Hargreave Hale
AIM VCT

Planting seeds for growth

**Annual report and accounts
for Hargreave Hale AIM VCT plc
year ended 30 September 2018**

Contents

Financial highlights

87.59p
Net asset value per share (Cum Div)

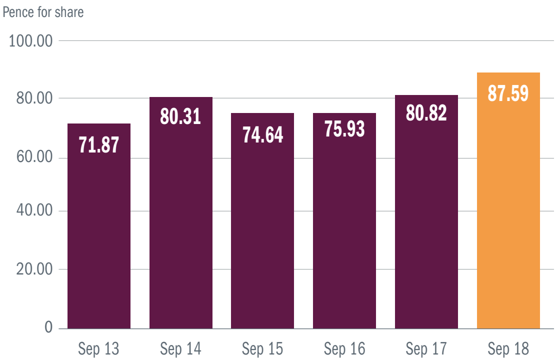
137.59p
Total return since inception

4.00p
Tax free dividends paid in the year

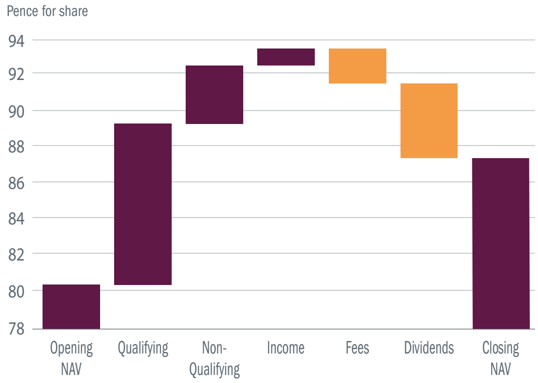
5.55%
5 year average share price discount on buybacks

1.87%[(1)]
Maintained a low ongoing expense ratio of less than 2%

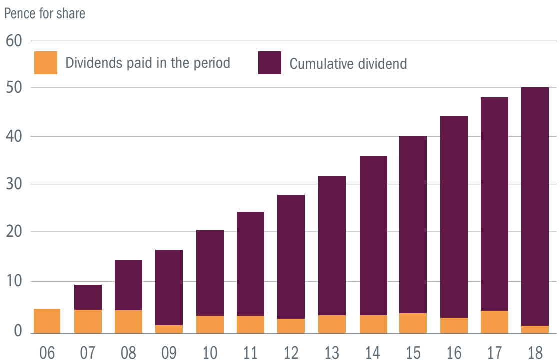
NAV per share



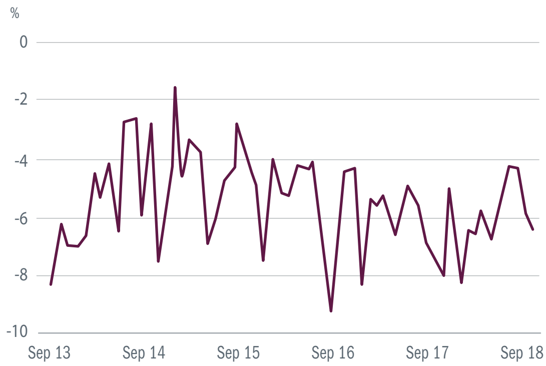
Contribution NAV performance



Dividends paid



Discount to NAV



Earnings per share	2018	2017
Revenue return	(0.19)p	(0.13)p
Capital return	11.81p	8.99p
Combined return	11.62p	8.86p

Financial Calendar	
Record date for annual dividend	18 January 2019
Payment of annual dividend	8 February 2019
Annual General Meeting	5 February 2019
Announcement of half-yearly results for the six months ending 31 March 2019	June 2019
Payment of interim dividend (subject to Board approval)	July 2019

(1) Calculated using the AIC's "Ongoing Charges" methodology.

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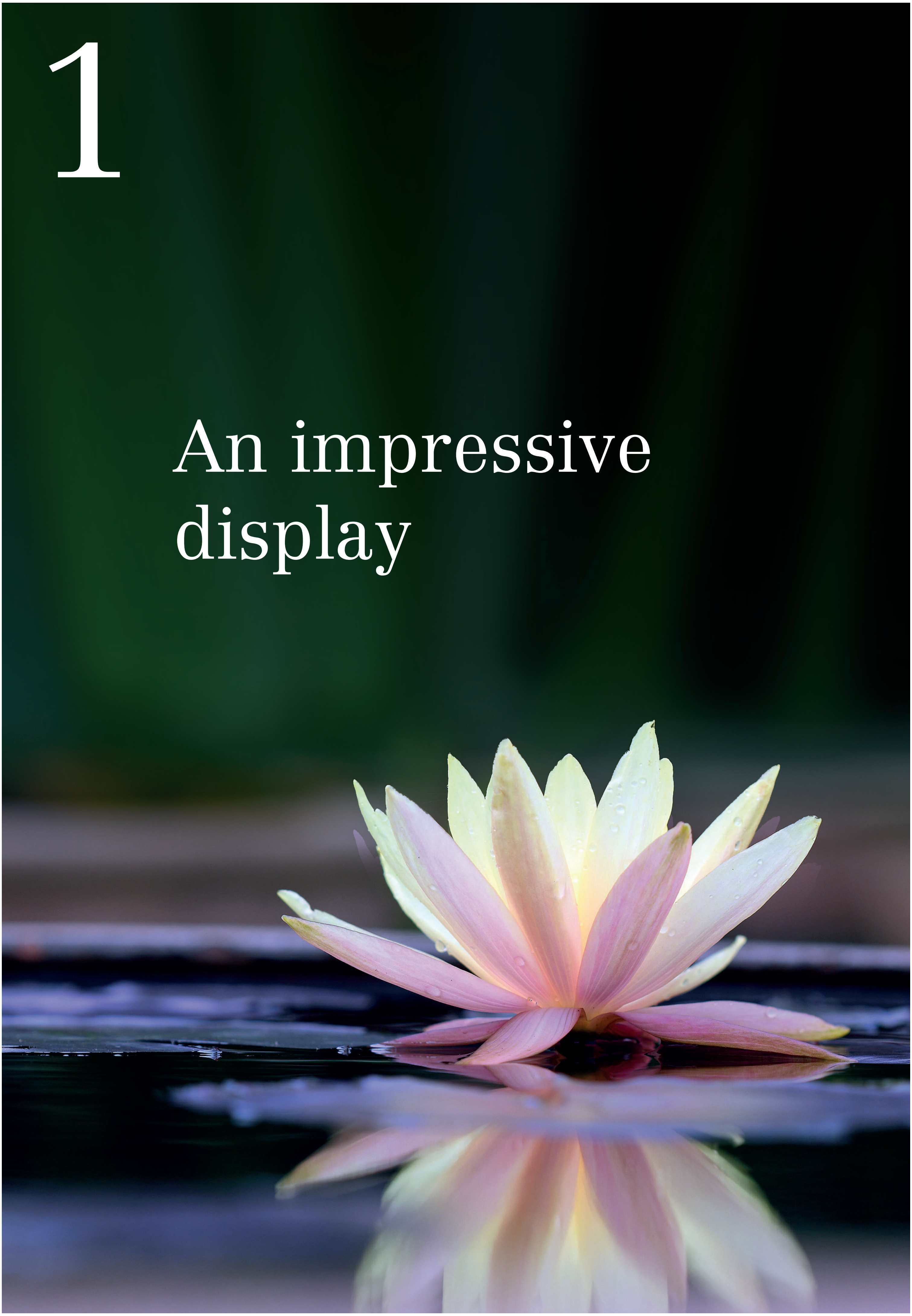
An impressive display



Strategy

Chairman's statement

Introduction

I should like to start by welcoming any new shareholders who have joined us through the acquisition of Hargreave Hale AIM VCT 2 plc which completed on 23 March 2018, or through this year's fundraising activities.

Performance

At 30 September 2018, the Net Asset Value (NAV) was 87.59 pence which after adjusting for the dividends paid gives a Total Return since inception of 137.59 pence. The earnings per share combined return for the year was 11.62 pence (comprising a revenue loss of 0.19 pence and capital gains of 11.81 pence). We are pleased to report that the NAV Total Return (NAV plus dividends paid) for the period was a gain of 13.3% compared to a gain of 10.8% in the FTSE AIM All-share Total Return Index in the year to 30 September 2018.

Investments

The investment manager, Hargreave Hale Limited, invested £10.1 million in 18 Qualifying Companies during the year (a further £2.6 million was invested by Hargreave Hale AIM VCT 2 plc into Qualifying Companies between 1 October 2017 and the acquisition date). The fair value of Qualifying Investments at 30 September 2018 was £87.6 million invested in 75 AIM companies and 7 unquoted companies. £67.3 million was held in a mix of cash and non-qualifying equities; more detail can be found in the investment manager's report on page 15.

Dividend

An interim dividend of 1.75 pence was paid on 31 July 2018 (Interim 2017: 1.75 pence).

Following a period of strong NAV growth and, in particular, the realisation of gains through the partial disposal of our investment in Zoo Digital, the Board was pleased to announce a special dividend of 1 penny per ordinary share on 19 September 2018. The dividend payment was made on 24 October 2018 to shareholders on the register on 28 September 2018.

A final dividend of 2.65 pence is proposed (2017: 2.25 pence) which, subject to shareholder approval at the Annual General Meeting, will be paid on 8 February 2019 to ordinary shareholders on the register on 18 January 2019.

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

The ability to pay dividends is also dependent on the Company's available reserves and cash resources, the Companies Act and the Listing 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. Dividends will vary with investment performance; in good years, the Directors may consider a higher dividend payment; in poor years, the Directors may reduce or even pay no dividend.

Buybacks

In total, 2,959,394 shares were purchased during the year at an average price of 80.67 pence per share. A further 1,410,686 shares have been purchased since the year end at an average price of 75.90 pence per share.

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

The Company has a 5 year average share price discount on buybacks of 5.55%.

Acquisition of Hargreave Hale AIM VCT 2 plc and offer for subscription

The offer for subscription announced on 12 February 2018 was closed on 4 July 2018, £25 million was raised and 29.3 million new ordinary shares were issued.

On 23 March 2018, the Company announced the approval to acquire the above named company. The assets and liabilities of Hargreave Hale AIM VCT 2 were acquired by Hargreave Hale AIM VCT 1 in consideration for the issue of 68,680,227 ordinary shares of 1 pence each in the capital of the Company to Hargreave Hale AIM VCT 2 shareholders. The scheme shares were issued at a ratio of 1.458754 scheme shares for each Hargreave Hale AIM VCT 2 share held.

The acquisition was implemented on a relative unaudited NAV basis, adjusted for the anticipated costs of the scheme. The merger and roll-over values were based on the latest unaudited valuations of the companies' investments. The effect of the scheme was that Hargreave Hale AIM VCT 2 shareholders received Hargreave Hale AIM VCT 1 shares with the same total market value as at the scheme calculation date as their Hargreave Hale AIM VCT 2 shares. The total cost of undertaking the acquisition was £0.40 million of which £0.16 million was met by Hargreave Hale Limited.

Company name change

With the acquisition now complete, the Board felt it appropriate to revise the name of your company to Hargreave Hale AIM VCT plc. The new name came into effect on 6 September 2018. There is no change to the company EPIC (stock market code), nor is there any need to make any change to your share certificates.

Current offer for subscription

The Directors of the Company announced on 19 September 2018 the launch of a new offer for subscription for shares to raise up to £20 million, together with an over-allotment facility of up to a further £10 million. The offer was approved by shareholders of the Company at a general meeting on 19 October 2018 and is open to both new and existing shareholders. On 28 November 2018, the Company announced it had received valid applications in excess of £20 million and, accordingly, the directors confirmed they were releasing £5 million of the available £10 million over-allotment facility. Since its launch, the offer has resulted in gross funds being received of £22.0 million and the issue of 27.3 million new shares in the Company to the date of this report.

Cost efficiency

Your Board reviews costs incurred by the Company on a regular basis and are focused on maintaining a competitively low ongoing expense ratio. I am pleased to report that the year end ongoing expense ratio was 1.87% when calculated in accordance with the AIC's "Ongoing Charges" methodology. The methodology includes indirect costs including those incurred by underlying investment funds such as the Marlborough Special Situation Fund which we calculate to be equivalent to 0.09%. These fees are included to provide shareholders with a more accurate measure of the costs within the VCT. As the investment manager to the Company and the investment advisor to the Marlborough Special Situation Fund Hargreave Hale Limited makes a pro-rata adjustment to its investment management fee to ensure the VCT is not charged twice for their services. In the year to 30 September 2018 a reduction of £37,800 was made to the annual management fee with regards to this.

Total costs as measured under the EU rules and published in the Company's Key Information Document are also monitored by the Board. This measure is calculated using a different methodology and includes transaction costs therefore showing a higher figure than the published ongoing charge ratio.

Cancellation of share premium and capital redemption reserve

At the general meeting of the Company held on 16 March 2018, a special resolution was passed approving the cancellation of the Company's share premium account and capital redemption reserve in order to create a pool of distributable reserves.

I am pleased to inform you that the cancellation of the share premium account and capital redemption reserve of the Company was confirmed by the High Court of Justice in England and Wales and accordingly, the amounts standing to the credit of the share premium account (£117.6m) and capital redemption reserve (£0.1m) of the Company as at 25 September 2018 have been cancelled.

Hargreave Hale Limited takeover and trading name

In July 2017, it was announced that Canaccord Genuity Group Inc. through its UK and Europe based wealth management business Canaccord Genuity Wealth Management agreed to acquire Hargreave Hale Limited. The transaction was completed in September 2017. The fund management division of Hargreave Hale Limited is now known as 'Canaccord Genuity Fund Management', which is a trading name of Hargreave Hale Limited.

Investment management fee

As previously announced, the Company and Hargreave Hale Limited, have agreed to increase the investment management fee payable from an amount equal to 1.5% of the Company's net assets to an amount equal to 1.7% of the Company's net assets. This increase has been made to obtain additional resource for the dedicated fund management team to support the adopted strategy of increasing our exposure to unquoted companies and will take effect from 1 April 2019.

VCT regulatory update

Through the budget delivered on 22 November 2017, the government announced substantial changes to the legislation governing the management of Venture Capital Trusts. Broadly speaking, the proposed changes are designed to bring greater focus to the scheme and encourage more investment into small British companies. These changes will come into effect in stages and some of these changes have now started to apply to your Company.

Some of these changes will have little or no impact on the management of your Company. The most significant of the changes will be the increase in the investment test with the minimum percentage of the Company that must be invested into Qualifying Companies increasing from 70% to 80% for accounting periods beginning on or after 6 April 2019. This becomes applicable for Hargreave Hale AIM VCT plc from 1 October 2019. To assist with this change, the period of disregard for the disposal of Qualifying Investments will be increased from 6 months to 12 months.

As described above, Venture Capital Trusts have up to three years to invest new funds into Qualifying Companies before those new funds are included within the investment test. The legislation includes an additional condition to encourage early investment into Qualifying Companies. The new condition requires 30% of the new funds to be invested into Qualifying Companies within

12 months of the end of the accounting period in which the VCT issues the new shares. This applies to all new funds raised by the Company on or after 1 October 2018.

VCT status

For now, to maintain its status as a Venture Capital Trust, the Company is required to invest at least 70% of the net funds raised in any one accounting period, into Qualifying Companies by the start of the accounting period containing the third anniversary of the date on which the funds were raised, often referred to as the 'investment test'. I am pleased to report that we continue to perform well against this test and, at the period end, the investment test was 93.20% when measured using HMRC's methodology. The Company satisfied all other tests relevant to its status as a Venture Capital Trust.

Key information document

The EU's PRIIPs regulation came into effect in January of last year, the purpose of which is to increase customer protection by improving the functioning of financial markets. The regulation requires the Company to publish a Key Information Document (KID). Retail investors must now be directed to this before buying shares in the Company. The KID is published on the Company website at www.hargreaveaimvcts.co.uk/document-library.

The document has been prepared using the methodology prescribed in the PRIIPS regulation. Concerns have been expressed within the industry that;

1. the risk score may be understating the level of risk; and
2. investment performance scenarios may indicate future returns for shareholders that are too optimistic.

It is hoped that these issues will be resolved in the future.

General data protection regulation

I am sure most of you are all too familiar with the new legislation concerning the protection of personal data that came into effect on 25 May 2018. We wrote to shareholders at the time and included copies of our privacy policy. A copy can be found on the Company website at www.hargreaveaimvcts.co.uk/document-library.

Through an enclosed form, we asked you to notify us of the details of any third parties such as your financial adviser that you would like us to share your data with. Thank you to those shareholders who have responded.

