point we will be better placed to assess the implications for the companies within the portfolio. The good news is that Brexit related uncertainty is yet to weigh on the appetite for capital and we continue to find ourselves in front of many interesting companies with positive stories of secular growth and innovation. Although we would be far from immune to the negative effects that would flow from a poorly constructed exit from the European Union, for now positivity wins the day. To that end, we intend to continue with business as usual while keeping a close eye on events as they unfold.

PERFORMANCE

In the twelve months to 30 September 2017, the NAV increased from 75.93p to 80.82p. A total of 4 pence per share was paid in dividends, giving investors a combined return of 8.89 pence per share, which translates to a gain of 11.7%. During the same period, the FTSE AIM All-Share Total Return gained 24.4%, whilst the FTSE 100 Total Return gained 11.2%. It is worth touching on the particularly impressive performance of the FTSE AIM All-Share index, which is heavily influenced by the performance of the ten largest companies on AIM who account for nearly one quarter of the total index despite a membership that extends to nearly one thousand companies. Strip out the top 10 and the performance of the index was materially lower. The impact of the top 10 on AIM can be seen in the outperformance of AIM against the FTSE Small Cap Index, which returned 17.8% over the same period.

The Qualifying Investments made a net contribution of 5.25 pence per share. The balance was the net of non-qualifying portfolio gains, running costs and investment income.

Zoo Digital was the top performing qualifying investment (+311.1%, +1.81 pence per share) as the shares responded to a set of strong results in March 2017, an encouraging trading update in July 2017 and director's buying. Learning Technologies Group (LTG) was another strong performer (+66.4%, +0.93 pence per share) following the well received and earnings enhancing acquisition of Net Dimensions, coupled with high double digit organic growth across the broader LTG portfolio. Quixant (+63.0%, +0.81 pence per share), Gfinity (+180.0%, +0.75 pence per share) and Cohort (+28.1%, +0.71 pence per share) were also significant contributors over the period.

The biggest loss within the period came from TrakM8 (-59.0%, -0.87 pence per share) after the company announced a significant profit warning in November 2016 following the delayed launch of a material new contract, with the impact magnified by investments made in anticipation of increased volumes that then failed to materialise. Other losses came from K3 (-55.7%, -0.82 pence per share), TLA (-63.4%, -0.55 pence per share), Portr (-30.0%, -0.52 pence per share) and Tasty (-76.8%, -0.44 pence per share).

We invested £8.29m into 22 Qualifying Investments over the period, including 10 further investments into existing Qualifying Companies (2 private); 4 IPOs; 3 secondary placings into listed companies and 5 additional private investments.

Within the qualifying portfolio we reduced our investments in Zoo Digital, Creo, Gfinity, Faron Pharma, Abcam, DP Poland, Loop Up, Surface Transforms, Maxcyte and Craneware. All 10 companies experienced strong runs in the market. We completely exited ECSC, Free Agent, Audioboom, Directa Plus, Haydale Graphene and Synairgen following prolonged periods of poor progress. We also exited Kalibrate and Electrical Geodesics through trade sales.

PORTFOLIO STRUCTURE

The VCT is comfortably through the HMRC defined investment test and ended the period at 88.59% invested as measured by the HMRC investment test. By market value, the VCT had a 57.6% weighting to Qualifying Investments.

The allocation to non-qualifying equity investments increased from 15.4% to 19.6%. We continued to make use of the Marlborough Special Situations Fund as a temporary home for proceeds from fundraising; the allocation increased from 4.7% to 10.9%. The non-qualifying investments contributed +4.52 pence per share to the overall gains. Fixed income as a percentage of the fund decreased from 0.9% to 0.0% and cash decreased from 18.4% to 12.1%.

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

POST PERIOD END UPDATE

Deal flow has been good since period end with 7 new Qualifying Investments made. Of these, 4 (Angle, Cloudcall, Faron Pharma and Hardide) were follow on investments into existing Qualifying Companies, whilst 3 (Beeks Financial, Fusion Antibodies and Mirriad Advertising) were into new investments made at the time of the IPO.

For further information please contact:

STUART BROOKES
Company Secretary

Registered office:
Hargreave Hale AIM VCT 1 plc,
41 Lothbury
London EC2R 7AE
01253 754740

Date: 19 December 2017

INVESTMENT PORTFOLIO SUMMARY

ORDINARY SHARE FUND AS AT 30 SEPTEMBER 2017

Qualifying Investments	Cost £000	Valuation £000	Valuation %	Net Assets %	Sector
Cohort plc	619	1,886	3.24	2.86	Industrials
Learning Technologies Group plc	663	1,681	2.89	2.55	Information Technology
Abcam plc	55	1,680	2.89	2.54	Health Care
Zoo Digital Group plc	393	1,612	2.77	2.44	Information Technology
Quixant plc	160	1,530	2.63	2.32	Consumer Discretionary
AnimalCare Group plc	220	1,400	2.41	2.12	Health Care
Craneware plc	125	1,274	2.19	1.93	Health Care
Eagle Eye Solutions Ltd	967	1,201	2.07	1.82	Information Technology
Idox plc	135	1,162	2.00	1.76	Information Technology
SCA Investments Ltd (Gousto)**	1,002	1,000	1.72	1.52	Consumer Discretionary
Portr Ltd**	873	998	1.72	1.51	Information Technology
Science in Sport plc	778	981	1.69	1.49	Consumer Staples
DP Poland plc	594	970	1.67	1.47	Consumer Discretionary
Ideagen plc	410	965	1.66	1.46	Information Technology
Hardide plc	786	932	1.60	1.41	Materials
Zappar Ltd**	902	900	1.55	1.36	Information Technology
Laundrapp Ltd**	802	884	1.52	1.34	Information Technology
Gfinity plc	384	835	1.44	1.27	Information Technology
ULS Technology plc	221	705	1.21	1.07	Information Technology
Creo Medical Group plc	659	701	1.21	1.06	Health Care
Escape Hunt plc	618	644	1.11	0.98	Consumer Discretionary
Loopup Group plc	236	637	1.10	0.97	Information Technology
Faron Pharmaceuticals Oy	201	600	1.03	0.91	Health Care
Maxcyte Inc Com Stk USD0.01 (DI)	173	590	1.02	0.89	Health Care
Mexican Grill Ltd (A Preference Shares)**	185	552	0.95	0.84	Consumer Discretionary
Honest Brew Ltd**	501	500	0.86	0.76	Consumer Discretionary
Infinity Reliance Ltd (My 1st Years)**	501	500	0.86	0.76	Consumer Discretionary
CentralNic Group plc	293	476	0.82	0.72	Information Technology
Vertu Motors plc	600	473	0.81	0.72	Consumer Discretionary
K3 Business Technology Group plc	270	468	0.81	0.71	Information Technology
EKF Diagnostics Holdings plc	300	460	0.79	0.70	Health Care
Intercede Group plc	247	420	0.72	0.64	Information Technology
Aquis Exchange Ltd**	401	400	0.69	0.61	Information Technology
WANDisco plc	89	400	0.69	0.61	Information Technology
Belvoir Lettings plc	513	386	0.66	0.58	Real Estate
TrakM8 Holdings plc	106	383	0.66	0.58	Information Technology
Fairfx Group plc	295	365	0.63	0.55	Information Technology
Surface Transforms plc	373	358	0.62	0.54	Industrials
Everyman Media Group plc	171	355	0.61	0.54	Consumer Discretionary
Clearstar Inc	449	315	0.54	0.48	Industrials
Cloudcall Group plc	259	311	0.54	0.47	Telecommunication Services

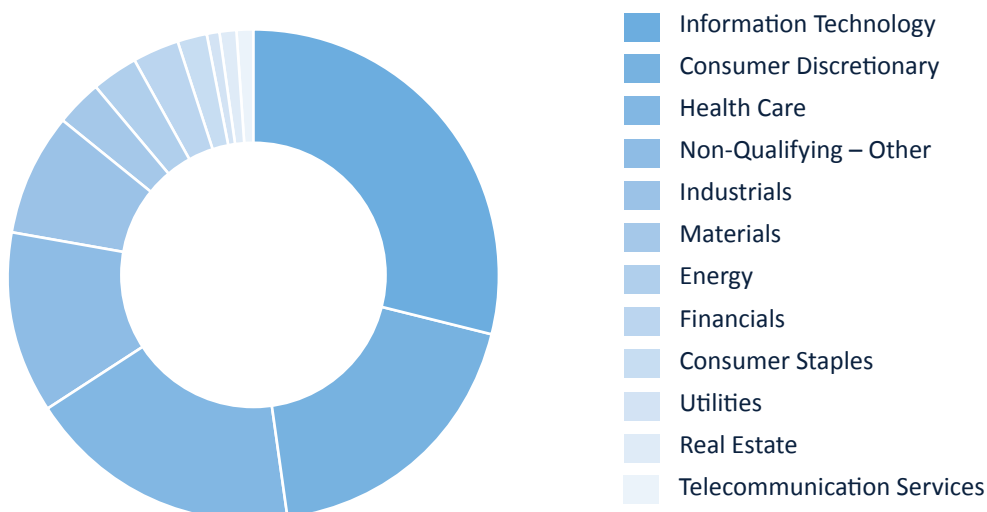
Qualifying Investments (continued)	Cost £000	Valuation £000	Valuation %	Net Assets %	Sector
Globaldata plc	173	309	0.53	0.47	Information Technology
Velocity Composites plc	332	308	0.53	0.47	Industrials
Plastics Capital plc	250	295	0.51	0.45	Materials
The Property Franchise Group plc	225	288	0.50	0.44	Real Estate
Instem plc	297	272	0.47	0.41	Health Care
Osirium Technologies plc	301	263	0.45	0.40	Information Technology
Satellite Solutions Worldwide Group plc	154	258	0.44	0.39	Telecommunication Services
Premaita Health plc	432	253	0.44	0.38	Health Care
Universe Group plc	210	240	0.41	0.36	Information Technology
TLA Worldwide plc	300	225	0.39	0.34	Consumer Discretionary
Angle plc	348	187	0.32	0.28	Health Care
Porta Communications plc	505	177	0.30	0.27	Consumer Discretionary
Imaginatik plc	323	166	0.29	0.25	Information Technology
Reneuron Group plc	534	166	0.29	0.25	Health Care
Verona Pharma plc	127	156	0.27	0.24	Health Care
APC Technology Group plc	155	155	0.27	0.23	Information Technology
Lidco Group plc	220	151	0.26	0.23	Health Care
Pressure Technologies plc	170	130	0.22	0.20	Energy
Mycelx Technologies Corporation plc	300	129	0.22	0.19	Industrials
Maxcte Inc Com Stk USD0.01 (DI/REG S)	141	123	0.21	0.19	Health Care
Egdon Resources plc	158	116	0.20	0.18	Energy
Ilika plc	218	107	0.18	0.16	Industrials
Tasty plc	288	100	0.17	0.15	Consumer Discretionary
TP Group plc	185	87	0.15	0.13	Industrials
Medaphor Group plc	250	78	0.13	0.12	Consumer Discretionary
Mirada plc	65	65	0.11	0.10	Information Technology
Mexican Grill Ltd (Ordinary Shares)**	21	61	0.11	0.09	Consumer Discretionary
Genedrive plc	140	60	0.10	0.09	Health Care
Fusionex International plc**	138	58	0.10	0.09	Information Technology
Redcentric plc	42	42	0.07	0.06	Information Technology
Midatech Pharma plc	37	37	0.06	0.06	Health Care
Flowgroup plc	25	25	0.04	0.04	Industrials
Mporium Group plc	23	23	0.04	0.03	Information Technology
Microsaic Systems plc	10	10	0.02	0.02	Information Technology
Brigantes Energy Ltd*	–	–	–	–	Energy
Infoserve Group plc*	–	–	–	–	Consumer Discretionary
Invocas Group plc*	–	–	–	–	Health Care
<i>Total Qualifying Investments</i>	<i>24,626</i>	<i>38,010</i>	<i>65.40</i>	<i>57.62</i>	

