Hargreave Hale AIM VCT plc
(the ‘Company’)
(LEI: 213800LRYA19A69SIT31)

FULL YEAR RESULTS AND NOTICE OF AGM

Hargreave Hale AIM VCT plc announces its results for the year ended 30 September 2021.

The Company also announces that its 2022 Annual General Meeting will be held at 10.30am on 3 February 2022 at 41 Lothbury, London EC2R 7AE.

The Company’s Annual Report and Financial Statements for the year ended 30 September 2021 and the formal Notice of the Annual General Meeting will be posted to shareholders who have elected to receive hard copies and in accordance with Listing Rule 9.6.1 copies of the documents have been submitted to the UK Listing Authority and will shortly be available to view on the Company's corporate website at https://www.hargreaveaimvcts.co.uk and have also been submitted to the UK Listing Authority and will be shortly available for inspection from the National Storage Mechanism at: https://data.fca.org.uk/#/nsm/nationalstoragemechanism

Strategic report
The report has been prepared by the Directors in accordance with the requirements of Section 414A of the Companies Act 2006.

Summary financial data	**2021**	**2020**
NAV (£m)	228.96	147.00
NAV per share (p)	100.39	73.66
NAV total return (%)(2)	42.26	11.42
Market capitalisation (£m)	212.11	131.7
Share price (p)	93.00	66.00
Share price discount to NAV per share (%)(2)	5.00(3)	10.40(4)
Share price 5 year average discount to NAV per share (%)(2)	6.31(3)	6.18
Share price total return (%)(2)	51.36	6.77
Gain per share for the year (p)	30.45	7.81
Dividends paid per share (p)	4.40	5.00
Ongoing charges ratio (%)(2)	2.12	2.35

Financial highlights for the year ended 30 September 2021

Net asset value (NAV) per share	NAV total return	Tax free dividends paid in the period	Share price total return	Ongoing charges ratio
100.39p[1]	**42.26%[2]**	**4.40p**	**51.36%[2]**	**2.12%[2]**

(1) Cumulative of special dividend paid post year-end.

(2) Alternative performance measure definitions and illustrations can be found in the glossary section of this report.

(3) The company’s shares went ex-dividend on 30 September 2021. The FY21 year end discount to NAV and the 5 year average discount to NAV is a function of the year end ex-dividend NAV of 97.89 pence per share and the year end share price.

(4) The FY20 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.

- £15.9 million invested in Qualifying Companies in the year.
- 98.7% invested by VCT tax value in Qualifying Investments at 30 September 2021.
- Special dividend of 2.50 pence per share paid on 29 October 2021 and final dividend of 3.15 pence per share proposed for the year end.
- Offer for subscription to raise £20 million, together with an over-allotment facility to raise a further £10 million fully subscribed as announced by the Company on 15 February 2021.
- New Offer for subscription launched on 2 September 2021 to raise £20 million, together with an over-allotment facility to raise a further £20 million fully subscribed as announced by the Company on 22 October 2021.

Financial calendar	
Record date for special dividend	1 October 2021
Payment of special dividend	29 October 2021

Record date for final dividend	7 January 2022
Payment of final dividend	10 February 2022
Annual General Meeting	3 February 2022
Announcement of half-yearly results for the six months ending 31 March 2022	June 2022
Payment of interim dividend (subject to Board approval)	July 2022

END

For further information, please contact:

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Chairman's statement

Introduction

I would like to welcome shareholders who have joined us as a result of the recent offers for subscription. The most recent offer was launched in early September 2021 and closed in just seven weeks having raised a gross total of £40 million. Thank you to all shareholders for your continuing support which is greatly appreciated.

Covid-19 of course is still with us and, as we have seen in recent weeks with the emergence of the Omicron variant, will likely continue to be for the foreseeable future. However, following the very successful vaccination program, the virus has perhaps become a little less threatening to the wider community, the economy, companies and therefore the prospects for your fund.

Maybe the same can't be said with regard to inflation. In my last report to you I raised the real concern that inflation could accelerate and with it interest rates. Whilst most Central Banks still appear to be confident that current inflation numbers are relatively short term in nature, the markets and many commentators appear to take a more bearish view with expectations now for a gradual increase in rates into 2022.

Your manager has more detail below on NAV performance over the past year but it would be wrong for me not to highlight the exceptional returns your fund has produced over the last twelve months - well in excess of 40% whilst at the same time outperforming the comparative indices.

Performance

At 30 September 2021, the cum-dividend NAV per share was 100.39 pence which, after adjusting for the dividends paid in the year of 4.40 pence, gives a NAV total return for the year of 42.26%. The NAV total return (dividends reinvested) for the year was 43.04% compared with 30.79% 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 is 164.94 pence (a gain of 64.94%).

The earnings per share total return for the year was a gain of 30.45 pence (comprising a revenue loss of 0.39 pence and a capital return of 30.84 pence). Revenue income increased by 22% to £0.89m as a result of an increase in dividends received from portfolio companies and interest accrued on convertible loan note instruments. Revenue expenses exceeded income and resulted in a revenue loss for the year of 0.39 pence per share.

The share price increased from 66.00 to 93.00 pence (ex-dividend) over the reporting period which, after adjusting for dividends paid, gives a share price total return of 51.36%.

Investments

The Investment Manager invested £15.9 million into 18 Qualifying Companies during the period. The fair value of Qualifying Investments at 30 September 2021 was £173.4 million (75.7% of NAV) invested in 68 AIM companies and 7 unquoted companies. £25.7 million (11.2% of NAV) was invested in non-qualifying equities, £3.7 million (1.6% of NAV) was invested in the Marlborough Special Situations Fund and £27.0 million (11.8% 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.

The year end valuation review resulted in changes to the valuation of several of the investments in private companies, some higher and some lower, which in aggregate amounted to a net increase of 0.81 pence per share since the last review on 30 June 2021. Across the year as a whole, movements in the valuations of the private companies added 5.50 pence per share to the year end NAV per share, in part due to significant increases in value for SCA Investments Limited (trading as Gousto) and Oxford Genetics, which was sold to WuXi AppTec on 1 March 2021.

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 2021, the Company paid dividends totalling 4.40 pence (2020: 5.00 pence). A final dividend of 2.65 pence in respect of the previous financial year was paid on 11 February 2021 (2019: 2.25 pence) and an interim dividend of 1.75 pence (2020: 1 penny) was paid on 30 July 2021.

A special dividend of 2.50 pence per share was announced on 23 September 2021 and paid on 29 October 2021 to shareholders on the register on 1 October 2021. A final dividend of 3.15 pence is proposed (2020: 2.65 pence) which, subject to shareholder approval at the Annual General Meeting, will be paid on 10 February 2022 to ordinary shareholders on the register on 7 January 2022.

Dividend re-investment scheme

Shareholders may elect to reinvest their dividend by subscribing for new shares in the Company.

On 11 February 2021, 276,440 ordinary shares were allotted at a price of 90.03 pence per share, being the last published ex-dividend NAV per share as at 22 January 2021, to shareholders who elected to receive shares under the DRIS as an alternative to the final dividend for the year ended 30 September 2020.

On 30 July 2021, 203,313 ordinary shares were allotted at a price of 99.23 pence per share, being the last published ex-dividend NAV per share as at 9 July 2021, to shareholders who elected to receive shares under the DRIS as an alternative to the interim dividend for the year ended 30 September 2021.

On 29 October 2021 (post period end), 327,293 ordinary shares were allotted at a price of 94.09 pence per share, being the last published ex-dividend NAV per share as at 8 October 2021, to shareholders who elected to receive shares under the DRIS as an alternative to the special dividend announced by the Company on 23 September 2021.

Buybacks

In total, 6,661,974 shares (nominal value £66,620) were repurchased during the year at a cost of £6,043,569 (average price: 90.72 pence per share). As at 16 December 2021, a further 401,981 shares have been repurchased post the year end at a cost of £365,958 (average price: 91.04 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.

We continued to operate the discount control and management of share liquidity policy effectively during the period. The Company has 1 and 5 year average share price discounts of 6.25% and 6.31% respectively.

On an ex-dividend basis, the Company’s share price discount as at 30 September 2021 was 5.00% compared to 10.40% at 30 September 2020.

As at 15 December 2021 the discount to NAV was 5.28% of the last published NAV per share.

Offer for subscription

The Directors of the Company announced on 2 September 2020 the launch of an offer for subscription for shares to raise up to £20 million, together with an over-allotment facility of up to a further £10 million. On 15 February 2021, the Company announced the offer for subscription was closed to further applications. The offer resulted in gross funds being received of £30 million and the issue of 34.8 million shares.

New Offer for subscription

The Directors of the Company announced on 2 September 2021 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 £20 million. The offer was approved by shareholders of the Company at a general meeting on 6 October 2021.

On 22 September 2021, the Company announced that it had received valid applications in excess of £17 million and, accordingly, the Directors of the Company confirmed they intended to utilise the available £20 million over-allotment facility.

On 22 October 2021, the Company announced it had received valid applications in respect of the full £20 million over-allotment facility and therefore the offer for subscription was closed to further applications.

As at 16 December 2021, 40.6 million shares have been allotted raising gross proceeds of £39.2 million. A further £0.8 million will be allotted in the 2022/23 tax year.

Investment Manager VCT team

As previously announced, Giles Hargreave stepped down as co-manager on 31 December 2020; he has not been involved in the management of the VCT portfolio since then. Looking forward, Giles is not expected to provide any input to the VCT’s portfolio, although he remains available to support the Investment Manager’s VCT team in his role as Life President of Canaccord Genuity Fund Management (the trading name of Hargreave Hale Ltd). The Board would like to thank Giles for his contribution to the VCT since it first launched in 2004.

Additionally, the Investment Manager’s VCT team has further expanded with the addition of Archie Stirling, a second investment analyst in September 2021, taking the Investment Manager’s VCT team to five. Archie joined the Investment Manager in September 2021 following 8 years at KPMG LLP, including 5 years working in transaction services.

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 2.12% when calculated in accordance with the AIC’s “Ongoing Charges” methodology. This compares with the 30 September 2020 ratio of 2.35%.

Board and committee composition

Sir Aubrey Brocklebank retired from his role as non-executive director and Chairman of the Audit Committee at the Annual General Meeting in February 2021. Justin Ward was appointed to the Board on 1 November 2020 and assumed the role of Chairman of the Audit Committee on 4 February 2021, following the retirement of Sir Aubrey.

Ashton Bradbury will not be standing for re-election at the upcoming AGM in 2022. We are very sorry to see him go and thank him for his significant contribution. The process of recruiting a new non-executive director will commence in the New Year.

Following a review of board remuneration and taking into account peer group analysis and inflation, the Board has decided to increase its remuneration, effective 1 January 2022. The annual remuneration of the Chairman will increase to £37,000, the independent non-executive directors to £29,000 and the non-independent non-executive director, Oliver Bedford, to £26,500. An additional fee of £1,500 will continue to be paid to the Chairman of the Management and Service Provider Engagement Committee and the Chairman of the Audit Committee will continue to receive an additional fee of £3,000.

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. As noted above and announced on 14 December 2021, Oliver Bedford's non-executive directorship fees (paid directly to the Investment Manager) will increase from £25,000 to £26,500 with effect from 1 January 2022. Once aggregated with previous related party transactions between the Company and the Investment Manager's group in the last 12 months, this fee increase constitutes a smaller related party transaction under Listing Rule 11.1.10R.

Appointment of new Company Secretary

As announced on 12 January 2021, JTC (UK) Limited was appointed as company secretary, effective from 15 January 2021.

Annual General Meeting

Shareholders are invited to attend the Company's Annual General Meeting (AGM) to be held at 10.30am on 3 February 2022 at 41 Lothbury, London EC2R 7AE.

Those shareholders who are unable to attend the AGM in person are encouraged to raise any questions in advance with the Company Secretary at HHV.CoSec@jtcgroup.com. Questions must be received by 5.00 p.m. on 31 January 2022 and answers will be published on the Company's website on 1 February 2022.

In light of the continued relative uncertainty in relation to the Covid-19 pandemic, the Board will continue to monitor Government guidance and will update shareholders on any changes to the above arrangements through the Company's website at: https://www.hargreaveaimvcts.co.uk and by announcement through a regulatory information service.

Shareholder event

Both your Board and the Investment Manager are keen to improve interaction with our shareholders. On 25 February 2021, a pre-recorded shareholder event was released. In the video, Lead Fund Manager Oliver Bedford reviewed the Company's performance over 2020, investment activity, portfolio positioning and outlook for the year ahead. In addition to this, representatives from six portfolio companies shared their thoughts on the challenges, opportunities and the legacy of 2020. The video is available to watch via the news and events page on the Company's website at https://www.hargreaveaimvcts.co.uk.

I am pleased to report that on 24 November 2021, following strong interest from shareholders, the Company held an in-person shareholder event at Everyman Cinema, Broadgate, City of London. The event included presentations from the Investment Manager's VCT team, several portfolio companies and concluded with the screening of a feature film. Recorded highlights will be made available to view through the Company's website.

Electronic communications

As ever, we are respectfully asking shareholders to opt into electronic communications as we continue to look for savings in our printing and production costs and to reduce our environmental footprint. If interested in making the transition, please email us at aimvct@canaccord.com and we will arrange for the form of election to be sent to you by Equiniti, the Company's registrar.

On a similar note, we would also be grateful if shareholders would consider updating their dividend payment preference from bank cheque to bank transfer, helping us to reduce costs and paper usage on more than c.1,500 dividend cheques annually.

Electronic Voting

Your Board is pleased to announce that electronic proxy voting is now available for shareholders to register the appointment of a proxy and voting instructions for any general meeting of the Company once notice has been given. This service will hopefully assist the Company to make further printing and production cost savings, reduce our environmental footprint and streamline the voting process for investors.

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 98.7% (2020: 97.0%) against an 80% requirement when measured using HMRC's methodology. 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: https://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.

Investors' attention is drawn to the consultation currently being undertaken by the FCA in relation to amendments to the Key Information Document produced by VCTs in accordance with UK PRIIPS Laws. In Consultation Paper CP21/23 (published on 1 July 2021), the FCA proposes to require that Key Information Documents issued by VCTs must be assigned a summary risk indicator (SRI) of no lower than 6. The FCA states that this change should ensure investors will be better informed of the nature of the risk of investing in VCTs. If this proposal is made into law, the Company's SRI will increase as a result of the mandatory minimum SRI prescribed.

Risk review

Your Board has reviewed the risks facing the Company and further detail can be found in the principal and emerging risks and uncertainties section.

