Hargreave Hale

AIM VCT

Planting seeds for growth

Annual report and accounts for Hargreave Hale AIM VCT plc year ended 30 September 2019

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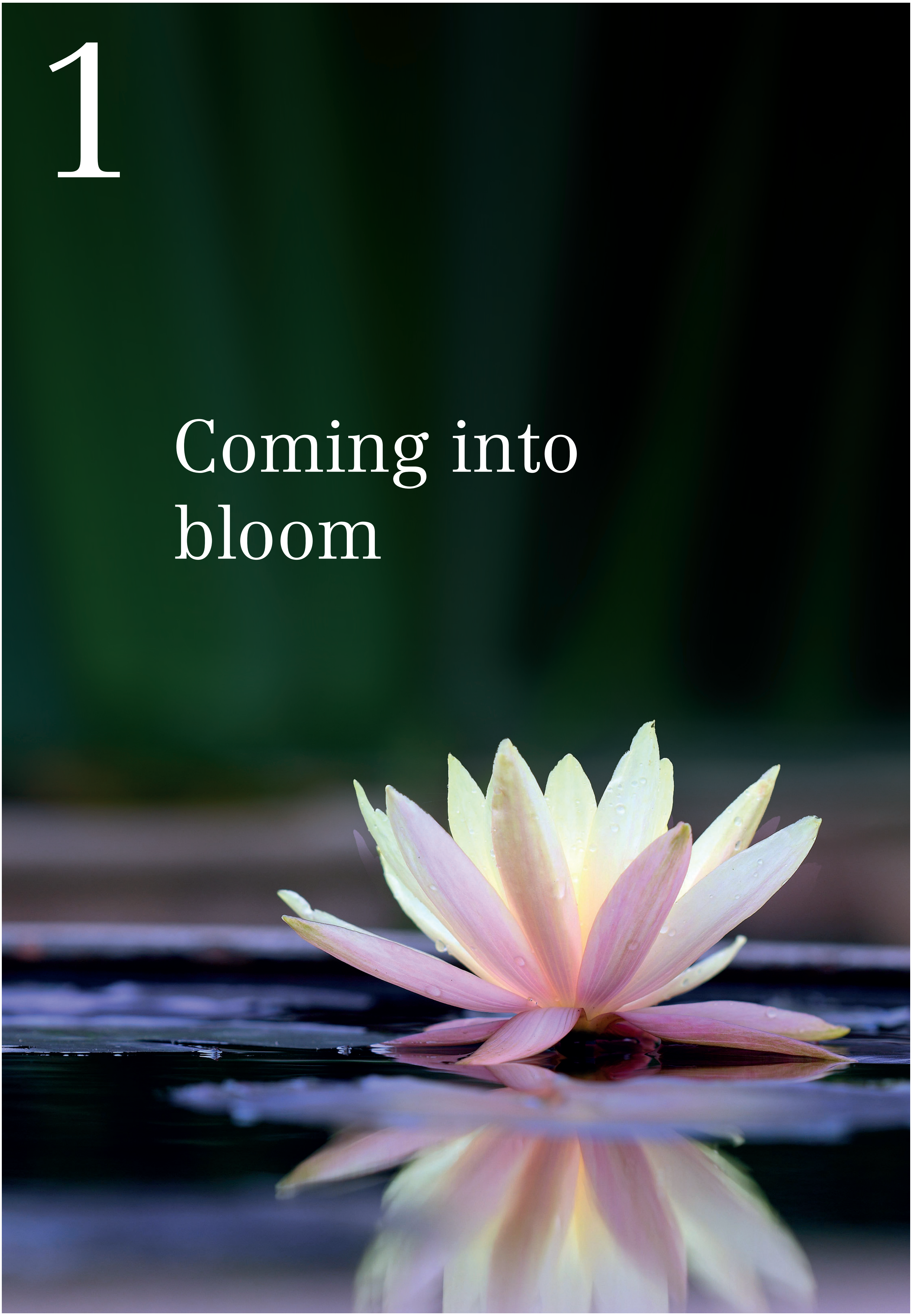
Coming into bloom



Strategic report

Financial highlights

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

70.60p
Net asset value per share

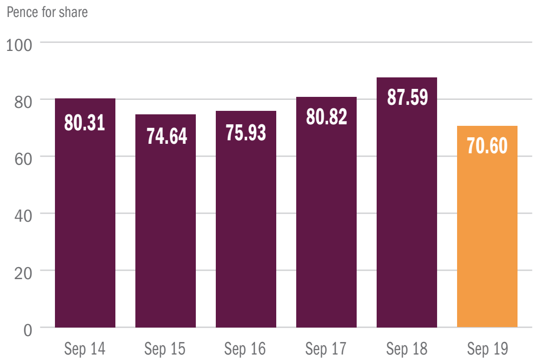
125.75p[1]
NAV total return since inception

5.15p
Tax free dividends paid in the period

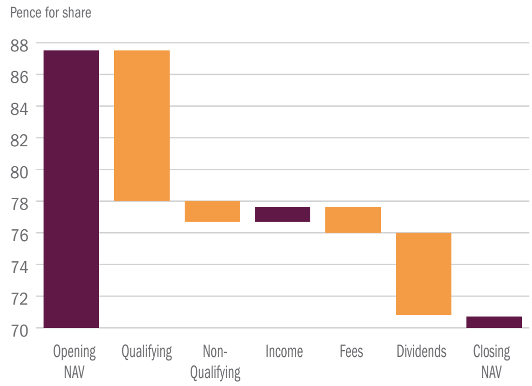
5.37%[1]
5 year average share price discount

2.05%[1]
Maintained a low ongoing charges ratio

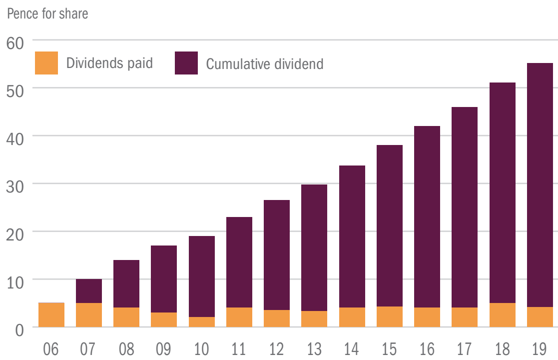
NAV per share



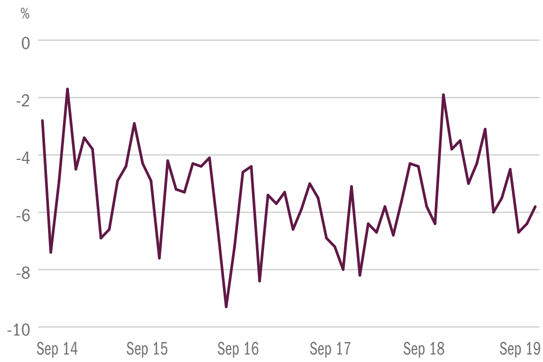
Contribution to NAV performance



Dividends paid per calendar year



Discount to NAV



Earnings per share	2019	2018
Revenue return	(0.01)p	(0.19)p
Capital return	(11.04)p	11.81p
Combined return	(11.05)p	11.62p

Financial Calendar	
Record date for annual dividend	10 January 2020
Payment of annual dividend	11 February 2020
Annual General Meeting	4 February 2020
Announcement of half-yearly results for the six months ending 31 March 2020	June 2020
Payment of interim dividend (subject to Board approval)	July 2020

[1] Alternative performance measure definitions and illustrations can be found on page 68.

Chairman's statement

Introduction

Following the success of our offer for subscription which raised £25 million, I would like to welcome a large number of new shareholders.

Performance

At 30 September 2019, the net asset value (NAV) per share was 70.60 pence which after adjusting for the dividends paid gives a NAV total return since inception of 125.75 pence. The earnings per share combined return for the year was a loss of 11.05 pence (comprising a revenue loss of 0.01 pence and a capital loss of 11.04 pence). The NAV total return (NAV plus dividends paid) for the period was a loss of 13.5% compared to a loss of 19.4% in the FTSE AIM All-share total return Index in the year to 30 September 2019.

It is disappointing to report a negative return for the year, which started poorly amidst some challenging market conditions within the first quarter of the financial year. Subsequent performance was better, albeit with only modest gains posted in the quarters as many small companies traded through a highly uncertain political and economic environment.

Investments

During the year, the investment manager, Hargreave Hale Limited, invested £12.0 million into 14 Qualifying Companies. The fair value of Qualifying Investments at 30 September 2019 was £79.6 million invested in 79 AIM companies and 9 unquoted companies. £65.0 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 17.

Dividend

In the 12 month period to 30 September 2019, the Company paid dividends totalling 5.15 pence. A special dividend of 1 penny was paid on 24 October 2018, a final dividend of 2.65 pence in respect of the previous financial year was paid on 8 February 2019 and an interim dividend of 1.50 pence paid on 26 July 2019 (interim 2018: 1.75 pence).

On 31 October 2019, the Company announced a special dividend of 1.75 pence returning to shareholders proceeds arising from the realisation of some of the Company's underlying investments. The dividend payment was made on 28 November 2019 to shareholders on the register on 8 November 2019.

A final dividend of 2.25 pence is proposed (2018: 2.65 pence) which, subject to shareholder approval at the Annual General Meeting, will be paid on 11 February 2020 to ordinary shareholders on the register on 10 January 2020.

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, 4,076,170 shares (nominal value £40,762) were purchased during the year at a cost of £2,902,402 and an average price of 71.20 pence per share. A further 615,077 shares have been purchased since the year end at an average price of 66.78 pence per share.

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

The Company has a 5 year average share price discount of 5.37%.

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 was 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. On 24 January 2019, the Company announced it had received valid applications in respect of the full £5 million over-allotment facility and closed the offer for further applications at that time. On 11 April 2019, the Directors announced the offer was closed.

The offer resulted in gross funds being received of £25.0 million and the issue of 31.4 million new shares in the Company.

Cost efficiency

Your Board reviews costs incurred by the Company on a regular basis and are focused on maintaining a competitively low ongoing charges ratio. The year end ongoing charges ratio was 2.05% when calculated in accordance with the AIC's "Ongoing Charges" methodology. This approach includes indirect costs incurred by underlying investment funds held by the Company such as the Marlborough Special Situations Fund. As the investment advisor to the Marlborough Special Situations Fund, Hargreave Hale Limited makes an adjustment to its investment management fee to ensure the VCT is not charged twice for their services.

Expenses are expected to rise in the current year. Most of this is driven by changes to the investment management, administration, custody and directors fees and reflect investments made by the Company and Canaccord Genuity Wealth Limited to strengthen the board of directors, expand the size of the fund management team working on the VCT (to support the investment into private companies) and improve the governance and administration of the Company.

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 including some costs which are not treated as ongoing charges under the AIC's approach and therefore shows a higher figure than the published ongoing charge ratio. The current KID is published on the Company's website www.hargreaveaimvcts.co.uk.

Hargreave Hale Limited integration with Canaccord Genuity Wealth Limited

The integration of Hargreave Hale Limited's private client business into Canaccord Genuity Wealth Limited (CGWL) was completed on 8 April 2019. The fund management business remains within Hargreave Hale Limited, a wholly owned subsidiary of CGWL. The ultimate parent company of CGWL is Canaccord Genuity Group Inc.