Non-Qualifying Investments	Cost £000	Valuation £000	Valuation %	Net Assets %	Sector
Marlborough Special Situations Fund**	6,062	7,173	12.34	10.87	
<i>Total – Unit Trusts</i>	<i>6,062</i>	<i>7,173</i>	<i>12.34</i>	<i>10.87</i>	
Melrose Industries plc	926	872	1.50	1.32	Industrials
NMC Health plc	426	770	1.32	1.17	Health Care
Fulcrum Utility Services Ltd	125	688	1.18	1.04	Utilities
Royal Dutch Shell plc	652	688	1.18	1.04	Energy
Dechra Pharmaceuticals plc	461	652	1.12	0.99	Health Care
FCFM Group Ltd**	300	652	1.12	0.99	Financials
BP plc	600	621	1.07	0.94	Energy
Sanne Group plc	511	597	1.03	0.90	Financials
On the Beach Group plc	391	531	0.91	0.80	Consumer Discretionary
Quixant plc	159	495	0.85	0.75	Consumer Discretionary
JD Sports Fashion plc	463	494	0.85	0.75	Consumer Discretionary
Anglo American plc	422	455	0.78	0.69	Materials
Merlin Entertainments plc	386	388	0.67	0.59	Consumer Discretionary
Ascential plc	326	369	0.64	0.56	Consumer Discretionary
Horizon Discovery Group plc	261	345	0.59	0.52	Health Care
Wizz Air Holdings plc	220	343	0.59	0.52	Consumer Discretionary
RPC Group plc	289	317	0.55	0.48	Materials
XP Power Ltd	292	305	0.53	0.46	Industrials
Renishaw plc	276	286	0.49	0.43	Information Technology
Hilton Food Group plc	252	276	0.48	0.42	Consumer Discretionary
Lloyds Banking Group plc	285	271	0.47	0.41	Financials
Clipper Logistics plc	234	262	0.45	0.40	Consumer Discretionary
Finsbury Food Group plc	140	257	0.44	0.39	Consumer Staples
Sportech plc	231	255	0.44	0.39	Consumer Discretionary
Learning Technologies Group plc	76	226	0.39	0.34	Information Technology
Micro Focus International plc	141	221	0.38	0.33	Information Technology
Everyman Media Group plc	85	172	0.30	0.26	Consumer Discretionary
Alfa Financial Software Holdings plc	92	143	0.25	0.22	Information Technology
Eurocell plc	119	141	0.24	0.21	Industrials
Mexican Grill Ltd (A Preference Shares)**	128	141	0.24	0.21	Consumer Discretionary
Medica Group plc	95	139	0.24	0.21	Health Care
Mycelx Technologies Corporation plc	200	120	0.21	0.18	Industrials
Just Eat plc	82	100	0.17	0.15	Information Technology
Regent Pacific Group Ltd	150	78	0.13	0.12	Health Care
Eagle Eye Solutions Ltd	44	63	0.11	0.10	Information Technology
Amerisur Resources plc	167	61	0.10	0.09	Energy
Reneuron Group plc	104	60	0.10	0.09	Health Care
The Fulham Shore plc	38	44	0.08	0.07	Consumer Discretionary
Midatech Pharma plc	25	25	0.04	0.04	Health Care
Mexican Grill Ltd (Ordinary Shares)**	26	19	0.03	0.03	Consumer Discretionary
<i>Total – Non-Qualifying equities</i>	<i>10,200</i>	<i>12,942</i>	<i>22.26</i>	<i>19.60</i>	
<i>Total – Non-Qualifying Investments</i>	<i>16,262</i>	<i>20,115</i>	<i>34.60</i>	<i>30.47</i>	
Total investments	40,888	58,125	100.00	88.09	
Cash at bank		8,007		12.13	
Prepayments & Accruals		(143)		(0.22)	
Net Assets		65,989		100.00	

*These are actual holdings of less than £500.

**Unquoted Companies

INVESTMENTS BY MARKET SECTOR AS AT 30 SEPTEMBER 2017



Investments held within the portfolio are listed and headquartered in the UK with the exception of the following:

	Listed	Headquartered	Registered
<i>AIM listed Investments:</i>			
Clearstar Inc	UK	Cayman Islands	Cayman Islands
DP Poland plc	UK	Poland	UK
Faron Pharmaceuticals Oy	UK	Finland	Finland
Fulcrum Utility Services Ltd	UK	UK	Cayman Islands
Maxcyte Inc	UK	USA	USA
Mycelx Technologies Corporation plc	UK	USA	USA
Regent Pacific Group Ltd	Hong Kong	Hong Kong	Cayman Islands
Royal Dutch Shell plc	UK	Netherlands	UK
Sanne Group plc	UK	Jersey	Jersey
WANDisco plc	UK	UK and USA	Jersey
Wizz Air Holdings plc	UK	Switzerland	Jersey
XP Power plc	UK	Singapore	Singapore
<i>Unlisted private companies:</i>			
Aquis Exchange Ltd	–	UK	UK
Brigantes Energy Ltd	–	UK	UK
FCFM Group Ltd	–	UK	UK
Fusionex International plc	–	UK	Jersey
Honest Brew Ltd	–	UK	UK
Infoserve Group plc	–	UK	UK
Infinity Reliance Ltd (My 1st Years)	–	UK	UK
Invocas Group plc	–	UK	UK
Laundrapp Ltd	–	UK	UK
Mexican Grill Ltd	–	UK	UK
Portr Ltd	–	UK	UK
SCA Investments Ltd (Gousto)	–	UK	UK
Zappar Ltd	–	UK	UK
<i>Authorised unit trust:</i>			
Marlborough Special Situations Fund	–	UK	UK

TOP TEN INVESTMENTS

As at 30 September 2017 (By Market Value)

The top 10 equity investments are shown below; each is valued by reference to the bid price, or in the case of unquoted companies, values are either based on the last arm's length transaction or valuation techniques, such as earnings multiples. Forecasts, where given, are drawn from a combination of broker research and/or Bloomberg consensus forecasts and exclude amortisation, share based payments and exceptional items. Forecasts are in relation to a period end for which the company results are yet to be released. Forecasts are not shown for private companies. The net asset figures are drawn from audited accounts and net cash values are from published accounts in most cases.

Quixant plc			440.0p
Investment date	May 2013	Forecasts for the year to	December 2017
Equity Held	0.70%	Turnover (\$'000)	102,300
Av Purchase Price	69.3p	Profit/(loss) before tax (\$'000)	15,800
Cost (£'000)	319	Net Cash (\$'000)	(69)
Valuation (£'000)	2,025	Net Assets December 2016 (\$'000)	34,306

COMPANY DESCRIPTION

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

Learning Technologies Group plc			53.3p
Investment date	November 2014	Forecasts for the year to	December 2017
Equity Held	0.63%	Turnover (£'000)	51,500
Av Purchase Price	20.6p	Profit/(loss) before tax (£'000)	11,300
Cost (£'000)	739	Net Cash (£'000)	(8,486)
Valuation (£'000)	1,907	Net Assets December 2016 (£'000)	30,710

COMPANY DESCRIPTION

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

Cohort plc			397.0p
Investment date	February 2006	Forecasts for the year to	April 2018
Equity Held	1.16%	Turnover (£'000)	119,600
Av Purchase Price	130.3p	Profit/(loss) before tax (£'000)	15,500
Cost (£'000)	619	Net Cash (£'000)	8,472
Valuation (£'000)	1,886	Net Assets April 2017 (£'000)	73,988

COMPANY DESCRIPTION

Cohort is the parent company of four businesses providing a wide range of services and products for British, Portuguese and international customers in defence and related markets. It aims to add value through the experience of its senior team while providing a light-touch but effective governance framework.

