

Hargreave Hale AIM VCT plc announces its results for the year ended 30 September 2020. The full financial statements can be accessed on the Company's website <https://www.hargreaveaimvcts.co.uk> or alternatively by following the link at the bottom of this report.

Financial highlights

Summary financial data	2020	2019
NAV (£m)	147.00	144.04
NAV per share (p)	73.66	70.60
NAV total return (%) ⁽¹⁾	11.42	(13.52)
Market capitalisation (£m)	131.7	135.7
Share price (p)	66.00	66.50
Share price discount to NAV per share (%) ⁽¹⁾	10.40 ⁽²⁾	5.81
Share price 5 year average discount to NAV per share (%)	6.18	5.37
Share price total return (%) ⁽¹⁾	6.77	(12.89)
Gain/(loss) per share for the year (p)	7.81	(11.05)
Dividends paid per share (p)	5.00	5.15
Ongoing charges ratio (%) ⁽¹⁾	2.35	2.05

- (1) Alternative performance measure definitions and illustrations can be found in the Annual Report and Account on pages 77 to 80 by following the link at the bottom of this report.
- (2) The year end review resulted in favourable movements in the valuation of several private companies and a substantial increase in the NAV per share relative to the previously published NAV per share, leading to an unusually wide discount at the year end.
- £17.11 million invested in Qualifying Companies in the year
 - 97.0% invested by VCT value in Qualifying Investments at 30 September 2020
 - Offer for subscription to raise £20 million, together with an over-allotment facility to raise a further £10 million launched 2 September. The offer will close at 12 p.m. on 1 April 2021 for subscriptions in the 2020/21 tax year and 20 August 2021 for subscriptions in the 2021/22 tax year (unless fully subscribed earlier or closed at the Directors' discretion)

Chairman's statement

Introduction

I write this report at a time of significant turmoil in the world. The COVID-19 pandemic is causing unbelievable challenges for families, communities and society as a whole let alone business.

To say it has been an eventful six months since I last reported to you would be a gross understatement. In that time we have experienced the shortest bear market in history with unprecedented partially co-ordinated Government and Central Bank intervention, alongside extensive and unheard of commercial bank support for both quoted and unquoted companies.

In spite of the immense difficulties of the six month reporting period I am pleased to inform you that your investment team has risen to this challenge with great vigour which is reflected in the performance of your Company.

The very significant economic turmoil has inevitably caused difficulties for some of your investee companies but at the same time provided a backdrop for good progress in others, not least in the qualifying unquoted investment portfolio.

Performance

At 30 September 2020, the NAV per share was 73.66 pence which after adjusting for the dividends, paid in the year of 5.00 pence gives a NAV total return for the year of 11.42%. The NAV total return (dividends reinvested) for the year was 12.09% compared with 11.03% in the FTSE AIM All-share Index total return (also calculated on a dividends reinvested basis). The Directors consider this to be the most appropriate benchmark from a shareholder's perspective, however, due to the

investment restrictions placed on a VCT it is not wholly comparable. The NAV total return since inception⁽¹⁾ is 133.81 pence (a gain of 33.81%).

The earnings per share total return for the year was a gain of 7.81 pence (comprising a revenue loss of 0.26 pence and a capital return of 8.07 pence). Revenue income declined by 37% to £0.73m as a result of the reduced allocation to non-qualifying investments and decisions made by many companies to suspend or cancel dividend payments as a consequence of the pandemic.

The share price fell from 66.50 pence to 66.00 pence over the reporting period which after adjusting for dividends paid gives a share price total return of 6.77%.

In an extraordinary year that has caused so much pain, it is pleasing to report a positive return to shareholders despite the very considerable challenges, the high levels of market volatility and the very difficult position we found ourselves in at the half-year. This is the result of a lot of hard work and commitment from leadership teams and employees across the portfolio, for which we are truly grateful.

Investments

During the year, the investment manager, Hargreave Hale Limited, invested £17.1 million into 22 qualifying companies. The fair value of Qualifying Investments at 30 September 2020 was £112.4 million invested in 65 AIM companies and 11 unquoted companies. £19.5 million (13.3% of NAV) was invested in non-qualifying equities and £15.7 million (10.7% of NAV) was held in cash at the year end. Most of the non-qualifying equities are listed in the FTSE 350 and offer good levels of liquidity should the need arise.