New agreements

Following the acquisition of Hargreave Hale Limited by CGWL the Company has entered into a series of new agreements with CGWL.

As previously announced, on 5 April 2019 the Company entered into a new custody agreement with CGWL. Under the terms of the new custody agreement the annual custody fee was increased from £10,000 to £30,000. On 25 June 2019, the Company entered into new administration and secretarial contracts with CGWL. As part of the new arrangements Stuart Brookes was replaced by CGWL as the Company's named company secretary. Under the new agreements the annual fee for administration services increased from £110,000 to £195,000. The fee for secretarial services remains unchanged at £17,000.

Investment management will continue to be provided by Hargreave Hale Limited under a new agreement which commenced on 25 June 2019. As previously disclosed the annual fee payable to the investment manager increased to 1.7% with effect from 1 April 2019. The annual fee continues at this rate under the new agreement. The investment manager's previous entitlement to earn a performance fee has been removed under the updated arrangements.

Related party transactions

As the Company's investment manager, Hargreave Hale Limited is a related party to the Company for the purposes of the Listing Rules. As Hargreave Hale Limited and CGWL are part of the CGWM group, CGWL also falls within the definition of a related party as they are part of the same group as the investment manager.

In addition to the new agreements set out above the Board has resolved to increase the Directors' fees. Oliver Bedford, a non-executive director of the Company is also an employee of the investment manager and the fee in respect of his position on the Board is paid to the investment manager.

The Company announced the increase in the investment manager's fees and the new custody arrangements on 16 May 2018 and 10 April 2019 respectively.

When aggregated with the commission received by the investment manager in relation to the offer agreement entered into on 19 September 2018 the increase in the annual administration fees, custody fees and the director's fee paid to Hargreave Hale Limited in respect of Oliver Bedford's appointment are classified as smaller related party transactions as defined in LR 11.1.10R.

VCT fund management team

On 1 July 2019, Oliver Bedford assumed the role of lead manager of the Hargreave Hale AIM VCT plc. He is supported by Lucy Bloomfield (co-manager) with whom he works closely to deliver the investment strategy. Giles Hargreave continues to act as a co-manager to the VCT focusing primarily on supporting the delivery of the non-qualifying investment strategy through the direct investment of the Company's capital into listed equities as permitted by the VCT rules.

Board composition

As disclosed in the interim report, following a review, the Directors decided it would be beneficial to the Company to improve diversity and to recruit another independent non-executive director with skills that are complementary to the existing directors.

I am delighted to welcome Angela Henderson to the Board as a non-executive director appointed on 29 October 2019. Angela is a non-executive director at Credit Suisse Asset Management Limited with over

20 years experience in the financial services sector having worked at Citco Fund Services and the equities divisions of Deutsche Bank and Barclays. Please see page 27 Board of directors for further details.

I am also delighted to welcome Louise Page who joined the Company as a Board Observer on 29 October 2019. Louise is currently chief financial officer and director of corporate services for the National Trust for Scotland. Louise is a chartered accountant and prior to joining the National Trust for Scotland worked in the financial services industry from 1999 to 2018.

I have been Chairman of your Board since the Company was founded in 2004. I will be stepping down as Chairman at the AGM on 4 February 2020, at which point David Brock will succeed me. I will take over as Chairman of the Audit Committee on an interim basis and in due course we will recruit an additional director at which time I intend to retire fully.

Given our need to appoint new directors and our wish to attract the best available talent, we felt it important to review the directors' remuneration to ensure it remained competitive with the industry. Directors remuneration was last reviewed in 2015. Having compared remuneration levels across the VCT industry and considered the increased level of engagement the Board has with the Company (in part a response to the increasingly complex regulatory environment), it was agreed that the Chairman should receive £32,000 and the other directors £25,000, with an extra £3,000 for the Chairman of the Audit Committee. These changes took effect on 1 October 2019.

Shareholder event

Both your Board and the investment manager are keen to improve interaction with our shareholders. I am pleased to report that we held one shareholder event within the reporting period and another post period end. Historically, these events have only drawn a modest response, typically 20-30 shareholders. In a bid to attract wider attendance, we held our most recent event at an external venue with better facilities and more convenient transport links. We were delighted to see a much improved response with 119 shareholders joining us at Everyman Cinema on 28 November 2019.

VCT regulatory update

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

New legislation introduced through the Finance Act 2018 came into effect for your Company from 1 October 2019. The legislation requires the Company to maintain at least 80% (previously 70%) of its investments (as measured by book cost) in Qualifying Companies. As before, the Company continues to benefit from a 3-year disregard on new capital, which is measured from the start of the financial year in which the shares were issued. The legislation also now requires 30% of funds raised to be invested in Qualifying Companies within 12 months from the end of the financial year in which the shares were issued.

VCT status

I am pleased to report that we continue to perform well against the requirements of the legislation and at the period end, the investment test was 96.6% when measured using HMRC's methodology. The investment test dropped to 85.3% on 1 October 2019 as shares issued in the 2016 financial year fell into the calculation for the first time. The Company's investment test has consistently tracked ahead of the higher threshold, giving the Board confidence that the Company can meet this new requirement. The Company satisfied all other tests relevant to its status as a Venture Capital Trust.

Key information document

I am sure most of you are all too familiar with the new EU's PRIIPs regulation which came into effect in January 2018. The intent is to increase customer protection by improving the functioning of financial markets and in this instance through the Key Information Document (KID) to provide shareholders with more information about the risks, potential returns and charges within VCTs. The regulation requires the Company to publish a 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 KID has been prepared using the methodology prescribed in the PRIIPS regulation. Although well intended, there are widespread concerns about the application of some aspects of the prescribed methodologies to VCTs. Specifically, there are concerns 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.

The Association of Investment Companies (AIC) has engaged on this matter and it is hoped that these issues will be resolved in the future. In the meantime, the Board recommends shareholders continue to classify VCTs as a high risk investment.

Outlook

Re-reading my outlook statement from last year's annual report, it struck me how little has changed in the past year. We continue to live in 'interesting times' whilst BREXIT still dominates our political, economic and corporate landscape. Shareholders will have their own views on this most divisive of topics, although I suspect all of us welcome the clarity that springs from the resounding Conservative win.

With the substantial majority that he now has Boris Johnson can forge ahead dealing with the EU without being deflected by any of the extremes in his party. The sooner this is resolved the sooner we can all think of something else. I am pleased to see that markets seem to have welcomed the election result and have generally started to rise.

Sir Aubrey Brocklebank
Chairman

19 December 2019

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.

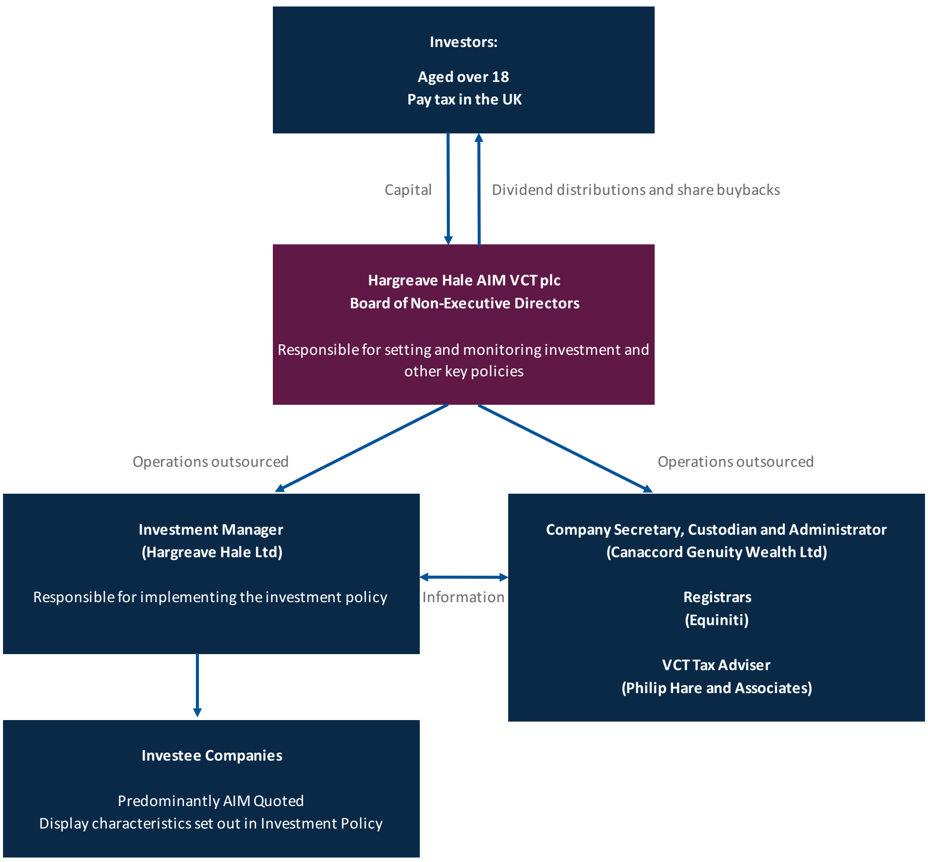
In common with many other VCTs, the Company revoked its status as an investment company as defined in Section 266 of the Companies Act 1985 on 23 May 2006 to facilitate the payment of dividends out of capital profits.

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 registered as a small UK Alternative Investment Fund Manager (AIFM) with a Board comprising of five non-executive directors, four of whom are independent. Hargreave Hale Limited acts as investment manager whilst Canaccord Genuity Wealth Limited acts as administrator and 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 exercises these responsibilities through delegation to Hargreave Hale/Canaccord Genuity Wealth Limited as it considers appropriate.

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



Investment objectives, policy and strategy

Investment objectives and policy

Investment objectives

The Company's investment objectives are:

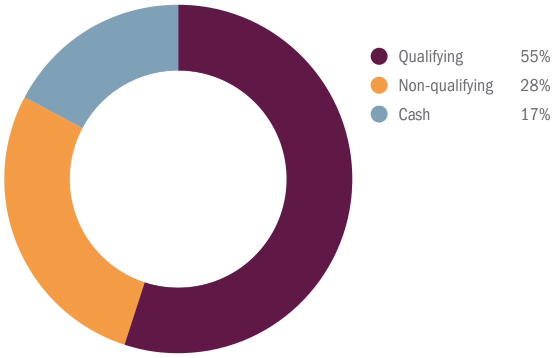
- to invest in a diversified portfolio of small UK based Qualifying Companies on a high risk, medium term capital growth basis, primarily being companies which are traded on AIM and which have the opportunity for significant value appreciation;
- to invest in smaller companies which may not be readily 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 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 has been managing investments in UK Small and Micro Cap companies for 21 years and VCTs for 15 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. On 1 July 2019, Oliver Bedford assumed the role of lead manager of the Hargreave Hale AIM VCT plc. He is supported by Lucy Bloomfield, a co-manager of the VCT with whom he works closely to deliver the investment strategy. Giles Hargreave continues to act as a co-manager to the VCT, focusing primarily on supporting the delivery of the non-qualifying investment strategy through the direct investment of the Company's capital into listed equities as permitted by the VCT rules, 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.