Outlook

Whilst there are many reasons for investors to be cautious, amongst them the Omicron variant, tax rises, government debt, inflation, interest rate rises, energy costs and access to skilled labour, there are similarly many reasons to be positive.

These include, exceptional growth in the economy with GDP forecast to continue to rise in the near term at a rate that has not been seen in the U.K. for many decades, low unemployment, rises in average earnings, high levels of household savings that consumers can call upon, early signs of increases in company investment and still buoyant financial markets.

One thing I can assure you is that your Fund Management team and board are focussed on delivering above average returns through the VCT's large and diversified portfolio of innovative and high growth British companies.

I look forward to reporting to you further on the VCT's performance in six months time.

David Brock
Chairman

16 December 2021

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 05206425.

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 generating capital returns and income from its portfolio and to make distributions from capital and income to shareholders whilst maintaining its status as a VCT.

The Company is registered as a small UK Alternative Investment Fund Manager (AIFM) with a Board comprising of five non-executive directors, four of whom are independent. Hargreave Hale Limited (trading as Canaccord Genuity Fund Management) acts as investment manager whilst Canaccord Genuity Wealth Limited (CGWL) acts as administrator and custodian. JTC (UK) Limited provide company secretarial services.

The Board has overall responsibility for the Company's affairs including the determination of its investment policy, however, the Board exercises these responsibilities through delegation to the Investment Manager/Canaccord Genuity Wealth Limited and JTC (UK) Limited 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, policy and strategy

Investment objectives

The investment objectives of the Company are to generate capital gains and income from its portfolio and to make distributions from capital or income to shareholders whilst maintaining its status as a Venture Capital Trust.

Investment policy

The Company intends to achieve its investment objectives by making Qualifying Investments in companies listed on AIM, private companies and companies listed on the AQSE Growth Market, as well as Non-Qualifying Investments as allowed by the VCT Rules.

Qualifying Investments

The Investment Manager will maintain a diversified portfolio of Qualifying Investments which may include equities and fixed interest securities as permitted by the VCT Rules. Investments will primarily be made in companies listed on AIM but may also include private companies that meet the Investment Manager's criteria and companies listed on the AQSE Growth Market. These small companies will be UK based or have a UK presence and, whilst of high risk, will have the potential for significant capital appreciation.

To maintain its status as a VCT, the Company must have 80 per cent. 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. To provide some protection against an inadvertent breach of this rule, the Investment Manager targets a threshold of approximately 85 per cent.

Non-Qualifying Investments

The Non-Qualifying Investments must be permitted by the VCT Rules and may include equities and exchange traded funds listed on the main market of the London Stock Exchange, fixed income securities, bank deposits that are readily realisable and the Marlborough Special Situations Fund. Subject to the investment controls below, the allocation to each of these investment classes will vary to reflect the Investment Manager's view of the market environment and the deployment of funds into Qualifying Companies. The market value of the Non-Qualifying Investments (excluding bank deposits) will vary between nil and 50 per cent. of the net assets of the Company. The value of funds held in bank deposits will vary between nil and 30 per cent. of the net assets of the Company.

Investment controls

The Company may make co-investments in investee companies alongside other funds, including other funds managed by the Investment Manager. Other than bank deposits, no individual investment shall exceed 10 per cent. of the Company's net assets at the time of investment.

Borrowings

The Articles permit the Company to borrow up to 15 per cent. of its adjusted share capital and reserves (as defined in the Articles). However, it is not anticipated that the Company will have any borrowings in place and the Directors do not intend to utilise this authority.

To the extent that any future changes to the Company's investment policy are considered to be material, shareholder consent to such changes will be sought. Such consent applies to the formal investment policy described above and not the investment process set out below.

Investment process and strategy

The Investment Manager follows a stock specific investment approach based on fundamental analysis of the investee company.

The Investment Manager's fund management team has significant reach into the market and meets with large numbers of companies each week. These meetings provide insight into investee companies, their end markets, products and services, or the competition. Investments are monitored closely and the Investment Manager usually meets or engages with their senior leadership team at least twice each year. Where appropriate the Company may co-invest alongside other funds managed by the Investment Manager.

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

- the strength and depth of the management team;
- the business strategy;
- a prudent approach to financial management and forecasting;
- a strong balance sheet;
- profit margins, cash flows and the working capital cycle;
- barriers to entry and the competitive landscape; and
- the balance of risk and reward over the medium and long term.

Qualifying Investments

Investments are made to support the growth and development of a Qualifying Company. The Investment Manager will maintain a diversified portfolio that balances opportunity with risk and liquidity. Qualifying Investments will primarily be made in companies listed on AIM but may also include private companies and companies listed on the AQSE Growth Market. Seed funding is rarely provided and only when the senior leadership team includes proven business leaders known to the Investment Manager.

Working with advisers, the Investment Manager will screen opportunities, often meeting management teams several times prior to investment to gain a detailed understanding of the company. Investments will be sized to reflect the risk and opportunity over the medium and long term. In many cases, the Investment Manager will provide further funding as the need arises and the investment matures. When investing in private companies, the Investment Manager will shape the investment to meet the investee company's needs whilst balancing the potential for capital appreciation with risk management.

Investments will be held for the long term unless there is a material adverse change, evidence of structural weakness, or poor governance and leadership. Partial realisations may be made where necessary to balance the portfolio or, on occasion, to capitalise on significant mispricing within the stock market.

Non-Qualifying Investments

The Investment Manager's VCT team works closely with the Investment Manager's wider fund management team to deliver the investment strategy when making Non-Qualifying Investments, as permitted by the VCT Rules. The Investment Manager will vary the exposure to the available asset classes to reflect its view of the equity markets, balancing the potential for capital appreciation with risk management, liquidity and income.

The Non-Qualifying Investments will typically include a focused portfolio of direct investments in companies listed on the main market of the London Stock Exchange. The portfolio will mix long term structural growth with more tactical investment to exploit short term mispricing within the market. The use of the Marlborough Special Situations Fund enables the Company to maintain its exposure to small UK companies whilst the Investment Manager identifies opportunities to invest the proceeds of fundraisings into Qualifying Companies.

The Investment Manager may use certain exchange traded funds listed on the main market of the London Stock Exchange to gain exposure to asset classes not otherwise accessible to the Company.

Environmental, social and governance ("ESG") considerations

The Investment Manager has strengthened its approach to environmental, social and governance ("ESG") issues. It has integrated a review of ESG issues as part of its investment decision-making process for investments in Qualifying Companies that seeks to identify material issues in the following areas:

- role, structure and operation of the board;
- treatment of employees;
- robustness of accounting and internal controls; and
- environmental and/or social impacts of the business.

The Investment Manager will seek to engage and influence companies on any areas of improvement identified through due diligence and material ESG issues that arise during the term of the investment. The Investment Manager has published ESG, Engagement and Stewardship policies on its website which can be found on https://www.canaccordgenuity.com/fund-management-uk/.

Risk management

The structure of the Company's investment portfolio and its investment strategy has been developed to mitigate risk where possible.

- The Company has a broad portfolio of investments to reduce stock specific risk.
- Flexible allocations to non-qualifying equities, exchange traded funds listed on the main market of the London Stock Exchange, fixed income securities, bank deposits that are readily realisable and the Marlborough Special Situations Fund, allow the Investment Manager to adjust portfolio risk without compromising liquidity.
- Regular meetings with investee companies aid the close monitoring of investments to identify potential risks and allow corrective action where possible.
- Regular board meetings and dialogue with the Directors, along with policies to control conflicts of interest and co-investment with the Marlborough fund mandates, support strong governance.

Key performance indicators

The Directors consider the following Key Performance Indicators (KPIs) to assess whether the Company is achieving its strategic objectives. The Directors believe these measures help shareholders assess how effectively the Company is applying its investment policy and are satisfied the results give a good indication of whether the Company is achieving its investment objectives and policy. The KPIs are established industry measures.

Further commentary on the performance of these KPIs has been discussed in the Chairman's statement and Investment Manager's report.

1. NAV and share price total returns

The Board monitors NAV and share price total return to assess how the Company is meeting its objective of generating capital gains and income from its portfolio and making distributions to shareholders. The Board is pleased to report a positive return for the year with the NAV per share increasing from 73.66 pence to 100.39 pence resulting in a gain to ordinary shareholders of 31.13 pence per share (42.26%) after adjusting for dividends paid in the year.

The Board considers peer group and benchmark comparative performance. Due to the very low number of AIM VCTs, the Board reviews performance against the generalist VCTs as well as the AIM VCTs to provide a broader peer group for comparison purposes. Performance is also measured against the Company's closest benchmark the FTSE AIM All-Share Index total return. With 61.9% of the net assets invested in companies listed on AIM, the Directors consider this to be the most appropriate benchmark from a shareholder's perspective. However, HMRC derived investment restrictions, along with Qualifying Investments in private companies and fixed income securities, and Non-Qualifying Investments in main market listed companies, predominantly in the FTSE 350, mean the index is not a wholly comparable benchmark for performance.

Rolling Returns to end Sep 2021	1Y	3y	5y	10y
NAV total return	42.26%	31.23%	61.91%	132.16%
Share price total return	51.36%	33.80%	67.45%	156.17%
NAV total return (dividends reinvested) (1)	43.04%	36.77%	76.36%	186.79%
Share price total return (dividends reinvested) (1)	52.46%	40.13%	83.89%	220.38%
FTSE AIM All-Share Index total return	30.79%	17.06%	61.25%	96.62%

Source: Hargreave Hale Ltd

(1) The NAV total return (dividends reinvested) and Share price total return (dividends reinvested) measures have been included to improve comparability with the FTSE AIM All-Share index Total Return which is also calculated on that basis. They are alternative performance measures.

The Company enjoyed strong NAV performance over the year. The NAV total return (dividends reinvested) for the year of 43.04% was ahead of the weighted average return for the AIM VCT peer group however, over longer time periods the Company's NAV returns are below the weighted average of its AIM VCT peers. As the AIM VCT Sector consists of only a very small number of companies, the Directors also consider performance against the much broader Generalist VCT Sector. It is pleasing to note that the VCT has materially outperformed the weighted average NAV total return (dividends reinvested) for the Generalist Sector over 1, 3, 5 and 10 years. Additionally the VCT has outperformed its FTSE AIM All-Share benchmark over 1,3 and 5 years and is very significantly ahead over 10 years. Further detailed information on peer group performance is available through Morningstar (https://www.morningstar.co.uk) and the AIC (https://www.theaic.co.uk/aic/statistics)

2. Share price discount to NAV per share

The Company uses secondary market purchases of its shares to improve the liquidity in its shares and support the discount. The discount to NAV per share is an important influence on a selling shareholder's eventual return. The Company aims to maintain a discount of approximately 5 per cent. to the last published NAV per share (as measured against the mid-price).

The Company's shares went ex-dividend (2.50 pence per share) on 30 September 2021. The share price discount as 30 September 2021 was 5.00% (2020: 10.40%) when calculated with reference to the ex-dividend 30 September 2021 NAV per share. The 1 and 5 year average share price discounts are 6.25% and 6.31% respectively.

The Company's shares are priced against the last published NAV per share with the market typically adjusting the price to reflect the NAV after its publication. In line with the Company's valuation policy, the quarter end NAV per share is published 5 business days after the period end to allow time for the manager and board to review and agree the valuation of the private companies held within the investment portfolio.

As at 15 December 2021 the discount to NAV was 5.28% of the last published NAV per share.

3. Ongoing charges ratio

The ongoing charges of the Company were 2.12% (2020: 2.35%) of the average net assets of the Company during the financial year to September 2021. The decrease in the ongoing charges ratio reflects the increase in the Company's net assets over the period and a substantial reduction in due diligence costs following the addition of a legal counsel to the Investment Manager's VCT team. Material cost increases within the financial year included higher management fees from increased net assets, listing costs in relation to the dividend reinvestment scheme, directors' remuneration increases effective from 1 January 2021, increased company secretarial fees following the appointment of JTC (UK) Ltd and higher registrar and printing costs as a result of the larger shareholder base.

The Company's ongoing charges ratio remains competitive against the wider VCT industry and similar to other AIM VCTs. This ratio is calculated using the AIC's "Ongoing Charges" methodology and, although based on historical information, it provides shareholders with an indication of the likely future cost of managing the fund.

Cost control and efficiency continues to be a key focus for your Board. The Board is satisfied with the result for the year which was in line with the Company's budget.

4. Dividends per share

The Company's policy is to target a tax free dividend yield equivalent to 5% of the year end NAV per share. The Board remains committed to maintaining a steady flow of dividend distributions to shareholders.

A total of 4.40 pence per share (2020: 5.00 pence – including the special dividend of 1.75 pence per share) of dividends was paid during the year, comprised of a final dividend of 2.65 pence in respect of the previous financial year (2019: 2.25 pence) paid on 11 February 2021 and an interim dividend of 1.75 pence (2020: 1 penny) paid on 30 July 2021. A special dividend of 2.50 pence was announced on 23 September 2021, with an ex-dividend date of 30 September 2021 and a payment date of 29 October 2021.

A final dividend of 3.15 pence per share will be proposed at the Annual General Meeting. If approved by shareholders, the payment of the interim and final dividends in respect of the financial year to 30 September 2021 would represent a distribution to shareholders of 4.9% of the 30 September 2021 NAV per share and 5.0% of the 30 September 2021 ex-dividend NAV per share. The payment of the special dividend, which was outside of the scope of the dividend policy, further increases the distribution to 7.4% of the 30 September 2021 cum-dividend NAV per share and 7.6% of the 30 September 2021 ex-dividend NAV per share.

The below table demonstrates how the Board has been able to consistently pay dividends in line with the 5% target and dividend policy.

Dividend paid/payable by financial year				
	Year end NAV	**Dividends**		
Year	**pence per share**		**Yield**	**Additional information**
2010/11	61.14	4.00	6.5%	
2011/12	61.35	3.25	5.3%	
2012/13	71.87	3.75	5.2%	
2013/14	80.31	4.25	5.3%	
2014/15	74.64	4.00	5.4%	
2015/16	75.93	4.00	5.3%	
2016/17	80.82	4.00	4.9%	
2017/18	87.59	5.40	6.2%	Including special dividend of 1 penny.

2018/19	70.60	3.75	5.3%	
2019/20	73.66	5.40	7.3%	Including a special dividend of 1.75 pence.
2020/21	100.39	7.40	7.4%	Including a special dividend of 2.50 pence and the proposed final dividend of 3.15 pence.