If you have not yet responded but would like your financial adviser to have access to information relating to your investment in the Company (number of shares held, value, dividend history, date of allotment etc), then please get in contact with us via email at aimvct@canaccord.com or by phone on 01253 754755 and request another form. We cannot share your shareholder information with your adviser without your active consent.

Board composition

Your Directors review the composition and effectiveness of the Board at regular intervals to ensure that it continues to comply with the applicable regulations, is consistent with best practice and remains effective.

The new Corporate Governance Code came into effect on 1 January 2019 and for your Company will become effective on 1 October 2019. The AIC's Code of Corporate Governance is currently being drafted. Your Board will review its composition again once the code has been finalised.

As previously announced, I am delighted to welcome Ashton Bradbury to the board as a non-executive director appointed on 14 May 2018. Ashton was previously Head of Equities at Old Mutual Global Investors (now called Merian Global Investors) and is an experienced fund manager. His skills and experience are complementary to the existing non-executive team, and I am grateful for his input which offers us a different perspective.

With the changing landscape of VCT regulations, your Board will continue to regularly review its structure and consider appropriate adjustments.

Post period end update

The well documented decline in global stock markets made for a difficult first quarter within the current financial year with the NAV declining from 87.59 pence to 73.05 pence in the 3 months to 31 December 2018, equivalent to a fall of 15.5% after adjusting for the 1 pence special dividend paid on 24 October 2018. A number of the Top 10 holdings have suffered steep falls in the share prices.

The investment manager has continued to deploy capital into qualifying companies in line with the budget, despite the challenges within the public markets. £2.9m has been invested into new qualifying investments. £0.4m was invested into a qualifying company held in the portfolio, with £2.5m invested into 3 new qualifying companies, including one IPO. All 4 investments were into public companies.

As of 4 January 2019, the share price of 69.50 pence represented a discount of 4.9% to the last published net asset value per share.

Outlook

We certainly live in "interesting times". It is difficult to get away from the "Brexit" subject. It is impossible to know what the outcome of the various negotiations will be, which will result in uncertainty. Alas, this has and will unsettle the stock markets. We can expect a turbulent ride in terms of our NAV until some clarity becomes evident. That said the outlook for most of our investments remains positive as mostly they are good, well run companies which will adapt to any new regulations to which they are exposed.

We adopted a strategy of increasing our exposure to unquoted companies and to that end your board agreed a very small increase in the management fee provided that the number of staff was increased. I am pleased to report that this has happened and we are seeing some very exciting opportunities. We expect to see a number of new unlisted investments in the forthcoming months. Whilst the current uncertainty may reduce the number of AIM IPOs in the short term, we expect further opportunities to arise from our existing portfolio.

Looking at Brexit it is easy to be a prophet of doom and gloom. Personally, I think the economy has held up very well given general uncertainty, with employment at record levels and company profits reaching all-time highs. This should mean that careful stock selection in the area of the market in which we operate will be well rewarded, although it may take a little time to see the benefits.

Sir Aubrey Brocklebank
Chairman

Date: 8 January 2019

Strategic report

The purpose of the strategic report is to inform shareholders on key matters and help them to assess how the Directors have performed in their duty to promote the success of the Company. The report has been prepared by the Directors in accordance with the requirements of Section 414A of the Companies Act 2006. The Company's independent auditor is required by law to report on whether the information given within the strategic report is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. The auditor's report is set out on pages 41 to 45.

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 maximising tax free dividend distributions to shareholders.

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

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

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

Investment objectives

The Company's investment objectives are:

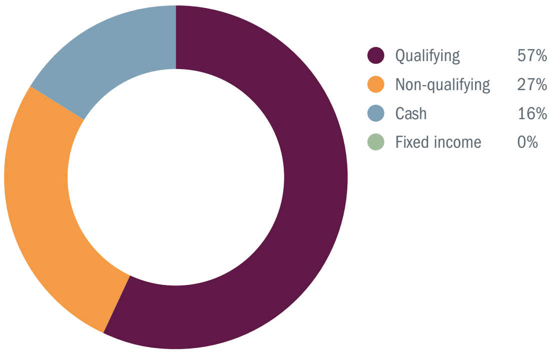
- **to invest in a diversified portfolio of small UK based companies on a high risk, medium term capital growth basis, primarily being companies which are traded on AIM and which have the opportunity for significant value appreciation;**
- **to invest in smaller companies which may not be readily accessible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

Asset allocation

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

- equity investments in qualifying companies, referred to as "Qualifying Investments". Qualifying Investments will:
  - comprise qualifying holdings for a VCT as defined in Chapter 4 Part 6 of the Income Tax Act 2007;
  - primarily be made in AIM companies, but the Company's investment manager will also consider NEX-quoted companies (formally ISDX) and private companies that meet the investment criteria summarised below; and
  - vary in size typically from £250,000 to £3 million by cost;
- fixed income securities;
- bank deposits that are readily realisable; and
- non-qualifying equity exposure in the form of equity exposure to UK and international equities through targeted investments made on an opportunistic basis or through an investment into the Marlborough Special Situations Fund.

Portfolio weighting (by market value)



Investment manager

The Company is managed by Hargreave Hale Limited which have been managing investments in UK Small and Micro Cap companies for 20 years and VCTs for 14 years. Hargreave Hale has a long-established reputation as a substantial investor in and a supporter of small British companies through the main market of the London Stock Exchange and AIM. As well as the Venture Capital Trust, the fund management team manages 6 unit trusts including the Marlborough Special Situations Fund, the Marlborough UK Micro-Cap Growth Fund and the Marlborough Multi-Cap Income Fund. The investments of the Company are co-managed by Giles Hargreave and Oliver Bedford with support from the rest of the Hargreave Hale fund management team. The breadth of the fund management team, the scale of investment into small companies and the investment manager's track record help attract deal flow.

In accordance with the investment policy, the Company has made investments in the Marlborough Special Situations Fund, which has returned 3,205% (equivalent to an average 19.1% per annum to 30 September 2018) since Giles Hargreave took responsibility for it in July 1998.

Investment strategy

Qualifying investments

The investment manager will maintain a diversified and fully invested portfolio of Qualifying Investments. The primary purpose of the investment strategy is to ensure the Company maintains its status as a VCT. To achieve this, the Company must have 70% (80% for accounting periods beginning on or after 6 April 2019) of all funds raised from the issue of shares invested in Qualifying Investments throughout accounting periods of the VCT beginning no later than three years after the date on which those shares are issued.

Although VCTs are required to invest and maintain a minimum of 70% (80% for accounting periods beginning on or after 6 April 2019) of their funds invested in Qualifying Investments as measured by the VCT rules, it is likely that the investment manager will target a higher threshold of approximately 80% (85% for accounting periods beginning on or after 6 April 2019) in order to provide some element of protection against an inadvertent breach of the VCT rules. The Company's maximum exposure to a single Qualifying Investment is limited to 15% of net assets at cost.

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

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

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

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

Non-qualifying investments

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

The investment manager will invest up to 75% of the net proceeds of any issue of new shares into the Marlborough Special Situations Fund subject to a maximum of 20% (8.9% as at 30 September 2018) of the gross assets of the Company. This will enable the Company to maintain its exposure to small companies indirectly, whilst the investment manager identifies opportunities to invest directly into small UK companies through a suitable number of Qualifying Investments.

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

To the extent that any future changes to the Company's investment policy are considered material, shareholder consent to such changes will be sought.

Business review

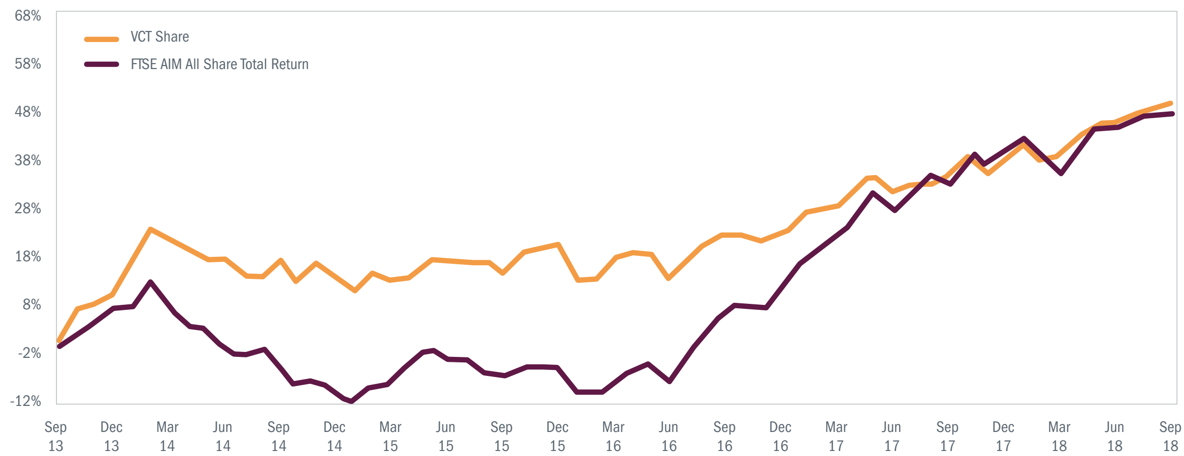
The chairman's statement and investment manager's report on pages 3 to 6 and 15 to 16 respectively contain a balanced and comprehensive analysis of the business during the financial year and the position of the investments at the year end. The financial position of the Company at 30 September 2018 was strong with no debt or gearing.

Key performance indicators

At each board meeting, 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 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 on pages 3 to 6 and 15 to 16 respectively. In addition, the Board considers peer group comparative performance. Performance is also measured against the Company's closest benchmark the FTSE AIM All-share Total Return and this is shown in the graph below. The Director's 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.

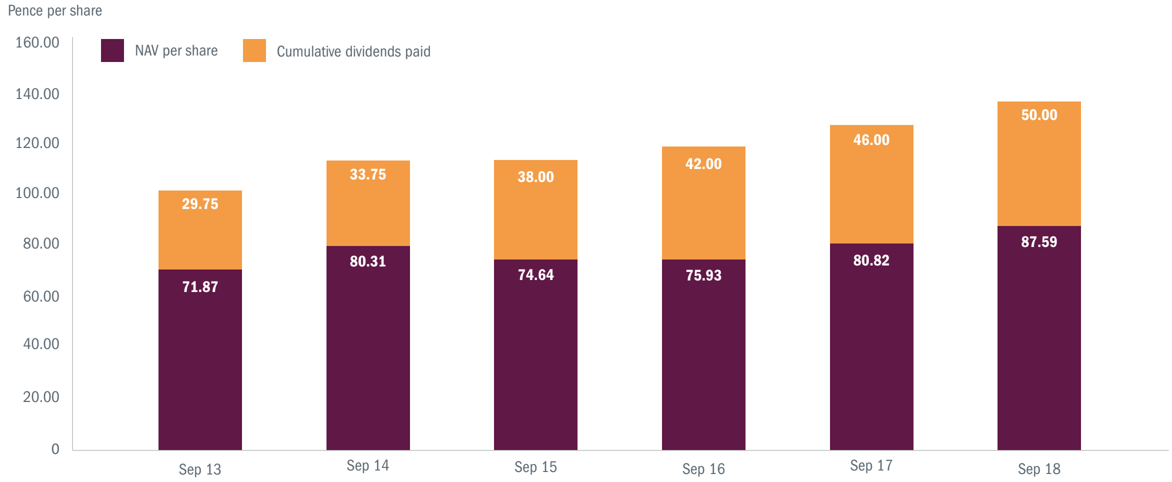
VCT vs benchmark



1. Net asset value and total return

In the financial year under review, net assets increased from £66.0m to £154.8m. This increase was made up of £56.6m net assets acquired through the acquisition of Hargreave Hale AIM VCT 2 plc, £24.5m new shares issued through the offer for subscription, profit for the year of £15.0m, less buybacks of £2.4m and dividends paid of £4.9m. The net asset value per share increased from 80.82p to 87.59p resulting in a gain to ordinary shareholders of 10.77 pence per share (13.3%) after adjusting for dividends paid in the year. The total return increased by 8.5%. These results are in line with the Company's long- term objective to achieve capital growth and the Board is pleased with this performance.

Net asset value and total return



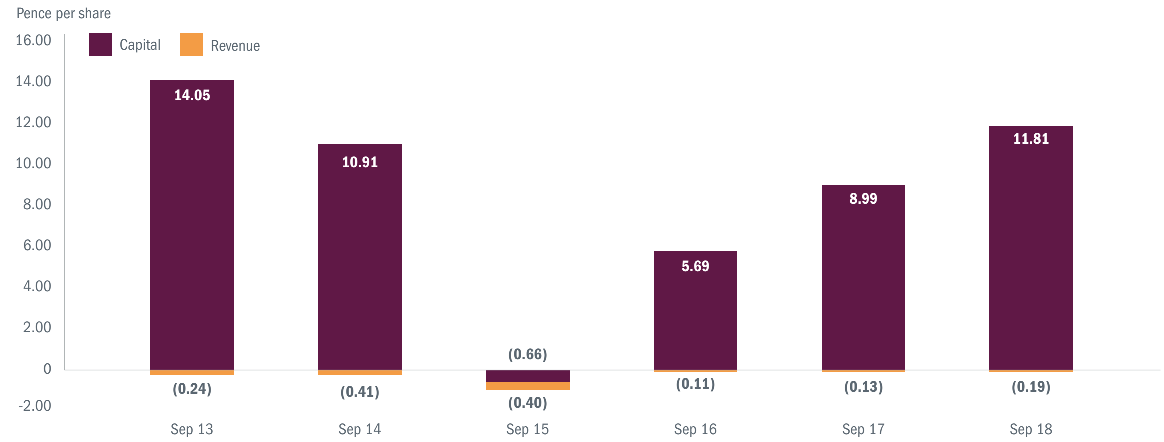
2. Ongoing charges ratio

The ongoing charges of the Company for the financial year under review represented 1.87% (2017: 2.13%) of average net assets, which remains competitive when compared with other VCTs. This ratio is calculated using the AIC's "Ongoing Charges" methodology. Cost control and efficiency continues to be a key focus for your Board and they are satisfied with the result for the year.

3. Earnings per share (basic and diluted)

The Company's earnings per share for the year ended 30 September 2018, together with those of the previous five financial years are shown below:

Earnings per share



4. Dividends per share

The Board's policy is to target a tax free dividend yield equivalent to 5% of the year end NAV. The Board remains committed to maintaining a steady flow of dividend distributions to shareholders; however, dividends will vary with investment performance. The ability to pay dividends is dependent on the Company's available reserves and cash resources, the Companies Act and the Listing 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.

Total dividends of 4.00 pence per share were paid during the year including an interim dividend of 1.75 pence which was paid on 31 July 2018. A special dividend of 1.00 pence per share was announced on 19 September 2018 and payment was made on 24 October 2018.

A final dividend of 2.65p will be proposed at the Annual General Meeting.

5. Percentage invested in qualifying companies

The investment test has increased from 88.59% to 93.20% in the year. The Company made 18 Qualifying Investments at a cost of £10.1m, 7 of which were investments into new Qualifying Companies. The fair value of the qualifying portfolio increased from £38.0m to £87.6m as a result of the above additions, the investments acquired through the acquisition of Hargreave Hale AIM VCT 2 and unrealised gains for the period. The Board is pleased with this result. The quantity and quality of qualifying investment dealflow can vary, however, the Board believes that the investment manager will invest a sufficient amount of capital into Qualifying Companies to meet the HMRC defined investment test on an ongoing basis.

For further details please refer to the investment managers report on pages 15 to 16.

Borrowings

It is not the Company's present intention to have any borrowings. The Company does, however, have the ability to borrow a maximum amount up to 15% of the "Adjusted Capital and Reserves" amount (as such term is defined in the Articles of Association of the Company), which is effectively the aggregate of the nominal capital of the Company issued and paid up and the amount standing to the credit of the consolidated reserves of the Company, less specified adjustments, exclusions and deductions.

Buybacks

Share buybacks remain an important practice to improve liquidity in the Company's shares. In total, 2,959,394 shares were purchased during the year at an average price of 80.67 pence per share.

Principal risks and uncertainties

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

Risk	Consequence	How the Board mitigates risk
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.
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. Events such as economic recession and movements in interest rates could adversely impact smaller company valuations. Investments in small companies are often illiquid and may be difficult to realise.	The investment manager maintains a broad portfolio of investments and holds regular company meetings to monitor investments and identify potential risk. Regular board meetings and dialogue with the Directors supports strong governance. Whilst tax legislation limits the Company's maximum exposure to a single Qualifying Investment to 15% of net assets (at cost), the investment manager's preference for portfolio diversification means that Qualifying Investments rarely exceed 5% of net assets. The funds liquidity is monitored on a monthly basis.