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, within the period under review the Company was required to have at least 70% 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.

Looking ahead, the VCT is now required to invest and maintain a minimum of 80% of the fund in Qualifying Investments as measured by the VCT rules, it is likely that the investment manager will target a higher threshold of approximately 85% in order to provide some element of protection against an inadvertent breach of the VCT rules. The Company's maximum exposure to a single company is limited to 15% of net assets at book cost at the date of investment.

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 often have 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 may 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% (7.9% as at 30 September 2019) 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 Marlborough Special Situations Fund has an excellent long term track record having returned 2,866% (equivalent to an average 17.5% per annum to 30 September 2019) since Giles Hargreave took responsibility for it in July 1998.

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.

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.

Key performance indicators

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

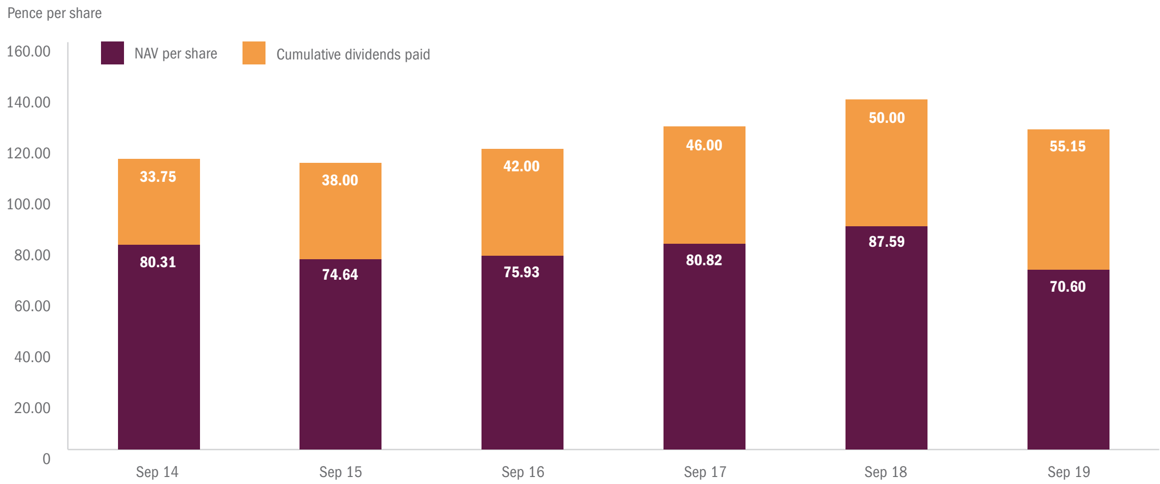
Further commentary on the performance of these KPIs has been discussed in the chairman's statement and investment manager's report on pages 4 to 7 and 17 to 18 respectively.

1. Net asset value and total return

In the financial year under review, net assets decreased from £154.8m to £144.0m. This decrease of £10.8m was made up of a loss for the year of £22.2m, buybacks of £2.9m, dividends paid of £10.2m and offset by £24.5m from new shares issued through the subscription. The net asset value per share decreased from 87.59p to 70.60p resulting in a loss to ordinary shareholders of 11.84 pence per share (-13.5%) after adjusting for dividends paid in the year. During the same period, the total return since inception decreased by 8.6%.

It is disappointing to report a negative return for the year which resulted from a challenging market environment in the Company's first quarter in which the valuation of growth stocks was under particular pressure. Performance has subsequently stabilised and whilst negative in absolute terms is some way ahead of the FTSE AIM All-Share total return for the last 12 months.

Net asset value and total return



2. Ongoing charges ratio

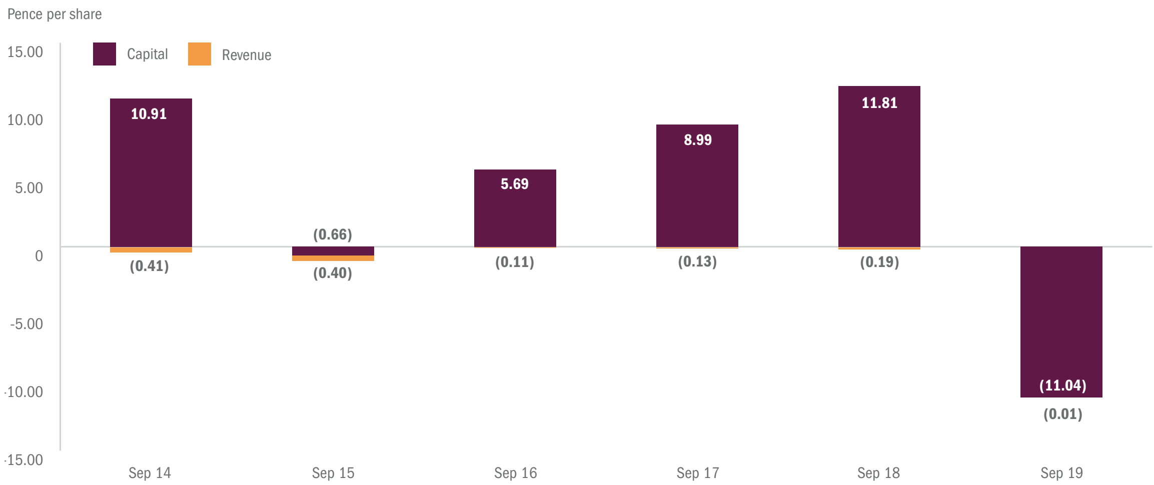
The ongoing charges of the Company for the financial year under review represented 2.05% (2018: 1.87%) of average net assets, which remains competitive against the whole VCT industry and similar to other AIM VCTs. This ratio is calculated using the AIC's "Ongoing Charges" methodology. Cost control and 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 2019, together with those of the previous five financial years are shown below.

It is frustrating to report a total earnings per share loss for the year of 11.05 pence per share. The challenging market environment previously mentioned resulted in an unrealised loss on investments of £19.5m for the year which was the predominant cause.

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 may vary from year to year in both quantum, depending on investment performance, and timing. 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.

A total of 5.15 pence per share of dividends were paid during the year, comprised of a special dividend of 1 pence paid on 24 October 2018 and 4.15 pence of ordinary dividends. Ordinary dividends paid during the year included an interim dividend of 1.50 pence and a final dividend of 2.65 pence.

A final dividend of 2.25 pence per share will be proposed at the Annual General Meeting which when added to the interim dividend of 1.50 pence paid on 26 July 2019 represents a yield from ordinary dividends of 5.3% of the 30 September 2019 closing NAV of 70.60 pence per share.

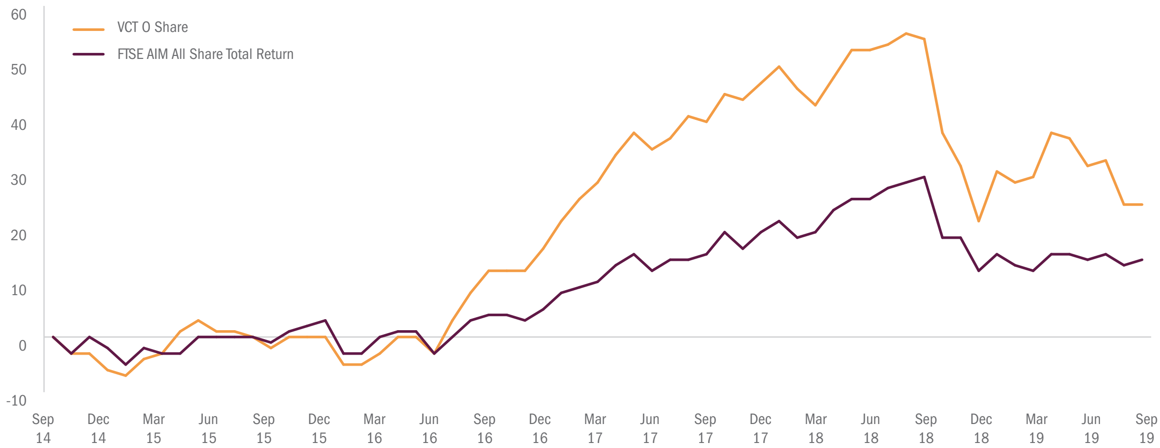
5. Percentage invested in qualifying companies

The investment test increased from 93.2% to 96.6% in the year. The Company invested £12.0 million into 14 Qualifying Companies, 5 of which were investments into new Qualifying Companies. The Board is pleased with this result. The fair value of the qualifying portfolio decreased from £87.6m to £79.6m resulting from a combination of the above additions and unrealised losses for the period. The Board believes that the Company will continue to meet the HMRC defined investment tests on an ongoing basis.

In addition, the Board considers peer group comparative performance whilst recognising that the relevant peer group is very small. 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.

Within our portfolio of equity investments, 62% of the portfolio is invested in constituents of the AIM All-Share. The FTSE 250 represented 12% and the FTSE 100 represented 10%. If private companies are excluded from the portfolio, the exposure to the AIM All-Share rises to 71%.

VCT vs benchmark



Source: Bloomberg

For further details please refer to the investment managers report on pages 17 to 18.

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 board meetings. The Board may exercise these responsibilities through delegation to Hargreave Hale Limited and Canaccord Genuity Wealth Limited as it considers appropriate. The principal risks facing the Company relate to the Company's investment activities and include risks stated below:

Risk	Potential 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. Investments in small companies are often illiquid and may be difficult to realise.	The Board has appointed an investment manager with significant experience of investing in small companies. The investment manager maintains a broad portfolio of investments, individual Qualifying Investments rarely exceed 5% of net assets, and holds regular company meetings to monitor investments and identify potential risk. The fund's liquidity is monitored on a regular basis by the investment manager.
The Company is exposed to potentially destabilising economic and political developments such as recession, sharp changes in interest rates or the UK's exit from the European Union.	Events such as these could have a negative impact on stock markets and the value of the Company's investments.	Regular dialogue with the manager provides the Board with assurance that the manager is following the investment policy agreed by the Board and appraises the Board of the portfolio's current positioning in the light of prevailing market conditions.
Compliance risk – The Company is required to comply with the rules of the UK Listing Authority, the Companies Act, Accounting Standards, the General Data Protection Regulation and other legislation. The Company is also a small registered Alternative Investment Fund Manager ("AIFM") and has to comply with the requirements of the AIFM Directive.	Failure to comply with these regulations could result in a delisting of the Company's shares, financial penalties, a qualified audit report or loss of shareholder trust.	Board members have considerable experience of operating at senior levels within quoted businesses. They have access to a range of advisors including solicitors, accountants and other professional bodies and take advice when appropriate.
Operational risk and outsourcing – Failure in the investment manager/ administrator or other appointed third party systems and controls or disruption to its business.	Failures could put the assets of the Company at risk or result in reduced or inaccurate information being passed to the Board or shareholders. Quality standards may be reduced through lack of understanding or loss of control.	The Company has in place a risk matrix and a set of internal policies which are reviewed on a regular basis. It has written agreements in place with its third-party service providers. The Board receives regular reports from the investment manager, administrator and custodian to provide assurance that appropriate oversight is in place. Additionally the Board receives a control report from the Company's registrars on an annual basis. Where tasks are outsourced to other third parties, reputable firms are used and performance is reviewed periodically.
Political risk – The VCT scheme is brought to an end as a result of a change in government policy.	Loss of future tax incentives leading to the VCT sector as a whole becoming unattractive to investors.	The Board keeps abreast of current thinking through contact with industry associations and its advisors.
Key personnel risk – A change in the key personnel involved in the management of the portfolio.	Potential impact on investment performance.	The Board discusses key personnel risk and resourcing with the investment manager periodically. The VCT team within the investment manager has increased in size over the last eighteen months which helps to mitigate this risk.