5. Compliance with VCT regulations

A VCT must be approved by HMRC at all times, and in order to retain its status, the Company must meet a number of tests as set out by the VCT legislation. Throughout the year ended 30 September 2021 the Company continued to meet these tests.

The investment test increased from 97.0% to 98.7% in the financial year, comfortably ahead of the 80% threshold that applied to the Company with effect from 1 October 2019 and the target of 85% as set out in the Company's investment policy. The Company invested £15.9 million into 18 Qualifying Companies, 7 of which were investments into new Qualifying Companies. The Board is pleased with the level of new Qualifying Investment, which was ahead of expectations. Along with unrealised gains in the period, the new Qualifying Investments helped to increase the fair value of the qualifying portfolio from £112.4m to £173.3m. On 1 October 2021, when shares issued in the 2019 financial year fell into the test for the first time, the investment test dropped to 88.6%.

The Board believes that the Company will continue to meet the HMRC defined investment test and other qualifying criteria on an ongoing basis.

For further details please refer to the Investment Manager's report.

Principal and emerging 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 board meetings. The Board may fulfil these responsibilities through delegation to Hargreave Hale Limited and Canaccord Genuity Wealth Limited as it considers appropriate. The Board also considers emerging risks of which the most significant is the growing proximity to the date of the Sunset Clause. The principal risks facing the Company together with mitigating actions taken by the Board are set out below:

Risk	Potential consequence	How the Board mitigates risk	Changes During the Year
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 or the Finance Act could result in the disqualification of the Company as a VCT.	Loss of VCT approval could lead to the Company losing its exemption from corporation tax on capital gains, shareholders losing their tax reliefs and in certain circumstances being required to repay the initial tax relief on their investment.	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.	No change.
Investment risk – Many of the Company's investments are held in small, high risk companies which are either listed on AIM or privately held.	Investment in poor quality companies could reduce the capital and income return to shareholders. Investments in small companies are often illiquid and may be difficult to realise.	The Board has appointed an investment manager with significant experience of investing in small companies. The Investment Manager maintains a broad portfolio of investments, individual Qualifying Investments rarely exceed 5% of net assets, and holds regular company meetings to monitor investments and identify potential risk. The fund's liquidity is monitored on a regular basis by the Investment Manager and reported to the Board quarterly and as necessary.	No change.
Compliance risk – The Company is required to comply with the rules of the UK Listing Authority, the Companies Act, Accounting Standards, the General Data Protection Regulation 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.	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 have considerable experience of operating at senior levels within quoted businesses. They have access to a range of advisors including solicitors, accountants and other professional bodies and take advice when appropriate.	No change.
Operational risk and outsourcing – Failure in the Investment Manager/Administrator or other appointed third party systems and controls or disruption to its business.	Failures could put the assets of the Company at risk or result in reduced or inaccurate information being passed to the Board or shareholders. Quality standards may be reduced through lack of understanding or loss of control.	The Company has in place a risk matrix and a set of internal policies which are reviewed on a regular basis. It has written agreements in place with its third-party service providers. The Board, through the Management and Service Provider Engagement Committee, receives regular reports from the Investment	Decreased. Following the successful vaccination programme in the UK, providers of the core outsourced functions of the Company, including investment management and administration have resumed working within an office based environment, albeit on a more flexible basis than was typically

		Manager, Administrator and custodian to provide assurance that appropriate oversight is in place. Additionally, the Board receives a control report from the Company's registrars on an annual basis. Where tasks are outsourced to other third parties, reputable firms are used and performance is reviewed periodically by the Management and Service Provider Engagement Committee.	the case prior to the pandemic. The return to work within an office based environment allows for better communication and a more robust oversight and monitoring regime.
Key personnel risk – A change in the key personnel involved in the management of the portfolio.	Potential impact on investment performance.	The Board discusses key personnel risk and resourcing with the Investment Manager periodically. The VCT team within the Investment Manager has increased in size over the last two and a half years, which helps to mitigate this risk.	Decreased. The VCT team within the Investment Manager has increased with the introduction of Archie Stirling, who brings new skills and experience. The VCT team has expanded substantially since 2018. New members of the team have gained sufficient experience to provide credible mitigations to key personnel risk.
Exogenous risks such as economic, political, financial, climate change and health - Economic risks include recession and sharp changes in interest rates, political risks include the terms of the UK's exit from the European Union or a change in government policy causing the VCT scheme to be brought to an end. A condition of the European Commission's State Aid approval of the UK's VCT and EIS schemes in 2015 was the introduction of a retirement date for the current schemes at midnight on 5 April 2025. If the relevant legislation is not renewed or replaced with similar or equivalent legislation, new investors will not be able to claim income tax relief for investments into new shares issued by VCTs after 5 April 2025 (the "Sunset Clause").	Instability or change arising from these risks could have an impact on stock markets and the value of the Company's investments so reducing returns to shareholders. There remains considerable uncertainty about the future path of the pandemic and the longterm impacts. New variants of the virus may emerge that could result in the introduction of new restrictions, depress economic activity and lead to falls in equity markets in the UK and elsewhere, all of which could have a material adverse impact on the future investment returns of the Company, the price of the Ordinary Shares and the ability of the Investment Manager to find and realise suitable investments. A failure to renew or replace the relevant sections of the Finance (No 2) Act 2015 with similar or equivalent legislation would make it more difficult for the Company to attract new capital whilst continuing to operate under its current investment policy.	Regular dialogue with the manager provides the Board with assurance that the manager is following the investment policy agreed by the Board and appraises the Board of the portfolio's current positioning in the light of prevailing market conditions. Communication between the Board and the Investment Manager has remained strong through the period of the Covid-19 pandemic. The Company's investment portfolio is well diversified and the Company has no gearing. When reviewing the valuations of the Company's private company investments the independent non-executive directors have taken account of the impact of Covid-19 where appropriate. The Board keeps abreast of current thinking through contact with industry associations and its advisors.	No change.

Additional risks and further details of the above risks and how they are managed are explained in note 15 of the financial statements. Trends affecting future developments are discussed in the Chairman's statement and the Investment Manager's report.

Long term viability statement

In accordance with provision 28 of the UK Corporate Governance Code, the Directors have carried out a robust assessment of the Company's emerging and principal risks, further details can be found in the principal and emerging risks and uncertainties section. 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:

- is consistent with investors' minimum holding period to retain tax relief;
- exceeds the time allowed to deploy funds raised under the current offer in accordance with VCT legislation; and
- because it is challenging to forecast beyond five years with sufficient accuracy to provide actionable insight.

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 levels agreed by the Board. These controls are reviewed by the Board and Investment Manager on a regular basis.

The Board has considered the Company's financial position and its ability to meet its liabilities as they fall due over the next five years taking into account the following factors in its assessment of the Company's future viability:

- the Company maintains a highly diversified portfolio of Qualifying Investments;

- the Company is well invested against the HMRC investment test and the Board believes the Investment Manager will continue to have access to sufficient numbers of investment opportunities to maintain compliance with the HMRC investment test;
- the Company held £27.0 million in cash at the year end;
- the Company has a broad portfolio of Non-Qualifying Investments, most of which are listed in the FTSE 350 and offer good levels of liquidity should the need arise;
- the financial position of the Company at 30 September 2021 was strong with no debt or gearing;
- the offer for subscription launched on 2 September 2021 has provided further liquidity for deployment in line with the company's policies or to meet future expenses;
- the ongoing charges ratio of the Company for the year end was 2.12%, which is competitive for the VCT sector; and
- the Company has sufficient procedures in place to identify, monitor and control risk and portfolio liquidity.

In assessing the Company's future viability, the Board has assumed that investors will wish to continue to have exposure to the Company's activities, that performance will be satisfactory and the Company will continue to have access to sufficient capital.

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.

Other matters

Dividend policy

The Company's dividend policy is to target a tax free dividend yield equivalent to 5% of the year end NAV per share. The ability to pay dividends is dependent on the Company's available distributable reserves and cash resources, the Act, the Listing Rules and the VCT Rules. The policy is non-binding and at the discretion of the Board. Dividend payments may vary from year to year in both quantum and timing. The level of dividend paid each year will depend on the performance of the Company's portfolio. In years where there is strong investment performance, the Directors may consider a higher dividend payment, including the payment of special dividends. In years where investment performance is not as strong, the Directors may reduce or even pay no dividend.

Discount control and management of share liquidity policy

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.

This policy is non-binding and at the discretion of the Board. Its operation depends on a range of factors including the Company's liquidity, shareholder permissions, market conditions and compliance with all laws and regulations. These factors may restrict the effective operation of the policy and prevent the Company from achieving its objectives.

Diversity

The Board comprises four male non-executive directors and one female non-executive director with a diverse range of experience, skills, length of service and backgrounds. The Board considers diversity when reviewing Board composition and has made a commitment to consider diversity when making future appointments. The Board will always appoint the best person for the job. It will not discriminate on the grounds of gender, race, ethnicity, religion, sexual orientation, age or physical ability.

Environmental Social and Governance (ESG) Considerations

The Board seeks to maintain high standards of conduct with respect to environmental, social and governance issues and to conduct the Company's affairs responsibly.

The Company does not have any employees or offices and so the Board does not maintain any specific policies regarding employee, human rights, social and community issues but does expect the Investment Manager to consider them when fulfilling their role.

The management of the Company's investment portfolio has been delegated to its Investment Manager - Hargreave Hale Ltd. The Company has not instructed the Investment Manager to include or exclude any specific types of investment on ESG grounds. However, it expects the Investment Manager to take account of ESG considerations in its investment process for the selection and ongoing monitoring of underlying investments. The Board has also given the Investment Manager discretion to exercise voting rights on resolutions proposed by investee companies.

The Investment Manager continues to strengthen its approach to ESG issues.

To minimise the direct impact of its activities the Company offers electronic communications where acceptable to reduce the volume of paper it uses and uses Carbon Balanced paper manufactured at a FSC accredited mill to print its financial reports. Vegetable based inks are used in the printing process where appropriate.

Prospects

The prospects and future development of the Company are discussed in detail in the outlook section of the Chairman's statement.

The strategic report is approved, by order of the Board of Directors.

David Brock
Chairman

16 December 2021

Summary of VCT regulations

To maintain its status as a VCT, the Company must be approved by HMRC and comply with a number of conditions. A summary of the most important conditions are detailed below.

VCTs' obligations

VCTs must:

- have 80 per cent. (by VCT tax value) 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;
- have at least 70 per cent. by VCT tax value of Qualifying Investments in Eligible Shares which carry no preferential rights (unless permitted under VCT rules);
- have at least 30 per cent. of all new funds raised by the Company invested in Qualifying Investments within 12 months of the end of the accounting period in which the Company issued the shares;
- have no more than 15 per cent. by VCT tax value of its investments in a single company (as valued in accordance with the VCT Rules at the date of investment);
- derive most of its income from shares and securities, and, must not retain more than 15 per cent. of its income derived from shares and securities in any accounting period; and
- have their shares listed on a European regulated Stock Exchange.

VCTs must not:

- make a Qualifying Investment in any company that:
    - has (as a result of the investment or otherwise) received more than £5 million from State Aid investment sources in the 12 months prior to the investment (£10 million for Knowledge Intensive Companies);
    - has (as a result of the investment or otherwise) received more than £12 million from State Aid investment sources in its lifetime (or £20 million for Knowledge Intensive Companies);
    - in general has been generating commercial revenues for more than 7 years (or 10 years for Knowledge Intensive Companies); or
    - will use the investment to fund an acquisition of another company (or its trade and assets).
- make any investment which is not a Qualifying Investment unless permitted by section 274 ITA; and/or
- return capital to shareholders before the third anniversary of the end of the accounting period during which the subscription for shares occurs.

Qualifying Investments

A Qualifying Investment consists of new shares or securities issued directly to the VCT by a Qualifying Company that at the point of investment:

- has gross assets not exceeding £15 million prior to investment and £16 million post investment;
- whose activities are regarded as a Qualifying Trade;
- is a private company or is listed on AIM or the AQSE Growth Market;
- has a permanent UK establishment;
- is not controlled by another company;
- will deploy the money raised for the purposes of the organic growth and development of a Qualifying Trade within 2 years;
- has fewer than 250 employees (or fewer than 500 employees in the case of certain Knowledge Intensive Companies);
- in general, has not been generating commercial sales for more than seven years (ten years for Knowledge Intensive Companies);
- has not received more than the permitted annual and lifetime limits of risk finance State aid investment; and
- has not been set up for the purpose of accessing tax reliefs or is in substance a financing business.

The Finance Act 2018 introduced a principles-based approach known as the risk to capital condition to establish whether the activities or investments of an investee company can qualify for VCT tax reliefs. This condition has two parts:

- whether the investee company has an objective to grow and develop over the long term; and
- whether there is a significant risk that there could be a loss of capital to the investor of an amount exceeding the net return.

Investment Manager's report

Introduction

This report covers the 2020/21 financial year, 1 October 2020 to 30 September 2021. The Investment Manager's report contains references to movements in the NAV per share and NAV total return per share. Movements in the NAV per share do not necessarily mirror the earnings per share 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 performance measures contained in this report are calculated on a pence per share basis and include realised and unrealised gains and losses.

Investment report

The financial year started with three areas of significant concern: a contested US election result; a no deal departure from the European Union; and a winter resurgence of Covid-19. With the political risks resolved within the first quarter, much of our subsequent focus was on the pandemic, vaccination programmes and, increasingly, the challenges faced by companies as the global economy returned to growth.

Despite setbacks, the economy has recovered more quickly than many had anticipated. Household wealth is high as a consequence of Government support and employment is strong. Companies traded well, in many cases ahead of expectations.

Although the major indices continued to record new highs, there was a sense that investors were becoming cautious about the outlook as the fourth quarter unfolded. Economic indicators are signalling that companies will need to navigate a broad range of operational risks and rising input prices next year that might weigh on financial performance. Added to this is concern that distress within the Chinese property construction sector, a very significant driver of Chinese GDP, could depress economic activity next year. The UK debate on inflation mirrored the global discussion, with central bankers starting to row back from their prior statements that the spike in inflation would prove to be transitory and short lived. There is an abundance of evidence to suggest this may not be so.

Performance

The year to 30 September 2021 delivered an increase in the NAV per share from 73.66p to 100.39p. A final dividend of 2.65 pence in respect of the year ended 30 September 2020 was paid on 11 February 2021 and an interim dividend of 1.75 pence per share was paid on 30 July 2021, giving investors a NAV total return for the year of +31.13 pence per share or +42.26%. The NAV total return (dividends reinvested) for the year was +43.04% compared with the FTSE AIM All-Share Index total return of +30.79% and the FTSE All-Share Index total return of +27.90% (also calculated on a dividends reinvested basis).