Abcam plc			1,018.0p
Investment date	October 2005	Forecasts for the year to	June 2018
Equity Held	0.08%	Turnover (£'000)	237,500
Av Purchase Price	33.3p	Profit/(loss) before tax (£'000)	69,500
Cost (£'000)	55	Net Cash (£'000)	84,752
Valuation (£'000)	1,680	Net Assets June 2017 (£'000)	307,119

COMPANY DESCRIPTION

Abcam is a global life sciences company providing highly validated antibodies and other binders and assays to the research and clinical communities to help advance the understanding of biology and cause of disease. The company's customers include universities, research institutes, and pharmaceutical and biotechnology companies in countries around the world.

Zoo Digital Group plc			37.0p
Investment date	April 2017	Forecasts for the year to	March 2018
Equity Held	5.93%	Turnover (\$'000)	26,000
Av Purchase Price	9.0p	Profit/(loss) before tax (\$'000)	200
Cost (£'000)	393	Net Cash (\$'000)	(5,621)
Valuation (£'000)	1,612	Net Assets March 2017 (\$'000)	2,561

COMPANY DESCRIPTION

Zoo is a leading provider of subtitling and digital distribution services for the global entertainment industry. Zoo combine their own technology with talented client teams across the globe to translate original video programmes into more than 50 foreign languages. Their technology helps process the edited digital materials to meet the technical delivery requirements of a growing number of online video services.

AnimalCare Group plc			350.0p
Investment date	December 2007	Forecasts for the year to	June 2018
Equity Held	0.67%	Turnover (£'000)	97,300
Av Purchase Price	55.0p	Profit/(loss) before tax (£'000)	9,300
Cost (£'000)	220	Net Cash (£'000)	6,264
Valuation (£'000)	1,400	Net Assets June 2017 (£'000)	23,845

COMPANY DESCRIPTION

AnimalCare Group markets and sells a wide range of pharmaceutical and other premium products and services to vets and vet wholesalers.

Craneware plc			1,300.0p
Investment date	September 2007	Forecasts for the year to	June 2018
Equity Held	0.36%	Turnover (\$'000)	66,533
Av Purchase Price	127.6p	Profit/(loss) before tax (\$'000)	19,800
Cost (£'000)	125	Net Cash (\$'000)	53,170
Valuation (£'000)	1,274	Net Assets June 2016 (\$'000)	59,355

COMPANY DESCRIPTION

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

Eagle Eye Solutions Group plc			253.0p
Investment date	April 2014	Forecasts for the year to	June 2018
Equity Held	1.97%	Turnover (£'000)	15,900
Av Purchase Price	202.3p	Profit/(loss) before tax (£'000)	(3,600)
Cost (£'000)	1,011	Net Cash (£'000)	3,724
Valuation (£'000)	1,264	Net Assets June 2017 (£'000)	8,862

COMPANY DESCRIPTION

Eagle Eye Solutions operates in the e-commerce industry. The company provides a digital platform that enables retailers to connect with customers to deliver offers, rewards and services that can be redeemed.

Idox plc			64.5p
Investment date	May 2007	Forecasts for the year to	October 2017
Equity Held	0.43%	Turnover (£'000)	92,700
Av Purchase Price	7.5p	Profit/(loss) before tax (£'000)	17,000
Cost (£'000)	135	Net Cash (£'000)	(25,048)
Valuation (£'000)	1,162	Net Assets October 2016 (£'000)	65,232

COMPANY DESCRIPTION

Idox is a supplier of specialist information management solutions and services to the public sector and to highly regulated asset intensive industries around the world in the wider corporate sector.

SCA Investments Ltd (Gousto)			2,988.0p
Investment date	July 2017	Results for the year to	December 2016
Equity Held	1.53%	Turnover (£'000)	12,755
Av Purchase Price	2,994.0p	Profit/(loss) before tax (£'000)	(6,739)
Cost (£'000)	1,002	Net Cash (£'000)	5,407
Valuation (£'000)	1,000	Net Assets December 2016 (£'000)	6,512
Income recognised in period (£)	0		

COMPANY DESCRIPTION

Founded in February 2012, Gousto is an e-commerce company offering recipe kit boxes which include fresh ingredients for step-by-step chef designed recipes to be made at home. Shoppers select meals from a variety of options on Gousto's e-commerce platform. Gousto then delivers the pre-proportioned ingredients to the doorstep, along with instructions on how to prepare the meal.

CO-INVESTMENT

As at 30 September 2017, other funds managed by Hargreave Hale Ltd were also invested in all of the investments held within the Company's portfolio with the exception of the following: Infoserve Group plc, Invocas Group plc, Redcentric plc, Tasty plc, Universe Group plc and Vertu Motors plc.

DIRECTORS' REPORT

for the year end 30 September 2017

The Directors present their report together with the audited financial statements of the Company for the year from 1 October 2016 to 30 September 2017, incorporating the corporate governance statement on pages 29 to 33. The principal activity of the company has been outlined in the strategic report on page 6.

DIRECTORS

The Directors of the Company during the year were Sir Aubrey Brocklebank (Chairman), David Brock, Giles Hargreave and Oliver Bedford. Giles Hargreave resigned as a director of the Company on 13 December 2016 and Oliver Bedford was appointed. Brief biographical details are given on page 5.

DIRECTORS' INTERESTS

The Directors' interests (including those of connected persons) in the issued share capital of the Company are outlined in the director's remuneration report on page 28. There is no minimum holding requirement that the Directors need to adhere to.

There have been no changes to the beneficial interests of Directors between 30 September 2017 and the date of this report.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

DISCLOSABLE INTERESTS

No Director is under contract of service with the Company and, other than as disclosed in Note 15, no contract existed during or at the end of the year in which any Director was materially interested and which was significant in relation to the Company's business.

MANAGEMENT

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

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. The Board believes that the continued appointment of the investment manager remains in the shareholders' best interests.

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

REVENUE AND DIVIDENDS

The statutory profit for the year amounted to £6,572,097 (2016: £3,115,012). An interim ordinary dividend of 1.75 pence per ordinary share was paid on 30 June 2017 (2016: 1.75 pence per share). The final dividend of 2.25 pence per share for the year ended 30 September 2017 is due to be paid on 30 January 2018 (2016: 2.25 pence per share).

SHARE VALUATION

On 30 September 2017, the bid-market price and the net asset value per ordinary share were 75.00 pence and 80.82 pence respectively.

CAPITAL STRUCTURE

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

VOTING RIGHTS IN THE COMPANY'S SHARES

Details of the voting rights in the Company's shares as at the date of this report are given in Note 2 to the Notice of Annual General Meeting on page 61.

SUBSTANTIAL HOLDINGS IN THE COMPANY

At 30 September 2017, there were two holdings of 3% and over of the Company's ordinary share capital. These holdings related to Hargreaves Lansdown (Nominees) Limited and Hargreave Hale Nominees Limited, which were 5.26% and 4.36% respectively.

At 19 December 2017 the Company had not been notified of any significant interest exceeding 3% of the issued share capital.

SHARE BUYBACKS

During the year, the Company repurchased 880,040 ordinary shares (nominal value £8,800) at a cost of £667,876. The repurchased shares represent 1.42% of ordinary shares in issue on 1 October 2016. All repurchased shares were cancelled. A further 1,056,883 ordinary shares (nominal value £10,569) have been purchased since the year end at a total cost of £843,846.

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

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

SHARES ISSUED

During the year, the Company issued 20,537,984 ordinary shares of 1 pence per share (nominal value £205,380) which resulted in funds being received of £16,217,665. The 3.5% premium of £567,618 was payable to Hargreave Hale Limited to cover the cost of additional shares allotted of £225,101 and introducer commission of £990 resulting in net fees payable to Hargreave Hale Limited of £341,527.

FINANCIAL INSTRUMENTS

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

VCT STATUS MONITORING

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

AUDITORS

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

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

CORPORATE GOVERNANCE

The statement on corporate governance set out on pages 29 to 33 is included in the directors' report by reference.

GREENHOUSE EMISSIONS

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

POST BALANCE SHEET EVENTS

Post balance sheet events are disclosed in Note 18 to the financial statements on page 54.

FUTURE DEVELOPMENTS

Consideration of the Company's future development and prospects are contained in the chairman's statement and investment manager's report on pages 3 to 4 and 13 to 14 respectively.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 41 Lothbury, London EC2R 7AE at 2.00 pm on 25 January 2018. The notice of the Annual General Meeting is at the end of this document.

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

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

POWER TO ALLOT SHARES

Ordinary resolution number 8 will request the authority to allot up to an aggregate nominal amount of £100,000. This authority is in substitution for any existing authorities. The authority sought at the forthcoming Annual General Meeting will expire 15 months from the date that this resolution is passed, or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier.

DISAPPLICATION OF PRE-EMPTION RIGHTS

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

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

PURCHASE OF OWN SHARES

Special resolution number 10 will request the authority to purchase a maximum of 14.99% of the Company's issued Ordinary share capital at, or between, the minimum and maximum prices specified in resolution 10. Shares bought back under this authority may be cancelled and up to 10% 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 2017 authority, which was on similar terms. During the financial year under review, the Company purchased 880,040 ordinary shares which were then cancelled.

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

RECOMMENDATION

The Board believes that the passing of the resolutions above are in the best interests of the Company and its shareholders as a whole, and unanimously recommends that you vote in favour of these resolutions, as the Directors intend to do in respect of their own beneficial shareholdings of 53,015 shares.

By order of the Board

STUART BROOKES
Company Secretary

Registered office:
Hargreave Hale AIM VCT 1 plc,
41 Lothbury
London EC2R 7AE
Date: 19 December 2017

DIRECTORS' REMUNERATION REPORT

For the year ended 30 September 2017

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

Your Company's independent auditor is required to audit certain disclosures provided in this report. Where disclosures have been audited, they are indicated in this report. The auditor's opinion is included in their report on pages 35 to 39.