Additional risks and further details of the above risks and how they are managed are explained in note 15 of the financial statements. Trends affecting future developments are discussed in the chairman's statement on pages 4 to 7 and the investment manager's report on pages 17 to 18.

Long term viability statement and other policies

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 on a regular basis.

Details of the continuation vote are contained in the Company's Articles of Association. At the Annual General Meeting to be held in 2025, the Directors shall propose an ordinary resolution that the Company should continue as a venture capital trust.

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

- the Company maintains a broad portfolio of investments including approximately £40.4 million invested in non-qualifying investments and a further £24.6 million in cash at the year end. The Company therefore has sufficient liquidity which is monitored quarterly;
- the Company is well invested against the HMRC investment test and ended the year at 96.6% invested in Qualifying Companies. The Board anticipates that there will continue to be suitable Qualifying Investments available over the next five years;
- the ongoing charges ratio of the Company for the year end was 2.05%, which is competitive for the VCT sector;
- the financial position of the Company at 30 September 2019 was strong with no debt or gearing; and
- the Company has sufficient procedures in place to identify, monitor and control risk.

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

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

Other policies

Diversity

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

Environmental 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 the Company has no employees it 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 page 7.

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

Sir Aubrey Brocklebank

Chairman

19 December 2019

Investment manager

Established in 1897, Hargreave Hale has evolved into a leading UK small cap fund manager. In September 2017, the firm became a member of the Canaccord Genuity Wealth Limited (CGWL) group of companies and a wholly owned subsidiary of Canaccord Genuity Group Inc.

The lead manager of the VCT is Oliver Bedford. He is supported by Lucy Bloomfield (co-manager) who works closely with Oliver Bedford to deliver the investment strategy. Giles Hargreave continues to act as a co-manager to the VCT focusing primarily on supporting the delivery of the non-qualifying investment strategy through the direct investment of the Company's capital into listed equities as permitted by the VCT rules. The VCT management team is also supported by the rest of Hargreave Hale's fund management team of 16. The fund management team manages approximately £5.0 billion (30 Sep 2019), including approximately £3.2 billion invested in small companies. 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.

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 is the lead manager of the VCT and supports other unit trusts as part of the fund management team.

Lucy Bloomfield

Lucy joined the Hargreave Hale VCT team in August 2018. Prior to this she spent 8 years as an analyst and UK Small & Mid-cap fund manager at BlackRock before her most recent role as a European Small & Mid-cap fund manager with Ennismore Fund Management. Lucy graduated from Durham University in 2007 with a degree in Economics and is a CFA charterholder.

Giles Hargreave

Giles Hargreave is the head of Hargreave Hale's fund management team and manager of the Marlborough Special Situations Fund. He also co-manages the Marlborough UK Micro Cap Growth Fund and the Marlborough UK Nano-Cap Growth Fund.

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).

£5.0b
In fund management Assets

£3.2b
Invested in small companies

21 year
Track record in fund management

1500+
Meetings with companies per annum

Source: Hargreave Hale Limited (as at 30 September 2019).

Investment manager's report

Introduction

This report covers the 2018/19 financial year, 1 October 2018 to 30 September 2019. 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

The year under review started off with the markets firmly on the back foot. The political landscape, at home and abroad, was contentious and confrontational. There were questions about the outlook for the US economy amidst an escalating Sino-American trade war; the US yield curve inverted. This all made for a difficult market environment, particularly for growth stocks. Global equity markets suffered a painful sell off in late 2018, making it the worst year for shares since 2008. 2019 started with soothing comments from the Chairman of the Federal Reserve, who talked of a 'patient' approach to monetary policy tightening. This was enough to bring investors back into the equity markets, where there was clear value on offer and an attractive dividend yield, 5% in the case of FTSE 100. In many respects, little has changed since then. In response, many central banks loosened monetary policy or signalled that they might, in some cases supported by new fiscal programmes. Fears of a 2020 US recession faded away.

As we moved through the early part of the year, it became increasingly clear that parliament would not support a 'no deal' departure from the EU, triggering a notable rally in those companies whose fortunes are most directly tied to the domestic economy. This optimism did not filter all the way through the market and, by and large, investors have stayed away from the smallest companies on the public markets.

The uncertainty of the past year has depressed deal flow, mostly obviously IPO activity on AIM, which has been at its lowest in a decade. Fortunately, we have a broad portfolio of existing investee companies, many of whom require further growth capital. This, coupled with our ability to provide capital through off-market transactions, has ensured we were able to deploy funds in line with our original budget. The drop off in AIM IPOs this year mirrored the trend on the main market. We expect to see a pick up in activity next year.

We have always viewed our non-qualifying equity as discretionary risk and have therefore continued to run a more defensive portfolio; we took further steps in the summer to reduce risk and improve liquidity.

Performance

In the twelve months to 30 September 2019, the NAV decreased from 87.59p to 70.60p. A total of 5.15 pence per share was paid in dividends, giving investors a total return of -11.84 pence per share, which translates to a loss of 13.5%. During the same period, the FTSE AIM All-Share total return lost 19.4%, whilst the FTSE All Share total return gained 2.7%.

The Qualifying Investments made a net contribution of -9.47 pence per share. The adjusting balance was the net of non-qualifying portfolio losses, running costs and investment income.

Blackbird was the top performing Qualifying Investment (+85.5%, +0.48 pence per share) as a significant contract with the US Department of State, collaboration with Google and increased adoption by several US new channels for its innovative cloud-based video post-production editing platform was announced over the period. Gousto was the second largest contributor to positive performance (+27.2%, +0.47 pence per share), as the company continues to progress in line with its strategy. Angle (+86.2%, +0.42 pence per share), Cohort (+33.2%, +0.30 pence per share) and Crosswords (+48.3%, +0.25 pence per share) were also significant contributors over the period.

Disappointingly, our biggest drawdowns came from our more established companies. The most notable was Learning Technologies (-31.8%, -1.48 pence per share). Following strong outperformance in the previous year, a combination of the market sell off, a poorly timed management share sale and negative research note saw the share price fall 60% to a low of 62p during the year. The shares staged a recovery as the company upgraded guidance driven by better margin performance. Other losses came from Honest Brew (-77.6%, -0.83 pence per share) following a challenging period over Christmas 2018. The company has developed a revised business plan that includes a new membership model and range expansion. Trading has been good through the autumn and in the run up to Christmas. Zoo Digital (-35.2%, -0.99 pence per share), Creo (-35.1%, -0.91 pence per share) and Loop Up (-85.9%, -0.79 pence per share) also endured meaningful falls in their share price. Zoo Digital and Creo have rallied strongly off their 2019 lows and we remain positive on their prospects.

We invested £12.0m into 14 Qualifying Companies over the period, comprising 9 existing Qualifying Companies

(3 private), 2 secondary placings, 2 IPOs and 1 additional private company.

Within the qualifying portfolio we reduced our investments in Blackbird, Crossword Cybersecurity, Learning Technologies and Renalytix. In each case, we were selling into strength. We lost Sanderson to a takeover by private equity. We also made complete exits from Fulcrum Utilities and Velocity Composites due to growing concerns over the outlook for both companies. Post period end, we lost a further two Qualifying Companies (APC Technology and Synnovia (formerly Plastics Capital)) to bids from private equity.

Portfolio structure

The VCT is comfortably through the HMRC defined investment test and ended the period at 96.6% invested as measured by the HMRC investment test. By market value, the VCT had a 55.3% weighting to Qualifying Investments.

The allocation to non-qualifying equity investments increased from 18.5% to 20.1%. We continued to make use of the Marlborough Special Situations Fund as a temporary home for proceeds from fundraising; the allocation decreased from 9.0% to 7.9%. The Marlborough Special Situations Fund returned a loss of 10.1% in the period (-0.72 pence per share). The non-qualifying direct equity investments contributed -0.60 pence per share to the overall loss. Within the period, Future plc returned +154% (+0.83 pence per share), making it the single biggest positive contributor to the net asset value. Investors responded positively to strong execution of the company's mixture of organic and acquisition led growth, which drove performance ahead of market expectations. The period ended with no fixed income investments and an increase in the cash weighting from 16.1% to 17.1%.

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

Global equity markets have been more benign post period end, with US indices hitting new highs as some of the more recent political risks fall away, at least for now. Markets have also found support from the more dovish stance adopted by many central banks and, in the case of the UK and elsewhere, talk of fiscal stimulus. The General Election has produced some welcome clarity on how and when the UK will exit the EU. This, along with confirmation that we will continue to operate within a free market economy, should support a more benign backdrop for the small domestically orientated companies that we invest in. The NAV has fallen from 70.60 pence to 69.90 pence in the period to 13 December 2019, equivalent to a gain of 1.5% after adjusting for the 1.75 pence special dividend paid on 28 November 2019.

We continued to deploy capital into Qualifying Companies in line with the budget, despite the lack of IPO activity on AIM. £3.0m has been invested into existing Qualifying Companies including 1 private company.

As of 18 December 2019, the share price of 66.50 pence represented a discount of 4.9% to the last published net asset value per share.