The Qualifying Investments made a net contribution of +27.52 pence per share, whilst the non-qualifying investments made a contribution of +4.79 pence per share (including the Marlborough Special Situations Fund). The adjusting balance was the net of running costs, investment income and dividends. The contribution to NAV performance is split out in further detail below.

Note - The Closing NAV is cumulative of the special dividend paid to investors subsequent to year-end.

Gousto was the top performing Qualifying Investment (+52.7%, +2.46 pence per share), with the company delivering another year of strong performance and significant upgrades. The company raised £25m in October 2020 to support product and service enhancement, and a large investment in new capacity. In the 12 months to 31 December 2020, the company grew revenues by more than 100% and reported maiden profits with underlying EBITDA of £18m. The company has continued to report strong growth in the current financial year.

Maxcyte (+144.5%, +2.13 pence per share) completed its NASDAQ IPO in July, raising $202m at $13 per share. Although the company reported 25% revenue growth to $14m in the 6 months to 30 June 2021, it marginally reduced guidance for the full financial year with the US healthcare market still disrupted by the pandemic, leading to delays in clients pre-clinical and clinical programmes. Post period end, the shares have come back alongside US peers, whilst the company also reported that the FDA had put a hold on the cell therapy programmes of one of its 14 strategic partners.

Oxford Genetics (+100.1%, +1.92 pence per share) was sold to Wuxi AppTech on 1 March 2021, realising a gain of 180% over book cost less than 2 years after the initial investment in April 2019.

Polarean (+134.1%, +1.83 pence per share) shares ran higher in anticipation of an FDA approval of its drug-device combination product, expected shortly after the period end. The FDA rejected the company's submission citing changes made to the hardware producing the hyperpolarized Xenon inhaled by a patient as part of the advanced imaging process. This surprise result led to sharp falls in the company's share price post period end, although the company is confident it can address the issues raised and resubmit another application to the FDA for registration in 2022.

Learning Technologies Group (+64.3%, +1.70 pence per share) continues to trade well and in July announced the £284m acquisition of US-based learning services provider GP Strategies, which was part funded by a £85m fundraising at 192 pence per share. Trading was strong in the 6 months to 31 December with 29% growth in reported revenues to £83m revenue and 20% growth in operating profits to £22m. The acquisition of GP strategies adds $500m of annual revenues and $26m of operating profits, with LTG management confident that profit margins can improve over time.

Incorporated in 2020, Paladar (-50.2%, -0.38 pence per share) is a private company that is bringing together experienced executives and chefs from the food and beverage industry to build a multi-brand restaurant company operating through cloud service kitchens with fulfilment through Deliveroo. The company's first brand Dickie's was launched in Battersea, London in April 2021. Dickie's offers American cuisine with a menu designed by Richard Turner, the original executive chef at Hawksmoor. For a variety of reasons, early trading at the first site was challenging, leading to a slow down in the rollout as the leadership team adjusted the menu design and channels to market. The company changed the name of the holding company from Paladar to The Out In Collective.

Cloudcall (-34.5%, -0.36 pence per share) experienced a good recovery through late 2020 that has continued into 2021 with the company reporting encouraging levels of new business activity. To fund this, and extend its cash runway ahead of a planned transition into profit in mid-2023, the company raised £7.5m at 82p in March 2021 and secured a £5m debt facility. Management continue to guide to meeting market expectations for the current financial year.

Following its admission to trading on AIM in March 2021, In The Style (-38.5%, -0.28 pence per share) reported good demand for its online womenswear fashion brand with revenues ahead of forecast for the 12 months to 31 March 2021. Revenues grew by 132% to £45m. Revenues have continued to grow strongly within the current financial year, with the company reporting year on year revenue growth of 45% in the 5 months to 31 August whilst profit guidance has been reduced to reflect some margin pressure due to a shift in product mix and the cost of mitigating supply chain friction.

The pandemic reduced demand outside of Europe for Yourgene's (-30.0%, -0.16 pence per share) pre-natal testing in the 12 months to 31 March 2021, and delayed the execution of two significant new contracts in the US. To compensate for the disruption to its core services, the company became a supplier of Covid-19 tests to the UK's Test for Release for International Travel scheme and was awarded a framework agreement by Public Health England to supply Covid-19 testing goods and services to public health authorities. These contracts drove a significant increase in revenues, which grew by 113% to £18m in the six months to 30 September 2021.

We have witnessed a welcome and overdue recovery in the IPO market which has provided additional opportunity for us to invest in interesting high growth companies. We invested £15.9m into 18 Qualifying Companies including 2 investments into new portfolio companies listed on AIM, 5 into companies upon admission to AIM, one new private investment and 10 investments into existing portfolio companies.

The most significant new investments included Paladar, In The Style and Bidstack, which has developed a software platform that allows game developers to monetise their titles by inserting contextually relevant advertising into games.

High levels of new investment and strong share price performance allowed us to adjust the qualifying portfolio and reduce our investments in Blackbird, Ilika, Maxcyte, PCI-Pal, Polarean and Surface Transforms. We also made a good number of full disposals that included Big Blu, Fusionex, Location Sciences, Mirriad, Vertu and WANdisco. ClearStar, and Lidco were also sold following bids from private equity, whilst Oxford Genetics was sold to a much larger industry partner.

Portfolio structure

The VCT is comfortably through the HMRC defined investment test and ended the period at 98.7% invested as measured by the HMRC investment test. By market value, the VCT had a 75.7% weighting to Qualifying Investments at year-end.

The allocation at the year end to non-qualifying equity investments decreased from 13.3% to 11.2%. In line with the investment policy, we made investments in the Marlborough Special Situations Fund as a temporary home for proceeds from fundraising; the allocation increased from nil to 1.6% and returned +0.81 pence per share in the period. The non-qualifying direct equity investments, which are mostly held in FTSE 350 companies contributed +3.98 pence per share. Within the period, S4 Capital returned +120.6% (+0.62 pence per share), SThree returned +140.0% (+0.43. pence per share) and Watches of Switzerland returned +104.9% (+0.36 pence per share). The largest non-qualifying losses came from Seraphine (-36.6%, -0.30 pence per share) and James Fisher & Sons (-24.3%, -0.09 pence per share). The period ended with no non-qualifying fixed income investments and a slight increase in the cash weighting from 10.7% to 11.8%.

The Company invests across all available investment sectors, although VCT legislation tends to promote investment into sectors such as technology, healthcare and consumer discretionary. The weightings to these three sectors changed slightly over the year as a consequence of additional investment and share price performance, taking their respective share of net assets to 28%, 26% and 22% at year end.

The HMRC investment tests are set out in Chapter 3 Part 6 of the 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

We have for some months been in a more complex risk environment. Strong levels of UK economic growth this year are forecast to continue into next year. Counteracting this are the well documented issues with labour market liquidity, supply chain disruption and rising input prices, all of which continue to feed through to higher levels of inflation. It is not difficult to imagine how companies may find their earnings outlook under pressure and indeed, in recent weeks, we have started to see several revising lower their guidance for this year and next.

The emergence of the Omicron variant has introduced a new level of uncertainty that has unsettled global equity markets which, for now at least, operate without a clear understanding of the potential implications of this new variant of concern. This comes at a bad time with equity markets already cautious in the light of high levels of infection in Europe and elsewhere. Although the winter may be difficult, we must hope that an effective campaign to distribute booster vaccinations in the UK will limit the potential impact on the UK economy. However, as an open economy, the UK is not immune to disruption elsewhere and the emergence of Omicron reminds us how important it is for wealthy nations to support global vaccination programmes. Until successfully delivered, supply chains will remain exposed to future outbreaks as the virus continues to mutate.

We are looking to allocate capital to companies with resilient business models, the ability to pass on rising prices and less reliance on tight labour markets. Whilst, as a VCT, we must continue to operate within tightly defined parameters, we are fortunate to be investing into innovative and high growth companies developing new products and services which, by their very nature, are likely to prove more resilient, which is not to say that they will be immune to these pressures.

We are continuing to see high levels of investment opportunity. We expect the current glut of IPOs to work their way through the system over the coming months and then, we hope, activity will return to a more sustainable level. As ever, we continue to make prudent assumptions about investment activity as we make our way through the new financial year, with the investments that we have made year to date putting us in a strong position as we absorb the new capital and work our way back to full investment.

The NAV per share has decreased from 100.39 pence to 94.75 pence in the period to 10 December 2021. Adjusting for the 2.5 pence per share special dividend paid on 29 October 2021, this translates into a reduction of 3.1%.

As at 15 December 2021, the share price of 89.75 pence represented a discount of 5.28% to the last published NAV per share.

For further information please contact:

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16 December 2021

Investment portfolio summary
As at 30 September 2021

	Net Assets % at 30.09.21	Cost £000	Cumulative movement in value £000	Valuation £000	Change in value for the year £000(1)	Market	COI(2)
Qualifying Investments							
SCA Investments Ltd (Gousto)	6.92	2,484	13,364	15,848	5,471	Unlisted	Y
Learning Technologies Group plc	4.23	2,238	7,446	9,684	3,789	AIM	Y
Ideagen plc	3.55	1,992	6,140	8,132	3,175	AIM	Y
Polarean Imaging plc	3.20	2,081	5,244	7,325	3,799	AIM	N
Maxcyte Inc	2.92	1,270	5,405	6,675	3,665	AIM	Y
Surface Transforms plc	2.81	1,744	4,692	6,436	2,024	AIM	Y
Zoo Digital Group plc	2.36	2,266	3,139	5,405	2,679	AIM	Y
Ilika plc	2.23	1,636	3,468	5,104	1,514	AIM	Y
Eagle Eye Solutions Group plc	2.08	1,642	3,119	4,761	2,181	AIM	Y
PCI-PAL plc	1.96	2,280	2,219	4,499	1,786	AIM	Y
Blackbird plc	1.83	615	3,567	4,182	1,677	AIM	Y
Mexican Grill Ltd (3) (4)	1.78	1,125	2,947	4,072	2,605	Unlisted	N
Creo Medical Group plc	1.73	2,329	1,627	3,956	138	AIM	Y
Infinity Reliance Ltd (My 1st Years) (3)	1.70	2,500	1,394	3,894	282	Unlisted	Y
Beeks Financial Cloud Group plc	1.58	1,038	2,587	3,625	1,926	AIM	Y
Aquis Exchange plc	1.45	765	2,564	3,329	1,491	AIM	Y
Angle plc	1.33	1,158	1,894	3,052	1,836	AIM	N
Zappar Limited	1.22	1,600	1,181	2,781	1,181	Unlisted	N
Cohort plc	1.15	619	2,022	2,641	(190)	AIM	Y
EKF Diagnostics Holdings plc	1.09	565	1,937	2,502	732	AIM	Y
Abcam plc	1.08	55	2,415	2,470	464	AIM	N
C4X Discovery Holdings plc	1.05	1,550	851	2,401	1,170	AIM	Y
AnimalCare Group plc	1.04	720	1,665	2,385	1,309	AIM	Y
Craneware plc	1.04	125	2,247	2,372	882	AIM	Y
Diaceutics plc	0.97	1,550	673	2,223	(41)	AIM	Y
Verici DX plc	0.97	701	1,511	2,212	1,512	AIM	N
Science in Sport plc	0.80	1,479	348	1,827	962	AIM	N
Eden Research plc	0.79	1,355	452	1,807	226	AIM	N
Bidstack Group plc	0.76	2,000	(250)	1,750	(250)	AIM	N
Hardide plc	0.76	3,566	(1,826)	1,740	406	AIM	Y
Cloudcall Group plc	0.75	3,196	(1,480)	1,716	(852)	AIM	Y
Trellus Health Plc	0.70	1,074	537	1,611	537	AIM	Y
Instem plc	0.66	297	1,216	1,513	711	AIM	Y
Belvoir Group plc	0.65	762	721	1,483	605	AIM	Y
E-Therapeutics plc	0.64	500	962	1,462	806	AIM	N
Intelligent Ultrasound Group plc	0.62	1,150	267	1,417	(47)	AIM	N
Crossword Cybersecurity plc	0.62	1,289	118	1,407	239	AIM	Y
CentralNic Group plc	0.61	588	812	1,400	319	AIM	Y
Idox plc	0.55	135	1,126	1,261	441	AIM	Y
Arecor Therapeutics Plc	0.55	712	548	1,260	548	AIM	N
Diurnal Group plc	0.55	672	588	1,260	(147)	AIM	N
Gfinity plc	0.51	2,026	(851)	1,175	159	AIM	Y
Tristel plc	0.51	543	620	1,163	242	AIM	N

Kidly Limited	0.50	1,150	-	1,150	(99)	Unlisted	N
Crimson Tide Plc	0.50	1,260	(126)	1,134	(126)	AIM	Y
XP Factory plc(5)	0.49	2,173	(1,046)	1,127	741	AIM	Y
Quixant plc	0.49	1,209	(89)	1,120	450	AIM	N
OneMedia IP Group plc	0.48	1,141	(33)	1,108	49	AIM	Y
BiVictriX Therapeutics plc	0.47	1,200	(120)	1,080	(120)	AIM	N
In the Style Group plc	0.45	1,667	(642)	1,025	(642)	AIM	N
Intercede Group plc	0.40	305	618	923	154	AIM	Y
The Property Franchise Group plc	0.40	377	541	918	277	AIM	Y
Out In Collective Ltd	0.38	1,749	(878)	871	(878)	Unlisted	N
Velocys plc	0.38	900	(36)	864	(198)	AIM	N
Fusion Antibodies plc	0.36	624	200	824	(201)	AIM	N
Synairgen plc	0.35	192	617	809	-	AIM	Y
Globaldata plc	0.35	173	635	808	(28)	AIM	Y
Qualifying Investments (continued)							
Yourgene Health plc	0.33	521	233	754	(323)	AIM	N
Faron Pharmaceuticals Oy	0.32	1,374	(644)	730	(40)	AIM	N
ULS Technology plc	0.29	770	(108)	662	164	AIM	Y
Equals Group plc	0.28	750	(101)	649	411	AIM	N
Rosslyn Data Technologies plc	0.26	750	(165)	585	(315)	AIM	Y
Everyman Media Group plc	0.25	600	(31)	569	268	AIM	Y
K3 Business Technology Group plc	0.23	270	258	528	258	AIM	Y
Renalytix plc	0.21	82	390	472	196	AIM	Y
DP Poland plc	0.17	1,390	(1,013)	377	47	AIM	Y
Honest Brew Ltd(3)	0.12	2,800	(2,523)	277	(1,325)	Unlisted	N
KRM22 plc	0.08	619	(446)	173	(50)	AIM	Y
Trakm8 Holdings plc	0.07	486	(316)	170	45	AIM	N
ReNeuron Group plc	0.07	606	(442)	164	11	AIM	N
Mirriad Advertising plc	0.06	299	(155)	144	71	AIM	Y
Osirium Technologies plc	0.05	858	(736)	122	12	AIM	N
Vertu Motors plc	0.04	120	(19)	101	322	AIM	N
Mycelx Technologies Corporation	0.04	361	(282)	79	19	AIM	Y
Flowgroup plc	-	26	(26)	-	-	Unlisted	N
Infoserve Group Plc(6)	-	-	-	-	-	Unlisted	N
Laundrapp Limited(3)	-	2,450	(2,450)	-	-	Unlisted	N
Mporium Group plc	-	33	(33)	-	-	Unlisted	N
Paragon Entertainment Limited	-	87	(87)	-	-	Unlisted	N
Airportr Technologies Ltd(3)	-	1,888	(1,888)	-	-	Unlisted	N
Total equity - Qualifying Investments	**73.17**	**89,252**	**78,283**	**167,535**	**51,112**		
Qualifying fixed income investments							
Kidly Limited (Loan Notes)	1.37	1,350	1,788	3,138	666	Unlisted	N
XP Factory plc(5) (Loan Notes)	0.61	340	1,046	1,386	929	Unlisted	N
Osirium Technologies plc (Loan Notes)	0.44	800	212	1,012	78	Unlisted	N
Honest Brew Ltd (Loan Notes)	0.13	300	-	300	-	Unlisted	N
Total qualifying fixed income investments	**2.55**	**2,790**	**3,046**	**5,836**	**1,673**		
Total Qualifying Investments	**75.72**	**92,042**	**81,329**	**173,371**	**52,785**		
Non qualifying investments							
Marlborough Special Situations Fund	1.62	2,862	839	3,701	839		N