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

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

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

REMUNERATION RESPONSIBILITIES

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

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

POLICY ON DIRECTORS' REMUNERATION

The Company has no employees, so the Board's policy is that the remuneration of directors should be fair and reasonable in relation to the time committed and responsibilities of the directors and in line with the remuneration paid by other listed Venture Capital Trusts and investment trusts. The Board aims to review directors' remuneration from time to time.

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

DIRECTORS' SERVICE CONTRACTS

It is the Board's policy that none of the Directors has a service contract. Each of the Directors has entered into an agreement with the Company when appointed. Sir Aubrey Brocklebank was appointed on 10 September 2004, David Brock was appointed on 28 September 2010 and Oliver Bedford was appointed on 13 December 2016. 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, Oliver Bedford shall retire and be subject to re-election on an annual basis as he is a director of the VCT and an employee of the manager. Either party can terminate the agreement by giving to the other at least 3 months' notice in writing.

BASIS OF REMUNERATION

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

The table below shows the expected maximum payment that can be received per annum by each director for the year to 30 September 2018, together with a summary of the Company's strategy and how this is supported by the current remuneration policy.

Director	Role	Components of Pay Package	Expected fees for the year to 30 September 2018	Performance Conditions	Company Strategy	Remuneration Policy
Sir Aubrey Brocklebank Bt	Chairman	Basic Salary	£22,500	N/A	To achieve long term capital growth and to maximise tax free distributions to shareholders by investing in a diversified portfolio of small UK companies primarily traded on AIM.	The levels of remuneration are considered to be fair and reasonable in relation to the time committed and responsibilities of the Directors and in line with the remuneration paid by other VCTs and investment trusts.
David Brock	Director		£18,000			
Oliver Bedford	Director		£18,000			

ANNUAL REMUNERATION REPORT

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

Under Companies Act 2006 s439, the rules require companies to ask shareholders to approve the annual remuneration paid to directors every year and to formally approve the directors' remuneration policy on an annual or on a three yearly basis. Any change to the directors' remuneration policy will require shareholder approval. As in prior years, the vote on the directors' remuneration report is an advisory vote, whilst the vote on the directors' remuneration policy is binding. Accordingly ordinary resolutions will be put to shareholders at the forthcoming Annual General Meeting to be held on 25 January 2018, to receive and adopt the directors' remuneration report and to receive and approve the directors' remuneration policy.

At the Annual General Meeting held on 12 January 2017 the following votes were cast on the remuneration report:

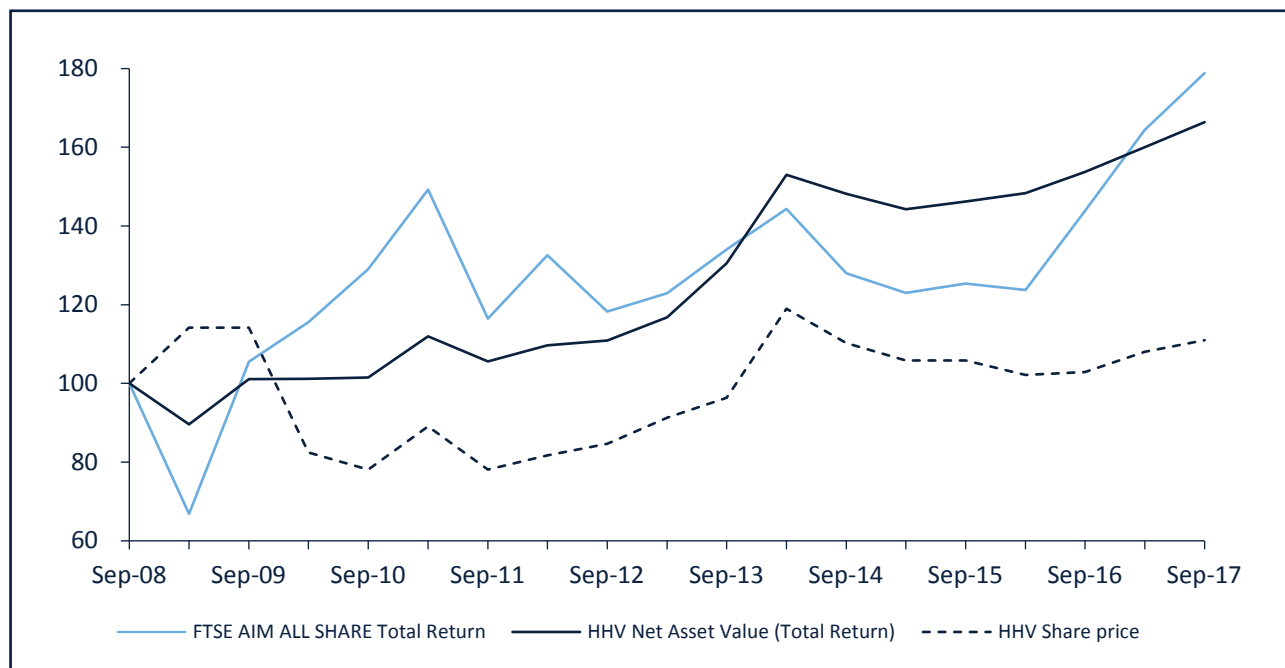
	Number of votes	% of votes cast
For	4,811,818	93.7
Against	120,269	2.3
Discretionary	205,429	4.0
Total votes cast	5,137,516	100.0
Number of votes withheld	53,924	

The remuneration policy was approved by shareholders at the Annual General Meeting held on 12 January 2017. Votes were cast as follows:

	Number of votes	% of votes cast
For	4,820,324	93.9
Against	103,132	2.0
Discretionary	208,489	4.1
Total votes cast	5,131,945	100.0
Number of votes withheld	59,495	

YOUR COMPANY'S PERFORMANCE

The Company was incorporated on 16 August 2004 and commenced trading on 29 October 2004. The performance chart below charts the Company's ordinary share NAV Total Return (rebased to 100) and share price (rebased to 100) over the last 9 years compared to the Total Return of a notional investment in the FTSE AIM All-share Index over the same period. This index was chosen for comparison purposes as it represents the closest comparable equity market index, however, doesn't represent a wholly comparable figure due to the restrictions of AIM companies the Company can invest in.



DIRECTORS' EMOLUMENTS FOR THE YEAR (AUDITED)

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

The table below compares Director's remuneration to shareholder distributions (through dividend payments and share buybacks) in respect of the financial year ended 30 September 2017 and the preceding financial year:

	Year ended 30 September 2017 £	Year ended 30 September 2016 £	Growth %
Directors' remuneration*	58,500	58,500	0
Dividend paid	2,862,460	2,146,013	33.5
Share buybacks	667,876	845,848	(21.0)

*No national insurance contributions due/paid.

	2017 Fees £	2017 Benefits in Kind £	2017 Total £	2016 Fees £	2016 Benefits in Kind £	2016 Total £
Sir Aubrey Brocklebank Bt (Chairman)	22,500	–	22,500	22,500	–	22,500
Giles Hargreave	3,554	–	3,554	18,000	–	18,000
David Brock	18,000	–	18,000	18,000	–	18,000
Oliver Bedford	14,446	–	14,446	–	–	–
Total	58,500	–	58,500	58,500	–	58,500

DIRECTORS' INTERESTS (AUDITED)

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

	Ordinary Shares	
	2017	2016
Sir Aubrey Brocklebank	4,845	4,845
David Brock	42,170	29,147
Oliver Bedford	9,185	6,003

There have been no changes to the beneficial interests of Directors between 30 September 2017 and the date of this report.

TAXABLE BENEFITS (AUDITED)

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

VARIABLE PAY (AUDITED)

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

PENSION BENEFITS (AUDITED)

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

RECRUITMENT REMUNERATION POLICY

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

APPROVAL

The directors' remuneration report on pages 25 to 28 was approved by the Board of Directors on 19 December 2017 and will be further subject to an advisory vote at the Annual General Meeting being held on the 25 January 2018 and every year thereafter.

Signed on behalf of the Board of Directors

SIR AUBREY BROCKLEBANK

Chairman

19 December 2017

CORPORATE GOVERNANCE

For the year ended 30 September 2017

DIRECTORS' STATEMENT OF COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE ("THE CODE").

THE PRINCIPLES

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

The Company has taken note of and implemented the 2016 UK Corporate Governance Code. During the year under review, the Board considers that the Company has complied with the recommendations of the Code except as disclosed below. A copy of the UK Corporate Governance Code can be found at www.frc.org.uk.

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 Oliver Bedford who is an employee of Hargreave Hale Limited and is not therefore independent of the investment manager.

The Directors have a range of business, financial and asset management skills and experiences relevant to the direction and control of the Company. Brief biographical details of the members of the Board are shown on Page 5.

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

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

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

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

BOARD RESPONSIBILITIES

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

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

COMPANY SECRETARY

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

NOMINATION RESPONSIBILITIES

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

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

Aubrey Brocklebank and Oliver Bedford are required to stand for election at this year's Annual General Meeting. The Chairman confirms that the performance of all directors continues to be effective and demonstrates commitment to their respective roles.

The Articles of Association of the Company and the Directors' letters of appointment will be available at the Annual General Meeting and can be inspected at the registered office of the Company.

DIRECTORS' INDUCTION

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

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

DIRECTORS' REMUNERATION

The Board as a whole reviews directors' remuneration on a regular basis. Details of the Company's policy on directors' remuneration and of payments to directors are given in the directors' remuneration report on pages 25 to 28.

ACCOUNTABILITY AND AUDIT

The Directors' responsibilities for the Company's accounting records and financial statements are set out on page 34. The independent auditor's report appears on pages 35 to 39.