For further information please contact:

Oliver Bedford

Lead Manager

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Hargreave Hale AIM VCT plc,
41 Lothbury
London, EC2R 7AE
0207 523 4837

19 December 2019

Investment portfolio summary

As at 30 September 2019

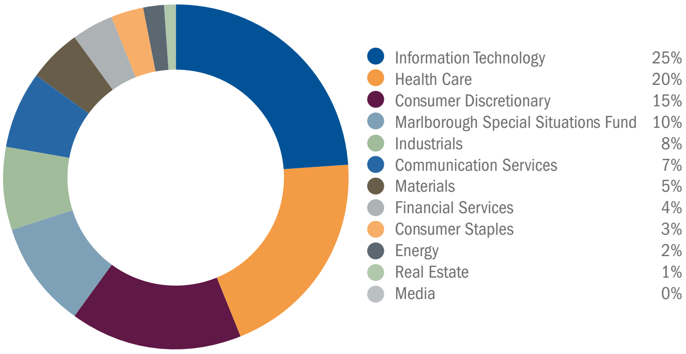
	Net Assets % at 30/9/19	Cost £000	Cumulative Movement in value £000	Valuation £000	Change in Value for the year £000[2]	Market	COI[1]
Qualifying Investments							
Learning Technologies Group plc	3.92	2,487	3,153	5,640	(2,867)	AIM	Y
SCA Investments Ltd (Gousto)	3.13	2,484	2,026	4,510	965	Unlisted	Y
Hardide plc	2.63	3,136	651	3,787	507	AIM	Y
Ideagen plc	2.62	1,992	1,777	3,769	(336)	AIM	N
Zoo Digital Group plc	2.53	2,266	1,383	3,649	(1,985)	AIM	N
Creo Medical Group plc	2.30	2,329	983	3,312	(1,790)	AIM	Y
Cohort plc	1.73	619	1,879	2,498	622	AIM	Y
Craneware plc	1.68	125	2,296	2,421	(813)	AIM	Y
Aquis Exchange plc	1.66	765	1,620	2,385	274	AIM	Y
Oxford Genetics Ltd	1.52	2,186	-	2,186	-	Unlisted	Y
Blackbird plc	1.38	777	1,213	1,990	892	AIM	N
Abcam plc	1.31	55	1,831	1,886	(477)	AIM	Y
Angle plc	1.29	1,158	701	1,859	861	AIM	N
Diaceutics plc	1.29	1,550	305	1,855	306	AIM	Y
Beeks Financial Cloud Group plc	1.13	1,038	586	1,624	(754)	AIM	Y
Zappar Ltd	1.11	1,600	-	1,600	2	Unlisted	N
Mexican Grill Ltd (A Preference Shares)	1.11	1,013	586	1,599	218	Unlisted	N
Surface Transforms plc	1.08	980	568	1,548	485	AIM	Y
Eagle Eye Solutions Group plc	1.03	1,642	(162)	1,480	287	AIM	Y
Crossword Cybersecurity plc	0.90	877	423	1,300	423	AIM	Y
Science in Sport plc	0.87	1,479	(229)	1,250	(480)	AIM	Y
Quixant plc	0.80	1,209	(53)	1,156	(1,430)	AIM	Y
Escape Hunt plc	0.77	1,959	(856)	1,103	(704)	AIM	Y
Laundrapp Ltd (Ordinary & "D" Shares)	0.72	2,236	(1,197)	1,039	(427)	Unlisted	N
EKF Diagnostics Holdings plc	0.69	565	431	996	(57)	AIM	Y
Location Sciences Group plc	0.65	1,000	(67)	933	(67)	AIM	Y
Cloudcall Group plc	0.63	1,287	(376)	911	13	AIM	N
Clearstar Inc	0.61	720	160	880	(255)	AIM	Y
Equals Group plc	0.61	750	126	876	(634)	AIM	N
AnimalCare Group plc	0.59	720	135	855	(204)	AIM	N
Infinity Reliance Ltd (My 1st Years 'D' shares)	0.59	1,500	(647)	853	(395)	Unlisted	Y
Everyman Media Group plc	0.52	600	151	751	(173)	AIM	Y
Infinity Reliance Ltd (My 1st Years 'C' shares)	0.47	1,000	(318)	682	(317)	Unlisted	Y
Gfinity plc	0.46	1,526	(863)	663	(691)	AIM	N
K3 Business Technology Group plc	0.44	270	366	636	(84)	AIM	Y
Belvoir Group plc	0.44	762	(127)	635	6	AIM	N
Maxcyte Inc Com Stk USD0.01 (DI)	0.44	932	(298)	634	(653)	AIM	Y
Yourgene Health plc	0.43	521	99	620	-	AIM	N
Instem plc	0.42	297	312	609	116	AIM	Y
CentralNic Group plc	0.42	588	12	600	(38)	AIM	Y
Intelligent Ultrasound Group plc	0.40	800	(219)	581	(30)	AIM	N
Idox plc	0.39	135	432	567	(65)	AIM	Y
Tristel plc	0.39	543	15	558	(12)	AIM	N
Synnovia plc	0.38	478	73	551	54	AIM	N
The Property Franchise Group plc	0.37	377	156	533	61	AIM	Y
PCI-PAL plc	0.36	810	(290)	520	21	AIM	Y
Honest Brew Ltd	0.34	2,200	(1,707)	493	(1,704)	Unlisted	N
Globaldata plc	0.32	173	284	457	117	AIM	Y
Reneuron Group plc	0.31	606	(165)	441	322	AIM	N
bigblu Broadband plc	0.30	347	84	431	11	AIM	Y

	Net Assets % at 30/9/19	Cost £000	Cumulative Movement in value £000	Valuation £000	Change in Value for the year £000[2]	Market	COI[1]
Qualifying Investments							
ULS Technology plc	0.29	770	(356)	414	(657)	AIM	N
Portr Ltd (Ordinary & "A" Shares)	0.28	1,788	(1,378)	410	(819)	Unlisted	N
APC Technology Group plc	0.28	291	111	402	106	AIM	Y
Maxcyte Inc Com Stk USD0.01 (DI/ REG S)	0.27	582	(188)	394	(188)	AIM	Y
Ilika plc	0.26	507	(129)	378	82	AIM	Y
Intercede Group plc	0.24	305	38	343	55	AIM	Y
WANDisco plc	0.23	346	(10)	336	(176)	AIM	N
Vertu Motors plc	0.23	600	(270)	330	(101)	AIM	Y
Faron Pharmaceuticals Oy	0.22	2,218	(1,898)	320	(1)	AIM	N
KRM22 plc	0.22	619	(309)	310	(358)	AIM	Y
Fusion Antibodies plc	0.19	414	(141)	273	(12)	AIM	Y
Loopup Group plc	0.18	1,204	(944)	260	(1,581)	AIM	Y
DP Poland plc	0.17	1,390	(1,143)	247	(1,260)	AIM	Y
i-nexus Global plc	0.15	700	(478)	222	(406)	AIM	Y
C4X Discovery Holdings plc	0.15	500	(283)	217	(283)	AIM	Y
Osirium Technologies plc	0.14	858	(663)	195	(656)	AIM	Y
Mexican Grill Ltd (Ordinary Shares)	0.12	113	65	178	24	Unlisted	N
Renalytix AI plc	0.11	81	82	163	82	AIM	Y
TrakM8 Holdings plc	0.11	486	(325)	161	(464)	AIM	N
Mirriad Advertising plc	0.11	610	(452)	158	(169)	AIM	N
Universe Group plc	0.10	210	(67)	143	8	AIM	N
MYCELX Technologies Corporation plc	0.10	361	(220)	141	(244)	AIM	Y
Lidco Group plc	0.09	307	(184)	123	(46)	AIM	N
Mirada plc	0.08	96	16	112	43	AIM	N
Pressure Technologies plc	0.08	170	(60)	110	(20)	AIM	N
Portr Ltd ("B" Shares)	0.07	100	-	100	-	Unlisted	N
Omega Diagnostics Group plc	0.07	129	(32)	97	(32)	AIM	N
Verona Pharma plc	0.06	221	(138)	83	(115)	AIM	Y
Egdon Resources plc	0.05	158	(85)	73	(23)	AIM	Y
Redcentric plc	0.03	42	3	45	(2)	AIM	N
Genedrive plc	0.03	54	(15)	39	(15)	AIM	N
SEC Newgate S.p.A.	0.02	106	(75)	31	(75)	AIM	N
Hawkwing plc	0.02	135	(113)	22	(113)	AIM	N
Laundrapp Ltd ("A" Preference Shares)	0.01	213	(195)	18	(195)	Unlisted	N
Microsaic Systems plc	0.01	26	(10)	16	(14)	AIM	N
Tasty plc	0.01	40	(31)	9	(31)	AIM	Y
Midatech Pharma plc	0.01	53	(46)	7	(22)	AIM	N
Mporium Group plc	-	33	(31)	2	(23)	AIM	N
Fusionex International plc	-	-	-	-	-	Unlisted	N
Abal Group plc	-	-	-	-	-	AIM	Y
FlowGroup plc	-	26	(26)	-	-	Unlisted	N
Infoserve Group plc	-	-	-	-	-	Unlisted	N
Paragon Entertainment Ltd	-	87	(87)	-	(78)	Unlisted	N
Total - Qualifying Investments	**55.27**	72,418	**7,176**	**79,594**	**(18,658)**		
Non qualifying investments							
Marlborough Special Situations Fund	7.94	10,965	475	11,440	(1,473)	Unlisted	Y
Total unit trusts	**7.94**	10,965	**475**	**11,440**	**(1,473)**		
Future plc	1.84	944	1,700	2,644	1,631	Main	Y
JD Sports Fashion plc	1.19	892	825	1,717	560	Main	Y
Melrose Industries plc	1.01	1,434	21	1,455	177	Main	Y
Royal Dutch Shell plc	1.00	1,327	110	1,437	(176)	Main	Y

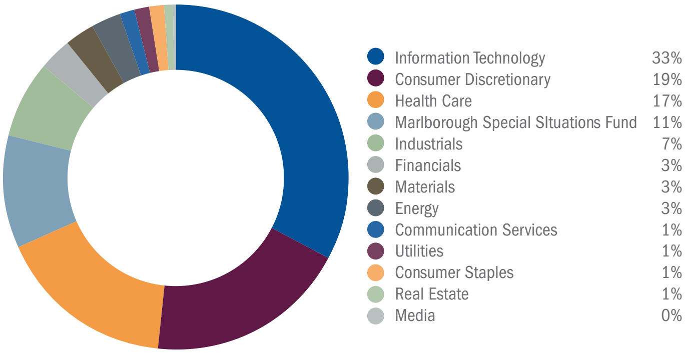
	Net Assets % at 30/9/19	Cost £000	Cumulative Movement in value £000	Valuation £000	Change in Value for the year £000[2]	Market	COI[1]
BP plc	0.93	1,471	(130)	1,341	(460)	Main	Y
Halma plc	0.89	822	458	1,280	353	Main	Y
IntegraFin Holdings plc	0.86	815	417	1,232	243	Main	Y
Hilton Food Group plc	0.85	1,183	39	1,222	(247)	Main	Y
Dechra Pharmaceuticals plc	0.78	854	267	1,121	239	Main	Y
Ascential plc	0.77	1,069	42	1,111	(91)	Main	Y
Tesco plc	0.71	906	118	1,024	119	Main	Y
Fisher (James) & Sons plc	0.70	870	137	1,007	112	Main	Y
Anglo American plc	0.65	727	209	936	37	Main	N
XP Power Ltd	0.55	871	(76)	795	(67)	Main	Y
Spirax-Sarco Engineering plc	0.54	633	152	785	151	Main	N
Glaxosmithkline plc	0.54	707	78	785	78	Main	Y
Cineworld Group plc	0.53	980	(223)	757	(223)	Main	Y
Zotefoams plc	0.51	750	(14)	736	(10)	Main	Y
Trainline plc	0.48	681	17	698	18	Main	Y
TT Electronics plc	0.46	656	9	665	9	Main	Y
NMC Health plc	0.42	570	40	610	(304)	Main	Y
Oxford Biomedica plc	0.42	956	(349)	607	(366)	Main	Y
On the Beach Group plc	0.40	627	(56)	571	(200)	Main	Y
Cohort plc	0.38	367	185	552	138	AIM	Y
Countryside Properties plc	0.37	585	(49)	536	(18)	Main	Y
Prudential plc	0.31	470	(28)	442	6	Main	N
Ocean Wilsons (Holdings) Ltd	0.28	535	(126)	409	(126)	Main	Y
Everyman Media Group plc	0.25	293	71	364	(84)	AIM	Y
Horizon Discovery Group plc	0.24	374	(26)	348	(120)	AIM	Y
Vesuvius plc	0.24	448	(106)	342	(178)	Main	Y
Renishaw plc	0.23	374	(44)	330	(56)	Main	Y
GoCo Group plc	0.22	457	(135)	322	(54)	Main	Y
Quixant plc	0.15	159	55	214	(264)	AIM	Y
Mexican Grill Ltd (A Preference Shares)	0.12	135	37	172	23	Unlisted	N
MYCELX Technologies Corporation plc	0.11	298	(134)	164	(283)	AIM	Y
Ricardo plc	0.11	236	(77)	159	(26)	Main	Y
Mexican Grill Ltd (Ordinary Shares)	0.02	26	(4)	22	3	Unlisted	N
Hargreave Hale AIM VCT plc	-	-	1	1	-	Main	Y
Genagro Ltd	-	-	-	-	-	Unlisted	Y
Total - equity non-qualifying investments	**20.06**	**25,502**	**3,411**	**28,913**	**544**		
Total - non-qualifying investments	**28.00**	**36,467**	**3,886**	**40,353**	**(929)**		
Total investments	**83.27**	**108,885**	**11,062**	**119,947**	**(19,587)**		
Cash at bank	17.11			24,638			
Prepayments & accruals	(0.38)			(543)			
Net assets	**100.00**			**144,042**			

[1] COI – Co investments with other funds managed by Hargreave Hale at 30 September 2019.
[2] 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 £43k which is the total of 22 full investment disposals in the year.