Total unit trusts	**1.62**	**2,862**	**839**	**3,701**	**839**		
SThree plc	0.84	1,687	243	1,930	466	Main	Y
S4 Capital plc	0.83	431	1,470	1,901	896	Main	Y
Watches of Switzerland Group plc	0.75	1,760	(53)	1,707	(53)	Main	Y
Future plc	0.65	228	1,248	1,476	119	Main	Y
Liontrust Asset Management plc	0.56	703	572	1,275	528	Main	Y
Bytes Technology Group plc	0.53	639	561	1,200	561	Main	Y
Bodycote plc	0.52	990	195	1,185	195	Main	Y
Seraphine Group plc	0.51	1,853	(679)	1,174	(678)	Main	Y
JD Sports Fashion plc	0.50	1,045	108	1,153	(227)	Main	Y
NCC Group plc	0.49	985	146	1,131	251	Main	Y
Howden Joinery Group plc	0.48	843	250	1,093	319	Main	Y
WH Smith plc	0.46	948	114	1,062	114	Main	Y
Spirax-Sarco Engineering plc	0.46	443	605	1,048	274	Main	Y
Workspace Group plc	0.41	1,025	(77)	948	(77)	Main	Y
Hilton Food Group plc	0.38	718	159	877	(14)	Main	Y
On the Beach Group plc	0.38	868	(6)	862	292	Main	N
Halma plc	0.37	379	474	853	149	Main	N
XP Power PLC	0.36	425	402	827	(44)	Main	Y
Trifast plc	0.35	698	90	788	167	Main	Y
Shaftesbury plc	0.34	761	12	773	12	Main	N
Rotork plc	0.32	737	(5)	732	(4)	Main	N
James Fisher and Sons plc	0.29	1,190	(520)	670	(205)	Main	Y
Cohort plc	0.23	333	195	528	(38)	AIM	Y
Mexican Grill Ltd(3) (4)	0.19	161	282	443	283	Unlisted	N
Mycelx Technologies Corporation	0.04	298	(206)	92	22	AIM	Y
Genagro Limited	-	-	-	-	-	Unlisted	Y
Total - Equity non-qualifying investments	**11.24**	**20,148**	**5,580**	**25,728**	**3,308**		
Total - Non-qualifying investments	**12.86**	**23,010**	**6,419**	**29,429**	**4,147**		
Total investments	**88.58**	**115,052**	**87,748**	**202,800**	**56,932**		
Cash at bank	11.79			27,016			
Prepayments & accruals	(0.37)			(853)			
Net assets	100.00			228,963			

(1) The change in fair value has been adjusted for additions and disposals in the year and as such does not reconcile to the unrealised total in note 7. The difference is £1.2 million which is the total of 24 full investment disposals in the year.

(2) COI – Co investments with other funds managed by the Investment Manager at 30 September 2021.

(3) Different classes of shares held in unlisted companies within the portfolio have been aggregated.

(4) Mexican Grill floated on AIM on 8 October 2021 and its name has changed to Tortilla Mexican Grill plc.

(5) Escape Hunt plc changed its name to XP Factory plc on 7 December 2021.

(6) Impaired fully through the profit and loss account and therefore shows a zero cost.

The investments listed below are either listed, headquartered or registered outside the UK:

	Listed	Headquartered	Registered
Listed Investments:			
Abcam plc	UK/USA	UK	UK
Bytes Technology Group plc	UK/South Africa	UK	UK
Craneware plc	UK	UK/USA	UK
Faron Pharmaceuticals Oy	UK/Finland	Finland	Finland
Maxcyte Inc	UK	USA	USA
Mycelx Technologies Corporation	UK	USA	USA

Polarean Imaging plc	UK	USA	UK
Renalytix plc	UK/USA	USA	UK
Trellus Health plc	UK	UK/USA	UK
Verici DX plc	UK	USA	UK
XP Power Ltd	UK	Singapore	Singapore
Unlisted private companies:			
Genagro Ltd(1)	-	UK	Jersey
Paragon Entertainment Ltd(1)	-	UK	Cayman Islands

(1) Companies awaiting liquidation.

Top ten investments

As at 30 September 2021 (by market value)

The top 10 investments are shown below. Each investment is valued by reference to the bid price or, in the case of unquoted companies, the IPEV guidelines using one or more valuation techniques according to the nature, facts and circumstances of the investment. 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. Published accounts are used for private companies or public companies with no published broker forecasts. The net asset figures and net cash values are from published accounts in most cases.

SCA Investments Ltd (Gousto)			**Unquoted**
Investment date	July 2017	Results for the year to	December 2020
Equity held	1.38%(1)	Turnover (£'000)	188,790
Av. Purchase Price	3,711.0p	Profit before tax (£'000)	1,075
Cost (£'000)	2,484	Net cash December 2020 (£'000)	66,841
Valuation (£'000)	15,848	Net assets December 2020 (£'000)	115,190
Income recognised in the period (£)	0	Voting rights held	1.40%

(1) Fully diluted

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.

Learning Technologies Group plc			**Share price: 215.20p**
Investment date	November 2014	Forecasts for the year to	December 2021
Equity held	0.61%	Turnover (£'000)	246,400
Av. Purchase Price	49.7p	Profit before tax (£'000)	51,000
Cost (£'000)	2,238	Net cash June 2021 (£'000)	24,865
Valuation (£'000)	9,684	Net assets June 2021 (£'000)	271,805

Company description

Learning Technologies Group provides a comprehensive and integrated range of e-learning services and technologies to corporate and government clients. The Group offers end-to-end learning and talent solutions ranging from strategic consultancy, through a range of content and platform solutions to analytical insights that enable corporate and government clients to meet their performance objectives.

Ideagen plc			**Share price: 315.00p**
Investment date	December 2014	Forecasts for the year to	April 2022
Equity held	1.02%	Turnover (£'000)	84,600
Av. Purchase Price	77.2p	Profit before tax (£'000)	22,900
Cost (£'000)	1,992	Net (debt) April 2021 (£'000)	(11,046)
Valuation (£'000)	8,132	Net assets April 2021 (£'000)	125,612

Company description

Ideagen is a supplier of compliance-based information management software with operations in the UK and the United States. The company specialises in enterprise governance, risk and compliance and healthcare solutions for organisations operating within highly regulated industries. Ideagen provides complete content lifecycle solutions that enable organisations to meet their regulatory and quality compliance standards, helping them to reduce costs and improve efficiency.

Polarean Imaging plc			**Share price: 103.0p**
Investment date	April 2020	Forecasts for the year to	December 2021
Equity held	4.35%	Turnover ($'000)	2,500
Av. Purchase Price	29.3p	(Loss) before tax ($'000)	(17,600)
Cost (£'000)	2,081	Net cash June 2021 ($'000)	38,197
Valuation (£'000)	7,325	Net assets June 2021($'000)	39,432

Company description
Polarean Imaging specialises in the use of hyperpolarised Xenon gas as an imaging agent and has developed equipment that enables existing Magnetic Resonance Imaging (MRI) systems to achieve improved imaging of pulmonary function. Current investigational uses include identifying early diagnoses of respiratory diseases as well as monitoring progression and therapeutic response.

Maxcyte Inc			**Share price: 890.0p**
Investment date	March 2016	Forecasts for the year to	December 2021
Equity held	0.97%	Turnover ($'000)	30,600
Av. Purchase Price	169.3p	(Loss) before tax ($'000)	(20,800)
Cost (£'000)	1,270	Net cash June 2021 ($'000)	37,423
Valuation (£'000)	6,675	Net assets June 2021 ($'000)	78,821

Company description
Through its cell-engineering platform technologies, Maxcyte helps bring the promise of next-generation cell and gene-editing therapies to life. The Company's technology is currently being deployed by leading drug developers worldwide, including all of the top ten global biopharmaceutical companies.

Surface Transforms plc			**Share price: 65.0p**
Investment date	March 2016	Forecasts for the year to	December 2021
Equity held	6.23%	Turnover (£'000)	2,700
Av. Purchase Price	17.6p	(Loss) before tax (£'000)	(4,200)
Cost (£'000)	1,744	Net cash June 2021 (£'000)	16,865
Valuation (£'000)	6,436	Net assets June 2021 (£'000)	22,882

Company description
Surface Transforms is a UK based developer and manufacturer of carbon ceramic brake discs for the automotive and aerospace markets.

Zoo Digital Group plc			**Share price: 117.0p**
Investment date	April 2017	Forecasts for the year to	March 2022
Equity held	6.17%	Turnover ($'000)	53,900
Av. Purchase Price	49.1p	(Loss) before tax ($'000)	(600)
Cost (£'000)	2,266	Net (debt) March 2021 ($'000)	(3,842)
Valuation (£'000)	5,405	Net assets March 2021 ($'000)	2,839

Company description
Zoo Digital is a leading provider of cloud-based dubbing, subtitling, localisation and distribution services for the global entertainment industry. Zoo's clients are some of the best-known brands in the world including major Hollywood studios, global broadcasters and independent distributors. Zoo's point of difference in the marketplace is its development and use of innovative cloud technology that ensures that content is localised in any language and delivered to all the major online platforms such as Amazon, iTunes, Google and Hulu with reduced time to market, higher quality and lower costs.

Ilika plc			**Share price: 138.0p**
Investment date	February 2014	Forecasts for the year to	April 2022

Equity held	2.65%	Turnover (£'000)	1,200
Av. Purchase Price	44.2p	(Loss) before tax (£'000)	(9,400)
Cost (£'000)	1,636	Net cash April 2021 (£'000)	8,997
Valuation (£'000)	5,104	Net assets April 2021 (£'000)	14,187

Company description
Ilika is a pioneer in solid-state battery technology with their innovative Stereax micro batteries designed for the Industrial Internet of Things (IoT) and MedTech markets, and their Goliath large format batteries for the electric vehicle and consumer electronics markets.

Eagle Eye Solutions Group plc			**Share price: 550.0p**
Investment date	April 2014	Forecasts for the year to	June 2022
Equity held	3.35%	Turnover (£'000)	26,000
Av. Purchase Price	189.7p	Profit before tax (£'000)	900
Cost (£'000)	1,642	Net cash June 2021(£'000)	1,713
Valuation (£'000)	4,761	Net assets June 2021 (£'000)	5,395

Company description
Eagle Eye provides enterprises with connected, real-time digital marketing, offering digital promotions, customer loyalty programmes and digital rewards.

Mexican Grill Ltd			**Unquoted(2)**
Investment date	October 2009	Results for the year to	January 2021
Equity held	8.34%(1)	Turnover (£'000)	26,833
Av. Purchase Price	4640.6p	(Loss) before tax (£'000)	(768)
Cost (£'000)	1,286	Net (debt) January 2021 (£'000)	(2,339)
Valuation (£'000)	4,515	Net assets January 2021 (£'000)	1,006
Income recognised in the period (£)	0	Voting rights held	8.97%

(1) Fully diluted

(2) Mexican Grill floated on AIM on 8 October 2021 and its name has changed to Tortilla Mexican Grill plc.

Company description
Tortilla is the UK's largest fast-casual Mexican restaurant brand, offering a California-style Mexican menu. Founded in October 2007, Tortilla operates a multichannel order strategy across dine in, take away, click and collect and delivery options. The current estate includes 50 Tortilla restaurants across the UK, 10 sites in Dubai and Saudi Arabia, a cloud kitchen estate and exclusive delivery partnership with Deliveroo.

For further information please contact:

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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.

These Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. 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 directors’ report, a strategic report and directors’ remuneration report which comply with the requirements of the Companies Act 2006.

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

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. The Company’s website address is https://hargreaveaimvcts.co.uk. 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

David Brock (Chairman), Oliver Bedford, Ashton Bradbury, Angela Henderson and Justin Ward, 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.

Disclosure of information to the Auditor

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company’s auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company’s auditor is aware of that information.

For and on behalf of the Board

David Brock

Chairman

16 December 2021

Income Statement

		Year to 30 September 2021			Year to 30 September 2020		
	Note	**Revenue £000**	**Capital £000**	**Total £000**	**Revenue £000**	**Capital £000**	**Total £000**
Net gain on investments held at fair value through profit or loss	7	**–**	**71,337**	**71,337**	–	18,308	18,308
Income	2	**894**	**141**	**1,035**	731	70	801
		894	**71,478**	**72,372**	731	18,378	19,109
Management fee	3	**(908)**	**(2,722)**	**(3,630)**	(573)	(1,721)	(2,294)
Other expenses	4	**(850)**	**(21)**	**(871)**	(698)	(184)	(882)
		(1,758)	**(2,743)**	**(4,501)**	(1,271)	(1,905)	(3,176)

(Loss)/profit on ordinary activities before taxation		**(864)**	**68,735**	**67,871**	(540)	16,473	15,933
Taxation	5	**–**	**–**	**–**	–	–	–
(Loss)/profit after taxation		**(864)**	**68,735**	**67,871**	(540)	16,473	15,933
Basic and diluted (loss)/earnings per share	6	**(0.39)p**	**30.84p**	**30.45p**	(0.26)p	8.07p	7.81p

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 for the year.