PERFORMANCE APPRAISAL

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

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

AUDIT COMMITTEE

The Committee consists of two members appointed by the Board, these members are David Brock (Chairman) and Sir Aubrey Brocklebank. The terms of reference for the committee setting out roles and responsibilities (Code C.3.2) were approved at the board Meeting on 10 February 2011. The responsibilities of the committee are as follows:-

- To review, and challenge where necessary, the actions and judgements of management in relation to the Company's financial statements, interim reports, preliminary announcements and related formal statements before submission to, and approval by, the Board, and before clearance by the auditors. Particular attention should be paid to:
 - Critical accounting policies and practices, and any changes in them;
 - The clarity of disclosures;
 - Compliance with accounting standards;
 - Compliance with stock exchange and other legal requirements; and

- Reviewing the principal risks facing the Company over a sufficient time period to enable a suitable viability statement to be included in the strategic report.
- To review effectiveness of the systems for internal financial control;
- To monitor the integrity of the Company's internal financial controls;
- To review the effectiveness of payment authorisation controls;
- To monitor the integrity of safe custody arrangements;
- To consider annually whether there is a need for an internal audit function where no such function exists;
- To oversee the Company's relations with the external auditor;
- To consider, and make recommendations on the appointment, reappointment and removal of the external auditor;
- To assess the effectiveness and independence of the external auditors annually;
- To consider recommendations raised by the external auditor in their management letters; and
- To consider other topics, as defined by the Board.

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

During the year ended 30 September 2017 the audit committee discharged its responsibilities by:

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

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

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

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

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

- **Valuation and existence of investments in unlisted private companies.** The investment manager and the auditor confirmed to the audit committee that the basis of valuation for investments in unlisted private companies was consistent with the prior year. The audit committee reviewed the estimates and judgements made by the investment manager and were satisfied with the valuations proposed.

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

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

The committee considered the appointment of the current auditors and confirmed that it is satisfied with the standard of service received. Should the committee be dissatisfied, a tender process would be undertaken.

A tender process was undertaken in the year in line with mandatory audit tendering legislation. Rotation of the engagement partner will occur in the next financial year in accordance with the Auditors' Ethical Standards.

CAPITAL STRUCTURE

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

INTERNAL FINANCIAL AND NON-FINANCIAL CONTROLS

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

The effectiveness of the Company's operations is reviewed annually by the Board and accords with the guidance set out in the FRC's "Risk Management and Internal Control and Related Financial and Business Reporting" document. In particular, it has reviewed the process for identifying and evaluating the significant risks affecting the Company and the policies and procedures by which these risks are managed.

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

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

Since the appointment of Hargreave Hale Limited as administrators, the method of controlling company payments has changed. The Directors and the Company Secretary are authorised signatories. Each cheque must be signed by two authorised signatories, including one that is independent of Hargreave Hale.

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

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

INTERNAL AUDIT FUNCTION

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

AUDITOR'S NON-AUDIT SERVICE

During the year no fees were paid for non-audit services (2016: £nil).

ATTENDANCE AT BOARD MEETINGS

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

	Ordinary Business No of Board Meetings	
	Held	Attended
Sir Aubrey Brocklebank Bt (Chairman)	4	4
Giles Hargreave (Retired 13 December 2016)	1	1
David Brock	4	4
Oliver Bedford (Appointed 13 December 2016)	3	3

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

RELATIONS WITH SHAREHOLDERS

Shareholder relations are given high priority by the Board. The prime medium by which the Company communicates with shareholders is through the interim and annual report and accounts, which aim to provide shareholders with a full understanding of the Company's activities and its results. This information is supplemented by the weekly calculation of the NAV of the Company's ordinary shares, which is published via the Stock Exchange and on our website at <http://www.hargreaveaimvcts.co.uk>. Shareholders have the opportunity to communicate directly with the Board at the Annual General Meeting. All shareholders are encouraged to attend the Annual General Meeting.

AMENDMENTS OF ARTICLES OF ASSOCIATION

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

GOING CONCERN

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

Approved on behalf of the Board of Directors

SIR AUBREY BROCKLEBANK BT
Chairman

Date: 19 December 2017

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. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Conduct Authority.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK GAAP; subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a director's report, a strategic report and director's remuneration report which comply with the requirements of the Companies Act 2006.

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

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

WEBSITE PUBLICATION

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

DIRECTORS' RESPONSIBILITY STATEMENT PURSUANT TO DTR4

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

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

For and on behalf of the Board

SIR AUBREY BROCKLEBANK BT
Chairman

Date: 19 December 2017

INDEPENDENT AUDITOR'S REPORT

To the members of Hargreave Hale AIM VCT1 Plc

OPINION

We have audited the financial statements of Hargreave Hale AIM VCT 1 plc (the 'Company') for the year ended 30 September 2017 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice) .

In our opinion the financial statements:

- Give a true and fair view of the state of the company's affairs as at 30 September 2017 and of the Company's profit for the year then ended;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO PRINCIPAL RISKS, GOING CONCERN AND VIABILITY STATEMENT

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 10 to 11 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 11 in the annual report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 11 in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on pages 11 to 12 in the annual report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

KEY AUDIT MATTERS

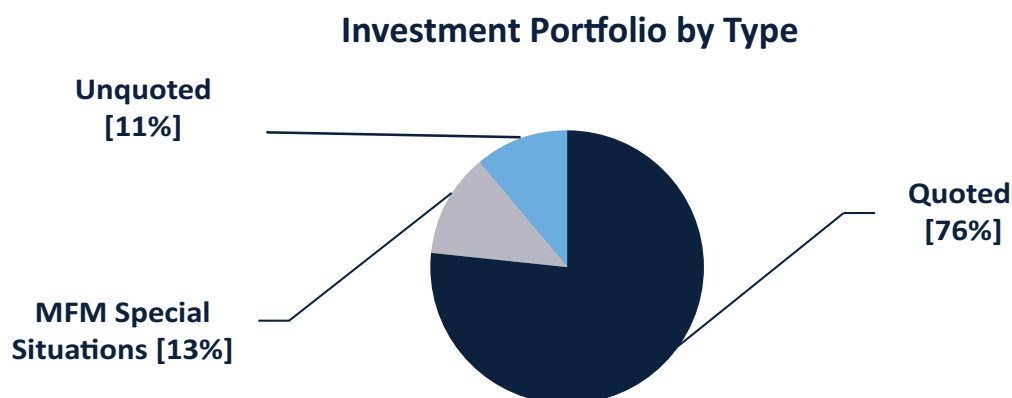
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INVESTMENTS

All investments are classified as fair value through profit or loss. Investments are measured initially and subsequently at fair value which is deemed to be bid market prices for listed investments and investments traded on AIM. Unquoted investments are valued using the most appropriate methodology recommended by the International Private Equity Venture Capital (“IPEV”) guidelines. Further details on the financial instruments disclosures is set out on pages 48 to 50.

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

We performed analytical procedures to determine our investment sample and the focus of our work considering the value of individual investments, the nature of the investment and the extent of the fair value movement. An analysis of the investment portfolio by nature of instrument type and valuation method is shown below.



89% of the portfolio is valued at bid price. In respect of all fully listed investments, those traded on AIM/NEX markets and the MFM Special Situations Fund, we checked that the bid price had been used and that there were no contra indicators, such as liquidity considerations, to suggest the price was not the most appropriate indication of fair value.

11% of the portfolio is in unlisted private company investments; held in shares. In respect of a sample comprising 99% of these investments, we:

- Considered whether the valuation methodology is the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation (“IPEV”) Guidelines
- Re-performed the calculations of the investment valuations
- Compared key inputs and estimates to independent information and our own research
- Performed sensitivity analyses on the valuation calculations where there is sufficient evidence to suggest reasonable alternative inputs might exist
- Challenged the investment manager regarding significant judgements made in respect of the discounted cash flow workings
- Considered the economic environment in which the investment operates to identify factors that could impact the investment valuation.

OUR APPLICATION OF MATERIALITY

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

Materiality	Materiality measure	Key considerations and benchmarks	Amount (£)
Materiality for the financial statements as a whole	1% of invested assets	<ul style="list-style-type: none">▪ The value of investments▪ The level of judgement inherent in the valuation▪ The range of reasonable alternative valuation	580,000
Specific materiality for those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements	10% of the gross expenditure	<ul style="list-style-type: none">▪ The level of net income return	120,000

We agreed with the Audit Committee that we would report to the Committee all individual audit differences in excess of £6,000 as well as differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our audit has encompassed all material balances in the financial statements, as well as the related disclosures and notes.

Our audit approach has been driven by our materiality thresholds set out above. A particular focus of our audit has been the valuation of investments as outlined in the “Key Audit Matters” section of this report.

OTHER INFORMATION

The other information comprises the information included in the annual report, including the financial highlights, the chairman’s statement, the strategic report, the directors’ report, the statement of directors’ responsibilities, the statement of corporate governance, the directors’ remuneration report, other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the company’s performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors’ statement of compliance with the UK Corporate Governance Code** – the parts of the directors’ statement required under the Listing Rules relating to the company’s compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

OPINIONS 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.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company’s corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the strategic report or the directors’ report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors’ responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit was performed using the materiality thresholds outlined elsewhere in this report. We have therefore tested all classes of transactions, account balances and disclosures at or in excess of these thresholds. Consequently, we consider it unlikely that there will be any undetected fraud with an impact exceeding our materiality thresholds. It is possible that there are undetected instances of fraud whose impact is below these thresholds.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent to the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

MICHELLE CARROLL (SENIOR STATUTORY AUDITOR)

For and on behalf of BDO LLP, Statutory Auditor
55 Baker Street,
London,
W1U 7EU
19 December 2017

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

INCOME STATEMENT

For the year ended 30 September 2017

	Note	Revenue £000	Capital £000	Total £000
Net gain on investments held at fair value through profit or loss	7	–	7,349	7,349
Income	2	446	15	461
		446	7,364	7,810
Management fee	3	(216)	(648)	(864)
Other expenses	4	(325)	(49)	(374)
		(541)	(697)	(1,238)
(Loss)/gain on ordinary activities before taxation		(95)	6,667	6,572
Taxation	5	–	–	–
(Loss)/gain after taxation		(95)	6,667	6,572
(Loss)/gain per share basic and diluted	6	(0.13)p	8.99p	8.86p

INCOME STATEMENT

For the year ended 30 September 2016 (Comparative Information)

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

The total column of these statements is the income statement of the Company. All revenue and capital items in the above statements derive from continuing operations. There was no other comprehensive income other than the gain/loss for the year.