Investments by market sector as at 30 September 2019



Investments by market sector as at 30 September 2018



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

	Listed	Headquartered	Registered
Listed investments:			
Clearstar Inc	UK	USA	Cayman Islands
Faron Pharmaceuticals Oy	UK	Finland	Finland
Horizon Discovery Group plc	UK	UK and USA	UK
Maxcyte Inc Com Stk USD0.01 (DI)	UK	USA	USA
Maxcyte Inc Com Stk USD0.01 (DI/REG S)	UK	USA	USA
MYCELX Technologies Corporation plc	UK	USA	USA
NMC Health plc	UK	UAE	UK
Ocean Wilsons (Holdings) Ltd	UK	Bermuda	Bermuda
Renalytix AI plc	UK	USA	UK
Royal Dutch Shell plc	UK	Netherlands	UK
SEC Newgate S.p.A.	UK	Italy	Italy
WANDisco plc	UK	UK and USA	Jersey
XP Power Ltd	UK	Singapore	Singapore
Unlisted private companies:			
Fusionex International plc	–	Malaysia	Jersey
Genagro Ltd	–	Jersey	Jersey
Paragon Entertainment Ltd	–	UK	Cayman Islands

Top ten investments

As at 30 September 2019 (by market value)

The top ten equity investments are shown below; each is valued by reference to the bid price, or in the case of unquoted companies, the investment manager will apply one or more valuation techniques according to the nature, facts and circumstances of the investment. Forecasts, where given, are drawn from a combination of broker research and/or Bloomberg consensus forecasts and exclude amortisation, share based payments and exceptional items. Forecasts are in relation to a period end for which the company results are yet to be released. Forecasts are not shown for private companies. The net asset figures and net cash values are from published accounts in most cases.

Learning Technologies Group plc			112.8p
Investment date	November 2014	Forecasts for the year to	December 2019
Equity Held	0.75%	Turnover (£'000)	130,300
Av. Purchase Price	49.7p	Profit/(loss) before tax (£'000)	36,800
Cost (£'000)	2,487	Net cash/(debt) June 2019 (£'000)	(13,853)
Valuation (£'000)	5,640	Net assets June 2019 (£'000)	172,763

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.

SCA Investments Ltd (Gousto) (unquoted)			6,738.0p
Investment date	July 2017	Results for the year to	December 2018
Equity Held	1.72%	Turnover (£'000)	49,284
Av. Purchase Price	3,711.0p	Profit/(loss) before tax (£'000)	(16,544)
Cost (£'000)	2,484	Net Cash/(debt) December 2018 (£'000)	16,447
Valuation (£'000)	4,510	Net Assets December 2018 (£'000)	24,550
Income recognised in the 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.

Hardide plc			74.0p
Investment date	March 2005	Forecasts for the year to	September 2020
Equity Held	12.06%	Turnover (£'000)	6,000
Av. Purchase Price	61.3p	Profit/(loss) before tax (£'000)	(800)
Cost (£'000)	3,136	Net cash/(debt) September 2019 (£'000)	4,595
Valuation (£'000)	3,787	Net Assets September 2019 (£'000)	7,698

Company description

Hardide is the leading global innovator and provider of advanced tungsten carbide coatings that significantly increase the working life of critical metal components operating in abrasive, erosive, corrosive and chemically aggressive environments.

Ideagen plc			146.0p
Investment date	December 2014	Forecasts for the year to	April 2020
Equity Held	1.17%	Turnover (£'000)	58,000
Av. Purchase Price	77.2p	Profit/(loss) before tax (£'000)	15,800
Cost (£'000)	1,992	Net cash/(debt) April 2019 (£'000)	(1,301)
Valuation (£'000)	3,769	Net Assets April 2019 (£'000)	73,682

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.

Zoo Digital Group plc			79.0p
Investment date	April 2017	Forecasts for the year to	March 2020
Equity Held	6.21%	Turnover ($'000)	35,000
Av. Purchase Price	49.1p	Profit/(loss) before tax ($'000)	700
Cost (£'000)	2,266	Net cash/(debt) September 2019 ($'000)	(6,864)
Valuation (£'000)	3,649	Net assets September 2019 ($'000)	5,203

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			144.0p
Investment date	December 2016	Forecasts for the year to	December 2019
Equity Held	1.89%	Turnover (£'000)	300
Av. Purchase Price	101.3p	Profit/(loss) before tax (£'000)	(17,100)
Cost (£'000)	2,329	Net cash/(debt) June 2019 (£'000)	38,280
Valuation (£'000)	3,312	Net Assets June 2019 (£'000)	45,727

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.

Cohort plc			526.0p
Investment date	February 2006	Forecasts for the year to	April 2020
Equity Held	1.42%	Turnover (£'000)	149,400
Av. Purchase Price	170.0p	Profit/(loss) before tax (£'000)	20,600
Cost (£'000)	986	Net cash/(debt) October 2019 (£'000)	(6,794)
Valuation (£'000)	3,051	Net Assets October 2019 (£'000)	74,135

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.

Future plc			1,224.0p
Investment date	May 2018	Forecasts for the year to	September 2020
Equity Held	0.27%	Turnover (£'000)	305,833
Av. Purchase Price	436.9p	Profit/(loss) before tax (£'000)	64,367
Cost (£'000)	944	Net cash/(debt) September 2019 (£'000)	(40,300)
Valuation (£'000)	2,644	Net assets September 2019 (£'000)	213,400

Company description
Future plc is a global multi-platform media company. The company is behind successful brands in specialist consumer and B2B sectors including technology, gaming & entertainment, music, creative & photography, home interest, education and television.

Craneware plc			2,470.0p
Investment date	September 2007	Forecasts for the year to	June 2020
Equity Held	0.37%	Turnover ($'000)	76,800
Av. Purchase Price	128.0p	Profit/(loss) before tax ($'000)	19,800
Cost (£'000)	125	Net cash/(debt) June 2019 ($'000)	47,611
Valuation (£'000)	2,421	Net Assets June 2019 ($'000)	59,835

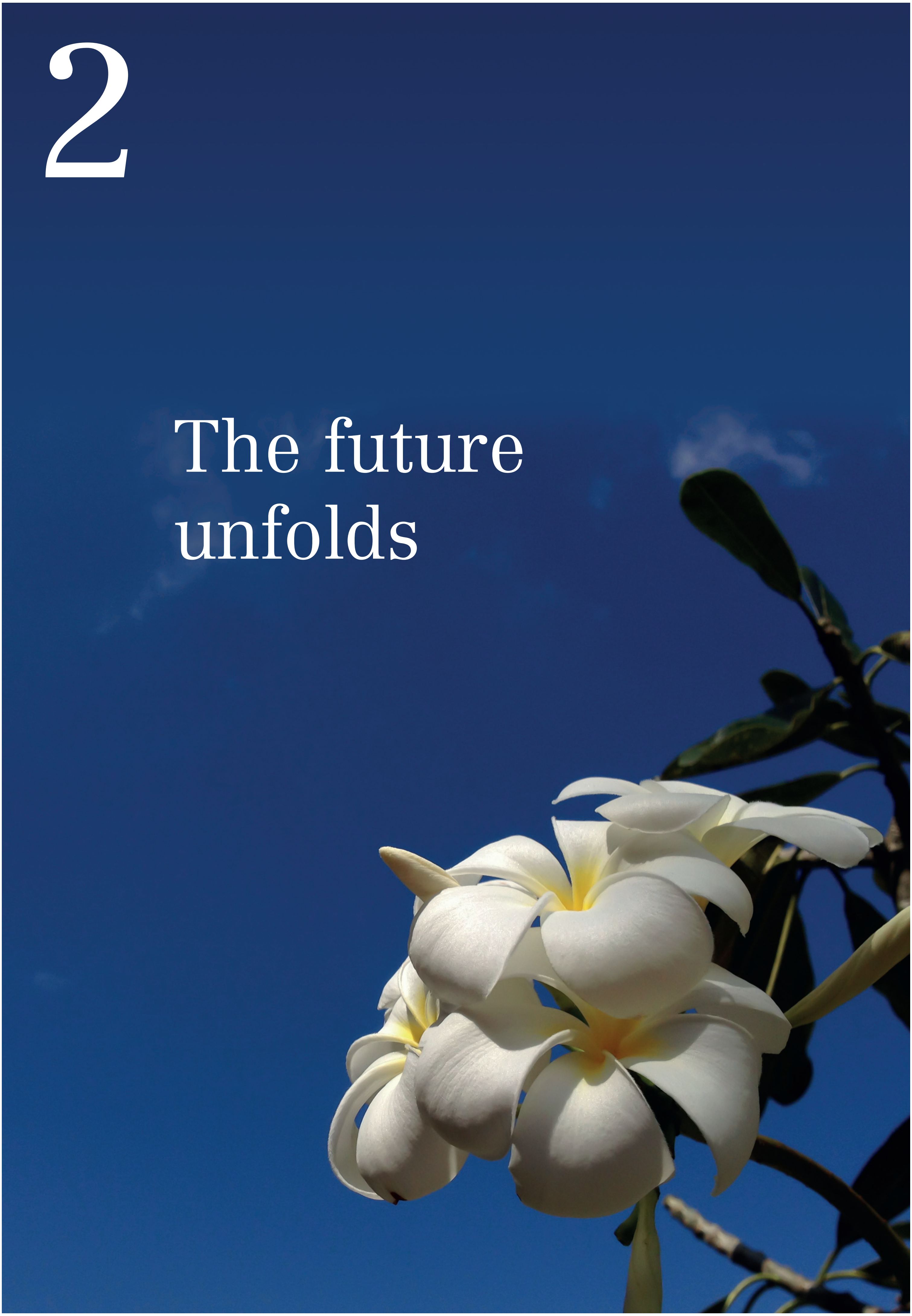
Company description
Craneware develops and sells billing software analysis tools for the United States healthcare services sector. The company's software automates the checking process, aids in cash flow and revenue generation and ensures accurate submission of claims and management of compliance risks.