Risk	Consequence	How the Board mitigates risk
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 receive regular updates on new regulation from their auditors, lawyers and other professional bodies. Requirements are continually reviewed, and the Board seeks legal advice when appropriate.
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 Board reviews the system of internal controls, both financial and non-financial, operated by the Company and Hargreave Hale Limited. Hargreave Hale Limited has controls in place to ensure that the Company's assets are safeguarded, it also has in place its own risk management system which is reviewed regularly to ensure controls remain effective. Documented internal policies and procedures manuals are reviewed by senior management. A documented business continuity plan and a regularly tested disaster recovery plan are in place to mitigate risk. Where tasks are outsourced to other third parties, reputable firms are used and performance is reviewed periodically.
Reputational risk – Inadequate or failed controls.	Realisation of this risk might result in breaches of regulations or loss of shareholder trust.	The investment manager operates a robust risk management system which is reviewed regularly to ensure controls remain effective in mitigating risks to the Company. Details of the Company's internal controls are on page 35.

Additional risks and further details of the above risks and how they are managed are explained in Note 16 of the financial statements. Trends affecting future developments are discussed in the chairman's statement on pages 3 to 6 and the investment manager's report on pages 15 to 16.

Long term viability statement

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

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

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

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

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

- the Company maintains a broad portfolio of investments including approximately £42.5 million invested in non-qualifying investments and a further £24.9 million in cash at the year end. The Company therefore has sufficient liquidity which is monitored monthly;

- the Company is well invested against the HMRC investment test and ended the year at 93.20% invested in qualifying companies. The Board anticipate that there will continue to be suitable Qualifying Investments available over the next five years;
- the ongoing expense ratio of the Company for the year end was 1.87%, which is competitive for the VCT sector;
- the financial position of the Company at 30 September 2018 was strong with no debt or gearing; and
- the Company has sufficient procedures in place to identify, monitor and control risk.

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

Gender and diversity

The Board comprises four male non-executive directors with a diverse range of experience, skills, length of service and backgrounds. The Board confirms it will consider gender diversity when making future appointments and 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 responsibility

The Board conducts the Company's affairs responsibly and expects the investment manager to consider environmental matters when appropriate. The Company offers electronic communications where acceptable to reduce the volume of paper it uses.

Employee, human rights, social and community issues

The Board seeks to conduct the Company's affairs responsibly and expects the investment manager to consider employee, human rights, social and community issues when fulfilling their role. As an externally managed investment company with no employees, the company does not maintain any specific policies in relation to these matters.

Prospects

The prospects and future development of the Company are discussed in detail in the outlook section of the chairman's statement on pages 5 to 6.

By order of the Board of Directors.

Stuart Brookes

Company Secretary

Date: 8 January 2019

Investment manager

Established in 1897, Hargreave Hale has evolved into a leading UK small cap fund manager and provider of investment management and stockbroking services to individuals, families, corporate entities, charities, trusts, solicitors, accountants and intermediaries. Hargreave Hale has an award-winning fund management team of 16 people.

On 18 September 2017, Hargreave Hale was acquired by Canaccord Genuity Wealth Management, the UK & Europe based wealth management business of Canaccord Genuity Group Inc.

The investment portfolio is co-managed by Giles Hargreave and Oliver Bedford, with support from Hargreave Hale's fund management team of 16. The fund management team manages approximately £6.0 billion, including more than £4.5 billion invested in small companies (as at 30 September 2018). Along with the scale of the investment in small companies and their track record, the breadth of the team and their reach into the market help attract Qualifying Investment deal flow.

Giles Hargreave

Giles Hargreave is the manager of the Marlborough Special Situations Fund, which has returned more than 3,205% since he assumed responsibility for the fund in 1998 (source: Hargreave Hale Ltd, 30 September 2018). In addition to the Company, he also co-manages the Marlborough UK Micro Cap Growth Fund and the Marlborough UK Nano-Cap Growth Fund.

Oliver Bedford BSc MCSI

Oliver Bedford graduated from Durham University with a degree in Chemistry. He served in the British Army for 9 years before joining Hargreave Hale in 2004. Oliver co-manages the Company with Giles Hargreave and supports the unit trusts through the fund management team.

Other members of the fund management team include David Walton, Siddarth Chand Lall, Richard Hallett, George Finlay, Guy Feld, Will Searle and Eustace Santa Barbara, (pictured from left to right below).

£6.0b	£4.5b	20 year	1500+
In fund management Assets	Invested in small companies	Track record in fund management	Meetings with companies per annum

Source: Hargreave Hale Limited (as at 30 September 2018).

Investment manager's report

Introduction

This report covers the 2017/18 financial year, 1 October 2017 to 30 September 2018. The investment manager's report contains references to movements in the Net Asset Value (NAV) per share and Total Return per share (NAV per share plus distributed earnings per share). Movements in the NAV per share do not necessarily mirror the earnings per share (EPS) reported in the accounts and elsewhere, which convey the profit after tax of the Company within the reported period as a function of the weighted average number of shares in issue for the period.

Investment performance measures contained in this report are calculated on a pence per share basis and include realised and unrealised gains and losses.

Investment report

In contrast to the stability of last year, the year under review has included more uncertainty. Although the current market correction did not fully materialise until after the year end, elements of the UK market have been in a sustained downturn since the summer. The political landscape, at home and abroad, is contentious and increasingly confrontational. More recently, commentators have started to question the capacity for the US economy to continue to grow, with the US yield curve hinting at a possible recession in late 2019 or 2020. US equities, in particular the large US technology companies, have had a substantial pullback, further damaging sentiment. In the UK, the economy has continued along its path of sub-trend growth.

More than ever, we continue to grapple with the potential direction and impact of Brexit on our portfolio. By and large, most companies continue to trade perfectly well. However, the uncertainty is clearly beginning to weigh on a small number of companies. With risks mounting, it seems inevitable that over the coming months, we will hear of more companies choosing to defer investment decisions, or of consumers taking a more cautious approach to discretionary spending. We have not observed Brexit related uncertainty influencing dealflow, although public market volatility has led to some companies choosing to defer their plans to float. It helps that we can now offer to meet their funding needs through a private (off-market) funding round. It is difficult to position the portfolio to meet an outlook which contains such a range of wildly different scenarios, but broadly speaking we are sitting in a more defensive posture with elevated cash balances and a focus on qualifying companies with robust non-secular/structural growth opportunities or, in the case of non-qualifying equities, higher quality FTSE 350 companies with support from structural growth, income or overseas earnings.

Performance

In the twelve months to 30 September 2018, the NAV increased from 80.82p to 87.59p. A total of 4 pence per share was paid in dividends, giving investors a combined return of 10.77 pence per share, which translates to a gain of 13.3%. During the same period, the FTSE AIM All-Share Total Return gained 10.8%, whilst the FTSE 100 Total Return gained 6.1%.

The Qualifying Investments made a net contribution of 8.43 pence per share. The adjusting balance was the net of non-qualifying portfolio gains, running costs and investment income.

Learning Technologies Group was the top performing qualifying investment (+210.8%, +3.81 pence per share) delivering strong interim results in September 2018 and upgraded guidance which included the accelerated release of PeopleFluent synergies and continued growth in recurring revenues. Zoo Digital was the second largest contributor to positive performance (+229.7%, +3.45 pence per share), with the market responding positively to evidence of further traction in their new dubbing service. Creo (+174.1%, +1.74 pence per share), Craneware (+153.8%, +1.5 pence per share) and Ideagen (+98.8%, +1.16 pence per share) were also significant contributors over the period.

The biggest loss within the period came from Faron Pharmaceuticals (-87.5%, -1.32 pence per share) following the failure of the Phase III Traumakine trial. The double blinded multi-centre study failed to mirror the successful Phase II study with both arms of the study showing a below average mortality rate, with no discernible clinical benefit for those dosed with the active ingredient. Subsequent analysis has surfaced a possible link to the widespread use of steroids as part of the treatment regime, along with evidence that a patient's genetic profile may influence the efficacy of the drug. Further data from a second clinical trial is expected shortly. Other losses came from Laundrapp (-73.5%, -0.79 pence per share) which we wrote down to the price of its latest funding round, Animalcare (-48.0%, -0.69 pence per share), Portr (-59.5%, -0.69 pence per share) which is subject to continuing uncertainty and Eagle Eye (-45.5%, -0.63 pence per share).

We invested £10.1m into 18 Qualifying Companies over the period, including 11 further investments into existing Qualifying Companies (3 private), 5 IPOs and 2 secondary placings into listed companies

Within the qualifying portfolio we reduced our investments in Zoo Digital, Creo, Aquis and Learning Technologies. All 4 companies experienced strong runs in the market. We completely exited TP Group earlier in the year and have reduced our holdings in Genedrive and Imaginatik following prolonged periods of poor performance.

Portfolio structure

The VCT is comfortably through the HMRC defined investment test and ended the period at 93.2% invested as measured by the HMRC investment test. By market value, the VCT had a 56.6% weighting to Qualifying Investments.

The allocation to non-qualifying equity investments decreased from 19.6% to 18.5%. We continued to make use of the Marlborough Special Situations Fund as a temporary home for proceeds from fundraising; the allocation decreased from 10.9% to 9.0%. The non-qualifying investments contributed +3.13 pence per share to the overall gains. The period ended with no fixed income investments and an increase in the cash weighting from 12.1% to 16.1%.

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

Post period end update

The well documented decline in global stock markets made for a difficult first quarter within the current financial year with the NAV declining from 87.59 pence to 73.05 pence in the 3 months to 31 December 2018, equivalent to a fall of 15.5% after adjusting for the 1 pence special dividend paid on 24 October 2018. A number of the Top 10 holdings have suffered steep falls in the share prices.

We have continued to deploy capital into qualifying companies in line with the budget, despite the challenges within the public markets. £2.9m has been invested into new qualifying investments. £0.4m was invested into a qualifying company held in the portfolio, with £2.5m invested into 3 new qualifying companies, including one IPO. All 4 investments were into public companies.

As of 4 January 2019, the share price of 69.50 pence represented a discount of 4.9% to the last published net asset value per share.

For further information please contact:

Stuart Brookes

Company Secretary

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Hargreave Hale AIM VCT plc,
41 Lothbury
London, EC2R 7AE
01253 754740

Date: 8 January 2019

Investment portfolio summary

As at 30 September 2018

		As at 30 September 2018			As at 30 September 2017[3]					
	Net Assets % at 30/9/18	Cost £000	Cumulative Movement in value £000	Valuation £000	Cost £000	Cumulative Movement in value £000	Valuation £000	Change in Value for the year £000[4]	Market	COI[1]
Qualifying Investments										
Learning Technologies Group plc	5.56	2,586	6,020	8,606	663	1,018	1,681	5,002	AIM	Y
Zoo Digital Group plc	3.64	2,267	3,369	5,636	393	1,219	1,612	2,150	AIM	Y
Creo Medical Group plc	3.30	2,333	2,773	5,106	659	42	701	2,731	AIM	Y
Ideagen plc	2.65	1,992	2,113	4,105	410	555	965	1,558	AIM	Y
SCA Investments Ltd (Gousto)	2.29	2,486	1,061	3,547	1,002	(2)	1,000	1,063	Unlisted	Y
Craneware plc	2.09	125	3,109	3,234	125	1,149	1,274	1,960	AIM	Y
Quixant plc	1.67	1,209	1,378	2,587	160	1,370	1,530	8	AIM	Y
Beeks Financial Cloud Group plc	1.54	1,039	1,340	2,379	-	-	-	1,340	AIM	Y
Abcam plc	1.53	55	2,308	2,363	55	1,625	1,680	683	AIM	Y
Infinity Reliance Ltd (My 1st Years)	1.45	2,504	(252)	2,252	501	(1)	500	(251)	Unlisted	Y
Honest Brew Ltd	1.42	2,203	(3)	2,200	501	(1)	500	(2)	Unlisted	N
Aquis Exchange plc	1.36	765	1,347	2,112	401	(1)	400	1,348	AIM	Y
Cohort plc	1.21	619	1,257	1,876	619	1,267	1,886	(10)	AIM	Y
Loopup Group plc	1.19	1,204	637	1,841	236	401	637	236	AIM	Y
Hardide plc	1.15	1,637	143	1,780	786	146	932	(3)	AIM	Y
Science in Sport plc	1.12	1,480	251	1,731	778	203	981	48	AIM	Y
Zappar Ltd	1.03	1,602	(2)	1,600	902	(2)	900	-	Unlisted	N
FairFX Group plc	0.98	751	760	1,511	295	70	365	690	AIM	N
DP Poland plc	0.97	1,391	117	1,508	594	376	970	(259)	AIM	Y
Mexican Grill Ltd (A Preference Shares)	0.89	1,013	367	1,380	185	367	552	-	Unlisted	N
Portr Ltd	0.80	1,790	(559)	1,231	873	125	998	(684)	Unlisted	N
Eagle Eye Solutions Group plc	0.77	1,643	(448)	1,195	967	234	1,201	(682)	AIM	Y
Forbidden Technologies plc	0.76	852	321	1,173	-	-	-	321	AIM	N
Clearstar Inc	0.73	720	415	1,135	449	(134)	315	549	AIM	Y
ULS Technology plc	0.69	770	301	1,071	221	484	705	(183)	AIM	Y
AnimalCare Group plc	0.68	720	339	1,059	220	1,180	1,400	(841)	AIM	Y
EKF Diagnostics Holdings plc	0.68	565	488	1,053	300	160	460	328	AIM	Y
Maxcyte Inc Com Stk USD 0.01 (DI)	0.67	668	374	1,042	173	417	590	(43)	AIM	Y
Angle plc	0.64	1,159	(161)	998	348	(161)	187	-	AIM	N
Escape Hunt plc	0.63	1,130	(152)	978	618	26	644	(178)	AIM	Y
Everyman Media Group plc	0.60	600	324	924	171	184	355	140	AIM	Y
Osirium Technologies plc	0.55	859	(7)	852	301	(38)	263	31	AIM	Y
Cloudcall Group plc	0.48	1,138	(389)	749	259	52	311	(441)	AIM	Y
Surface Transforms plc	0.47	639	83	722	373	(15)	358	98	AIM	Y
K3 Business Technology Group plc	0.47	270	450	720	270	198	468	252	AIM	Y
KRM22 plc	0.43	621	48	669	-	-	-	48	AIM	Y
CentralNic Group plc	0.41	588	50	638	293	183	476	(133)	AIM	Y
Idox plc	0.41	135	497	632	135	1,027	1,162	(530)	AIM	Y
Belvoir Lettings plc	0.41	762	(133)	629	513	(127)	386	(6)	AIM	Y
i-nexus Global plc	0.41	701	(72)	629	-	-	-	(72)	AIM	Y
TrakM8 Holdings plc	0.40	486	139	625	106	277	383	(138)	AIM	N
Premaitha Health plc	0.40	521	99	620	432	(179)	253	278	AIM	N
Fulcrum Utility Services Ltd	0.40	580	40	620	-	-	-	40	AIM	Y
Gfinity plc	0.39	772	(172)	600	384	451	835	(623)	AIM	Y
Tristel plc	0.37	543	27	570	-	-	-	27	AIM	N
WANDisco plc	0.33	347	165	512	89	311	400	(146)	AIM	N
PCI-PAL plc	0.32	811	(311)	500	-	-	-	(311)	AIM	Y
Plastics Capital plc	0.32	478	19	497	250	45	295	(26)	AIM	N
Instem plc	0.32	297	196	493	297	(25)	272	221	AIM	Y
The Property Franchise Group plc	0.31	377	95	472	225	63	288	32	AIM	Y
Laundrapp Ltd	0.30	1,238	(770)	468	802	82	884	(852)	Unlisted	N