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

BALANCE SHEET

As at 30 September 2017

Company Registration Number 5206425

(In England and Wales)

	Note	2017 £000	2016 £000
Fixed assets			
Investments at fair value through profit or loss	7	58,125	38,572
Current assets			
Debtors	9	63	44
Cash at bank	12	8,007	8,647
		8,070	8,691
Creditors: amounts falling due within one year	10	(206)	(191)
Net current assets		7,864	8,500
Total assets less current liabilities		65,989	47,072
Capital and Reserves			
Called up share capital	11	816	620
Share premium		37,515	21,845
Capital redemption reserve		37	28
Special reserve		15,522	19,052
Capital reserve – realised		(4,644)	(3,725)
Capital reserve – unrealised		17,237	9,651
Revenue reserve		(494)	(399)
Total shareholders' funds		65,989	47,072
Net asset value per share	13	80.82p	75.93p

These financial statements were approved and authorised for issue by the Board of Directors on 19 December 2017 and signed on its behalf by

SIR AUBREY BROCKLEBANK BT

Chairman

19 December 2017

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2017

	Share Capital £000	Share Premium £000	Capital Redemption Reserve £000	Special Reserve £000	Capital Reserve Realised £000	Capital Reserve Unrealised £000	Revenue Reserve £000	Total £000
At 1 October 2016	620	21,845	28	19,052	(3,725)	9,651	(399)	47,072
Share buybacks	(9)		9	(668)				(668)
Share Issues	205	16,013						16,218
Issue Costs		(343)						(343)
Equity dividends paid (Note 17)				(2,862)				(2,862)
Realised losses on investments					(237)			(237)
Unrealised gains on investments						7,586		7,586
Management fee charged to capital					(648)			(648)
Arrangement fee income					15			15
Due diligence investments costs					(49)			(49)
Revenue loss after taxation for the year							(95)	(95)
Total gain after taxation					(919)	7,586	(95)	6,572
At 30 September 2017	816	37,515	37	15,522	(4,644)	17,237	(494)	65,989

Reserves available for distribution are capital reserve realised, special reserve and revenue reserve. Total distributable reserves at 30 September 2017 were £10.4 million. The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ending 30 September 2016 (Comparative Information)

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

Reserves available for distribution are capital reserve realised, special reserve and revenue reserve. Total distributable reserves at 30 September 2016 were £14.9 million. The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 30 September 2017

	Note	2017 £000	2016 £000
Total gain on ordinary activities before taxation		6,572	3,115
Realised loss/(gain) on investments		237	(248)
Unrealised (gain) on investments		(7,586)	(3,397)
(Increase) in debtors		(19)	(12)
Increase/(decrease) in creditors		15	(17)
Net cash (outflow) from operating activities		(781)	(559)
Purchase of investments		(22,657)	(13,410)
Sale of investments		10,453	10,836
Net cash (outflow) from investment activities		(12,204)	(2,574)
Share buybacks		(668)	(846)
Issue of share capital		15,875	11,008
Dividends paid	17	(2,862)	(2,146)
Net cash inflow from financing activities		12,345	8,016
(Decrease)/increase in cash	12	(640)	4,883
Opening cash	12	8,647	3,764
Cash movement		(640)	4,883
Closing cash		8,007	8,647

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

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

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

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments, and in accordance with FRS 102 and with the Statement of Recommended Practice (SORP) for “Financial Statements of Investment Trust Companies” (the SORP).

FINANCIAL INSTRUMENTS

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

Where the classification of a financial instrument requires it to be stated at fair value, this is determined by reference to the quoted bid price in an active market wherever possible. Where no such active market exists for the particular asset or liability, the Company holds the investment at cost for a period where there is considered to be no change in fair value.

Valuations of unquoted investments are reviewed on a six monthly basis and more frequently if events occur that could have a material impact on the investment. Where cost is no longer considered appropriate, the Company will use a value indicated by a material arms-length transaction by an independent third party in the shares of a company. Where no such transaction exists, the Company will use the most appropriate valuation technique including discounted cash flow analysis, earnings multiples, net assets and industry valuation benchmarks. All inputs are market observable with the exception of level 3 financial instruments (Note 7).

Investments are recognised and derecognised at trade date where a purchase or sale is under a contract whose terms require delivery within the time frame established by the market concerned. Purchases and sales of unlisted investments are recognised when the contract for acquisition or sale becomes unconditional. Transaction costs are included in the initial cost or deducted from the disposal proceeds as appropriate.

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

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

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

INCOME

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

EXPENDITURE

All expenditure is accounted for on an accruals basis. Of investment management fees, 75% 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. Due diligence costs incurred for prospective private company purchases are charged to capital in addition to the cost of investment. All other expenditure is charged to the revenue account.

TRAIL COMMISSION

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

CAPITAL RESERVES

Realised profits and losses on the disposal of investments, due diligence costs and income in relation to private company 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.

OPERATING SEGMENTS

There is considered to be one operating segment as reported to the chief operating decision maker being investment in equity and debt securities.

TAXATION

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

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

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

DIVIDENDS

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

FUNCTIONAL CURRENCY

In accordance with FRS 102 s.30, the Company is required to nominate a functional currency, being the currency in which the Company predominantly operates. The Board has determined that sterling is the Company's functional currency. Sterling is also the currency in which these accounts are presented.

REPURCHASE OF SHARES TO HOLD IN TREASURY

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

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

LEGAL FORM AND PRINCIPAL ACTIVITIES

Details of the Company's legal form, nature and principal business activities are included in the strategic report on page 6 of this report. The Company's registered office is 41 Lothbury, London EC2R 7AE.

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 22.

Share Premium

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

Capital Redemption Reserve

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

Special Reserve

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

Capital Reserve Realised

Gains/losses on disposal of investments, due diligence costs and income from private company investments, permanent impairment of financial assets and 75% of the investment management fee are accounted for in the capital reserve realised.

Capital Reserve Unrealised

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

Revenue Reserve

Net revenue profits and losses of the Company.

Key judgements and estimates

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

2. INCOME

	2017 £000	2016 £000
Income from investments:		
UK dividends	446	366
Unfranked investment income	–	3
	446	369
Other Income:	–	–
Arrangement fees	15	–
Total Income	461	369

3. MANAGEMENT FEES

	2017 Revenue £000	2017 Capital £000	2017 Total £000	2016 Revenue £000	2016 Capital £000	2016 Total £000
Management fees	216	648	864	156	467	623
	216	648	864	156	467	623

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

The investment manager receives an investment fee of 1.5 per cent per annum of the NAV of the Company, calculated and payable quarterly in arrears. At 30 September 2017, £79,095 (2016: £57,089) was owed in respect of management fees. Hargreave Hale Limited has agreed to indemnify the Company against annual running costs (such costs excluding VAT, any performance incentive fee and any trail commission the payment of which is the responsibility of the Company) exceeding 3.5% of its net assets. No fees were waived between 1 October 2016 and 30 September 2017 and no fees were waived between 1 October 2015 and 30 September 2016 under the indemnity.

A performance related incentive fee will be payable at the rate of 20 per cent. of any dividends paid to shareholders in excess of 6p per ordinary share per annum, provided that the NAV per share is at least 95p and any cumulative shortfalls below 6p per ordinary share per annum having to be made up in subsequent years before the incentive fee becomes payable. No performance related incentive fee is payable as at 30 September 2017.

4. OTHER EXPENSES

	2017 £000	2016 £000
<i>Revenue expenses:</i>		
Administration fee	55	37
Legal & professional	11	6
Other expenses	220	196
Directors' fees	59	59
Trail commission	(39)	(39)
Auditors' remuneration		
– for audit services	19	17
Capital expenses	49	–
Total expenses	374	276

Only directors are classified as key management personnel. The Directors' remuneration above includes national insurance contributions. Directors' remuneration excluding national insurance contributions is detailed in the directors' remuneration report on page 27.

The maximum aggregate directors' emoluments authorised by the Articles of Association are detailed in the directors' remuneration report on page 25.

5. TAX ON ORDINARY ACTIVITIES

The tax charge for the year is based on the standard rate of UK Corporation Tax of 19% (20% from 1 October 2016 to 31 March 2017 and 19% from 1 April 2017 to 30 September 2017).

	2017 Total £000	2016 Total £000
Profit/(loss) on ordinary activities before taxation	6,572	3,115
UK Corporation Tax: 19.5% (2016: 20%)	1,278	623
Effect of non taxable gains/losses on investments	(1,433)	(729)
Effect of non taxable UK dividend income	(87)	(73)
Effect of current year losses carried forward	242	179
Current tax charge	–	–

At the 30 September 2017 the Company had tax losses carried forward of £5,296,327 (2016: £4,073,368). It is unlikely that the Company will generate enough taxable income in the future to use these expenses to reduce future tax charges and therefore no deferred tax asset has been recognised.