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

Balance sheet

As at 30 September 2021

Company Registration Number 5206425 (In England and Wales)

	Note	2021 £000	2020 £000
Fixed assets			
Investments at fair value through profit or loss	7	**202,800**	131,907
Current assets			
Debtors	9	**330**	173
Cash at bank		**27,016**	15,695
		27,346	15,868
Creditors: amounts falling due within one year	10	**(1,183)**	(818)
Net current assets		**26,163**	15,050
Total assets less current liabilities		**228,963**	146,957
Capital and Reserves			
Called up share capital	11	**2,280**	1,995
Share premium		**53,802**	24,238
Capital redemption reserve		**158**	91
Capital reserve – unrealised		**102,311**	46,580
Special reserve		**84,004**	99,785
Capital reserve – realised		**(11,433)**	(24,437)
Revenue reserve		**(2,159)**	(1,295)
Total shareholders' funds		**228,963**	146,957
Net asset value per share (basic and diluted)	12	**100.39p**	73.66p

These financial statements were approved and authorised for issue by the Board of Directors on 16 December 2021 and signed on its behalf by

David Brock
Chairman
16 December 2021

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

Statement of changes in equity

For the year ending 30 September 2021

	Note	Share Capital £000	Share Premium £000	Capital Redemption Reserve £000	Capital Reserve Unrealised £000	Special Reserve £000	Capital Reserve Realised £000	Revenue Reserve £000	Total £000
			Non–distributable reserves			Distributable reserves (1)			
At 1 October 2020		**1,995**	**24,238**	**91**	**46,580**	**99,785**	**(24,437)**	**(1,295)**	**146,957**
Profit and total comprehensive income for the year									
Realised gains on investments	7	–	–	–	–	–	13,189	–	13,189
Unrealised gains on investments	7	–	–	–	58,148	–	–	–	58,148
Management fee charged to capital	3	–	–	–	–	–	(2,722)	–	(2,722)
Income allocated to capital	2	–	–	–	–	–	141	–	141
Due diligence investments costs	4	–	–	–	–	–	(21)	–	(21)
Revenue (loss) after taxation for the year		–	–	–	–	–	–	(864)	(864)
Total profit after taxation for the year		**–**	**–**	**–**	**58,148**	**–**	**10,587**	**(864)**	**67,871**
Contributions by and distributions to owners									
Subscription share issues	11	347	29,649	–	–	–	–	–	29,996
Issue costs	11	–	(531)	–	–	–	–	–	(531)
Share buybacks	11	(67)	–	67	–	(6,044)	–	–	(6,044)
DRIS share issues	11	5	446	–	–	–	–	–	451
Equity dividends paid	16	–	–	–	–	(9,737)	–	–	(9,737)
Total contributions by and distributions to owners		**285**	**29,564**	**67**	**–**	**(15,781)**	**–**	**–**	**14,135**
Other movements									
Diminution in value		–	–	–	(2,417)	–	2,417	–	–
Total other movements		**–**	**–**	**–**	**(2,417)**	**–**	**2,417**	**–**	**–**
At 30 September 2021		**2,280**	**53,802**	**158**	**102,311**	**84,004**	**(11,433)**	**(2,159)**	**228,963**

Reserves available for distribution are capital reserve realised, special reserve and revenue reserve. Total distributable reserves at 30 September 2021 were £70.4 million. The accompanying notes are an integral part of these financial statements.

(1) The Income Taxes Act 2007 restricts distribution of capital from reserves created by the conversion of the share premium account into a special (distributable) reserve until the third anniversary of the share allotment that led to the creation of that part of the share premium account. As at 30 September 2021, £24.2 million of the special reserve is subject to this restriction.

Statement of changes in equity

For the year ending 30 September 2020

	Note	Share Capital £000	Share Premium £000	Capital Redemption Reserve £000	Capital Reserve Unrealised £000	Special Reserve £000	Capital Reserve Realised £000	Revenue Reserve £000	Total £000
			Non–distributable reserves			Distributable reserves (1)			
At 1 October 2019		**2,040**	**24,238**	**46**	**21,713**	**112,803**	**(16,043)**	**(755)**	**144,042**
Profit/(loss) and total comprehensive income for the year									
Realised (losses) on investments	7	–	–	–	–	–	(230)	–	(230)
Unrealised gains on investments	7	–	–	–	18,538	–	–	–	18,538
Management fee charged to capital	3	–	–	–	–	–	(1,721)	–	(1,721)
Income allocated to capital	2	–	–	–	–	–	70	–	70
Due diligence investments costs	4	–	–	–	–	–	(184)	–	(184)

Revenue (loss) after taxation for the year		–	–	–	–	–	–	(540)	(540)
Total profit after taxation for the year		**–**	**–**	**–**	**18,538**	**–**	**(2,065)**	**(540)**	**15,933**
Contributions by and distributions to owners									
Share buybacks	11	(45)	–	45	–	(2,876)	–	–	(2,876)
Equity dividends paid	16	–	–	–	–	(10,142)	–	–	(10,142)
Total contributions by and distributions to owners		**(45)**	**–**	**45**	**–**	**(13,018)**	**–**	**–**	**(13,018)**
Other movements									
Diminution in value		–	–	–	6,329	–	(6,329)	–	–
Total other movements		–	–	–	6,329	–	(6,329)	–	–
At 30 September 2020		1,995	24,238	91	46,580	99,785	(24,437)	(1,295)	146,957

Reserves available for distribution are capital reserve realised, special reserve and revenue reserve. Total distributable reserves at 30 September 2020 were £74.0 million. The accompanying notes are an integral part of these financial statements.

(1) The Income Taxes Act 2007 restricts distribution of capital from reserves created by the conversion of the share premium account into a special (distributable) reserve until the third anniversary of the share allotment that led to the creation of that part of the share premium account. As at 30 September 2020, £47.2 million of the special reserve is subject to this restriction.

Statement of cash flows

	Note	2021 £000	2020 £000
Total profit on ordinary activities before taxation		**67,871**	15,933
Realised (gain)/loss on investments	7	**(13,189)**	230
Unrealised (gain) on investments	7	**(58,148)**	(18,538)
(Increase)/decrease in debtors		**(157)**	293
Increase/(decrease) in creditors		**365**	(191)
Non–cash distributions	2	**(140)**	(66)
Net cash (outflow) from operating activities		**(3,398)**	(2,339)
Purchase of investments	7	**(39,618)**	(27,602)
Sale of investments	7	**40,202**	34,016
Net cash provided by investing activities		**584**	6,414
Share buybacks	11	**(6,044)**	(2,876)
Issue of share capital	11	**29,996**	–
Issue costs	11	**(531)**	–
Dividends paid	16	**(9,286)**	(10,142)
Net cash provided by/(used in) financing activities		**14,135**	(13,018)
Net increase/(decrease) in cash		**11,321**	(8,943)
Opening cash		**15,695**	24,638
Closing cash		**27,016**	15,695

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

Notes to the financial statements

Hargreave Hale AIM VCT plc is a company incorporated in England and Wales under the Companies Act. The address of the registered office is given in the company information and the nature and principal business activities are set out in the strategic report.

Basis of preparation

The financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice ("UK GAAP"), including Financial Reporting Standard 102 ("FRS 102") and with the Companies Act 2006 and the Statement of Recommended Practice for "Financial Statements of Investment Trust Companies and Venture Capital Trusts" October 2019 ("SORP").

1. Accounting policies

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

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 market bid 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 published in December 2018.

Where no active market exists for the particular asset, the Company holds the investment at fair value as determined by the Investment Manager and approved by the Board. Valuations of unquoted investments are reviewed on a quarterly basis and more frequently if events occur that could have a material impact on the investment.

In estimating fair value for an unquoted investment, the Investment Manager will apply one or more valuation techniques according to the nature, facts and circumstances of the investment. The Investment Manager will use reasonable current market data and inputs combined with market participant assumptions. The assessment of fair value will reflect the market conditions at the measurement date irrespective of which valuation technique is used. The IPEV guidelines describe a range of valuation techniques, including but not limited to relevant observable market multiples, independent arms-length transactions, income, discounted cash flows and net assets. The fair value of convertible loan notes is estimated by aggregating the Net Present Value of the bond component and the derivative value of the option to convert into equity. The derivative value of the option to convert a particular loan note is the probable weighted average of the present value of each conversion scenario described in the loan note instrument as calculated using the Black Scholes option pricing model.

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 diminution in value and transferred to the capital reserve realised. The Company conducts impairments reviews on a quarterly basis. In the case of equity investments, impairment reviews are triggered when unrealised losses exceed 50% of book cost, or if the loss when realised would lead to a material reduction in the Company's distributable reserves. Fixed income investments are reviewed for impairment if the issuing company's ability to repay is uncertain unless there are reasonable grounds to believe that the loan could be recovered through the sale of the company or its trading assets.

Other financial assets and liabilities comprise receivables, payables and cash which are measured at amortised cost. There are no financial liabilities other than payables.

Income

Equity dividends are analysed to consider if they are revenue or capital in nature on a case by case basis and 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. Other income is treated as a repayment of capital or revenue depending on the facts of each particular case.

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.

Capital reserves

Realised profits and losses on the disposal of investments, due diligence costs, income that is capital in nature, losses realised on investments considered to be diminished in value 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 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 it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Current tax is expected tax payable on the taxable profit for the period using the current tax rate and laws that have been enacted or substantially enacted at the reporting date. 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. Equity dividends are recognised in the accounts when they become legally payable.

Interim dividends are approved by the Board of Directors and may be varied or rescinded at any time before payment, therefore the liability is only established when the dividend is actually paid. Final dividends are subject to approval at the AGM. When the dividend is declared it states that it is payable on a future date, so liability is established on that date.

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.

Capital structure

Share Capital

Ordinary shares are classed as equity. The ordinary shares in issue have a nominal value of one penny and carry one vote each. Substantial holdings in the Company are disclosed in the directors' report.

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, income that is capital in nature, diminishment 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.

The assessment of fair value will reflect the market conditions at the measurement date irrespective of which valuation technique is used.

The IPEV guidelines describe a range of valuation techniques, as described in the "financial instruments" section.

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

	2021 £000	2020 £000
Income from investments:		
Revenue:		
Dividend income	686	603
Fixed income interest	204[1]	98
Interest	4	30
	894	731
Capital:		
Return of capital	67[2]	4[4]

In-specie dividend	74(3)	66(5)
	141	70
Total Income	1,035	801

(1) The Company's accrued fixed interest from a convertible loan note in Oxford Genetics (£66.4k) was converted into shares. This was triggered by the sale of the company to WuXi App Tec.

(2) Return of capital from Melrose Industries plc funded from the sale of its Nortek Air Management Division to Madison Industries LLC.

(3) Dividend in specie shares in Trellus Health plc to facilitate the spin-out of the Company's shareholding to EKF Diagnostics Holdings Plc shareholders. Trellus Health is a resilience-driven digital health solution for complex chronic conditions, into which EKF made a $5 million investment on the 20 August 2020.

(4) Return of capital from Genagro funded from the sale of Campo Aberto farm.

(5) The Company received shares in M&G plc following the demerger of M&G Prudential. Prudential made an in-specie distribution of M&G shares. The Company also received shares in Verici DX plc (a wholly owned subsidiary of Renalytix plc) as a result of an in-specie distribution of shares following transfer of the in-licensed FractlDx technology and associated assets to Verici. These have been treated as capital income.

3. Management fees

	2021 Revenue £000	2021 Capital £000	2021 Total £000	2020 Revenue £000	2020 Capital £000	2020 Total £000
Management fees	908	2,722	3,630	573	1,721	2,294

The investment management agreement terminates on 12 months' notice, subject to earlier termination in certain circumstances. In the event of termination by the Company on less than the agreed notice period, compensation may be payable to the Investment Manager in lieu of the unexpired notice period. 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 management fee of 1.7% per annum of the NAV of the Company, calculated and payable quarterly in arrears. At 30 September 2021, £981,565 (2020: £630,674) was owed in respect of management fees. The Company receives a reduction to the annual management fee for investments in other funds managed by the Investment Manager, being its investment in the Marlborough Special Situations Fund so the Company is not charged twice for these services. This amounted to £28,403 for the year to 30 September 2021 (2020: £20,793). The Investment Manager has agreed to indemnify the Company against annual running costs exceeding 3.5% of its net assets. No fees were waived between 1 October 2020 and 30 September 2021 and no fees were waived between 1 October 2019 and 30 September 2020 under the indemnity.

4. Other expenses

	2021 £000	2020 £000
Other revenue expenses:		
Administration fee	195	195
Directors' fees	161(1)	137
Legal & professional	27	30
Registrar's fee	46	31
Printing, postage and stationary	41	29
Auditors' remuneration – for audit services	33	31
VCT monitoring fees	12	11
Company secretarial fees	47(2)	17
Custody fee	30	30
Directors' and officers' liability insurance	24	23
Broker's fee	5	5
VAT	98	82
Other expenses(3)	131	77
Total other revenue expenses	850	698
Other capital expenses:		
Due diligence costs	18	154
VAT on due diligence costs	3	30
Total other capital expenses	21	184
Total other expenses	871	882

(1) Aubrey Brocklebank retired as a director of the Company and Chairman of the Audit Committee on 4 February 2021. Justin Ward was appointed to the Board on 1 November 2020 and replaced Aubrey Brocklebank as Chairman of the Audit Committee on 4 February 2021. With effect from 1 January 2021 the annual remuneration of the Chairman increased to £35,000 and the independent non-executive directors to £27,500. An additional fee of £1,500 was introduced for the Chairman of the Management and Service Provider Engagement Committee.

(2) On 15 January 2021 Canaccord Genuity Wealth Limited stepped down as Company Secretary and JTC (UK) Limited was appointed. Fees increased from £17,000 to £53,500 per annum.

(3) Other expenses include London Stock Exchange fees, FCA fees, AIC membership fees, recruitment costs, license and advertising costs and other nominal expenses.

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

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

5. Tax on ordinary activities

The tax charge for the year is based on the standard rate of UK Corporation Tax of 19%.