Investment portfolio summary continued

	Net Assets % at 30/9/18	As at 30 September 2018 Cost £000	Cumulative Movement in value £000	Valuation £000	As at 30 September 2017[3] Cost £000	Cumulative Movement in value £000	Valuation £000	Change in Value for the year £000[4]	Market	COI[1]
Vertu Motors plc	0.28	600	(170)	430	600	(127)	473	(43)	AIM	N
Bigblu Broadband plc	0.27	347	73	420	154	104	258	(31)	AIM	Y
MYCELX Technologies Corporation plc	0.25	361	25	386	300	(171)	129	196	AIM	Y
Globaldata plc	0.22	173	167	340	173	136	309	31	AIM	Y
Mirriad Advertising plc	0.21	610	(283)	327	-	-	-	(283)	AIM	N
Faron Pharmaceuticals Oy	0.21	2,220	(1,897)	323	201	399	600	(2,296)	AIM	Y
Sanderson Group plc	0.19	298	4	302	-	-	-	4	AIM	Y
Ilika plc	0.19	507	(210)	297	218	(111)	107	(99)	AIM	Y
APC Technology Group plc	0.19	634	(338)	296	498	(343)	155	5	AIM	Y
Intercede Group plc	0.19	305	(18)	287	247	173	420	(191)	AIM	N
Fusion Antibodies plc	0.18	415	(129)	286	-	-	-	(129)	AIM	Y
Maxcyte Inc Com Stk USD0.01 (DI/REG S)	0.16	264	(18)	246	141	(18)	123	-	AIM	Y
Velocity Composites plc	0.14	624	(414)	210	332	(24)	308	(390)	AIM	Y
Laundrapp Ltd (Loan Notes)	0.13	200	-	200	-	-	-	-	Unlisted	N
Verona Pharma plc	0.13	221	(23)	198	127	29	156	(52)	AIM	Y
Lidco Group plc	0.11	307	(137)	170	220	(69)	151	(68)	AIM	N
Mexican Grill Ltd (Ordinary Shares)	0.10	113	40	153	21	40	61	-	Unlisted	N
Universe Group plc	0.09	210	(75)	135	210	30	240	(105)	AIM	N
TLA Worldwide plc	0.09	135	-	135	300	(75)	225	75	AIM	N
Pressure Technologies plc	0.08	170	(40)	130	170	(40)	130	-	AIM	Y
Omega Diagnostics Group plc	0.08	129	-	129	-	-	-	-	AIM	N
Reneuron Group plc	0.08	606	(487)	119	534	(368)	166	(119)	AIM	N
Medaphor Group plc	0.07	300	(189)	111	250	(172)	78	(17)	AIM	N
Porta Communications plc	0.07	106	-	106	505	(328)	177	328	AIM	N
Egdon Resources plc	0.06	158	(62)	96	158	(42)	116	(20)	AIM	Y
Paragon Entertainment Ltd	0.05	87	(9)	78	-	-	-	(9)	AIM	N
Mirada plc	0.04	96	(27)	69	65	–	65	(27)	AIM	N
Genedrive plc	0.04	68	-	68	140	(80)	60	80	AIM	N
Redcentric plc	0.03	42	5	47	42	-	42	5	AIM	Y
Tasty plc	0.03	40	-	40	288	(188)	100	188	AIM	N
Microsaic Systems plc	0.02	26	4	30	10	–	10	4	AIM	N
Midatech Pharma plc	0.02	53	(24)	29	37	–	37	(24)	AIM	Y
Mporium Group plc	0.02	33	(8)	25	23	–	23	(8)	AIM	N
Flowgroup plc	0.00	26	(26)	-	25	–	25	(26)	AIM	N
Imaginatik plc[2]	0.00	-	-	-	323	(157)	166	157	AIM	Y
Fusionex International plc[2]	0.00	-	-	-	138	(80)	58	80	Unlisted	N
Infoserve Group plc	0.00	-	-	-	-	-	-	-	Unlisted	N
Total - Qualifying Investments	**56.61**	**62,525**	**25,123**	**87,648**	**24,784**	**13,139**	**37,923**	**11,984**		
Non-qualifying investments										
Marlborough Special Situations Fund	8.96	11,918	1,946	13,864	6,062	1,111	7,173	835	Unlisted	Y
Total unit trusts	**8.96**	**11,918**	**1,946**	**13,864**	**6,062**	**1,111**	**7,173**	**835**		
Royal Dutch Shell plc	1.04	1,327	286	1,613	652	36	688	250	Main	Y
BP plc	0.99	1,203	329	1,532	600	21	621	308	Main	N
NMC Health plc	0.88	1,014	344	1,358	426	344	770	-	Main	Y
Melrose Industries plc	0.84	1,455	(156)	1,299	926	(54)	872	(102)	Main	Y
Hilton Food Group plc	0.77	907	285	1,192	252	24	276	261	Main	Y
Fulcrum Utility Services Ltd	0.74	408	739	1,147	125	563	688	176	AIM	Y
JD Sports Fashion plc	0.72	855	265	1,120	463	31	494	234	Main	Y
Anglo American plc	0.71	931	172	1,103	422	33	455	139	Main	Y
On the Beach Group plc	0.64	846	144	990	391	140	531	4	Main	Y

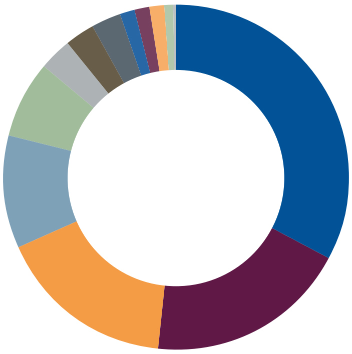
Investment portfolio summary continued

		As at 30 September 2018			As at 30 September 2017[3]					
	Net Assets % at 30/9/18	Cost £000	Cumulative Movement in value £000	Valuation £000	Cost £000	Cumulative Movement in value £000	Valuation £000	Change in Value for the year £000[4]	Market	COI[1]
Dechra Pharmaceuticals plc	0.63	951	28	979	461	191	652	(163)	Main	Y
Vesuvius plc	0.63	897	71	968	-	-	-	71	Main	Y
Sanne Group plc	0.62	1,019	(61)	958	511	86	597	(147)	Main	Y
Charter Court Financial Services Group plc	0.58	732	171	903	-	-	-	171	Main	Y
Ascential plc	0.58	768	133	901	326	43	369	90	Main	N
XP Power Ltd	0.42	660	(9)	651	292	13	305	(22)	Main	Y
Future plc	0.41	564	69	633	-	-	-	69	Main	Y
Oxford Biomedica plc	0.41	612	17	629	-	-	-	17	Main	Y
Wizz Air Holdings plc	0.38	622	(34)	588	220	123	343	(157)	Main	N
Halma plc	0.37	472	106	578	-	-	-	106	Main	Y
Micro Focus International plc	0.37	509	63	572	141	80	221	(17)	Main	N
Countryside Properties plc	0.36	585	(31)	554	-	-	-	(31)	Main	Y
Prudential plc	0.34	561	(33)	528	-	-	-	(33)	Main	N
FDM Group (Holdings) plc	0.31	489	(4)	485	-	-	-	(4)	Main	Y
Bakkavor Group plc	0.31	518	(35)	483	-	-	-	(35)	Main	Y
Quixant plc	0.31	159	319	478	159	336	495	(17)	Main	Y
Lloyds Banking Group plc	0.31	549	(75)	474	285	(14)	271	(61)	Main	Y
Horizon Discovery Group plc	0.30	374	94	468	261	84	345	10	AIM	Y
GVC Holdings plc	0.30	459	-	459	-	-	-	-	Main	Y
IntegraFin Holdings plc	0.29	279	173	452	-	-	-	173	Main	N
MYCELX Technologies Corporation plc	0.29	298	150	448	200	(80)	120	230	AIM	Y
Everyman Media Group plc	0.29	293	155	448	85	87	172	68	AIM	Y
Renishaw plc	0.28	415	12	427	276	10	286	2	Main	Y
Ricardo plc	0.27	472	(51)	421	-	-	-	(51)	Main	Y
Cohort plc	0.27	368	47	415	-	-	-	47	AIM	Y
Just Eat plc	0.26	409	(7)	402	82	18	100	(25)	Main	N
Clipper Logistics plc	0.25	482	(96)	386	234	28	262	(124)	Main	N
Fisher (James) & Sons plc	0.25	355	25	380	-	-	-	25	Main	Y
Zotefoams plc	0.21	323	(4)	319	-	-	-	(4)	Main	Y
GoCompare.com Group plc	0.16	324	(81)	243	-	-	-	(81)	Main	Y
Mexican Grill Ltd (A Preference Shares)	0.10	135	13	148	128	13	141	-	Unlisted	N
Regent Pacific Group Ltd	0.08	201	(85)	116	150	(72)	78	(13)	Non UK Listed	N
The Fulham Shore plc	0.05	69	6	75	38	6	44	-	AIM	Y
Amerisur Resources plc	0.05	212	(141)	71	167	(106)	61	(35)	AIM	Y
Eagle Eye Solutions Group plc	0.04	87	(18)	69	44	19	63	(37)	AIM	Y
Egdon Resources plc	0.03	47	6	53	-	-	-	6	AIM	Y
Reneuron Group plc	0.02	119	(84)	35	104	(44)	60	(40)	AIM	N
Midatech Pharma plc	0.01	39	(17)	22	25	–	25	(17)	AIM	Y
Mexican Grill Ltd (Ordinary Shares)	0.01	26	(7)	19	26	(7)	19	-	Unlisted	N
Hargreave Hale AIM VCT plc[2]	0.00	-	1	1	-	-	-	1	Main	Y
Genagro Ltd[2]	0.00	-	-	-	-	-	-	-	Unlisted	Y
Total - Non-qualifying investments	**18.48**	**25,399**	**3,194**	**28,593**	**8,472**	**1,952**	**10,424**	**1,242**		
Total - Non-qualifying investments	**27.44**	**37,317**	**5,140**	**42,457**	**14,534**	**3,063**	**17,597**	**2,077**		
Total investments	**84.05**	**99,842**	**30,263**	**130,105**	**39,318**	**16,202**	**55,520**	**14,061**		
Cash at bank	16.06			24,860						
Prepayments & accruals	(0.11)			(179)						
Net assets	**100.00**			**154,786**						

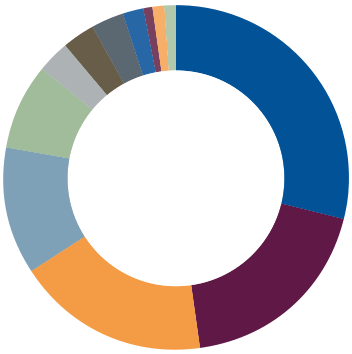
[1] COI – Co investments with other funds managed by Hargreave Hale at 30 September 2018.
[2] These are actual holdings of less than £500.
[3] Pre-acquisition of Hargreave Hale AIM VCT 2 plc.
[4] The change in fair value has been adjusted for additions and disposals in the year and as such does not reconcile to the unrealised total in Note 7. The difference is £692k which is the total of ten full investment disposals in the year.

The comparative cost and valuations for 30 September 2017 do not agree to the Annual Report and Financial Statements for the year ended 30 September 2017 as the above list does not include brought forward investments that were fully disposed in the year.

Investments by market sector as at 30 September 2018



Investments by market sector as at 30 September 2017



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

	Listed	Headquartered	Registered
Listed investments:			
Clearstar Inc	UK	Cayman Islands	Cayman Islands
Faron Pharmaceuticals Oy	UK	Finland	Finland
Fulcrum Utility Services Ltd	UK	UK	Cayman Islands
GVC Holdings plc	UK	Isle of Man	UK
Maxcyte Inc Com Stk USD 0.01 (DI)	UK	USA	USA
Maxcyte Inc Com Stk USD 0.01 (DI/REG S)	UK	USA	USA
MYCELX Technologies Corporation plc	UK	USA	USA
Paragon Entertainment Ltd	UK	UK	Cayman Islands
Regent Pacific Group Ltd	Hong Kong	Hong Kong	Cayman Islands
Royal Dutch Shell plc	UK	Netherlands	UK
Sanne Group plc	UK	Jersey	Jersey
WANDisco plc	UK	UK and USA	Jersey
Wizz Air Holdings plc	UK	Switzerland	Jersey
XP Power Ltd	UK	Singapore	Singapore
Unlisted private investments:			
Fusionex International plc	-	UK	Jersey
Genagro Ltd	-	Jersey	Jersey

Top ten investments

As at 30 September 2018 (by market value)

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

Learning Technologies Group plc			165.5p
Investment date	November 2014	Forecasts for the year to	December 2018
Equity Held	0.78%	Turnover (£'000)	97,800
Av Purchase Price	49.7p	Profit/(loss) before tax (£'000)	21,700
Cost (£'000)	2,586	Net Cash (£'000)	1,048
Valuation (£'000)	8,606	Net Assets December 2017 (£'000)	76,841

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.

Zoo Digital Group plc			122.0p
Investment date	April 2017	Forecasts for the year to	March 2019
Equity Held	6.21%	Turnover ($'000)	33,700
Av Purchase Price	49.1p	Profit/(loss) before tax ($'000)	1,700
Cost (£'000)	2,267	Net Cash ($'000)	(1,901)
Valuation (£'000)	5,636	Net Assets March 2018 ($'000)	2,655

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.

Creo Medical Group plc			222.0p
Investment date	December 2016	Forecasts for the year to	December 2018
Equity Held	1.92%	Turnover (£'000)	-
Av Purchase Price	101.4p	Profit/(loss) before tax (£'000)	(11,042)
Cost (£'000)	2,333	Net Cash (£'000)	5,917
Valuation (£'000)	5,106	Net Assets June 2017 (£'000)	14,653

Company description

Creo Medical is a medical device company focused on the emerging field of surgical endoscopy, a recent development in minimally invasive surgery. Creo Medical was founded in 2003, initially to target the treatment of cancers through use of high frequency microwave energy and dynamic matching techniques.

Ideagen plc	159.0p		
Investment date	December 2014	Forecasts for the year to	April 2019
Equity Held	1.18%	Turnover (£'000)	42,800
Av Purchase Price	77.2p	Profit/(loss) before tax (£'000)	11,400
Cost (£'000)	1,992	Net Cash (£'000)	782
Valuation (£'000)	4,105	Net Assets April 2018 (£'000)	50,484

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.

SCA Investments Ltd (Gousto) (Unquoted)	5.299.0p		
Investment date	July 2017	Results for the year to	December 2017
Equity Held	2.24%	Turnover (£'000)	23,204
Av Purchase Price	3,714.1	Profit/(loss) before tax (£'000)	(13,426)
Cost (£'000)	2,486	Net Cash (£'000)	17,700
Valuation (£'000)	3,547	Net Assets December 2017 (£'000)	18,781
Income recognised in period (£)	0		

Company description

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

Craneware plc	3,300.0p		
Investment date	September 2007	Forecasts for the year to	June 2019
Equity Held	0.37%	Turnover ($'000)	79,200
Av Purchase Price	127.6p	Profit/(loss) before tax ($'000)	23,900
Cost (£'000)	125	Net Cash ($'000)	52,833
Valuation (£'000)	3,234	Net Assets June 2018 ($'000)	51,646

Company description

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

Quixant plc			425.0p
Investment date	May 2013	Forecasts for the year to	December 2018
Equity Held	1.09%	Turnover ($'000)	123,000
Av Purchase Price	189.7p	Profit/(loss) before tax ($'000)	18,600
Cost (£'000)	1,368	Net Cash ($'000)	2,544
Valuation (£'000)	3,065	Net Assets December 2017 ($'000)	47,260

Company description

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

Beeks Financial Cloud Group plc			126.0p
Investment date	November 2017	Forecasts for the year to	June 2019
Equity Held	3.72%	Turnover (£'000)	8,000
Av Purchase Price	55.0p	Profit/(loss) before tax (£'000)	2,100
Cost (£'000)	1,039	Net Cash (£'000)	2,090
Valuation (£'000)	2,379	Net Assets June 2018 (£'000)	4,844

Company description

Beeks Financial Cloud Group PLC operates as a cloud computing organisation. The Company focuses on providing a cloud platform for trading applications to connect to venues in financial cities and data centers. Beeks Financial Cloud Group serves financial market worldwide.

