

Hargreave Hale AIM VCT 1 plc announced its results for the year ended 30 September 2017 on 19 December 2017. The full Financial Statements can be accessed on the Company's website <http://www.hargreaveaimvcts.co.uk> or alternatively by following the link at the bottom of this report.

## FINANCIAL HIGHLIGHTS

<b>Ordinary Shares (as at 30 September):</b>	<b>2017</b>	<b>2016</b>
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

## 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.

#### **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

For further information, please contact:

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[Annual Report and Accounts - Year ended 30 September 2017](#)