Dividend

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

In the 12 month period to 30 September 2020, the Company paid dividends totalling 5.00 pence (2019: 5.15 pence). A special dividend of 1.75 pence (2019: 1 penny) was paid on 28 November 2019, a final dividend of 2.25 pence in respect of the previous financial year was paid on 11 February 2020 (2018: 2.65 pence) and an interim dividend of 1 penny (2019: 1.50 pence) paid on 24 July 2020.

A final dividend of 2.65 pence is proposed (2019: 2.25 pence) which, subject to shareholder approval at the Annual General Meeting, will be paid on 11 February 2021 to ordinary shareholders on the register on 8 January 2021.

Dividend re-investment scheme

The Directors are pleased to inform shareholders that, as approved at a general meeting of the Company on 29 September 2020, the Company will be offering a dividend re-investment scheme ("DRIS") going forward. The DRIS allows shareholders to elect to receive all or part of their dividends from the Company in the form of new ordinary shares. Investors may elect to participate in the DRIS when applying for Offer Shares by ticking the appropriate box in section 10 of the application form and completing the DRIS mandate form which accompanies the Securities Note. Shareholders may elect to join the DRIS at any time by completing a DRIS mandate form, which will be provided on request from the Registrar.

Buybacks

In total, 4,499,438 shares (nominal value £44,994) were repurchased during the year at a cost of £2,875,694 (average price: 63.91 pence per share). As at 21 December 2020, a further 720,904 shares have been repurchased at a cost of £527,771 (average price: 73.21 pence per share).

Share price discount

The Company aims to improve liquidity and to maintain a discount of approximately 5 per cent. to the last published NAV per share (as measured against the mid-price) by making secondary market purchases of its shares in accordance with parameters set by the Board.

The Company has 1 and 5 year average share price discounts of 8.55% and 6.18% respectively. The share price discount as at 30 September 2020 was 10.40% compared to 5.81% at 30 September 2019. The year end review resulted in favourable movements in the valuation of several private companies and a substantial increase in the NAV per share relative to the previously published NAV per share, leading to an unusually wide discount at the year end.

Whilst the discount reported at 30 September is wider than our target of 5% we were pleased we were able to operate the discount control and management of share liquidity policy despite the challenging market environment. As at 21 December 2020 the discount had narrowed to 5.02% of the last published NAV per share.

Offer for subscription

The Directors of the Company announced on 2 September 2020 the launch of a new offer for subscription for shares to raise up to £20 million, together with an over-allotment facility of up to a further £10 million. The offer was approved by shareholders of the Company at a general meeting on 29 September 2020 and is open to both new and existing shareholders.

Since its launch, the offer has resulted in funds being received of £13.1 million and the issue of 16.8 million shares to 21 December 2020. The offer will close at 12 p.m. on 1 April 2021 for subscriptions in the 2020/21 tax year and 20 August 2021 for subscriptions in the 2021/22 tax year (unless fully subscribed earlier or closed at the Directors' discretion).

Related party transactions

The Company's investment manager, Hargreave Hale Limited is a related party to the Company for the purposes of the Listing Rules. Following analysis of the due diligence and transactional services costs paid by the Company, the investment manager has expanded its team to allow a greater proportion of due diligence and transactional services on potential investments to be carried out internally. Upon completion of an investment, the investment manager is permitted under the management agreement to charge private investee companies a fee equal to 1.5 per cent. of the investment amount. This fee is subject to a cap of £40,000 per investment and is payable directly from the investee company to the investment manager. It is expected that these changes will generate a reduction in transaction costs paid by the Company.

VCT fund management team

The Company's investment manager, Hargreave Hale Limited, has notified the Board of Giles Hargreave's intention to step back from his role as co-manager of the Company's portfolio, with effect from 31 December 2020. Since 1 July 2019, Giles Hargreave has primarily supported the delivery of the Company's Non-Qualifying investment strategy. Although he will no longer hold a formal portfolio management role, it is the Board's expectation that he will continue to support the VCT's fund management team.