Abcam plc			1,432.0p
Investment date	October 2005	Forecasts for the year to	June 2019
Equity Held	0.08%	Turnover (£'000)	265,000
Av Purchase Price	33.3p	Profit/(loss) before tax (£'000)	86,700
Cost (£'000)	55	Net Cash (£'000)	90,200
Valuation (£'000)	2,363	Net Assets June 2018 (£'000)	351,700

Company description

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

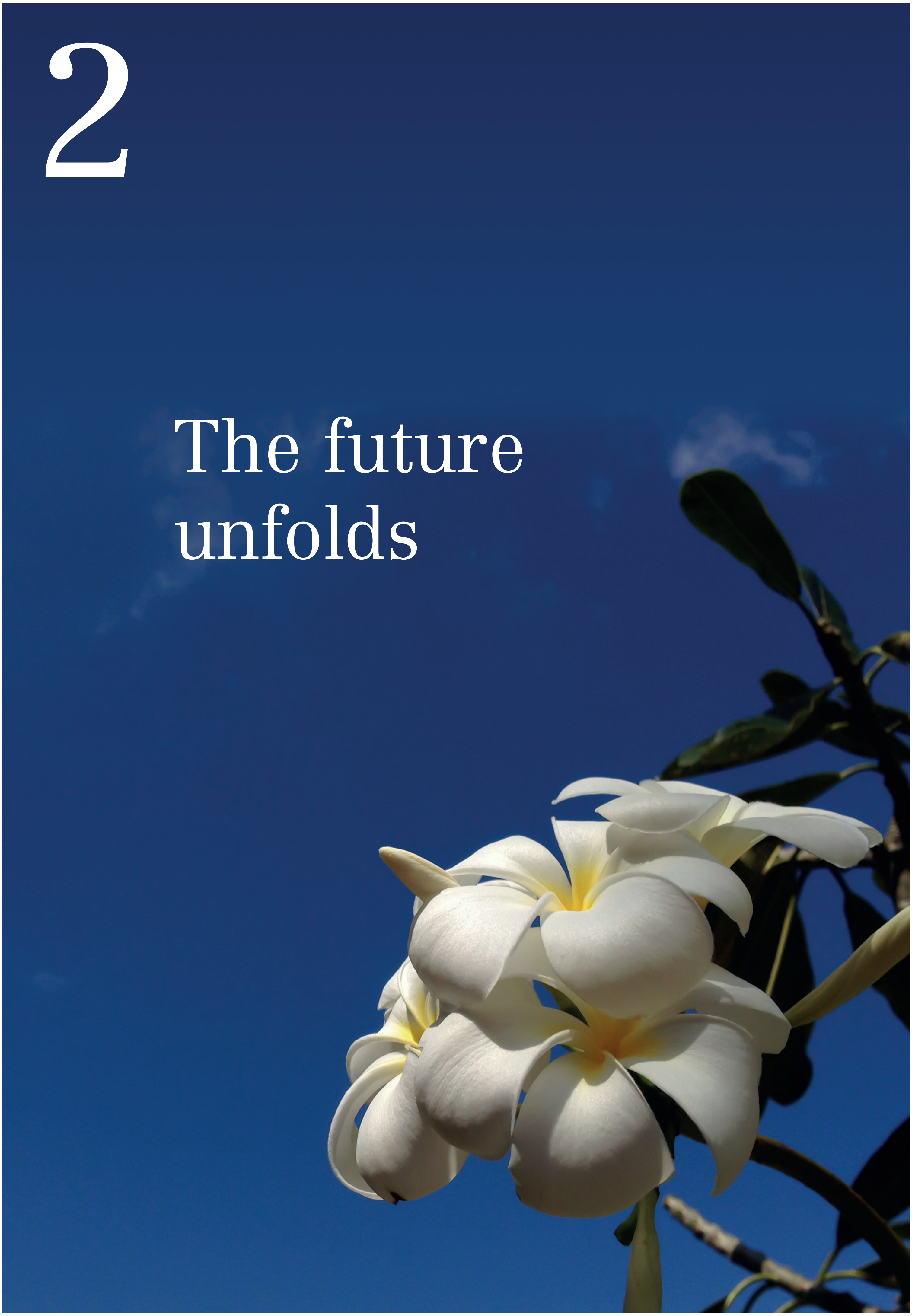
Cohort plc			395.0p
Investment date	February 2006	Forecasts for the year to	April 2019
Equity Held	1.42%	Turnover (£'000)	125,000
Av Purchase Price	170.2p	Profit/(loss) before tax (£'000)	16,100
Cost (£'000)	987	Net Cash (£'000)	4,669
Valuation (£'000)	2,291	Net Assets April 2018 (£'000)	74,930

Company description

Cohort plc provides electronic and surveillance technology solutions. The Company offers electronic warfare operational support, secure communication systems and networks, test systems, and data management. Cohort serves defense and security, transport, offshore energy, and other commercial markets.

2

The future unfolds



Governance

Board of Directors

Sir Aubrey Brocklebank

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

Oliver Bedford

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

David Brock

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

Ashton Bradbury

Ashton Bradbury was appointed on 14 May 2018. He is a non-executive director of Standard Life UK Smaller Companies Trust plc and has previously held roles at Charterhouse Tilney, Hill Samuel Investment Management and HSBC Asset Management Europe. He was until 2014 a fund manager with Old Mutual Global Investors (now Merian Global Investors) where he established its UK small and mid cap equities team.

Directors' report
For the year end 30 September 2018

The Directors present their report together with the audited financial statements of the Company for the year from 1 October 2017 to 30 September 2018, incorporating the corporate governance statement on pages 33 to 38. The principal activity of the company has been outlined in the strategic report on page 7.

Directors

The Directors of the Company during the year were Sir Aubrey Brocklebank (Chairman), David Brock, Oliver Bedford and Ashton Bradbury. Ashton was appointed on 14 May 2018. Brief biographical details are given on page 25.

Directors' interests

The Directors' interests (including those of connected persons) in the issued share capital of the Company are outlined in the director's remuneration report on page 32. There is no minimum holding requirement to which the Directors need to adhere.

Oliver Bedford acquired an additional 12,382 ordinary shares on 25 October 2018 through the offer for subscription. There have been no other changes to the beneficial interests of Directors between 30 September 2018 and the date of this report.

Directors' and officers' liability insurance

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

Disclosable interests

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

Revenue and dividends

The statutory profit for the year amounted to £14,996,362 (2017: £6,572,097). An interim ordinary dividend of 1.75 pence per ordinary share was paid on 31 July 2018 (2017: 1.75 pence per share). A special dividend of 1.00 pence per share was paid on 24 October 2018. The final dividend of 2.65 pence per share for the year ended 30 September 2018 is due to be paid on 8 February 2019 (2017: 2.25 pence per share).

Capital structure

The Company's capital structure is summarised in Note 1 and 12 to the financial statements.

Voting rights in the company's shares

Details of the voting rights in the Company's shares as at the date of this report are given in Note 2 to the Notice of Annual General Meeting on page 69.

Substantial holdings in the company

At 30 September 2018, there were two holdings of 3% and over of the Company's ordinary share capital. These holdings related to Hargreaves Lansdown (Nominees) Limited and Hargreave Hale Nominees Limited, which were 6.56% and 4.76% respectively.

At 8 January 2019, the Company had not been notified of any significant interest exceeding 3% of the issued share capital.

Share buybacks

During the year, the Company repurchased 2,959,394 ordinary shares (nominal value £29,594) at a cost of £2,387,356. The repurchased shares represent 3.62% of ordinary shares in issue on 1 October 2017. All repurchased shares were cancelled. A further 1,410,686 ordinary shares (nominal value £14,107) have been purchased since the year end at a total cost of £1,070,733.

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

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

Shares issued

During the year, the Company issued 29,336,969 ordinary shares of 1 pence per share (nominal value £293,370) which resulted in funds being received of £25,000,000. The 3.5% premium of £875,000 payable to Hargreave Hale Limited under the terms of the offer was reduced by the cost of the additional shares allotted of £376,267 and introductory commission of £4,000 resulting in fees payable to Hargreave Hale Limited of £494,733 which were then used to pay all other costs associated with the offer for subscription.

The Company issued a further 68,680,227 ordinary shares (nominal value £686,802) through the acquisition of Hargreave Hale AIM VCT 2 plc. The scheme shares were issued at a ratio of 1.458754 scheme shares for each Hargreave Hale AIM VCT 2 share held. The acquisition was implemented on a relative unaudited NAV basis, adjusted for the anticipated costs of the scheme. The merger and roll-over values were based on the unaudited valuations of the Company's investments as at 22 March 2018.

Financial instruments

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

VCT status monitoring

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

Auditors

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

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

Greenhouse emissions

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

Post balance sheet events

Post balance sheet events are disclosed in Note 18 to the financial statements on page 62.

Future developments

Consideration of the Company's future development and prospects are contained in the chairman's statement and investment manager's report on pages 3 to 6 and 15 to 16 respectively.

Annual General Meeting

The Annual General Meeting will be held at 41 Lothbury, London EC2R 7AE at 11:30 am on 5 February 2019. The notice of the Annual General Meeting is at the end of this document.

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

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

Power to allot shares

Ordinary resolution number 9 will request the authority to allot up to an aggregate nominal amount of £100,000. This authority is in addition to any existing authorities. The authority sought at the forthcoming Annual General Meeting will expire 15 months from the date that this resolution is passed, or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier.

Disapplication of pre-emption rights

Special resolution number 10 will request the authority for the Directors to allot equity securities for cash without first being required to offer such securities to existing members. This will include the sale on a non pre-emptive basis of any shares the Company holds in treasury for cash. The authority relates to a maximum aggregate of £100,000 of the nominal value of the share capital.

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

Purchase of own shares

Special resolution number 11 will request the authority to purchase a maximum of 14.99% of the Company's issued Ordinary share capital at, or between, the minimum and maximum prices specified in resolution 11. Shares bought back under this authority may be cancelled and up to 10% may be held in treasury.

The Board believes that it is helpful for the Company to continue to have the flexibility to buy its own shares and this resolution seeks authority from shareholders to do so.

This resolution would renew the 2018 authority, which was on similar terms. During the financial year under review, the Company purchased 2,959,394 ordinary shares which were then cancelled.

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

Recommendation

The Board believes that the passing of the resolutions above are in the best interests of the Company and its shareholders as a whole, and unanimously recommends that you vote in favour of these resolutions, as the Directors intend to do in respect of their own beneficial shareholdings of 126,646 shares.

By order of the Board

Stuart Brookes

Company Secretary

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

Date: 8 January 2019

Directors' remuneration report

For the year end 30 September 2018

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

Your Company's independent auditor is required to audit certain disclosures provided in this report. Where disclosures have been audited, they are indicated in this report. The auditor's opinion is included in their report on pages 41 to 45.

Statement from the Chairman of the Board in relation to Directors' remuneration matters

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

It has been three years since the Board reviewed these levels, accordingly a review will be carried out against a peer group of VCTs in the forthcoming financial year.

Remuneration responsibilities

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

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

Policy on Directors' remuneration

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

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

Directors' service contracts

It is the Board's policy that none of the Directors has a service contract. Each of the Directors has entered into an agreement with the Company when appointed. Sir Aubrey Brocklebank was appointed on 10 September 2004, David Brock on 28 September 2010, Oliver Bedford on 13 December 2016 and Ashton Bradbury on 14 May 2018. The terms of appointment provide that a Director shall retire and be subject to re-election at the first Annual General Meeting after appointment and at least every three years thereafter. In accordance with listing rule 15.2.13A, Oliver Bedford shall retire and be subject to re-election on an annual basis as he is a director of the VCT and an employee of the manager. Either party can terminate the agreement by giving to the other at least 3 months' notice in writing.

Basis of remuneration

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

The following table shows the expected maximum payment that can be received per annum by each director for the year to 30 September 2019, together with a summary of the Company's strategy and how this is supported by the current remuneration policy.

<table>
<tr><th>Director</th><th>Role</th><th>Components of Pay Package</th><th>Expected fees for the year to 30 September 2019</th><th>Performance Conditions</th><th>Company Strategy</th><th>Remuneration Policy</th></tr>
<tr><td>Sir Aubrey Brocklebank Bt</td><td>Chairman</td><td rowspan="4">Basic Salary</td><td>£22,500</td><td rowspan="4">N/A</td><td rowspan="4">To achieve long term capital growth and to maximise tax free distributions to shareholders by investing in a diversified portfolio of small UK companies primarily traded on AIM.</td><td rowspan="4">The levels of remuneration are considered to be fair and reasonable in relation to the time committed and responsibilities of the Directors and in line with the remuneration paid by other VCTs and investment trusts.</td></tr>
<tr><td>David Brock</td><td>Director</td><td>£18,000</td></tr>
<tr><td>Oliver Bedford</td><td>Director</td><td>£18,000</td></tr>
<tr><td>Ashton Bradbury</td><td>Director</td><td>£18,000</td></tr>
</table>

Annual remuneration report

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

Under Companies Act 2006 s439, the rules require companies to ask shareholders to approve the annual remuneration paid to directors every year and to formally approve the directors' remuneration policy on an annual or on a three yearly basis. Any change to the directors' remuneration policy will require shareholder approval. As in prior years, the vote on the directors' remuneration report is an advisory vote, whilst the vote on the directors' remuneration policy is binding. Accordingly, ordinary resolutions will be put to shareholders at the forthcoming Annual General Meeting to be held on 5 February 2019, to receive and adopt the directors' remuneration report and to receive and approve the directors' remuneration policy.

At the Annual General Meeting held on 25 January 2018 the following votes were cast on the remuneration report:

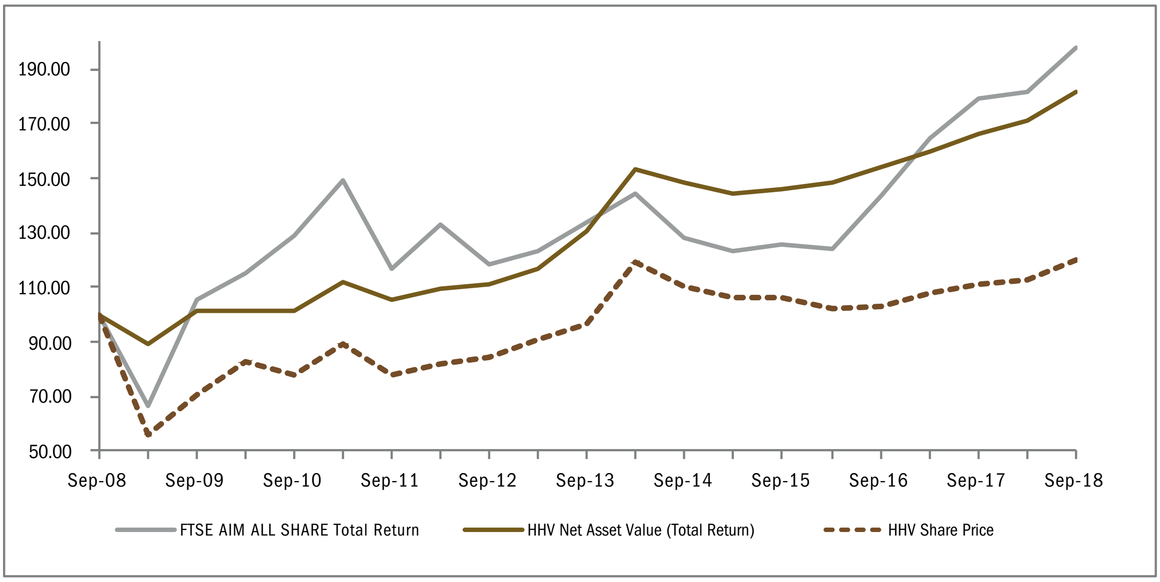
	Number of votes	% of votes cast
For	4,878,838	93.4
Against	76,338	1.5
Discretionary	265,174	5.1
Total votes cast	5,220,350	100.0
Number of votes withheld	98,471	
Total votes	5,318,821	

The remuneration policy was approved by shareholders at the Annual General Meeting held on 25 January 2018. Votes were cast as follows:

	Number of votes	% of votes cast
For	4,674,064	90.8
Against	182,031	3.5
Discretionary	289,865	5.7
Total votes cast	5,145,960	100.0
Number of votes withheld	172,861	
Total votes	5,318,821	

Your company's performance

The Company was incorporated on 16 August 2004 and commenced trading on 29 October 2004. The performance chart below plots the Company's ordinary share NAV Total Return (rebased to 100) and share price (rebased to 100) over the last 10 years compared to the Total Return of a notional investment in the FTSE AIM All-share Index over the same period. This index was chosen for comparison purposes as it represents the closest comparable equity market index, however, doesn't represent a wholly comparable figure due to the restrictions of AIM companies the Company can invest in.



Source: Bloomberg

Directors' emoluments for the year (audited)

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

	2018 Fees £	2018 Benefits in Kind £	2018 Total £	2017 Fees £	2017 Benefits in Kind £	2017 Total £
Sir Aubrey Brocklebank Bt (Chairman)	22,500	-	22,500	22,500	-	22,500
Giles Hargreave	-	-	-	3,554	-	3,554
David Brock	18,000	-	18,000	18,000	-	18,000
Oliver Bedford[1]	25,028	-	25,028	14,446	-	14,446
Ashton Bradbury	6,871	-	6,871	-	-	-
Total	**72,399**	**-**	**72,399**	**58,500**	**-**	**58,500**

[1] Fees paid to Oliver Bedford include a payment of £7,028 paid in lieu of notice for his Hargreave Hale AIM VCT 2 plc directorship.

Relative importance of spend on pay (unaudited)

The table below compares Directors' remuneration to shareholder distributions (through dividend payments and share buybacks) in respect of the financial year ended 30 September 2018 and the preceding financial year:

	Year ended 30 September 2018 £	Year ended 30 September 2017 £	Growth %
Directors' remuneration[1]	84,919	58,500	45.2
Dividend paid	4,918,998	2,862,460	71.8
Share buybacks	2,387,356	667,876	257.5

[1] Directors' remuneration includes £19,548 paid to the directors of Hargreave Hale AIM VCT 2 plc following the acquisition. This figure includes employee national insurance contributions and excludes employer's national insurance contributions.