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

6. EARNINGS PER SHARE

	2017 Revenue pence	2017 Capital pence	2017 Total pence	2016 Revenue pence	2016 Capital pence	2016 Total pence
(Loss)/gain per ordinary share (basic and diluted)	(0.13)p	8.99p	8.86p	(0.11)p	5.69p	5.58p

Revenue return per ordinary share is based on a net revenue loss on ordinary activities after taxation of £95,107 (2016: loss £62,763) and on 74,161,478 (2016: 55,810,087) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

Capital return per ordinary share is based on a net capital gain of £6,667,203 (2016: gain £3,177,775) for the year and on 74,161,478 (2016: 55,810,087) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

Total return per ordinary share is based on a net gain of £6,572,097 (2016: gain £3,115,012) for the year and on 74,161,478 (2016: 55,810,087) 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	
	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000
Investments	44,287	32,706	13,838	5,423	–	443	58,125	38,572
Movement in year:								
Opening Valuation	32,706	28,037	5,423	4,039	443	277	38,572	32,353
Purchases at cost	14,121	11,472	8,536	1,626	–	312	22,657	13,410
Sale proceeds	(9,462)	(8,906)	(520)	(1,654)	(471)	(276)	(10,453)	(10,836)
Realised (losses) / gains	(452)	(219)	56	447	159	20	(237)	248
Unrealised gains / (losses)	7,512	2,322	205	965	(131)	110	7,586	3,397
Re-classification adjustment	(138)	–	138	–	–	–	–	–
Closing valuation	44,287	32,706	13,838	5,423	–	443	58,125	38,572
Closing cost	29,391	24,978	11,840	3,631	–	312	41,231	28,921
Closing unrealised	14,896	7,728	1,998	1,792	–	131	16,894	9,651
Realised gain/(loss) on sales	(452)	(219)	56	447	159	20	(237)	248
Unrealised (loss)/gain on investments	7,512	2,322	205	965	(131)	110	7,586	3,397
(Loss)/gain on investments	7,060	2,103	261	1,412	28	130	7,349	3,645

Transaction Costs

During the year the Company incurred transaction costs of £84,964 and £19,470 on purchases and sales respectively. These amounts are included in gain/(loss) on investments as disclosed in the income statement.

Fair Value Measurement Hierarchy

The table below sets out fair value measurements using FRS102 s11.27 fair value hierarchy. The Company has one class of assets, being at fair value through profit or loss.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The fair value of level 3 instruments are determined by referencing the most recent arm's length transaction and/or valuation techniques such as earnings multiples, discounted cash flow analysis based on the most recent management accounts, forward looking forecasts and peer group review.

Mexican Grill Ltd (unquoted)

The fair value of the investment has been written down to £61.34 per share following a review of the company's peer group. EV/EBITDA ratios were analysed and a discounted cashflow analysis calculation completed to support the revised valuation.

Brigantes Energy Ltd (unquoted)

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

Invocas Group plc (unquoted)

The fair value of the investment has been maintained at nil on the basis that the company is cash constrained and is at risk of failure. This impairment was previously transferred to the capital reserve realised as a permanent impairment.

Infoserve Group plc (unquoted)

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

FCFM Group Ltd (unquoted)

The fair value was appraised to £1,560 in September 2017 to reflect the price at which FCFM have agreed to buy the shares back.

Portr Ltd (unquoted)

The fair value of the investment was written down to £7.41 reflecting the transfer price of the most recent transaction in the shares (on an arm's length basis).

Laundrapp Ltd (unquoted)

The fair value of the investment has been appraised to £56.67 reflecting the transfer price of the most recent transaction in the shares (on an arm's length basis).

Aquis Exchange Ltd (unquoted)

The fair value of the investment has been maintained at cost, £18.50 per share in accordance with EVCA guidelines for investments of less than one year.

Honest Brew Ltd (unquoted)

The fair value of the investment has been maintained at cost, £0.18 per share in accordance with EVCA guidelines for investments of less than one year.

SCA Investments Ltd (Guosto) (unquoted)

The fair value of the investment has been maintained at cost, £29.88 per share in accordance with EVCA guidelines for investments of less than one year.

Zappar (unquoted)

The fair value of the investment has been maintained at cost, £74.45 per share in accordance with EVCA guidelines for investments of less than one year.

Infinity Reliance Ltd (My 1st Years) (unquoted)

The fair value of the investment has been maintained at cost, £42.07 per share in accordance with EVCA guidelines for investments of less than one year.

Fusionex International plc (unquoted)

The fair value of the investment is based on the last listed price from Bloomberg before the stock went unquoted.

	2017 Level 1 £'000	2017 Level 2 £'000	2017 Level 3 £'000	2017 Total £'000	2016 Level 1 £'000	2016 Level 2 £'000	2016 Level 3 £'000	2016 Total £'000
Investments	44,287	7,173	6,665	58,125	33,149	2,206	3,217	38,572

8. SIGNIFICANT INTERESTS

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

Investment	Holding %	Investment	Holding %
Hardide plc	3.38%	Portr Ltd	4.47%
Honest Brew Ltd	9.35%	Science in Sport plc	3.16%
Imaginatik plc	4.94%	Zappar Ltd	4.32%
Mexican Grill Ltd	3.54%	Zoo Digital Group plc	5.93%
Mirada plc	4.64%		

9. DEBTORS

	2017 £000	2016 £000
Prepayments and accrued income	63	44

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £000	2016 £000
Trade Creditors	36	81
Accruals and deferred income	170	110
	206	191

11. CALLED UP SHARE CAPITAL

	2017 £000	2016 £000
Allotted, called-up and fully paid: 81,653,218 (2016: 61,995,274) ordinary shares of 1p each.	816	620

During the year 880,040 ordinary shares were purchased through the buyback facility at a cost of £667,876. The repurchased shares represent 1.4% of ordinary shares in issue on 1 October 2016. The acquired shares have been cancelled.

During the year, the Company issued 20,537,984 ordinary shares (nominal value £205,380) in a joint offer for subscription, representing 33.1% of the opening share capital at prices ranging from 76.82p to 80.95p per share, resulting in gross funds being received of £16,217,665.

Further details of the Company's capital structure can be seen in note 1.

Income entitlement

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

Capital entitlement

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

Voting entitlement

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

Transfers

There are no restrictions on transfers except dealings by directors, persons discharging managerial responsibilities and their persons closely associated 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 2016 £000	Cash Flows £000	At 30 September 2017 £000
Cash at bank	8,647	(640)	8,007

	At 1 October 2015 £000	Cash Flows £000	At 30 September 2016 £000
Cash at bank	3,764	4,883	8,647

13. NET ASSET VALUE PER ORDINARY SHARE

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

	Net asset value per share		Net assets attributable	
	2017 pence	2016 pence	2017 £000	2016 £000
Ordinary shares – Basic	80.82	75.93	65,989	47,072

Net asset value per share is based on net assets at the year end and on 81,653,218 (2016: 61,995,274) ordinary shares being the number of shares in issue at year end.

14. CONTINGENCIES, GUARANTEES AND FINANCIAL COMMITMENTS

There were no contingencies, guarantees or financial commitments of the Company at the year end (2016: nil).

15. RELATED PARTY TRANSACTIONS

Hargreave Hale Limited

Hargreave Hale Limited is considered to be a related party to the Company. Oliver Bedford, a non-executive director of the Company and a member of its key management personnel, is an employee of Hargreave Hale Limited. In addition, Hargreave Hale Limited acts as investment manager, administrator and custodian to the Company and it provides the company secretary. All of the support functions performed by Hargreave Hale Limited are segregated by department and location and are independent of each other.

Hargreave Hale Limited in its capacity as investment manager of the fund receives annual fees of 1.5% per annum of the net asset value of the Company, calculated and payable quarterly in arrears. Fees for the year are £864,075 (2016: £622,596) as detailed in Note 3. In relation to the other support functions described above, Hargreave Hale Limited received fees of £100,000 (2016: £81,667). Of those combined fees, £99,095 (2016: £72,089) was still owed at the year end.

Hargreave Hale Limited has agreed to indemnify the Company against annual running costs (such costs excluding VAT, any performance incentive fee and any trail commissions the payment of which is the responsibility of the Company) exceeding 3.5% of its net assets. No fees were waived between 1 October 2016 and 30 September 2017 under the indemnity.

16. FINANCIAL INSTRUMENTS

Risk management policies and procedures

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

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

The structure in place to manage these risks is set out in the corporate governance report on pages 29 to 33 of the annual report and accounts. The Board meets quarterly to review accounts and monitor all risks.

A detailed review of the investment portfolio is contained in the chairman's statement and investment manager's report on pages 3 to 4 and 13 to 14 respectively.

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

1. Equities – fair value through the profit and loss account.

Other financial assets comprise cash at bank of £8,006,720 (2016: £8,646,878) and accrued income and debtors of £63,181 (2016: £44,074), which is classified as 'loans and receivables measured at amortised cost'. Financial liabilities consist of trade creditors and accruals of £205,855 (2016: £190,605) which are classified as 'financial liabilities measured at amortised cost'.

Market risk

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

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

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

		2017 £000	2016 £000
Equity	Fair value	50,952	35,923
Authorised unit trust	Fair value	7,173	2,206
Fixed income securities	Fair value	–	443
		58,125	38,572

A 10% increase or decrease in the investment portfolio would have a £5,812,500 (2016: £3,857,200) impact on the profit and loss account. A value of 10% has been used as a reasonable estimate for a change in the value of the listed portfolio, which makes up the majority of the investment portfolio.

Currency risk

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

Interest rate risk

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

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

	30 September 2017			Total £000
	Fixed Rate £000	Variable Rate £000	Non-Interest Bearing £000	
Investments	–	–	58,125	58,125
Cash and cash equivalents	–	8,007	–	8,007
Other currents assets and current liabilities (net)	–	–	(143)	(143)
Net assets	–	8,007	57,982	65,989

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

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

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet obligations as they fall due. As the Company has no debt or other financial liabilities other than trade creditors and accruals of £205,855, liquidity risk is not considered material. As at 30 September 2017 the Company held £8,006,720 on bank deposit.

Credit risk

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

An asset is considered to be impaired in the case of investments if the investee company makes continued losses or defaults on any payment.

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

	2017 £000	2016 £000
Investments – (UK fixed income securities)	–	443
Cash and cash equivalents	8,007	8,647
Other assets/(liabilities)	(143)	(147)
	7,864	8,943

Cash balances were held on deposit with RBS at 30 September 2017.

