

## **HARGREAVE HALE AIM VCT 1 PLC**

### **Interim Management Statement**

This statement covers the period from 1 October 2012 to the date of the release of the statement on 12 February 2013.

As at close of business on 31 January 2013, the unaudited Net Asset Value (NAV) for Hargreave Hale AIM VCT 1 plc was as follows:

NAV per Ordinary share of 1p: 64.35 pence.

### **Trading Statement (Quarter to 31 December 2012)**

The NAV increased by 2.05p (+3.3%) from 61.35p to 63.40p in the first quarter of this financial year. As at 31 December 2012, the total return (excluding income tax relief) for investors in the 2004/5 Ordinary Share issue stood at 89.90p (from 87.85p). For those who invested through the 2005/6 C Share issue, the total return was 97.27p (from 94.73p). In the same period, FTSE AIM All-Share gained 0.21% and FTSE All-Share gained 3.15%.

We made four qualifying investments in the period: 1) Tangent Communications - £10m fundraising with strong management participation to support an acquisition that would further enhance its online presence, particularly within Europe; 2) Domino's Pizza Poland - £10.5m fundraising to finance the opening of another 10 stores in Poland and provide the company with sufficient working capital to take it through to break even; 3) Lidco - £2.35m placing to fund the acquisition of its US installed monitor base and support the rollout of a new continuous non-invasive blood pressure module to its UK installed monitor base; 4) Fusionex – a profitable software company that provides data analytics and business intelligence solutions within the Asia Pacific Region that raised £12m at the time of float. There were no disposals from within the qualifying portfolio although, for portfolio management purposes, we further reduced our holding with Advanced Computer Software Group, which continues to perform very well. The VCT remains comfortably through the HMRC defined investment test and ended the period at 95.33% invested according to the HMRC investment test through 45 qualifying investments.

The qualifying portfolio saw a net gain of 2.31 pence per share. Performance was mixed with 20 out of the 45 investments increasing in value, 18 losing ground and 7 remaining flat. Once again, Idox made the biggest contribution to the NAV within the period, gaining 39% (+1.08 pence per share) after another very strong trading update, which showed strong organic and acquisition led growth in its Engineering Information Management Division, bought about further upgrades and pushed a re-rating against the October 2013 forecasts. The shares now trade on 16x financial year ending 2013 earnings and look up with events. Advanced Computer Software's shares gained 24% (1.03 pence per share) after positive interim results highlighted the potential for future growth, both organic and

acquired. Other significant contributors were Hardide (+48%, +0.42 pence per share), which benefited from a strong set of preliminary results and DP Poland (+47%, +0.24 pence per share). Fusionex (+35%, +0.2 pence per share) has performed very well since floating in December.

EKF was the biggest drag on performance (-13%, -0.34 pence per share), followed by Reneuron (37%, -0.26 pence per share). Operationally, both companies continue to perform as we had hoped, EKF's shares have drifted on lack of news flow, whilst Reneuron has suffered from a large overhang within the market. Subsequent to the quarter end, EKF announced that trading for the year to December 2012 had been ahead of expectations. Angel Biotechnology (-0.24 pence per share) has been extremely disappointing, with the shares falling a further 50% this quarter. It is clear that things went badly wrong around the time of the January 2012 placing in which we participated. For various reasons, much of the pipeline and order book that we were briefed on has subsequently fallen away, resulting in some very material revenue and profit downgrades and leaving the management team with some significant challenges to overcome.

We remained fairly subdued within the non-qualifying equity strategy, although activity started to increase as we moved towards the end of the quarter. We recorded a loss for the quarter within this part of the portfolio after suffering a write down on ProPhotonix, whilst our allocation to non-qualifying equities remained flat at 3.7%. The weighting to cash fell from 5.6% to 4.2% and fixed income decreased from 9.1% to 7.3% after a partial disposal of our holding in an UK index linked bond. The reduction in cash and fixed income reflected the increased investment into the qualifying portfolio.

### **Post Period End Update**

January was a particularly strong month for the VCT, which gained 4.3% after adjusting for the 1.75 pence per share dividend distribution. The performance came from within the qualifying portfolio with significant moves from Advanced Power Components (+48%), Hardide (+33%), Porta Communications (+133%) and WanDisco (+44%). We were disappointed to learn that Angel Biotech appointed administrators on 8 February 2013, whilst K3 Business Technologies and Intercede both reported weak trading. We have taken the precaution of reducing the carrying value of our investment in TMO.

### **Purchase of Ordinary Shares**

#### **November**

210,100 ordinary shares were bought back for cancellation during November at a cost of £124,071.

#### **December**

64,659 ordinary shares were bought back for cancellation during December at a cost of £38,990.

#### **January**

96,512 ordinary shares were bought back for cancellation during December at a cost of £57,516.

### **Issue of Equity**

#### **December**

252,107 shares were issued during December under the terms of the Offers for Subscription dated 5 November 2012, resulting in gross funds being received of £160,000.

### **February**

228,675 shares were issued during February under the terms of the Offers for Subscription dated 5 November 2012, resulting in gross funds being received of £150,052.

As at 12 February 2013, there were 25,111,134 ordinary shares of 1p in issue (excluding shares held as treasury shares).

For further information please contact:

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