Aquis Exchange plc			480.0p
Investment date	October 2016	Forecasts for the year to	December 2019
Equity Held	1.83%	Turnover (£'000)	6,700
Av. Purchase Price	153.9p	Profit/(loss) before tax (£'000)	(1,000)
Cost (£'000)	765	Net cash/(debt) June 2019 (£'000)	11,212
Valuation (£'000)	2,385	Net Assets June 2019 (£'000)	13,888

Company description
Aquis Exchange is an independent, pan-European cash equities trading venue with a unique, subscription based, pricing model. Aquis Exchange uses its own highly-performant trading technology, which is developed in-house. Aquis Exchange's technology is also available for licencing to third parties via the Company's software division, Aquis Technologies.

2

The future unfolds



Governance

Board of Directors

Sir Aubrey Brocklebank
After qualifying as a chartered accountant and 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. Aubrey has been Chairman since the Company's inception. He is chairman of Downing VCT 4 plc and a director of Edge Performance VCT.

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 is the lead manager of the VCT and supports the other unit trusts as part of the fund management team. Oliver was appointed in December 2016.

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 Draper Esprit VCT plc, Episys Group Ltd, Primrose Group Ltd and Honest Brew Ltd and a non-executive director of Puma VCT 12 plc.

Ashton Bradbury
Ashton Bradbury was appointed in May 2018. He has previously held roles at Charterhouse Tilney, Hill Samuel Investment Management and HSBC Asset Management Europe and was, until 2014, a fund manager with Old Mutual Global Investors where he established its UK small and mid-cap equities team. Ashton is currently a non-executive director of Standard Life UK Smaller Companies Trust PLC and is a director of Golf Union of Wales Limited.

Angela Henderson
Angela Henderson was appointed on 29 October 2019. Angela is a non-executive director at Credit Suisse Asset Management Ltd. She was European legal counsel for Citco Fund Services before working in the equities divisions of Deutsche Bank and Barclays from 2000 to 2015. She was an investor and director of PharmaSys Ltd, a software development company until its sale and non-executive chair at Qube Research & Technologies Ltd during its management buy out. She is a governor at Chelsea & Westminster Hospital NHS Foundation Trust. Angela is a graduate (LLB Fr Hons) of the University of Leicester and solicitor of the Supreme Court of England and Wales.

Directors' report
For the year end 30 September 2019

The Directors present their report together with the audited financial statements of the Company for the year from 1 October 2018 to 30 September 2019, incorporating the corporate governance statement on pages 35 to 39. The principal activity of the company has been outlined in the strategic report on page 8.

Directors

The Directors of the Company during the year were Sir Aubrey Brocklebank (Chairman), David Brock, Oliver Bedford and Ashton Bradbury. Angela Henderson was appointed on 29 October 2019. Brief biographical details are given on page 27.

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 34. There is no minimum holding requirement that the Directors need to adhere to.

There have been no changes to the beneficial interests of Directors between 30 September 2019 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 14, 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 loss for the year amounted to £22,180,473 (2018: gain of £14,996,362). An interim ordinary dividend of 1.50 pence per share was paid on 26 July 2019 (2018: 1.75 pence per share). A special dividend of 1.75 pence per share was paid on 28 November 2019. The final dividend of 2.25 pence per share for the year ended 30 September 2019 is due to be paid on 11 February 2020 (2018: 2.65 pence per share).

Capital structure

The Company's capital structure is summarised in notes 1 and 11 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 75.

Substantial holdings in the company

At 30 September 2019, there were two holdings of 3% and over of the Company's ordinary share capital. These holdings related to Hargreaves Lansdown (Nominees) Limited and CGWL Nominees Limited, which were 6.50% and 4.00% respectively.

At 18 December 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 4,076,170 ordinary shares (nominal value £40,762) at a cost of £2,902,402. The repurchased shares represent 2.3% of ordinary shares in issue on 1 October 2018. All repurchased shares were cancelled. A further 615,077 ordinary shares (nominal value £6,151) have been purchased since the year end at a total cost of £410,766.

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 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 Board's 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 31,379,517 ordinary shares of 1 pence per share (nominal value £313,795) 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 £426,670, being the discount awarded to investors in the form of additional shares. A further reduction of £150 introductory commission was made resulting in fees payable to Hargreave Hale Limited of £448,180 which were then used to pay other costs associated with the prospectus and marketing.

Financial instruments

The Company's financial instruments and principal risks are disclosed in note 15 to the accounts.

VCT status monitoring

The Company has 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 they ought to have taken as a director to make themselves 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.

Amendments to the 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).

Post balance sheet events

Post balance sheet events are disclosed in note 17 to the financial statements on page 67.

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 4 to 7 and 17 to 18 respectively.

Annual General Meeting

The Notice of the Annual General Meeting of the Company, to be held at 10.30 am on 4 February 2020 at 41 Lothbury, London EC2R 7AE is set out on pages 72 to 75 of this annual report.

A proxy form for the meeting is enclosed separately with shareholders' copies of this annual report. Those shareholders who have elected to receive information from the Company electronically will still receive a hard copy proxy form in the post. The proxy form 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 1 to 11 are being proposed as ordinary resolutions requiring more than 50% of the votes cast at the meeting be in favour. Ordinary resolutions include the re-election and election of company directors, further information is contained in the corporate governance statement on page 37 and the power to allot shares, outlined below.

Power to allot shares

Ordinary resolution number 11 will request the authority to allot up to an aggregate nominal amount of £100,000, representing approximately 4.9% of the total share capital of the Company in issue as at the date of this document. 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.

Resolutions 12 and 13 are being proposed as special resolutions requiring the approval of at least 75% of the votes cast at the meeting.

Disapplication of pre-emption rights

Special resolution number 12 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, representing approximately 4.9% of the total share capital of the Company in issue as at the date of this document.

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 13 will request the authority to purchase a maximum of 14.99% of the Company's issued Ordinary share capital as at the date of the passing of the resolution being approximately 30,489,553 as at the date of this document at or between the minimum and maximum prices specified in resolution 13. 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 2019 authority, which was on similar terms. During the financial year under review, the Company purchased 4,076,170 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.

By order of the Board

Sir Aubrey Brocklebank

Chairman

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

19 December 2019

Directors' remuneration report

For the year end 30 September 2019

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 44 to 48.

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

As part of the process of recruiting a new director we have reviewed the directors' remuneration which was last changed in 2015. It is important that the Directors' fees are competitive with those paid by other VCTs in order to attract and retain strong candidates to the Company. With that in mind, it was decided that the Chairman should receive £32,000 and the other directors £25,000 with an extra £3,000 for the Chairman of the Audit Committee. These changes took effect on 1 October 2019.

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.

Policy on Directors' remuneration

The Company has no employees, so the Board's policy is that the remuneration of its directors should be fair and reasonable in relation to the time commitment 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. The Directors may be reimbursed for reasonable expenses incurred. The Directors do not receive payment on loss of office other than in lieu of notice period if applicable.

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, Ashton Bradbury on 14 May 2018 and Angela Henderson on 29 October 2019. The terms of appointment provide that a director shall retire and be subject to re-election at the first Annual General Meeting after appointment. The Board agreed in July 2019 that all directors will be subject to annual re-election. 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 2020, together with a summary of the Company's strategy and how this is supported by the current remuneration policy.

Director	Role	Components of Pay Package	Expected fees for the year to 30 September 2020	Performance Conditions	Company Strategy	Remuneration Policy
Sir Aubrey Brocklebank (1)	Chairman	Basic Salary	£29,388	N/A	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.	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.
David Brock (1)	Director		£30,612			
Oliver Bedford	Director		£25,000			
Ashton Bradbury	Director		£25,000			
Angela Henderson (2)	Director		£23,087			

(1) Aubrey Brocklebank will step down as Chairman at the AGM on 4 February 2020, at the same time he will be appointed as Chairman of the Audit Committee. David Brock will replace Aubrey Brocklebank as Chairman on 4 February 2020, at the same time he will retire as Chairman of the Audit Committee.

(2) Angela Henderson was appointed as a director on 29 October 2019.

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 s439 of The Companies Act 2006, companies are required 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 4 February 2020, to receive and adopt the directors' remuneration report and to receive and approve the directors' remuneration policy.

At the Annual General Meeting held on 5 February 2019 the following votes were cast on the remuneration report:

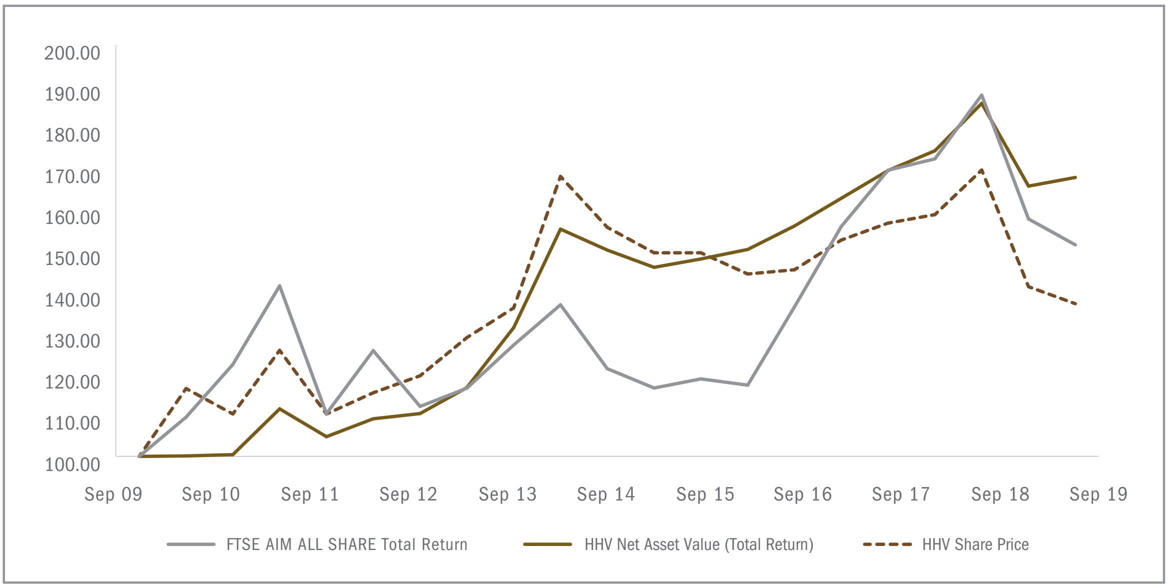
	Number of votes	% of votes cast
For	12,882,037	91.3
Against	488,413	3.5
Discretionary	731,768	5.2
Total votes cast	14,102,218	100.0
Number of votes withheld	268,610	
Total votes	14,370,828	

The remuneration policy was approved by shareholders at the Annual General Meeting held 5 February 2019. Votes were cast as follows:

	Number of votes	% of votes cast
For	12,286,917	88.7
Against	649,408	4.7
Discretionary	917,318	6.6
Total votes cast	13,853,643	100.0
Number of votes withheld	517,185	
Total votes	14,370,828	

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 total return 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 on which 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 is entitled to a higher fee due to his role as Chairman.