Directors' interests (audited)

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

	Ordinary Shares	
	2018	2017
Sir Aubrey Brocklebank	4,845	4,845
David Brock	42,170	42,170
Oliver Bedford[1]	30,558	9,185
Ashton Bradbury[2]	43,223	-

[1] Oliver Bedford acquired a further 12,382 shares on 25 October 2018.
[2] Ashton Bradbury held 43,223 shares at the date of his appointment to the Board on 14 May 2018.

There are no other changes to the beneficial interests of Directors between 30 September 2018 and the date of this report.

Taxable benefits

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

Variable pay

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

Pension benefits

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

Recruitment remuneration policy

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

Approval

The directors' remuneration report on pages 29 to 32 was approved by the Board of Directors on 8 January 2019 and will be further subject to an advisory vote at the Annual General Meeting being held on the 5 February 2019 and every year thereafter.

Signed on behalf of the Board of Directors

Sir Aubrey Brocklebank

Chairman

Date: 8 January 2019

Corporate governance
For the year ended 30 September 2018

Directors' statement of compliance with the UK Corporate Governance Code

Introduction

The Board has considered the principles and recommendations of the UK Corporate Governance Code (the "UK Code") published in 2016 and the AIC Code of Corporate Governance (the "AIC Code) and put in place arrangements which it considers appropriate for a VCT to ensure proper corporate governance. The Board believes that the Company has complied with the provisions of the UK Code in the period under review except as detailed below and is also adhering to the principles and recommendations of the AIC Code.

The UK Code includes provisions relating to:

- the role of the Chief Executive;
- executive directors' remuneration; and
- the need for an internal audit function.

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of Hargreave Hale AIM VCT plc, being an externally managed investment company. In particular, all of the company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Company has therefore not reported in respect of these provisions.

The AIC Code requires an explanation to be given if a director is appointed without the use of external consultancy or open advertising. Ashton Bradbury approached the Company in October 2017. Following briefings from the investment manager, Ashton was interviewed by the independent non-executive directors in April 2018. The independent non-executive directors saw Ashton's experience as a former fund manager and the former head of equities at Old Mutual Global Investors (subsequently renamed Merian Global Investors), where he built and led the UK small and mid-cap equities team, as directly relevant and complementary to the existing non-executive team. Ashton Bradbury was subsequently appointed to the board on 14 May 2018. In accordance with the AIC's corporate governance code, Ashton is required to stand for re-election to the Board at the AGM to be held on 5 February 2019, the first AGM to be held since his appointment to the Board.

Under the AIC Code, the Company should arrange for the notice of the AGM and related papers to be sent to shareholders at least 20 working days before the meeting. The Company has not complied with this recommendation due to the slightly delayed publication of the annual report. Your Board thought it in the best interest of shareholders to make the dividend payment as soon as possible. Your company has complied with the requirements of the Companies Act in this regard.

Copies of the codes can be found on their respective websites: www.frc.org.uk and www.theaic.co.uk.

The Board

The Board comprises four directors, all of whom are non-executive and all of whom are considered independent of the investment manager with the exception of Oliver Bedford who is an employee of Hargreave Hale Limited and is not therefore independent of the investment manager.

The Directors have a range of business, financial and asset management skills and experiences relevant to the direction and control of the Company. Brief biographical details for the Board are shown on page 25.

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

Training and Directors' induction

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

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

Conflicts of interest

A company director has a statutory obligation to avoid a situation in which he or she has, or potentially could have, a direct or indirect interest that conflicts with the interests of the Company. Conflicts are disclosed and discussed at each board meeting as appropriate.

Board responsibilities

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

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

Due to the size of the Board, the Board has not set up separate nomination, remuneration or management engagement committees on the grounds that the Board as a whole considers these matters. As all directors are non-executives, the Board has not appointed a senior independent non-executive director as the Chairman performs the role.

Nomination responsibilities

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

Board tenure

Directors' retirement and re-election is subject to The Articles of Association and the AIC Code. Directors are subject to re-election at the first AGM after their appointment, they are then subject to re-election every three years. Directors who have served longer than nine years and non-independent directors are subject to re-election every year. No director serves a term of more than three years before re-election.

Aubrey Brocklebank has served on the Board for more than nine years and is therefore required to stand for re-election at this year's Annual General Meeting.

The rest of the Board confirm, that the performance of the Chairman continues to be effective and demonstrates commitment. They therefore support his re-election.

Oliver Bedford is a non-independent Director and as such is required to stand for re-election every year.

Ashton Bradbury was appointed to the Board in May 2018 and as such is required to stand for re-election at the AGM in accordance with the above policy.

The Chairman confirms that the performance of all directors continues to be effective and demonstrates commitment to their respective roles and therefore supports their re-election.

The Board does not have a policy of limiting the tenure of any Director as the Board does not consider that a Director's length of service reduces his ability to act independently. The Board has discussed the independence of the Directors and considers that with the exception of Oliver Bedford they remain independent due to the non-involvement in the day to day running of the Company and the absence of connections with the investment manager.

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

Directors' remuneration

The Board as a whole reviews directors' remuneration on a regular basis. Details of the Company's policy on directors' remuneration and of payments to directors are given in the directors' remuneration report on pages 29 to 32.

Accountability and audit

The Directors' responsibilities for the Company's accounting records and financial statements are set out on page 39. The independent auditor's report appears on pages 41 to 45.

Board meetings and the relationship with the manager and administrator

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

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

Attendance at board meetings

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

	Ordinary Business No of Board Meetings Held	Ordinary Business No of Board Meetings Attended
Sir Aubrey Brocklebank Bt (Chairman)	5	5
David Brock	5	5
Ashton Bradbury[1]	5	1
Oliver Bedford	5	5

[1] Ashton Bradbury has attended all full board meetings since his appointment to the Board on 14 May 2018.

Additional meetings were held as required to address specific issues including share allotments, the acquisition, fundraising issues and investment recommendations.

Company secretary

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

Performance appraisal

Board evaluation

The Directors recognise the importance of the Code in terms of evaluating the performance of the Board as a whole and the individual directors. The Directors' performance is reviewed on an ongoing basis by the Board on attendance and contribution at board meetings and ability to continue in their role as a non-executive director of the Company. This is formalised in the retirement process as detailed in the Articles of Association where each director retires every 3 years and stands for re-election by the shareholders at the Annual General Meeting.

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

Investment manager appraisal

As the directors of the Company are non-executive their role is to ensure that the Company is managed by the investment manager and administrator to the best of their ability and make changes to the management if they are not acting in the best interests of the shareholders. The independent non-executive directors review the performance of the VCT and are of the view that retaining the investment manager is in the best long term interests of shareholders as a whole. This decision is based on the strength and depth of the investment team and its long term record of good performance in the smaller companies area of the market. Details of the investment manager's fee, and termination clauses can be found on page 53.

Internal audit function

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

Internal financial and non-financial controls

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

The key aspects of internal control which have been in place throughout the year are:

- valuations prepared by the investment manager are reconciled and checked by the administrator before they are entered into the accounting system. Controls are in place to ensure sufficient segregation of these tasks;
- bank reconciliations are carried out weekly by the administrator;
- there is sufficient segregation in place when processing and authorising expenses and payments. The Board has agreed authorisation thresholds in place;
- the Board reviews the valuation of unquoted investments quarterly at board meetings;
- management accounts, investment reports and KPI's are reviewed quarterly by the board; and
- annual and half yearly reports and associated announcements are reviewed by the Board prior to publication.

The effectiveness of the Company's operations is reviewed annually by the Board. In particular, it has reviewed the process for identifying and evaluating the significant risks affecting the Company and the policies and procedures by which these risks are managed.

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

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

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

Auditor's non-audit service

During the year no fees were paid for non-audit services (2017: £nil).

Audit committee

The Committee consists of three members appointed by the Board, these members are David Brock (Chairman), Sir Aubrey Brocklebank and Ashton Bradbury. The terms of reference for the Committee setting out roles and responsibilities was originally approved by the Board on 10 February 2011. The terms of reference were most recently re-approved on 11 December 2018. The responsibilities of the committee are as follows:

- to review, and challenge where necessary, the actions and judgements of management in relation to the Company's financial statements, interim reports, preliminary announcements and related formal statements before submission to, and approval by, the Board, and before clearance by the auditors. Particular attention should be paid to:
  - critical accounting policies and practices, and any changes in them;
  - the clarity of disclosures;
  - compliance with accounting standards;
  - compliance with stock exchange and other legal requirements; and
  - reviewing the principal risks facing the Company over a sufficient time period to enable a suitable viability statement to be included in the strategic report.
- to review effectiveness of the systems for internal financial control;
- to monitor the integrity of the Company's internal financial controls;
- to review the effectiveness of payment authorisation controls;
- to monitor the integrity of safe custody arrangements;
- to consider annually whether there is a need for an internal audit function where no such function exists;
- to oversee the Company's relations with the external auditor;
- to consider, and make recommendations on the appointment, reappointment and removal of the external auditor;
- to assess the effectiveness and independence of the external auditors annually;
- to consider recommendations raised by the external auditor in their management letters; and
- to consider other topics, as defined by the Board.

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

During the year ended 30 September 2018 the audit committee discharged its responsibilities of committee meetings and via email by:

- reviewing the Company's draft annual and half yearly results statements and the proposed fair value of investments as determined by the investment manager;
- reviewing the Company's accounting policies;

- reviewing the audit committee report on the financial statements and recommending necessary adjustments;
- reviewing the internal controls within the investment management company and assessing the effectiveness of those controls in minimising the impact of key risks;
- reviewing the Company's on-going compliance procedures and the effectiveness of those procedures in minimising the impact of key risks;
- reviewing and approving the external auditor's terms of engagement, remuneration and independence; and
- recommending to the Board and shareholders the ongoing appointment of BDO LLP.

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

- compliance with HM Revenue & Customs legislation to maintain the Company's VCT status;
- fluctuations in the value of investments;
- valuation and existence of investments;
- revenue recognition; and
- management override of controls.

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

- **Venture Capital status.** The investment manager confirmed to the audit committee that the conditions for maintaining the Company's status had been complied with throughout the year. The Company's status is also reviewed by the Company's tax advisors Philip Hare & Associates LLP and further half yearly reconciliations are carried out. The committee reviewed the reports and were satisfied with the reports produced.
- **Fluctuations in the value of investments.** The committee reviewed the Company's portfolio and were satisfied that the maximum exposure to a single Qualifying Investment was less than 15% of net assets.
- **Valuation and existence of investments.** The investment manager and the auditor confirmed to the audit committee that the basis of valuation for investments was consistent with the prior year. The audit committee reviewed the estimates and judgements made by the investment manager when valuing the unlisted companies and were satisfied with the valuations proposed.
- **Revenue recognition.** The auditor confirmed to the audit committee they have no adverse findings to bring to the attention of the audit committee.
- **Management override of controls.** The auditor confirmed to the audit committee they have no adverse findings to report. They are satisfied that there is not any evidence of bias in the valuation of investments based on the audit work performed.

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

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

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

A competitive tender process was undertaken in 2017 in line with mandatory audit tendering legislation. Rotation of the audit partner has taken place this year in accordance with the FRC's Ethical Standard for Auditors.

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

	No of Audit Meetings	
	Held	**Attended**
David Brock (Chairman)	2	2
Sir Aubrey Brocklebank Bt	2	2
Ashton Bradbury[1]	2	n/a

[1] No formal audit committee meetings were held subsequent to Ashton Bradbury's appointment on 14 May 2018.

Shareholder communications

Shareholder relations are given high priority by the Board. The prime medium by which the Company communicates with shareholders is through the interim and annual report and accounts, which aim to provide shareholders with a full understanding of the Company's activities and its results. This information is supplemented by the weekly calculation of the NAV of the Company's ordinary shares, which is published via the Stock Exchange and on our website at http://www.hargreaveaimvcts.co.uk. Monthly factsheets and general information are available on the website. The Company held shareholder meetings on 16 March 2018 and 9 November 2018.

Shareholders have the opportunity to communicate directly with the Board at the Annual General Meeting. All shareholders are encouraged to attend the Annual General Meeting. Shareholders can also communicate with the Chairman or any other member of the Board by writing to the Company, for the attention of the Company Secretary at the address set out on page 65.

Amendments of articles of association

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

Capital structure

The Company's capital structure is summarised in Notes 1 and 12 to the accounts.

Going concern

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

Approved on behalf of the Board of Directors

Sir Aubrey Brocklebank
Chairman

Date: 8 January 2019

Statement of directors’ responsibilities

In respect of the financial statements

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Conduct Authority.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK GAAP; subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a 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. Financial statements are published on the Company’s website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company’s website is the responsibility of the Directors. The Directors’ responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors’ Responsibility Statement pursuant to DTR4

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

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

For and on behalf of the Board

Sir Aubrey Brocklebank
Chairman

Date: 8 January 2019

3

Fertile ground for growth

Financial statements

Independent Auditor's report

To the members of Hargreave Hale AIM VCT plc

Opinion

We have audited the financial statements of Hargreave Hale AIM VCT plc (the "company") for the year ended 30 September 2018 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the Statement of Cash Flows and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to principal risks, going concern and viability statement

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

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

Key audit matters

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

Key Audit Matter	How We Addressed the Key audit matter in the Audit
Valuation of investments (Note 7 to the financial statements) There is a high level of estimation uncertainty involved in determining the unquoted investment valuations; consisting both equity and loan stock portions. The Investment Manager's fee is based on the value of the net assets of the fund, as shown in note 3. As the Investment Manager is responsible for valuing investments for the financial statements, there is a potential risk of overstatement of investment valuations.	We tested 100% of the unquoted investment portfolio at year end by value of investment holdings. Our detailed testing for such investments comprised: • Obtaining the most recent accounts of the underlying investee company • Forming a determination of whether the valuation methodology is the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines • Re-performing the calculation of investment valuations • Verifying key inputs in the valuation to independent information • Benchmarking key inputs and estimates to independent information and our own research • Challenging the assumptions inherent in the valuation of unquoted investments by developing our own point estimates where alternative assumptions could reasonably be applied and considered the overall impact of such sensitisations on the portfolio of investments in determining whether the valuations as a whole are reasonable and unbiased • Assessing the impact of the estimation uncertainty concerning these assumptions • Considering the economic environment in which the investment operates to identify factors that could impact the investment valuation

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements. The application of these key considerations gives rise to three levels of materiality, the quantum and purpose of which are tabulated below.

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
Financial statement materiality. *(1% of gross investments)*	Assessing whether the financial statements as a whole present a true and fair view.	• The value of gross investments • The level of judgement inherent in the valuation • The range of reasonable alternative valuations	£1,300,000 (30 September 2017: £580,000)

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
Performance materiality.	Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions.	• Financial statement materiality • Risk and control environment • History of prior errors (if any)	£975,000 (30 September 2017: £435,000)
Specific materiality – classes of transactions and balances which impact on net realised returns. *(10% gross expenditure)*	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	• Level of gross expenditure	£240,000 (30 September 2017: £120,000)

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £13,000 (2017: £6,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

We carried out a full scope audit. Our audit approach was developed by obtaining an understanding of the Company's activities and the overall control environment. Based on this understanding we assessed those aspects of the Company's transactions and balances which were most likely to give rise to a material misstatement.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of the valuation of investments which have a high level of estimation uncertainty involved in determining the unquoted investment valuations.

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, industry practice represented by the SORP and FRS 102. We also considered the Company's qualification as a VCT under UK tax legislation as any breach of this would lead to the company losing various deductions and exemptions from corporation tax.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the company financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management;
- review of minutes of board meetings throughout the period; and
- considering the effectiveness of control environment in monitoring compliance with laws and regulations

There are inherent limitations in the audit procedures described above and the further removed noncompliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Other information

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

We have nothing to report in this regard.

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

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

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors to audit the financial statements for the year ended 31 September 2007 and subsequent financial periods. We were reappointed as auditors in respect of the year ended 30 September 2018 by members of the company at the annual general meeting held on 25 January 2018. The period of total uninterrupted engagement is 12 years, covering the year ending 30 September 2007 to 30 September 2018.