Fair value of financial assets and financial liabilities

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

Capital management policies and procedures

The current policy is to fund investments through equity. No future change to this policy is envisaged. As a public limited company, the Company is required to hold a minimum £50,000 share capital.

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

17. DIVIDENDS

	2017 Ord £000	2016 Ord £000
Paid per share:		
Final capital dividend of 2.25 pence for the year ended 30 September 2015	–	1,079
Paid per share:		
Interim capital dividend of 1.75 pence for year ended 30 September 2016	–	1,067
Paid per share:		
Final capital dividend of 2.25 pence for year ended 30 September 2016	1,430	–
Paid per share:		
Interim capital dividend of 1.75 pence for year ended 30 September 2017	1,432	–
	2,862	2,146
Proposed per share:		
Final capital dividend of 2.25 pence for the year ended 30 September 2017	1,813	–
Proposed per share:		
Final capital dividend of 2.25 pence for the year ended 30 September 2016	–	1,430

18. POST BALANCE SHEET EVENTS

Buybacks

Since the period end, a further 1,056,883 ordinary shares were purchased at a total value of £843,846.

New Investments

The Company has made significant investments in new companies since the period end as follows:

Bakkavor Group plc
Beeks Financial Cloud Group plc
Charter Court Financial Services Group plc
Fusion Antibodies plc
Mirriad Advertising plc
Prudential plc

The Company has made additional investments into the following companies since the period end:

Qualifying companies

Angle plc (£100k)
Faron Pharmaceuticals Oy (£469k)
Hardide (£78k)
Cloudcall (£291k)

Non-qualifying companies

Hilton Food Group plc (£182k)
Just Eat plc (£112k)
Wizz Air Holdings (£119k)

GLOSSARY OF TERMS

NET ASSET VALUE (NAV)

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

QUALIFYING COMPANY OR QUALIFYING INVESTMENT

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

TOTAL RETURN

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

VCT OR VENTURE CAPITAL TRUST

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

SHAREHOLDER INFORMATION

The Company's ordinary shares (Code: HHV) are listed on the London Stock Exchange. Shareholders can visit the London Stock Exchange website, www.londonstockexchange.com, for the latest news and share prices of the Company. Further information for the Company can be found on its website at www.hargreaveaimvcts.co.uk.

NET ASSET VALUE PER SHARE

The Company's NAV per share as at 8 December 2017 was 80.82 pence per share. The Company publishes its unaudited NAV per share on a weekly basis.

DIVIDENDS

Subject to approval at the Annual General Meeting on 25 January 2018, the Board has proposed the payment of a final dividend of 2.25 pence in respect of year ending 30 September 2017.

Shareholders who wish to have future dividends paid directly into their bank account rather than sent by cheque to their registered address can complete a mandate for this purpose. Mandates can be obtained by contacting the Company's registrar, Equiniti.

SELLING YOUR SHARES

Hargreave Hale AIM VCT 1 plc operates a share buy-back policy to improve the liquidity in its ordinary shares. Share buyback policies are subject to the Act, the Listing Rules and tax legislation, which may restrict the VCTs ability to buy shares back in. The policy is non-binding and is at the discretion of the Board.

The buy-back policy targets a 5% discount to the last published NAV per share as announced on the London Stock Exchange through a regulatory news service provider. The discount is measured against the mid-price per share as listed on the London Stock Exchange and reflects the price at which the Company buys its shares off the market makers. The Company publishes its unaudited NAV per share on a weekly basis.

VCT share disposals settle two business days post trade if the shares are already dematerialised or placed into CREST ahead of the trade, or ten days post trade if the stock is held in certificated form.

VCT share disposals are exempt of capital gains tax when the disposal is made at arms' length, which means a shareholder must sell their shares to a market maker through a stockbroker or another share dealing service. Hargreave Hale has particular expertise in the sale of VCT shares and is able to act for VCT shareholders who wish to sell their shares. However, you are free to nominate any stockbroker or share dealing service to act for you. If you would like Hargreave Hale to act for you as their client (as opposed to a shareholder in the Company) then please contact Andrew Pang for further information (020 7009 4900, andrew.pang@hargreave.com).

Please note that Hargreave Hale will need to be in possession of the share certificate and a completed CREST transfer form before executing the sale. If you have lost your share certificate, then you can request a replacement certificate from the Company's registrar Equiniti. The registrar will send out an indemnity form, which you will need to sign. The indemnity form will also need to be countersigned by a UK insurance company or bank that is a member of the Association of British Insurers. Since indemnification is a form of insurance, the indemnifying body will ask for a payment to reflect their risk. Fees will reflect the value of the potential liability.

SHAREHOLDER ENQUIRIES:

For general shareholder enquiries, please contact Hargreave Hale Limited on 01253 754700 or by e-mail to aimvct@hargreave.com.

For enquiries concerning the performance of the Company, please contact the investment manager on 0207 009 4937 or by e-mail to aimvct@hargreave.com.

Electronic copies of this report and other published information can be found on the Company's website at

www.hargreaveaimvcts.co.uk.

CHANGE OF ADDRESS

To notify the Company of a change of address please contact the Company's registrar at the address on page 57.

COMPANY INFORMATION

Directors

Aubrey Brocklebank, Chairman
David Brock
Oliver Bedford

Secretary and Registered Office

Stuart Brookes
41 Lothbury
London EC2R 7AE

Manager

Hargreave Hale Limited
41 Lothbury
London
EC2R 7AE

Registrars

Equiniti
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BN99 6ZL

Solicitors

Howard Kennedy
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Auditors

BDO LLP
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VCT Status Adviser

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WC1V 7QH

Brokers

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One Hanover Street
London
W1S 1YZ

Company Registration Number

05206425 in England and Wales

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of Hargreave Hale AIM VCT 1 plc (“the Company”) will be held at 41 Lothbury, London EC2R 7AE on 25 January 2018 at 2:00pm for the purposes of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 8 will be proposed as ordinary resolutions and 9 and 10 as special resolutions:

Ordinary Business

1. To receive and, if thought fit, to accept the Reports of the Directors and auditor and the audited financial statements for the year ended 30 September 2017;
2. To receive and approve the directors’ remuneration report for the year ended 30 September 2017;
3. To approve the directors’ remuneration policy, the full text of which is contained in the directors’ remuneration report for the year ended 30 September 2017;
4. To reappoint BDO LLP as auditors to the Company and to authorise the Directors to determine their remuneration;
5. To re-elect Aubrey Brocklebank as a director of the Company;
6. To re-elect Oliver Bedford as a director of the Company;
7. To approve a final dividend of 2.25 pence per ordinary share in respect of the year ended 30 September 2017.

Special Business

Ordinary Resolutions

8. THAT, 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 each in the capital of the Company (“Ordinary Shares”) 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 2019 and the expiry of 15 months from the passing of this resolution (unless previously revoked, varied or extended by the Company in general meeting), save 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 the expiry of such authority. The authority being sought under this resolution is in substitution for any existing authorities.

Special Resolutions

9. THAT, the directors be and are hereby empowered pursuant to section 570 and section 573 of the Act during the period commencing on the passing of this resolution and expiring on the conclusion of the Company’s next annual general meeting in 2019 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), to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority given to directors pursuant to resolution 8 above, or by way of sale of treasury shares, as if section 561 of the Act did not apply to any such allotment or sale, save that this authority shall allow the Company to make offers or agreements before the expiry which would or might require Ordinary Shares to be allotted or sold and the directors may allot equity securities or sell shares after the expiry in pursuance of such offers or agreements as if the powers conferred hereby had not so expired. The power being sought under this resolution is in substitution for any existing powers.
10. THAT, in substitution for any existing authority but without prejudice to the exercise of any such power prior to the date hereof, the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares on such terms and in such manner as the directors may determine (either for cancellation or for 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 shall not exceed 12,081,390 Ordinary Shares, or if lower, such number of Ordinary Shares (rounded down to the nearest whole Ordinary Share) as shall equal 14.99% of the issued share capital at the date of the passing of this resolution;
- 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 shall be 1p (the nominal value thereof);
- d) this authority shall expire at the conclusion of the Company's next Annual General Meeting in 2019 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 or completed wholly or partly after the expiry of the authority, and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

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

By order of the Board of Directors.

STUART BROOKES
Company Secretary

Registered Office:
41 Lothbury
London EC2R 7AE

Date: 19 December 2017

A member entitled to attend and vote at this meeting may appoint a proxy or proxies 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 1971 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 member from attending the meeting and voting in person.

A member may appoint more than one proxy, provided each proxy is appointed to exercise rights attached to different shares. Members may not appoint more than one proxy to exercise rights attached to any one share.

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

The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 specifies that only those members registered in the register of members of the Company as at 6.30pm on 23 January 2018 or, in the event that the meeting is adjourned, on the register of members at 6.30pm on the day 2 days prior to the reconvened meeting, shall be entitled to attend or vote at the aforesaid annual general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant registrar of securities after 6.30pm on 23 January 2018 (or in the event that the meeting is adjourned, as at 6.30pm 2 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 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 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 their 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.

A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

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.

Under section 319A of the Companies Act 2006, the Company must answer at the Annual General Meeting any question a member asks relating to the business being dealt with at the Annual General Meeting unless:

- answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
- the answer has already been given on a website in the form of an answer to a question; or
- it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

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 Annual General Meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website <http://www.hargreaveaimvcts.co.uk>.

Members satisfying the thresholds in Section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting that the members propose to raise at the meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement required to be placed on the website must also be sent to the Company's auditor no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website.

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) copies of the directors' letters of appointment;
 - b) the articles of association of the Company; and
 - c) the register of directors' interests in the shares of the Company.
2. As at 19 December 2017 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 80,596,335, carrying one vote each. Therefore, the total voting rights in the Company are 80,596,335.





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