	2021 Total £000	2020 Total £000
Profit on ordinary activities before taxation	67,871	15,933
UK Corporation Tax: 19%	12,895	3,027
Effect of non taxable (profits) on investments	(13,554)	(3,478)
Effect of non taxable UK dividend income	(157)	(128)
Effect of current year losses carried forward	816	579
Current tax charge	–	–

At the 30 September 2021 the Company had tax losses carried forward of £17,703,112 (2020: £13,409,264). 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

	2021 Revenue £000	2021 Capital £000	2021 Total £000	2020 Revenue £000	2020 Capital £000	2020 Total £000
Return	(864)	68,735	67,871	(540)	16,473	15,933
(Loss)/earnings per ordinary share (basic and diluted)	(0.39)p	30.84p	30.45p	(0.26)p	8.07p	7.81p

The earnings per share is based on 222,903,748 ordinary shares (2020: 204,111,631), being the weighted average number of shares in issue during the year.

7. Investments

	Quoted investments 2021 £000	Unquoted Investments(1) 2021 £000	Total investments 2021 £000	Total investments 2020 £000
Opening Valuation	104,425	27,482	131,907	119,947
Purchases at cost	28,765	10,853	39,618	27,602
Non-cash distribution	74(2)	66(3)	140	66
Sale proceeds	(25,135)	(15,067)	(40,202)	(34,016)
Realised gains/(losses)	6,316	6,873	13,189(4)	(230)
Unrealised gains	49,483	8,665	58,148(4)	18,538
Closing valuation	163,928	38,872	202,800	131,907
Cost at 30 September 2021	91,346	23,705	115,051	102,308
Unrealised gains at 30 September 2021	80,460	21,851	102,311	46,579
Diminution in value at 30 September 2021(5)	(7,878)	(6,684)	(14,562)	(16,980)
Valuation at 30 September 2021	163,928	38,872	202,800	131,907

(1) Includes the Marlborough Special Situations Fund – valuation £3.7m as at 30 September 2021.

(2) Dividend in specie shares in Trellus Health plc to facilitate the spin-out of the Company's shareholding to EKF Diagnostics Holdings plc shareholders.

(3) The Company elected to convert accrued fixed interest from a convertible loan note in Oxford Genetics into shares. This was triggered by the sale of the company to WuXi App Tec.

(4) The net gain on investments held at fair value through profit or loss in the income statement of £71,337 is the sum of the realised and unrealised gains for the year as detailed in the table above.

(5) Diminishments of £3,222,756 were made in the year. Once adjusted for disposals (£1,523,421) and diminishment reversals (£4,116,821), the net movement for the year is £2,417,486 and diminishments carried forward are £14,562,466.

Transaction Costs

During the year the Company incurred transaction costs of £27,912 (2020: £50,113) and £30,183 (2020: £33,181) on purchases and sales respectively. These amounts are included in the gain on investments as disclosed in the income statement.

Fair Value Measurement Hierarchy

The table below sets out fair value measurements using FRS102 (appendix to section 2 fair value measurement) 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).
- Level 3: Valued by reference to valuation techniques using inputs that are not based on observable market data.

	2021 Level 1 £'000	2021 Level 2 £'000	2021 Level 3 £'000	2021 Total £'000	2020 Level 1 £'000	2020 Level 2 £'000	2020 Level 3 £'000	2020 Total £'000
Investments	167,629	-	35,171	202,800	104,095	330	27,482	131,907

The following table sets out the basis of valuation for the material Level 3 investments and those where the value has materially changed during the year, held within the portfolio at 30 September 2021.

Level 3 Unquoted Investments

SCA Investments Ltd (Gousto)	The fair value of the investment was increased following strong trading performance in FY20 and FY21 year to date. EV/Sales peer group ratios and DCF analysis were used to support the valuation.
Honest Brew Ltd	The fair value of the equity investment was reduced following a period of more difficult trading which led the company to revise its revenue forecasts for FY21 and FY22. The Company expects to report an increase in revenue in FY22; however, it will require additional working capital to achieve this. EV/Sales peer group ratios were analysed to support the valuation. The fair value of the loan note investment made in February 2021 was held at par value at year end.
Kidly Ltd	The fair value of the equity investment increased following strong trading performance in FY21, which was ahead of budget. The company is forecasting further growth in FY22. EV/Sales peer group ratios were used to support the valuation. The fair value of the convertible loan note investment increased following an increase in the value of the conversion option. The conversion option is valued using the Black-Scholes option pricing model.
Mexican Grill Ltd	On 30 September 2021, the company announced that it had placed 15.5m shares at 181 pence per share with new and existing shareholders and confirmed that its shares would be admitted to trading on AIM on 8 October 2021. The investment was valued at a 10% discount to the IPO price and cross-referenced to EV/EBITDA peer group ratios and DCF analysis.
Infinity Reliance Ltd (My 1st Years)	The company traded strongly through FY20 and the early part of FY21. The fair value assessment was initially made against the company's budget for FY20. The fair value of the investment was increased on 31 December 2020 as the company moved into FY21 to reflect the financial projections for the new financial year. As a consequence of a major fire, which destroyed the company's premises in May 2021 and the resumption of trading in September 2021, the fair value assessment was tested against the company's projections for FY22 and referenced to peer group EV/EBITDA ratios. There was no change to the assessment of fair value as at 30 September 2021.
Out In Collective Ltd	The fair value of the investment was reduced following a change to the planned rollout of new cloud service kitchens in FY21 and FY22 that resulted in downward revisions to the company's revenue projection in FY22. The fair value assessment was referenced to peer group EV/Sales ratios.
Zappar Ltd	The fair value of the investment was increased following improved trading and rolling the valuation to FY22. EV/Sales peer group ratios were used to support the valuation.
XP Factory plc – convertible loan note (previously Escape Hunt plc)	A series of positive updates drove a very significant increase in the share price of the company's ordinary shares. The increase in the share price increased the value of the option to convert the loan note into the company's ordinary shares and, as a result, the

	value of the convertible loan note. The value of the conversion option was calculated using the Black-Scholes option pricing model.
Osirium Technologies plc – convertible loan note	A modest increase in the share price of the company's ordinary shares resulted in a small increase to the value of the option to convert the loan note into the company's ordinary shares and, as a result, the value of the convertible loan note. The value of the conversion option was calculated using the Black-Scholes option pricing model.

Level 3 Unquoted Investment disposals

The following table provides details on unquoted investment disposals in the period.

Company	Cost £'000	Total realised gain	Disposal proceeds £'000	Valuation as at 30 September 2020 £'000	Realised gain in year £'000
Fusionex International plc[(1)]	-	222	222	111	111
Oxford Genetics Ltd	3,252	5,639	8,891	4,444	4,447

(1) Fusionex International plc had been fully impaired through the profit and loss account and therefore shows a zero cost

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 %
Honest Brew Ltd[(1)]	37.19%	Crossword Cybersecurity plc	5.87%
Bivictrix Therapeutics plc[(1)]	28.15%	Kidly Limited	5.21%
Laundrapp Limited	17.45%	Verici DX plc	5.17%
Out In Collective Ltd	17.10%	Surface Transforms plc	5.07%
Bidstack Group plc	10.74%	Infinity Reliance Limited (My 1st years)	4.49%
PCI-PAL plc	10.57%	Rosslyn Data Technologies plc	4.41%
Hardide plc	10.38%	XP Factory plc[(3)]	3.98%
Mexican Grill Ltd[(2)]	7.72%	Gfinity plc	3.88%
One Media IP Group plc	7.34%	Blackbird plc	3.64%
Zappar (Holding) Limited	6.97%	Intelligent Ultrasound Group plc	3.51%
Crimson Tide plc	6.39%	C4X Discovery Holdings plc	3.42%
Cloudcall Group plc	6.27%	Polarean Imaging plc	3.40%
Portr Limited	6.19%	Beeks Financial Cloud Group plc	3.37%
Zoo Digital Group plc	6.17%	Eagle Eye Solutions Group plc	3.36%
Eden Research plc	5.94%		

(1) In accordance with FRS 102 (section 14.4b) Honest Brew Ltd and Bivictrix Therapeutics plc are held as part of an investment portfolio and are measured at fair value with changes in value recognised in profit or loss.

(2) Mexican Grill Ltd listed on the London Stock Exchange on 8 October 2021 and changed its name to Tortilla Mexican Grill plc.

(3) Escape Hunt plc changed its name to XP Factory plc on 7 December 2021.

9. Debtors

	2021 £000	2020 £000
Prepayments and accrued income	330	173

10. Creditors: amounts falling due within one year

	2021 £000	2020 £000
Trade Creditors	–	17
Accruals and deferred income	1,183	801
	1,183	818

11. Called up share capital

	2021 £000	2020 £000
Allotted, called-up and fully paid: 228,079,956 (2020: 199,514,929) ordinary shares of 1p each.	2,280	1,995

During the year 6,661,974 (2020: 4,499,438) ordinary shares were purchased through the buyback facility at a cost of £6,043,569 (2020: £2,875,694). The repurchased shares represent 3.3% (2020: 2.2%) of ordinary shares in issue on 1 October 2020. The acquired shares have been cancelled. On 28 May 2021, the Company also applied for the cancellation of 4,406 forfeited shares.

During the year, the Company issued 34,751,654 ordinary shares of 1 pence (nominal value £347,517) in an offer for subscription, representing 17.4% of the opening share capital at prices ranging from 76.33p to 99.18p per share. Gross funds of £29,996,500 were received. The 3.5% premium of £1,049,878 payable to Canaccord Genuity Wealth Ltd (CGWL) under the terms of the offer was reduced by £444,245, being the discount awarded to investors in the form of additional shares resulting in fees payable to CGWL of £605,633 which were then used to pay other costs associated with the prospectus and marketing. In accordance with the offer agreement, the Company was entitled to a rebate of £75,000 from CGWL reducing the net fees payable to CGWL to £530,633.

On 11 February 2021, 276,440 ordinary shares were allotted at a price of 90.03 pence per share, being the last published ex-dividend NAV per share as at 22 January 2021, to shareholders who elected to receive shares under the DRIS as an alternative to the final dividend for the year ended 30 September 2020.

On 30 July 2021, 203,313 ordinary shares were allotted at a price of 99.23 pence per share, being the last published ex-dividend NAV per share as at 9 July 2021, to shareholders who elected to receive shares under the DRIS as an alternative to the interim dividend for the year ended 30 September 2021.

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 FCA.

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. Net asset value per ordinary share

	30 September 2021	30 September 2020
Net assets (£'000)	228,963	146,957
Shares in issue	228,079,956	199,514,929
NAV per share (p)	100.39	73.66

There are no potentially dilutive capital instruments in issue and as such, the basic and diluted NAV per share are identical.

13. Contingencies, guarantees and financial commitments

There were no contingencies, guarantees or financial commitments of the Company at the year end (2020: nil).

14. Related party transactions and conflicts of interest

The remuneration of the directors, who are key management personnel of the Company, is disclosed in the Directors' remuneration report and in note 4.

David Brock is non-executive Chairman of Honest Brew Limited which is an investee company in the Company's portfolio. David is also a shareholder in Honest Brew Limited, however he does not control the entity. During the year David Brock and close family members made further investments in Honest Brew Ltd on the same commercial terms as independent third party investors. The Board, excluding David Brock, reviewed potential conflicts of interest in relation to this matter and agreed certain control measures to mitigate any conflicts that may arise.

Transactions with the Investment Manager

As the Company's Investment Manager, Hargreave Hale Limited (trading as Canaccord Genuity Fund Management) is a related party to the Company for the purposes of the Listing Rules. As the Investment Manager and Canaccord Genuity Wealth Limited (CGWL) are part of the same CGWL group, CGWL also falls into the definition of related party.

Oliver Bedford, a non-executive director of the Company is also an employee of the Investment Manager which received fees of £25,000 for the year ended 30 September 2021 in respect of his position on the Board (2020: £25,000). Of these fees £6,250 was still owed at the year end. As announced on 14 December 2021, Oliver Bedford's non-executive directorship fees will increase to £26,500 per annum, with effect from 1 January 2022.

CGWL act as administrator and custodian to the Company and provided company secretarial services until 15 January 2021 when they stepped down and JTC (UK) Ltd were appointed.

CGWL received fees for the support functions as follows:

	30 September 2021	**30 September 2020**
Custody	30,000	30,000
Administration	195,000	195,000
Company secretarial	4,902	17,000
Total	229,902	242,000
Still owed at the year end	55,745	60,500

Under an offer agreement dated 2 September 2020, CGWL were appointed by the Company to administer the Offer for Subscription and acted as receiving agent in relation to the offer. Under the terms of the agreement CGWL received a fee of 3.5 per cent. of the gross proceeds of the offer for providing these services. The Administrator agreed to discharge commissions payable to Financial Advisers in respect of accepted applications for Offer Shares submitted by them, including any trail commission.

The Administrator also agreed to discharge and/or reimburse all costs and expenses of and incidental to the Offer and the preparation of the Prospectus, including without limitation to the generality of the foregoing, FCA vetting fees in relation to the Prospectus, sponsor and legal fees and expenses of the Company and CGWL, the Company's tax adviser's fees and expenses, costs of printing, postage, advertising, publishing and circulating the Prospectus and marketing the Offer, including any introductory commission and discounts to Investors. However, the Administrator was not responsible for the payment of listing fees associated with the admission of the Ordinary Shares to the premium segment of the Official List and to trading on the main market of the London Stock Exchange.

During the year, the Company issued 34,751,654 ordinary shares (nominal value £347,517) in the offer for subscription which resulted in gross funds being received of £29,996,500. As marketing adviser and receiving agent to the Company, CGWL was entitled to 3.5% of the gross proceeds (£1,049,878), often referred to as the 'premium'. From this, CGWL paid for the allotment of additional shares to investors with a value of £444,245, resulting in net fees payable to CGWL of £605,633 to cover the costs of the offer. In accordance with the offer agreement, the Company was entitled to a rebate of £75,000 from CGWL reducing the net fees payable to CGWL to £530,633.

Under an offer agreement dated 2 September 2021, CGWL were appointed by the Company to administer a new Offer for Subscription and act as receiving agent in relation to the offer. Under the terms of the agreement CGWL will receive a fee of 3.5 per cent. of the gross proceeds of the offer for providing these services. The Administrator has agreed to discharge commissions payable to Financial Advisers in respect of accepted applications for Offer Shares submitted by them, including any trail commission.