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

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Smith
(Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor

London
United Kingdom

8 January 2019

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

Income statement

	Note	Year to 30 September 2018 Revenue £000	Capital £000	Total £000	Year to 30 September 2017 Revenue £000	Capital £000	Total £000
Net gain on investments held at fair value through profit or loss	7	-	16,519	16,519	-	7,349	7,349
Income	2	806	78	884	446	15	461
		806	16,597	17,403	446	7,364	7,810
Management fee	3	(416)	(1,249)	(1,665)	(216)	(648)	(864)
Other expenses	4	(633)	(109)	(742)	(325)	(49)	(374)
		(1,049)	(1,358)	(2,407)	(541)	(697)	(1,238)
(Loss)/gain on ordinary activities before taxation		(243)	15,239	14,996	(95)	6,667	6,572
Taxation	5	-	-	-	-	-	-
(Loss)/gain after taxation		(243)	15,239	14,996	(95)	6,667	6,572
(Loss)/gain per share basic and diluted	6	(0.19)	11.81	11.62	(0.13)p	8.99p	8.86p

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

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

Balance sheet
As at 30 September 2018

Company Registration Number 5206425 (in England and Wales)

	Note	2018 £000	2017 £000
Fixed assets			
Investments at fair value through profit or loss	7	130,105	58,125
Current assets			
Debtors	10	167	63
Cash at bank		24,860	8,007
		25,027	8,070
Creditors: amounts falling due within one year	11	(346)	(206)
Net current assets		24,681	7,864
Total assets less current liabilities		154,786	65,989
Capital and Reserves			
Called up share capital	12	1,767	816
Share premium		-	37,515
Capital redemption reserve		5	37
Special reserve		125,919	15,522
Capital reserve – realised		(2,774)	(4,644)
Capital reserve – unrealised		30,606	17,237
Revenue reserve		(737)	(494)
Total shareholders' funds		154,786	65,989
Net asset value per share (basic and diluted)	13	87.59p	80.82p

These financial statements were approved and authorised for issue by the Board of Directors on 8 January 2019 and signed on its behalf by

Sir Aubrey Brocklebank
Chairman

Date: 8 January 2019

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

Statement of changes in equity
For the year ending 30 September 2018

		Non-distributable reserves			Distributable reserves[1]				
	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
At 1 October 2017		816	37,515	37	17,237	15,522	(4,644)	(494)	65,989
Share buy backs	12	(29)	-	29	-	(2,387)	-	-	(2,387)
Share issues	12	293	24,707	-	-	-	-	-	25,000
Issue costs	12		(499)						(499)
Acquisition of Hargreave Hale AIM VCT 2 plc		687	55,919	-	-	-	-	-	56,606
Capital reduction	12	-	(117,642)	(61)	-	117,703	-	-	-
Equity dividends paid	17	-	-	-	-	(4,919)	-	-	(4,919)
Realised gains on investments	7	-	-	-	-	-	3,150	-	3,150
Unrealised gains on investments	7	-	-	-	13,369	-	-	-	13,369
Management fee charged to capital	3	-	-	-	-	-	(1,249)	-	(1,249)
Income allocated to capital	2	-	-	-	-	-	78	-	78
Due diligence investments costs	4	-	-	-	-	-	(109)	-	(109)
Revenue loss after taxation for the year		-	-	-	-	-	-	(243)	(243)
Total gain after taxation		-	-	-	13,369	-	1,870	(243)	14,996
At 30 September 2018		1,767	-	5	30,606	125,919	(2,774)	(737)	154,786

Reserves available for distribution are capital reserve realised, special reserve and revenue reserve. Total distributable reserves at 30 September 2018 were £122.4 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 2018, £80.8 million of the special reserve is subject to this restriction.

Statement of changes in equity
For the year ending 30 September 2017

			Non-distributable reserves			Distributable reserves			
	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
At 1 October 2016		620	21,845	28	9,651	19,052	(3,725)	(399)	47,072
Share buybacks	12	(9)		9		(668)			(668)
Share Issues		205	16,013						16,218
Issue Costs			(343)						(343)
Equity dividends paid	17					(2,862)			(2,862)
Realised losses on investments	7						(237)		(237)
Unrealised gains on investments	7				7,586				7,586
Management fee charged to capital	3						(648)		(648)
Arrangement fee income	2						15		15
Due diligence investments costs	4						(49)		(49)
Revenue loss after taxation for the year								(95)	(95)
Total gain after taxation					7,586		(919)	(95)	6,572
At 30 September 2017		816	37,515	37	17,237	15,522	(4,644)	(494)	65,989

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

Statement of cash flows

	Note	**2018 £000**	2017 £000
Total profit on ordinary activities before taxation		14,996	6,572
Realised (gain)/loss on investments	7	(3,150)	237
Unrealised (gain) on investments	7	(13,369)	(7,586)
(Increase) in debtors		(104)	(19)
Increase in creditors		140	15
Net cash (outflow) from operating activities		(1,487)	(781)
Purchase of investments	7	(18,487)	(22,657)
Sale of investments	7	13,016	10,453
Net cash used in investment activities		(5,471)	(12,204)
Share buybacks	12	(2,387)	(668)
Issue of share capital	12	25,000	15,875
Issue costs	12	(499)	-
Cash acquired on acquisition of Hargreave Hale AIM VCT 2 plc	12	6,616	-
Dividends paid	17	(4,919)	(2,862)
Net cash provided by financing activities		23,811	12,345
Net increase/(decreased) in cash		16,853	(640)
Opening cash		8,007	8,647
Closing cash		24,860	8,007

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

Notes to the financial statements

As at 30 September 2018

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 page and the nature and principal business activities are set out in the strategic report.

1. Accounting policies

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

Basis of preparation

The financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments, and in accordance with UK Generally Accepted Accounting Practice ("GAAP"), including Financial Reporting Standard 102 ("FRS 102") and with the Companies Act 2006 and the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts (AIC SORP) (2014), updated January 2017.

Financial instruments

All investments are classified as fair value through profit or loss. Investments are measured initially and subsequently at fair value which is deemed to be bid market prices for listed investments and investments traded on AIM. Unquoted investments are valued using the most appropriate methodology recommended by the International Private Equity Venture Capital ("IPEV") guidelines published in December 2015. The Board will consider future updates in due course.

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

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. Where cost is no longer considered appropriate, the Company will use a value indicated by a material arms-length transaction by an independent third party in the shares of a company. Where no such transaction exists, the Company will use the most appropriate valuation technique including discounted cash flow analysis, earnings multiples, net assets and industry valuation benchmarks. All inputs are market observable with the exception of level 3 financial instruments (Note 7).

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

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

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

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

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

Acquisition accounting

Where the assets and liabilities of another VCT are acquired by the Company through a business combination the identifiable assets and liabilities are initially recognised at their fair values at the acquisition date. Further details are set out in note 8 of this report.

Income

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

Trail commission

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

Capital reserves

Realised profits and losses on the disposal of investments, due diligence costs and income in relation to private company investments, losses realised on investments considered to be permanently impaired and 75% of investment management fees are accounted for in the capital reserve realised.

Increases and decreases in the valuation of investments held at the year end are accounted for in the capital reserve unrealised.

Operating segments

There is considered to be one operating segment 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 pence and carry one vote each. Substantial holdings in the Company are disclosed in the directors' report on page 26.

Share Premium

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

Capital Redemption Reserve

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

Special Reserve

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

Capital Reserve Realised

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

Capital Reserve Unrealised

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

Revenue Reserve

Net revenue profits and losses of the Company.

Key judgements and estimates

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

2. Income

	2018 £000	2017 £000
Income from investments:		
Revenue:		
UK dividends	793	446
Unfranked investment income	13	-
	806	446
Capital:		-
Arrangement fees[(1)]	22	15
Return of capital[(2)]	56	-
Total Income	884	461

[(1)] Arrangement fees received in relation to the acquisition of Infinity Reliance (My 1st Years) in May 2018.

[(2)] Distribution from Sportech plc following the successful sale of their Football Pools business completed in June 2017 and the subsequent approval of the Company's application to reduce its capital.

3. Management fees

	2018 Revenue £000	2018 Capital £000	2018 Total £000	2017 Revenue £000	2017 Capital £000	2017 Total £000
Management fees	416	1,249	1,665	216	648	864
Total	416	1,249	1,665	216	648	864

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

The investment manager receives an investment management fee of 1.5% per annum (1.7% from 1 April 2019) of the NAV of the Company, calculated and payable quarterly in arrears. At 30 September 2018, £186,504 (2017: £79,095) was owed in respect of management fees. Hargreave Hale Limited has agreed to indemnify the Company against annual running costs (such costs excluding VAT, any performance incentive fee and any trail commission the payment of which is the responsibility of the Company) exceeding 3.5% of its net assets. No fees were waived between 1 October 2017 and 30 September 2018 and no fees were waived between 1 October 2016 and 30 September 2017 under the indemnity.

A performance related incentive fee will be payable at the rate of 20% of any dividends paid to shareholders in excess of 6p per ordinary share per annum, provided that the NAV per share is at least 95p and any cumulative shortfalls below 6p per ordinary share per annum having to be made up in subsequent years before the incentive fee becomes payable. No performance related incentive fee is payable as at 30 September 2018.

4. Other expenses

	2018 £000	2017 £000
Other revenue expenses:		
Administration fee	92	55
Directors' fees	87	59
Legal & professional	75	11
Registrar's fee	72	42
Printing, postage and stationary	28	40
Auditors' remuneration – for audit services	26	19
VCT monitoring fees	19	8
Company Secretarial fees	24	17
Custody fee	11	10
Directors' and officers' liability insurance	6	4
Broker's fee	5	5
Trail commission	(24)	(39)
Other expenses	212	94
Total other revenue expenses	633	325
Other capital expenses:		
Due diligence costs	37	49
Stamp Duty	72	-
Total other expenses	742	374

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 on page 31.

The maximum aggregate directors' emoluments authorised by the Articles of Association are detailed in the directors' remuneration report on page 29.

5. Tax on ordinary activities

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

	2018 Total £000	2017 Total £000
Profit on ordinary activities before taxation	14,996	6,572
	-	-
UK Corporation Tax: 19% (2017: 19.5%)	2,849	1,278
Effect of non taxable (profits) on investments	(3,139)	(1,433)
Effect of non taxable UK dividend income	(161)	(87)
Effect of current year losses carried forward	451	242
Current tax charge	-	-

At the 30 September 2018 the Company had tax losses carried forward of £7,595,737 (2017: £5,296,327). 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

	2018 Revenue pence	2018 Capital pence	2018 Total pence	2017 Revenue pence	2017 Capital pence	2017 Total pence
(Loss)/profit per ordinary share (basic and diluted)	(0.19)p	11.81p	11.62p	(0.13)p	8.99p	8.86p

Revenue return per ordinary share is based on a net revenue loss on ordinary activities after taxation of £242,791 (2017 loss: £95,107) and on 129,091,888 (2017: 74,161,478) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

Capital return per ordinary share is based on a net capital profit of £15,239,153 (2017 profit: £6,667,203) for the year and on 129,091,888 (2017: 74,161,478) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

Total Return per ordinary share is based on a net profit of £14,996,362 (2017 profit: £6,572,097) for the year and on 129,091,888 (2017: 74,161,478) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

7. Investments

	Quoted Investments		Unquoted[(1)] Investments		Fixed Income Investments		Total Investments	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Investments	103,043	44,287	27,062	13,838	-	-	130,105	58,125
Movement in year:								
Opening Valuation	44,287	32,706	13,838	5,423	-	443	58,125	38,572
Purchases at cost	15,480	14,121	3,007	8,536	-	-	18,487	22,657
Purchases through acquisition[(3)]	36,604	-	13,234	-	152	-	49,990	-
Sale proceeds	(9,548)	(9,462)	(3,318)	(520)	(150)	(471)	(13,016)	(10,453)
Realised gains/(losses)	2,288	(452)	864	56	(2)	159	3,150	(237)
Unrealised gains/ (losses)	13,532	7,512	(163)	205	-	(131)	13,369	7,586
Re-classification adjustment	400[(2)]	(138)	(400)[(2)]	138	-	-	-	-
Closing valuation	103,043	44,287	27,062	13,838	-	-	130,105	58,125
Closing cost	74,615	29,391	25,227	11,840	-	-	99,842	41,231
Closing unrealised	28,428	14,896	1,835	1,998	-	-	30,263	16,894
Realised gain/(loss) on sales against cost	2,288	(452)	864	56	(2)	159	3,150	(237)
Unrealised gain/(loss) on investments	13,532	7,512	(163)	205	-	(131)	13,369	7,586
Gain/(loss) on investments	15,820	7,060	701	261	(2)	28	16,519	7,349

(1) Includes £13.9 million invested in the Marlborough Special Situations Fund.

(2) Aquis Exchange plc announced the admission of its shares to trading on the AIM Market of the London Stock Exchange on 14 June 2018, this was previously an unquoted company held in the portfolio.

(3) Purchases made through acquisition of Hargreave Hale AIM VCT 2 plc.

Transaction Costs

During the year the Company incurred transaction costs of £69,277 and £24,161 on purchases and sales respectively. These amounts are included in the gain/(loss) on investments as disclosed in the income statement. Additional stamp duty costs of £71,690 were incurred in respect of investments acquired in the acquisition of Hargreave Hale AIM VCT 2 plc. This amount is included in the capital column of the income statement.

Fair Value Measurement Hierarchy

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

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

The following table sets out the basis of valuation for the Level 3 investments held within the portfolio at 30 September 2018.

Level 3 Unquoted Investments	
Mexican Grill Ltd	The fair value of the investment has been maintained at £61.34 per share. EV/EBITDA peer group ratios were analysed and a discounted cashflow analysis calculation completed to support the valuation.
Portr Ltd	The fair value of the investment was written down to £3.00 per share reflecting the downgrade in forecasts and renewed funding risk .
Laundrapp Ltd	The fair value of the investment has been written down to £15.00 per share reflecting the transfer price of the most recent transaction in the shares (on an arm's length basis).
Honest Brew Ltd	The fair value of the investment has been maintained at £0.18 per share reflecting the price of the most recent transaction in the shares in August 2018 and our entry point in June 2017
SCA Investments Ltd (Guosto)	The fair value of the investment has been increased to £52.99 per share reflecting the transfer price of the most recent transaction in the shares (on an arm's length basis).
Zappar Ltd	Fair value of investment is maintained at £74.45 per share, our entry price. The valuation was tested against listed peers, sector merger and acquisition and discounted cashflow analysis.
Infinity Reliance Ltd (My 1st Years)	The fair value of the investment has been marked down to our initial entry price in December 2016 of £42.07 per share from £50.40 per share, reflecting the material downgrade to the 2018 forecast and lower than expected 2019 budget. The lower budget still represents 33% year-over-year growth and results in an appropriate valuation that is tested against a UK listed peer group.

	2018 Level 1 £000	2018 Level 2 £000	2018 Level 3 £000	2018 Total £000	2017 Level 1 £000	2017 Level 2 £000	2017 Level 3 £000	2017 Total £000
Investments	116,907	–	13,198	130,105	51,460	–	6,665	58,125

8. Acquisition of Hargreave Hale AIM VCT 2 PLC

On 23 March 2018, the Company acquired the assets and liabilities of Hargreave Hale AIM VCT 2 plc in exchange for new ordinary shares in the Company. Hargreave Hale AIM VCT 2 was placed into members' voluntary liquidation pursuant to a scheme of reconstruction under Section 110 of the Insolvency Act 1986.

The acquisition was implemented on a relative unaudited NAV basis, adjusted for the anticipated costs of the scheme. The merger and roll-over values were based on the latest unaudited valuations of the companies' investments on the scheme calculation date.

The net assets and liabilities of Hargreave Hale AIM VCT 2 totalling £56,535,285 were transferred to the Company in exchange for the issue of 68,680,227 new ordinary shares in the Company at an issue price of 82.07p per share. Each Hargreave Hale AIM VCT 2 shareholder received 1.458754 shares in the Company for each Hargreave Hale AIM VCT 2 share held on 23 March 2018. Fixed asset investments were acquired at closing market value on the scheme calculation date. The nominal value of shares issued was allocated to share capital and the remaining consideration (adjusted for prepayments and accruals) was posted to the share premium account.