Cost efficiency

Your Board reviews costs incurred by the Company on a regular basis and is focused on maintaining a competitive ongoing charges ratio. The year end ongoing charges ratio was 2.35% when calculated in accordance with the AIC's "Ongoing Charges" methodology. This represents an increase of 14.63% from 30 September 2019 ratio of 2.05%. As indicated in the prior year Annual Report, most of this increase is a result of changes to the investment management, administration, custody and directors' fees, further detail can be found in the key performance indicator section.

Board composition

Sir Aubrey Brocklebank intends to retire fully from the Board at the Annual General Meeting in February 2021. Sir Aubrey was Chairman of your Board between 2004 and 2020. I would like to take this opportunity to thank Sir Aubrey for all his hard work on the Board.

I am delighted to welcome Justin Ward to the Board as a non-executive director appointed on 1 November 2020. Justin is a non-executive director and Chairman of the Audit Committee of The Income & Growth VCT Plc, is non-executive CFO at School Explained Limited and a non-executive director and Chairman of the Audit and Finance Committee at Roehampton Club Limited. Justin will take on the role of Chairman of the Audit Committee when Sir Aubrey Brocklebank retires in February 2020.

In response to the amount of time committed by the non-executive directors the Board has decided to increase the annual remuneration of the Chairman to £35,000 and the independent non-executive directors to £27,500. An additional fee of £1,500 will be introduced for the Chairman of the Management Engagement Committee and the Chairman of the Audit Committee will continue to receive an additional fee of £3,000.

Appointment of new Company Secretary

Following CGWL's decision to cease provision of company secretarial services with effect from 15 January 2021, the Board is in advanced discussions with a new provider and a further announcement will be made in due course.

Annual General Meeting

In light of the UK government's public health guidelines on COVID-19 and the interests of the safety and wellbeing of our shareholders, this year's AGM will be run as a closed meeting and shareholders will not be able to attend in person.

Shareholder event

Both your Board and the investment manager are keen to improve interaction with our shareholders. I am pleased to report that we held one shareholder event within the reporting period at an external venue with good facilities and convenient transport links and were delighted to see a much improved response from previous events with 119 shareholders joining us at Everyman Cinema on 28 November 2019. Your Board is planning to release a pre-recorded seminar on 25 February 2021. Shareholders are invited to put questions to the investment manager no later than 27 January 2021 by emailing aimvct@canaccord.com or in writing to the Company's registered address.

Regulatory update

There were no major changes to VCT legislation during the period under review.

VCT status

I am pleased to report that we continue to perform well against the requirements of the legislation and at the period end, the investment test was 97.0% (2019: 96.6%) against an 80% requirement when measured using HMRC's methodology. The investment test dropped to 86.9% on 1 October 2020 as shares issued in the 2017 financial year fell into the calculation for the first time. The Company satisfied all other tests relevant to its status as a Venture Capital Trust.

Key information document

In accordance with the EU's PRIIPs regulations the Company's KID is published on the Company's website at www.hargreaveaimvcts.co.uk.

The KID has been prepared using the methodology prescribed in the PRIIPS regulation. Although well intended, there are concerns about the application of some aspects of the prescribed methodologies to VCTs. Specifically, the Board is concerned that the risk score may be understating the level of risk and would like shareholders to continue to classify the VCT as a high risk investment.

Covid-19

Your Board has reviewed the risks facing the Company as a result of the Covid-19 pandemic, further detail can be found in the principal risks section of the Annual Report.

Outlook

We continue to be in very unsettling times with immense human suffering. Even with an extensive COVID lockdown it was on the cards that a second wave would come along and of course it has. However for the first time since the arrival of the pandemic, hope is now around the corner that science will allow us to begin to return to a new normal during 2021.

As I write, the issue of the US election is largely behind us and whilst Brexit negotiations are still to be resolved, perhaps some of the very considerable uncertainties of 2020 maybe, just maybe, coming to an end.

It is said that we live in very interesting if unsettling times. Your fund has an excellent spread of diversified quality British companies, which in the main are well positioned to take advantage of any economic recovery. I look forward to updating you on the performance of your fund in six months' time.

In the meantime I thank shareholders for their continuing support during these difficult times.

David Brock

Chairman

21 December 2020

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