The Administrator has also agreed to discharge and/or reimburse all costs and expenses of and incidental to the Offer and the preparation of the Prospectus, including without limitation to the generality of the foregoing, FCA vetting fees in relation to the Prospectus, sponsor and legal fees, expenses of the Company and CGWL, the Company's tax adviser's fees and expenses, registrar's fees, costs of printing, postage, advertising, publishing and circulating the Prospectus and marketing the Offer, including any introductory commission and discounts to Investors. However, the Administrator will not be responsible for the payment of listing fees associated with the admission of the Ordinary Shares to the premium segment of the Official List and to trading on the main market of the London Stock Exchange.

Following the final allotment under the Offer the Company and the Administrator will agree on the aggregate costs of the Offer. If the aggregate fee paid by the Company to the Administrator exceeds the costs of the Offer by more than £25,000 then CGWL will rebate any surplus to the Company, subject to a maximum rebate of £100,000. No fees were paid to CGWL in relation to this agreement during the year ended 30 September 2021.

Hargreave Hale Limited (trading as Canaccord Genuity Fund Management) is appointed as Investment Manager to the Company and receives an investment management fee of 1.7% per annum.

Investment management fees for the year are £3,629,685 (2020: £2,294,259) as detailed in note 3. Of these fees £981,565 was still owed at the year end. As the Investment Manager to the Company and the investment advisor to the Marlborough Special Situations Fund (in which the Company may invest), the Investment Manager makes an adjustment as necessary to its investment management fee to ensure the Company is not charged twice for their services.

Upon completion of an investment, the Investment Manager is permitted under the investment 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. The Investment Manager may recover external due diligence and transaction services costs directly from private investee companies. No fees were charged to investee companies in the year under this agreement.

Total commission of £58,095 was paid to CGWL in the year for broker services.

The Investment Manager has agreed to indemnify the Company and keep indemnified the Company in respect of the amount by which the annual running costs of the Company exceed 3.5 per cent. of the net assets of the Company, such costs shall exclude any VAT payable thereon and any payments to financial intermediaries, the payment of which is the responsibility of the Company. No fees were waived by the Investment Manager in the financial year under the indemnity.

The Company also held £10,751,715 in the client account held at CGWL at 30 September 2021 (2020: £10,459,777).

15. Financial instruments

Risk management policies and procedures

The investment objectives of the Company are to generate capital gains and income from its portfolio and to make distributions from capital or income to shareholders whilst maintaining its status as a Venture Capital Trust.

The Company intends to achieve its investment objectives by making Qualifying Investments in companies listed on AIM, private companies and companies listed on the AQSE Growth Market, as well as Non-Qualifying Investments as allowed by the VCT Rules.

At least 80% of the Company's funds have been invested in qualifying holdings during the year under the HMRC investment test definition. The balance of the Company's funds were invested in liquid assets (such as non-qualifying equities, 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 of the annual report and accounts.

A detailed review of the investment portfolio is contained in the Chairman's statement and Investment Manager's report.

Classification of financial instruments

The investments at year end comprise two types of financial instruments. The basis of valuation is set out below:

- Equities – fair value through the profit and loss account.
- Fixed income securities – fair value through the profit and loss account

Other financial assets comprise cash at bank of £27,016,389 (2020: £15,695,112), accrued income and debtors of £291,328 (2020: £152,451), which is classified as 'loans and receivables measured at amortised cost'. Financial liabilities consist of trade creditors and accruals of £1,183,421 (2020: £817,739) 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, other than bank deposits, no individual investment shall exceed 10 per cent of the Company's net assets at the time of investment. However, many of the investments are in small companies traded on the AIM market which by virtue of their size carry more risk than investments in larger companies listed on the main market of the London Stock Exchange.

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:

	Change in Fair Value of Investments			
	10% increase in FTSE 100	10% decline in FTSE 100	Aggregate value	Aggregate value
	2021	2021	2021	2020(1)
Asset class	£000	£000	£000	£000
AIM Qualifying Investments(1)	+11,176	-11,172	141,041	86,455
Unquoted Qualifying Investments(2)	+2,115	-2,467	32,331	25,932
Quoted Non-Qualifying Investments	+2,632	-2,632	25,284	19,360
Unquoted Non-Qualifying Investments	-	-	443	160
Authorised unit trust	+255	-255	3,701	-
Fixed income securities	-	-	-	-
	+16,178	-16,526	202,800	131,907

[1] Prior year restated to reflect updated asset class categorisation.

[2] Including variances in the value of CLNs issued by XP Factory plc and Osirium plc.

[3] Including variances in the value of CLNs issued by Kidly Ltd.

If market prices had been 10% higher or lower while all other variables remained unchanged the return attributable to ordinary shareholders for the year ended 30 September 2021 would have increased by £16,177,864 or decreased by £16,525,685 (2020: £13,190,700).

The assessment of market risk is based on the Company's equity and fixed income portfolio including private company investments, as held at the year end. The assessment uses the AIM All-Share Index and the FTSE 250 Index as proxies for the AIM Qualifying Investments and quoted Non-Qualifying Investments and illustrates, based on historical price movements, their potential change in value in relation to change in value of a reference index, in this case the FTSE 100.

The review has also examined the potential impact of a 10% move in the market on the CLN investments held by the Company, whose values will vary according to the price of the underlying security into which the loan note instrument has the option to convert.

Currency risk

The Company is not directly exposed to currency risk and does not invest in currencies other than sterling. There re indirect exposures through movements in the foreign exchange market as a consequence of investments held in companies who report in foreign currencies.

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 2021			
	Fixed Rate £000	**Variable Rate £000**	**Non-Interest Bearing £000**	**Total £000**
Investments	5,835	–	196,965	202,800
Cash and cash equivalents	–	27,016	–	27,016
Other current assets and current liabilities (net)	–	–	(853)	(853)
Net assets	**5,835**	**27,016**	**196,112**	**228,963**

	30 September 2020			
	Fixed Rate £000	**Variable Rate £000**	**Non-Interest Bearing £000**	**Total £000**
Investments	5,334	–	126,573	131,907
Cash and cash equivalents	–	15,695	–	15,695
Other current assets and current liabilities (net)	–	–	(645)	(645)
Net assets	**5,334**	**15,695**	**125,928**	**146,957**

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 £1,183,421, liquidity risk is not considered material. As at 30 September 2021 the Company held £27,016,389 on bank deposit.

Credit risk

Credit risk relates to the risk of default by a counterparty. The Company may have credit risk through investments made in unsecured loan stock issued by Qualifying Companies or through Non-Qualifying Investments in fixed income securities and exchange traded funds. 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 investment will be impaired if the investee company is loss making and does not have sufficient funds available to transition into profit and in the opinion of the Investment Manager is unlikely to secure sufficient equity or debt funding to transition into profit. An investment will be impaired if the borrower defaults or is expected to default on payment of accrued interest or repayment of the principal sum.

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

	2021 £000	2020 £000
Investments – (Fixed income securities)	5,835	5,334
Cash and cash equivalents	27,016	15,695
Other assets	330	173(1)
	31,998	**20,384**

(1) Prior year updated to remove creditors/accruals.

Bank deposits, when held through Canaccord Genuity Wealth Limited (CGWL, trading as CGWM), are held with banks that are authorised and regulated to carry on banking or deposit-taking business. All these meet the requirements of the UK's FCA CASS rules. Through its treasury function, CGWM uses a tiered level approach to counterparty selection to reflect different maturities of cash held on deposit.

The Company's cash reserves, when held through CGWL, are pooled with cash deposits from other clients of CGWL and diversified across a specified panel of banks. CGWM's treasury function reviews panel members ahead of selection and prioritises the safety of client assets with the panel selection process placing an emphasis on quality and security. Participating banks must be rated as investment grade by at least two international credit rating agencies. CGWM will also consider the expertise and market reputation of the bank; review a bank's financial statements and consider its capital and deposit base; consider the geographical location of the parent; monitor a bank's credit default swaps; and ask the bank to complete a due diligence questionnaire. The CGWM treasury function maintains regular contact with panel banks, typically meeting them every 6 months or so.

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 notes 1 and 11 to these accounts. The Company has no debt and is fully funded by equity.

16. Dividends

	2021 Ord £000	2020 Ord £000
Paid per share:		
Final capital dividend of 2.25 pence for year ended 30 September 2019	–	4,576
Paid per share:		
Interim capital dividend of 1.00 pence for year ended 30 September 2020	–	2,004
Paid per share:		
Special capital dividend of 1.75 pence (1)	–	3,564
Unclaimed dividends(2)		(2)
Paid per share:		
Final capital dividend of 2.65 pence for year ended 30 September 2020	5,711	–
Paid per share:		
Interim capital dividend of 1.75 pence for year ended 30 September 2021	4,026	–
	9,737(3)	10,142
Paid per share:		
Special capital dividend of 2.50 pence for the year ended 30 September 2021(4)	5,704	–

Proposed per share:		
Final capital dividend of 3.15 pence for the year ended 30 September 2021	8,456	–
Proposed per share:		
Final capital dividend of 2.65 pence for the year ended 30 September 2020	–	5,713

(1) Special capital dividend paid on 28 November 2019

(2) Unclaimed dividends for a period of 12 years reverted to the Company

(3) The difference between total dividends paid for the period ending 30 September 2021 and the cash flow statement is £451,000 which reflects the amount of dividends reinvested under the DRIS.

(4) Special capital dividend paid on 29 October 2021.

17. Post balance sheet events

Directors' remuneration

Following a review of board remuneration and taking into account peer group analysis and inflation, the Board has decided to increase its remuneration, effective 1 January 2022. The annual remuneration of the Chairman will increase to £37,000, the independent non-executive directors to £29,000 and the non-independent non-executive director, Oliver Bedford, to £26,500. An additional fee of £1,500 will continue to be paid to the Chairman of the Management and Service Provider Engagement Committee and the Chairman of the Audit Committee will continue to receive an additional fee of £3,000.

Share buybacks

As at 16 December 2021, 401,981 ordinary shares have been purchased at an average price of 91.04 pence per share and a total cost of £365,958.

Shares issued

As at 16 December 2021, 40,633,737 ordinary shares have been issued through the offer for subscription raising gross proceeds of £39,200,400.

On 29 October 2021, a special dividend of 2.50 pence per share was paid to shareholders on the register on 1 October 2021 and 327,293 ordinary shares were allotted at a price of 94.09, to shareholders who elected to receive shares under the DRIS as an alternative to the special dividend.

Dividend

A special dividend of 2.50 pence per share was paid on 29 October 2021 to shareholders on the register on 1 October 2021.

New investments

The Company has made the following investments since the period end:

	Amount Invested £000	Investment into existing company
Qualifying Companies		
Eneraqua Technologies plc	1,955	No
Skillcast Group plc	1,571	No
Velocys	1,320	Yes
XP Factory plc	1,500	Yes
Non-Qualifying Companies		
Bytes Technology Group	203	Yes
Future plc	371	Yes
Hilton Food Group plc	545	Yes
Howden Joinery Group plc	548	Yes
JD Sports Fashion plc	273	Yes
Marlborough Special Situations Fund	8,334	Yes
Trifast	620	Yes
Wickes Group plc	585	No

Alternative performance measures

An alternative performance measure ("APM") is a financial measure of the Company's historic or future financial performance, financial position or cash flows which is not defined or specified in the applicable financial reporting framework.

The Directors assess the Company's performance against a range of criteria which are viewed as particularly relevant for a VCT.

Where the calculation of the APM is not detailed within the financial statements, an explanation of the methodology employed is below:

NAV total return since inception

		30 September 2021	30 September 2020
Net asset value per share	A	100.39p	73.66p
Dividends paid per share since inception	B	64.55p	60.15p
NAV total return since inception[1]	A+B	164.94p	133.81p

(1) Includes 100 pence initial cost

NAV total return

		30 September 2021	30 September 2020
Net asset value per share 30 September 2020	A	73.66p	70.60p
Dividends paid	B	4.40p	5.00p
Net asset value per share 30 September 2021	C	100.39p	73.66p
NAV total return	((B+C-A)/A)*100	42.26%	11.42%

NAV total return (dividends reinvested)

			30 September 2021	% Return
Opening NAV per share (30 September 2020)		A	73.66p	
Closing NAV per share (30 September 2021)			100.39p	
	Final dividend for year paid February 2021	2.65p		
	Interim dividend July 2021	1.75p		
Total dividend payments			4.40p	
Closing NAV per share plus dividends paid			104.79p	42.26% (11.42% 30 September 2020)
In year performance of reinvested dividends			0.58p	
NAV total return (dividends reinvested)	((B-A)/A)*100	B	105.37p	43.04% (12.31% 30 September 2020)

Share price total return

		30 September 2021	30 September 2020
Share price as at 30 September 2020	A	66.00p	66.50p
Dividends paid	B	4.40p	5.00p
Special dividend (ex-dividend)	C	2.50p	–
Share price as at 30 September 2021	D	93.00p[1]	66.00p
Share price total return	((B+C+D-A)/A)*100	51.36%	6.77%

(1) Ex-dividend.

Share price total return (dividends reinvested)

			30 September 2021	% Return
Opening share price (30 September 2020)		A	66.00p	
Closing share price (30 September 2021)			93.00p[1]	
	Final dividend for year paid February 2021	2.65p		
	Interim dividend paid July 2021	1.75p		
	Special dividend (ex-dividend)	2.50p		
Total dividend payments			6.90p	
Closing share price plus dividends paid			99.90p	51.36% (6.77% 30 September 2020)
In year performance of reinvested dividends			0.73p	

Share price total return (dividends reinvested)	((B-A)/A)*100	B	100.63p	52.46% (7.11% 30 September 2020)

(1) Ex-dividend.

Ongoing charges ratio

The ongoing charges ratio has been calculated using the AIC's "Ongoing Charges" methodology.

		30 September 2021 £000	30 September 2020 £000
Investment management fee		3,630	2,294
Other expenses(1)		805	882
VCT proportion of MSSF expenses		30	–
Ongoing charges	A	4,465	3,176
Average net assets	B	210,298	135,416
Ongoing charges ratio	(A/B)*100	2.12%	2.35%

(1) Other expenses exclude London Stock Exchange fees of £66,138 for admission of shares under the offer for subscription as the Board do not consider this cost to be an ongoing cost to the fund.

Share price discount

		30 September 2021	30 September 2020
Share price	A	93.00p	66.00p
Net asset value per share (ex-dividend)	B	97.89p	73.66p
(Discount) / premium	((A/B)-1)*100	(5.00%)	(10.40%)

The 1-year average discount of 6.25% is calculated by taking the average of the share price discount at each month end between 1 October 2020 and 30 September 2021.

The 5-year average discount of 6.31% is calculated by taking the average of the share price discount at each month end between 1 October 2016 and 30 September 2021.