The net assets and liabilities acquired by the Company were as follows:

	23 March 2018 £'000
Fixed asset investments	49,990
Cash at Bank	6,616
Debtors	61
Creditors	(132)
Total Consideration	**56,535**

9. Significant interests

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

Investment	Holding %
Honest Brew Ltd	32.88%
Infinity Reliance Ltd (My 1st Years)	8.97%
Mexican Grill Ltd	7.72%
Portr Ltd	7.15%
Zappar Ltd	6.97%
Zoo Digital Group plc	6.21%
Hardide plc	6.17%
Forbidden Technologies plc	5.75%
PCI-PAL plc	4.70%
Escape Hunt plc	4.51%

Investment	Holding %
Osirium Technologies plc	4.49%
Clearstar Inc	3.91%
KRM22 plc	3.78%
Beeks Financial Cloud Group plc	3.72%
Laundrapp Ltd	3.72%
Eagle Eye Solutions Group plc	3.60%
Science in Sport plc	3.55%
Surface Transforms plc	3.45%
Cloudcall Group plc	3.23%
DP Poland plc	3.08%

10. Debtors

	2018 £000	2017 £000
Prepayments and accrued income	167	63

11. Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade Creditors	7	36
Accruals and deferred income	339	170
	346	206

12. Called up share capital

	2018 £000	2017 £000
Allotted, called-up and fully paid: 176,711,020 (2017: 81,653,218) ordinary shares of 1p each.	1,767	816

During the year 2,959,394 (2017: 880,040) ordinary shares were purchased through the buyback facility at a cost of £2,387,356 (2017: £667,876). The repurchased shares represent 3.6% (2017: 1.4%) of ordinary shares in issue on 1 October 2017. The acquired shares have been cancelled.

During the year, the Company issued 29,336,969 ordinary shares (nominal value £293,370) in an offer for subscription, representing 35.9% of the opening share capital at prices ranging from 84.45p to 89.38p per share. Gross funds of £25,000,000 were received of which £498,733 was paid to Hargreave Hale Limited to settle introductory commission due of £4,000 and to cover the costs of the offer.

The Company issued a further 68,680,227 ordinary shares (nominal value £686,802) in relation to the acquisition of Hargreave Hale AIM VCT 2 plc. Cash received from the acquisition was £6,615,786.

The amounts standing to the credit of the share premium account (£117,642,203) and capital redemption reserve (£60,859) of the Company as at 25 September 2018 have been cancelled in accordance with the resolution passed on 16 March 2018.

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

Income entitlement

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

Capital entitlement

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

Voting entitlement

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

Transfers

There are no restrictions on transfers except dealings by directors, persons discharging managerial responsibilities and their persons closely associated which may constitute insider dealing or is prohibited by the rules of the UKLA.

The Company is not aware of any agreements with or between shareholders which restrict the transfer of ordinary shares, or which would take effect or alter or terminate in the event of a change of control of the Company.

13. Net asset value per ordinary share

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

	Net asset value per share		Net assets attributable	
	2018 pence	2017 pence	2018 £000	2017 £000
Ordinary shares - Basic	87.59	80.82	154,786	65,989

Net asset value per share is based on net assets at the year end and on 176,711,020 (2017: 81,653,218) ordinary shares, being the number of shares in issue at year end.

14. Contingencies, guarantees and financial commitments

There were no contingencies, guarantees or financial commitments of the Company at the year end (2017: nil).

15. Related party transactions

Hargreave Hale Limited

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

Hargreave Hale Limited, in its capacity as investment manager of the fund, receives annual fees of 1.5% per annum of the net asset value of the Company, calculated and payable quarterly in arrears. Fees for the year are £1,665,754 (2017: £864,075) as detailed in Note 3. A further £494,733 was paid to Hargreave Hale Limited under the terms of the offer agreement as detailed in Note 12. In relation to the other support functions described above, Hargreave Hale Limited received fees of £151,737 (2017: £100,000). Of those combined fees, £212,338 (2017: £99,095) was still owed at the year end.

Hargreave Hale Limited has agreed to indemnify the Company against annual running costs (such costs excluding VAT, any performance incentive fee and any trail commissions payable by the Company) exceeding 3.5% of its net assets. No fees were waived between 1 October 2017 and 30 September 2018 under the indemnity.

The Company and Hargreave Hale Limited, the Company's investment manager, have agreed to increase the investment management fee payable to Hargreave Hale from an amount equal to 1.5% of the Company's net assets to an amount equal to 1.7% of the Company's net assets, with effect from 1 April 2019.

16. Financial instruments

Risk management policies and procedures

The investment objective of the Company is to achieve long term capital growth and to maximise tax free distributions to shareholders by investing in a diversified portfolio of small UK companies primarily trading on AIM. At least 70% of the Company's funds have been invested in qualifying holdings during the year under the HMRC investment test definition. The balance of the Company's fund will be 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 on pages 33 to 38 of the annual report and accounts. The Board meets quarterly to review accounts and monitor all risks.

A detailed review of the investment portfolio is contained in the chairman's statement and investment manager's report on pages 3 to 6 and 15 to 16 respectively.

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

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

Other financial assets comprise cash at bank of £24,860,177 (2017: £8,006,720), accrued income and debtors of £151,999 (2017: £51,519), which is classified as 'loans and receivables measured at amortised cost'. Financial liabilities consist of trade creditors and accruals of £345,873 (2017: £205,855) which are classified as 'financial liabilities measured at amortised cost'.

Market risk

Market price risk arises from any fluctuations in the value of investments held by the Company. Adherence to investment policies mitigates the risk of excessive exposure to any particular type of security or issuer. In particular, no more than 15% of the investment portfolio is invested in any one equity. However, 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:

		2018 £000	2017 £000
Equity	Fair value	116,241	50,952
Authorised unit trust	Fair value	13,864	7,173
Fixed income securities	Fair value	–	–
		130,105	58,125

A 10% increase or decrease in the investment portfolio would have a £13,010,500 (2017: £5,812,500) impact on the profit and loss account. A value of 10% has been used as a reasonable estimate for a change in the value of the listed portfolio, which makes up the majority of the investment portfolio.

Currency risk

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

Interest rate risk

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

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

	30 September 2018			
	Fixed Rate £000	Variable Rate £000	Non-interest Bearing £000	Total £000
Investments	–	–	130,105	130,105
Cash and cash equivalents	–	24,860	–	24,860
Other currents assets and current liabilities (net)	–	–	(179)	(179)
Net assets	–	24,860	129,926	154,786

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

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 £345,873, liquidity risk is not considered material. As at 30 September 2018 the Company held £24,860,177 on bank deposit.

Credit risk

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

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

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

	2018 £000	2017 £000
Investments – (UK fixed income securities)	–	–
Cash and cash equivalents	24,860	8,007
Other assets/(liabilities)	(179)	(143)
	24,681	7,864

Cash balances were held on deposit with RBS at 30 September 2018.

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 12 to these accounts. The Company has no debt and is fully funded by equity.

17. Dividends

	2018 Ord £000	2017 Ord £000
Paid per share: Final capital dividend of 2.25 pence for the year ended 30 September 2016	–	1,430
Paid per share: Interim capital dividend of 1.75 pence for year ended 30 September 2017	–	1,432
Paid per share: Final capital dividend of 2.25 pence for year ended 30 September 2017	1,816	–
Paid per share: Interim capital dividend of 1.75 pence for year ended 30 September 2018	3,106	–
Unclaimed dividends[1]	(3)	-
	4,919	2,862
Paid per share:[2] Special capital dividend of 1.00 pence	1,772	–
Proposed per share: Final capital dividend of 2.65 pence for the year ended 30 September 2018	5,369	–
Proposed per share: Final capital dividend of 2.25 pence for the year ended 30 September 2017	–	1,816

[1] Unclaimed dividends for a period of 12 years reverted to the Company

[2] Special capital dividend was paid after the year end on 24 October 2018

18. Post balance sheet events

Buybacks

Since the period end, a further 1,410,686 ordinary shares were purchased at an average price of 75.90 pence per share and a total cost of £1,070,733.

Share issues

Since the period end, a further 27,317,133 ordinary shares were issued raising gross proceeds of £21,971,102.

New Investments

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

Qualifying companies

C4X Discovery Holdings plc (£501k)
Crossword Cybersecurity plc (£1,002k)
Location Sciences Group plc (£1,002k)

Non-qualifying companies

Cineworld Group plc (£877k)
Glaxosmithkline plc (£707k)
Ocean Wilsons (Holdings) Ltd (£535k)
Plus500 Ltd (£516k)
Spirax-Sarco Engineering plc (£633k)
Tesco plc (£906k)

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

Qualifying companies

Gfinity plc (£406k)

Non-qualifying companies

Bakkavor Group plc (£422k)
Dechra Pharmaceuticals plc (£237k)
Fisher (James) & Sons plc (£346k)
Future plc (£415k)
GVC Holdings plc (£228k)
Halma plc (£349k)
Integrafin Holdings plc (£537k)
JD Sports Fashion plc (£1,264k)
Marlborough Special Situations Funds (£2,255k)
Melrose Industries plc (£299k)
On The Beach plc (£1,043k)
Oxford Biomedica plc (£344k)
Prudential plc (£470k)
Sanne Group plc (£387k)
XP Power Ltd (£289k)
Zotefoams plc (£427k)

Special dividend

The special dividend of 1 pence announced on 19 September 2018 was paid on 24 October 2018.

Glossary of terms

Net Asset Value (NAV)

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

Qualifying company or qualifying investment

An investment made by a venture capital trust in a trading company which comprises a qualifying holding under Chapter 4 of Part 6 ITA.

Total return

The sum of the published NAV per share plus all dividends paid per share over the lifetime of the Company or the period under review. This allows performance comparisons to be made between venture capital trusts and relevant indices.

VCT or venture capital trust

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

Shareholder information

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

Net asset value per share

The Company's NAV per share as at 31 December 2018 was 73.05 pence per share. The Company publishes its unaudited NAV per share on a weekly basis.

Dividends

Subject to approval at the Annual General Meeting on 5 February 2019, the Board has proposed the payment of a final dividend of 2.65 pence in respect of the financial year ending 30 September 2018.

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

Selling your shares

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

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

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

VCT share disposals are exempt of capital gains tax when the disposal is made at arms' length, which means a shareholder must sell their shares to a market maker through a stockbroker or another share dealing service. Hargreave Hale has particular expertise in the sale of VCT shares and is able to act for VCT shareholders who wish to sell their shares. However, you are free to nominate any stockbroker or share dealing service to act for you. If you would like Hargreave Hale to act for you as their client (as opposed to a shareholder in the Company) then please contact Andrew Pang for further information (0207 523 4872, andrew.pang@canaccord.com).

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

Shareholder enquiries

For general shareholder enquiries, please contact Hargreave Hale Limited on 01253 754755 or by e-mail to aimvct@canaccord.com.

For enquiries concerning the performance of the Company, please contact the investment manager on 0207 523 4837 or by e-mail to aimvct@canaccord.com.

Electronic copies of this report and other published information can be found on the Company's website at www.hargreaveaimvcts.co.uk.

Change of address

To notify the Company of a change of address please contact the Company's registrar at the address on page 65.

Company information

Directors
Aubrey Brocklebank, Chairman
David Brock
Ashton Bradbury
Oliver Bedford

Secretary and Registered Office
Stuart Brookes
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Manager
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Company Registration Number
05206425 in England and Wales

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of Hargreave Hale AIM VCT plc ("the Company") will be held at 41 Lothbury, London EC2R 7AE on 5 February 2019 at 11:30 am for the purposes of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 9 will be proposed as ordinary resolutions and 10 and 11 as special resolutions:

Ordinary Resolutions

1. To receive and, if thought fit, to accept the Reports of the Directors and auditor and the audited financial statements for the year ended 30 September 2018;
2. To receive and approve the directors' remuneration report for the year ended 30 September 2018;
3. To approve the directors' remuneration policy, the full text of which is contained in the directors' remuneration report for the year ended 30 September 2018;
4. To reappoint BDO LLP as auditors to the Company and to authorise the Directors to determine their remuneration;
5. To re-elect Aubrey Brocklebank as a director of the Company;
6. To re-elect Oliver Bedford as a director of the Company;
7. To re-elect Ashton Bradbury as a director of the Company; and
8. To approve a final dividend of 2.65 pence per ordinary share in respect of the year ended 30 September 2018.
9. THAT, the directors be and are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot ordinary shares of 1p each in the capital of the Company ("Ordinary Shares") and to grant rights to subscribe for or convert any security into Ordinary Shares in the Company ("Rights") up to an aggregate nominal value of £100,000, this authority to expire on the earlier of the conclusion of the Company's next Annual General Meeting in 2020 and the expiry of 15 months from the passing of this resolution (unless previously revoked, varied or extended by the Company in general meeting), save that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require Ordinary Shares to be allotted or Rights to be granted after the expiry of such authority. The authority being sought under this resolution is in addition to any existing authorities.

Special Resolutions

10. THAT, the directors be and are hereby empowered pursuant to section 570 and section 573 of the Act during the period commencing on the passing of this resolution and expiring on the conclusion of the Company's next annual general meeting in 2020 or on the expiry of 15 months from the date of the passing of this resolution, whichever is the earlier (unless previously revoked, varied or renewed by the Company in general meeting), to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority given to directors pursuant to resolution 9 above, or by way of sale of treasury shares, as if section 561 of the Act did not apply to any such allotment or sale, save that this authority shall allow the Company to make offers or agreements before the expiry which would or might require Ordinary Shares to be allotted or sold and the directors may allot equity securities or sell shares after the expiry in pursuance of such offers or agreements as if the powers conferred hereby had not so expired. The power being sought under this resolution is in addition to any existing powers.
11. THAT, in substitution for any existing authority but without prejudice to the exercise of any such power prior to the date hereof, the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares on such terms and in such manner as the directors may determine (either for cancellation or for retention as treasury shares for future re-issue, transfer or cancellation) provided that:
    a) the maximum aggregate number of Ordinary Shares authorised to be purchased shall not exceed 30,372,358 Ordinary Shares, or if lower, such number of Ordinary Shares (rounded down to the nearest whole Ordinary Share) as shall equal 14.99% of the issued share capital at the date of the passing of this resolution;
    b) the maximum price which may be paid for an Ordinary Share is an amount equal to the maximum amount permitted to be paid in accordance with the rules of the UK Listing Authority in force as at the date of purchase;

c) the minimum price which may be paid for an Ordinary Share shall be 1p (the nominal value thereof);

d) this authority shall expire at the conclusion of the Company's next Annual General Meeting in 2020 or on the expiry of 15 months following the passing of the resolution, whichever is the earlier (unless previously revoked, varied or renewed by the Company in general meeting); and

e) the Company may make a contract or contracts to purchase Ordinary Shares under this authority before the expiry of the authority which will or may be executed or completed wholly or partly after the expiry of the authority, and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

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

By order of the Board of Directors.

Stuart Brookes
Company Secretary

Registered Office:
41 Lothbury
London
EC2R 7AE

Date: 8 January 2019

A member entitled to attend and vote at this meeting may appoint a proxy or proxies to attend and vote instead of him or her. A proxy need not also be a member of the Company. To be effective, forms of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notorically certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of that power or authority must be lodged with the Company's Registrar, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Lodgement of the form of proxy will not preclude a member from attending the meeting and voting in person.

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

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

The Company, pursuant to Regulation 41 of the Uncertified Securities Regulations 2001 specifies that only those members registered in the register of members of the Company as at 6.30pm on 1 February 2019 or, in the event that the meeting is adjourned, on the register of members at 6.30pm on the day 2 days prior to the reconvened meeting, shall be entitled to attend or vote at the aforesaid annual general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant registrar of securities after 6.30pm on 1 February 2019 (or in the event that the meeting is adjourned, as at 6.30pm 2 days prior to the adjourned meeting) shall be disregarded in determining the rights of any person to attend or vote at the meeting notwithstanding any provisions in any enactment, the Articles of Association of the Company or any other instrument to the contrary.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual (www.euroclear.com). CREST personal members or other CREST sponsored members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take appropriate action on their behalf. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST proxy instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by Equiniti, the Company's Registrar (ID RA19), not later than 48 hours before the time appointed for meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Equiniti is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and where applicable their CREST sponsors or voting service provider(s) should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST proxy instructions. It is the responsibility of the CREST member concerned to take (or if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that their CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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

The Company may treat as invalid a CREST proxy instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

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

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

In accordance with Section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the Annual General Meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website http://www.hargreaveaimvcts.co.uk.

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

Shareholders (and any proxy or representatives they appoint) agree, by attending the meeting, that they are expressly requesting that they are willing to receive any communications (including communications relating to the Company's securities) made at the meeting.

You may not use any electronic address provided either in this notice of meeting or any related documents (included in the form of proxy) to communicate with the Company for any purpose other than those expressly stated.

Note:

1. The following documents will be available for inspection at the registered office of the Company during usual business hours on a weekday (except Saturdays, Sundays and Public Holidays) until the date of the meeting and at the place of the meeting for a period of 15 minutes up to and during the meeting;
   a) copies of the directors' letters of appointment;
   b) the articles of association of the Company; and
   c) the register of directors' interests in the shares of the Company.

2. As at 7 January 2019 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 202,617,467, carrying one vote each. Therefore, the total voting rights in the Company are 202,617,467.

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Hargreave Hale AIM VCT plc
(Incorporated in England and Wales
under the companies act 1985
with registered number 05206425)