	2019 Fees £	2019 Benefits in Kind £	2019 Total £	2018 Fees £	2018 Benefits in Kind £	2018 Total £
Sir Aubrey Brocklebank (Chairman)	22,500	–	22,500	22,500	–	22,500
David Brock	18,000	–	18,000	18,000	–	18,000
Oliver Bedford	18,000	–	18,000	25,028[(1)]	–	25,028
Ashton Bradbury	18,000	398	18,398	6,871	–	6,871
Total	**76,500**	**398**	**76,898**	**72,399**	–	**72,399**

[(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 2019 and the preceding financial year:

	Year ended 30 September 2019 £	Year ended 30 September 2018 £	Growth %
Directors' remuneration	76,500	84,919[1]	(9.9)
Dividend paid	10,212,897	4,918,998	107.6
Share buybacks	2,902,402	2,387,356	21.6

[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	
	2019	2018
Sir Aubrey Brocklebank	4,845	4,845
David Brock	42,170	42,170
Oliver Bedford	42,940	30,558
Ashton Bradbury	43,223	43,223
Angela Henderson	–	–

Angela Henderson held no shares at the date of her appointment on 29 October 2019. There are no changes to the beneficial interests of the Directors between 30 September 2019 and the date of this report.

Taxable benefits

The Directors who served during the year received £398 in taxable benefits, all of which represent reimbursement of expenses.

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 31 to 34 was approved by the Board of Directors on 19 December 2019 and will be further subject to an advisory vote at the Annual General Meeting being held on the 4 February 2020 and every year thereafter.

Signed on behalf of the Board of Directors

Sir Aubrey Brocklebank

Chairman

19 December 2019

Corporate governance

For the year ended 30 September 2019

Directors' statement of compliance with the UK corporate governance code and AIC code of corporate governance

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.

In July 2018, the FRC issued an updated version of the UK Code and in February 2019 the AIC issued a revised version of the AIC Code both to take effect in respect of accounting periods starting on or after 1 January 2019. The Board has incorporated some of the updated requirements into this year's report and accounts ahead of time and will report fully under the new Codes, as required, for its year ending September 2020.

The UK Code includes provisions relating to:

- the role of the chief executive;
- executive directors' and senior managers' remuneration;
- workforce engagement; 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, as all of the Company's day-to-day management and administrative functions are outsourced to external service providers. As a result, the Company has no executive directors, employees or internal operations and has therefore not reported in respect of these provisions.

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

Board leadership and purpose

The Board considers that the Company's business model remains attractive because of the potential returns available from investing in small companies and the advantageous VCT tax structure. The management of the investment portfolio has been delegated to Hargreave Hale Limited and through regular meetings with the investment manager the Board seeks to ensure that the portfolio is managed in accordance with the agreed investment objectives and policy. The Company's investment objectives and policy are shown on pages 9 to 10. The Board seeks to control risk by ensuring that appropriate policies and controls are in place and by reviewing the Company's risk matrix every six months and taking mitigating action where necessary. A summary of the principal risks facing the Company is detailed on page 14.

The Board carries out an annual review of its own culture, practices and behaviour, the findings from which are considered by the Board and any actions required are monitored. Following the 2018 review, all members of the Board received additional training on matters including Mifid II, AIFMD and PRIIPS and the Board has strengthened its oversight procedures. The results of the most recent review showed that the Board culture remains strong and highlighted some practical steps which will be implemented over the next year to further improve the operation of the Board.

Shareholder relations

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 www.hargreaveaimvcts.co.uk. Monthly factsheets and general information are also available on the website.

The Board also attend shareholder events organised by the investment manager which give them the opportunity to engage with shareholders. These events also provide an opportunity for the Directors to update the shareholders on the Company's investment objectives and investment policy. The Company held shareholder meetings on 9 November 2018 and 28 November 2019.

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 71 or by email to aimvct@canaccord.com.

The Company monitors the 20% threshold for votes cast against board recommendations for a resolution but has not yet been required to take any actions in this regard.

Relations with other key stakeholders

The requirement for the Company to consider the interests of its other key stakeholders is limited as it does not have any employees. The Board considers Canaccord Genuity Wealth Limited and Hargreave Hale Limited to be its key business partners with responsibility for the provision of administration, custody, company secretarial services and investment management respectively. A representative of Hargreave Hale Limited sits on the Board and members of the Canaccord Genuity Wealth Limited senior management have had dialogue with the Board on a number of occasions during the year.

Conflicts of interest

The Directors are aware that they have a statutory obligation to avoid a situation in which they have, or potentially could have, a direct or indirect interest that conflicts with the interests of the Company. Conflicts of interest are declared at each meeting and a schedule of all the directorships held by each director is included in the board pack.

This issue has not arisen but if it were to, the company secretary would ensure that any concerns voiced by individual directors about the operation of the Board or the Company were accurately recorded in the board minutes.

Director responsibilities

The Directors have adopted a formal schedule of matters reserved for the Board which sets out the responsibilities of the Board, a copy of which is available on the Company's website. These matters include:

- Approving strategic objectives and reviewing the Company' Strategy and investment policy to ensure it is consistent with these objectives;
- Monitoring the performance of the investment manager and other key service providers;
- Changes to the Company's structure and capital, this includes the policy on share buy-backs and the approval of any borrowing arrangements;
- Approval of all financial statements and any significant changes in accounting practices or policies;
- Ensuring the maintenance of a sound system of internal control and risk management;
- Carrying out an annual review of the contracts in place with key service providers and approving any other materially strategic contracts;
- Communication with shareholders;
- Appointment and removal of the company secretary;
- Determining the remuneration of the Chairman and other directors subject to the articles of association and shareholder approval as appropriate; and
- Responsibility for all corporate governance matters.

The Directors have delegated the responsibility for the day to day investment management decisions of the Company to its investment manager Hargreave Hale Limited. The provision of administration, custodian and company secretarial services has been delegated to Canaccord Genuity Wealth Limited. Agreements are in place which clearly set out the responsibilities of these service providers to the Company.

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.

The following tables set out the number of board meetings and audit committee meetings held during the year and the number of meetings attended by each individual director:

	Ordinary Business No of Board Meetings	
	Held	Attended
Sir Aubrey Brocklebank (Chairman)	6	6
David Brock	6	6
Ashton Bradbury	6	6
Oliver Bedford	6	6

	No of Audit Meetings	
	Held	Attended
David Brock (Chairman)	4	4
Sir Aubrey Brocklebank	4	4
Ashton Bradbury	4	4

Accountability and audit

The Directors' responsibilities for the Company's accounting records and financial statements are set out on page 42. The independent auditor's report appears on pages 44 to 48.

Board and director independence

As at 30 September 2019 the Board consisted of 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. Angela Henderson was appointed as an additional independent non-executive director on 29 October 2019, subsequent to the year-end but prior to the publication of this report. Brief biographical details for the Board are shown on page 27.

The Chairman is Sir Aubrey Brocklebank, a non-executive director who was independent on appointment and has no conflicting relationships. The Company has announced that Sir Aubrey Brocklebank will resign as Chairman at the AGM and will be replaced by David Brock.

The Board considers that with the exception of Oliver Bedford, all of the directors remain independent. Sir Aubrey Brocklebank and David Brock have served on the Board for more than 9 years since their initial appointment but are still considered to be independent given the absence of connections with the investment manager.

As all directors are non-executives, the Board has not appointed a senior independent non-executive director as the Chairman performs the role.

Board induction and training

On appointment to the Board, directors are fully briefed as to their responsibilities and are kept regularly informed of industry and regulatory developments. There is no formal training schedule in place, directors training needs are identified as part of the board evaluation process and addressed on a case by case basis.

Board meetings

The administrator and the company secretary ensure that 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, the primary focus at these meetings is the review of the Company's investment performance and related matters and corporate governance.

Relationship with the investment manager

Both the schedule of matters reserved for the Board and the investment management agreement with Hargreave Hale Limited clearly set out the responsibilities of the Board and those areas of decision making over which the manager has discretion. The Board's responsibility is to review the Company's strategy and investment policy to ensure it is consistent with the objectives of the Company and monitoring the performance and investment approach of the investment manager.

The Directors have delegated responsibility for day to day investment management decisions to the investment manager and a review of the investment portfolio is carried out at quarterly board meetings. The report produced by the investment manager includes information on investment performance and fund positioning, benchmarking against both indices and peers, liquidity analysis, cash management and deal flow.

A review of the contractual relationship with the investment manager was carried out as part of the re-negotiation of the investment management agreement. The independent non-executive directors believe that the appointment of Hargreave Hale Limited continues to be in the best interests of the Company. In reaching this decision the independent non-executive directors have reviewed performance against the Company's key performance indicators over the long term.

Details of the investment manager's fee and termination clauses can be found on page 56.

Relationship with other service providers

The Company maintains a schedule of the contracts that it has in place with its service providers (administrator, company secretary, custodian, registrar etc). The service provided by each was reviewed by the Board in December 2019.

The Board has direct access to the company secretary, who is responsible for the timely delivery of relevant information and advising the Board on all governance matters. The appointment of Canaccord Genuity Wealth Limited as company secretary was a matter discussed and approved by the whole Board.

The Board also has access to independent professional advice from lawyers and tax advisors etc. This is obtainable at the Company's expense where the Directors consider it necessary in order to be able to properly discharge their responsibilities.

Board composition

Due to the size of the Board, the Board has not established a separate nomination committee and all nomination responsibilities are therefore 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. Directors are required to seek approval from the Board prior to taking on any new significant external appointments.

The Board agreed in July 2019 that all directors will be subject to annual re-election. The Board considers that due to their individual skills, experience and commitment Ashton Bradbury, David Brock and Oliver Bedford each merit re-election as a director.

Ashton Bradbury brings extensive asset management experience directly relevant to investing in small publicly quoted companies.

David Brock is a highly experienced company director with specific expertise directly relevant to investing in private companies.

Oliver Bedford is the lead manager to the Company, has strong technical knowledge covering the VCT regulations and is an effective liaison between the Company and the investment manager.

Sir Aubrey Brocklebank will step down as chairman at the AGM but will offer himself for re-election as a director. Sir Aubrey Brocklebank is one of the most experienced directors in the VCT industry and also brings accountancy skills and specific expertise directly relevant to investing in private companies. The Board supports Sir Aubrey Brocklebank's re-election as a director.

Angela Henderson was appointed to the Board on 29 October 2019 and so will stand for election at the forthcoming AGM. Angela Henderson brings legal skills and a strong knowledge of governance within the asset management industry. The Board believes that Angela Henderson will make a significant contribution to the Company and supports her election to the Board.

Board tenure

The Board's policy on tenure is that the term the Chairman and other directors serve on the Board should not be restricted to a fixed time limit.

The relevance of the individual length of service of the Chairman and other directors will be determined on a case by case basis. In addition to the length of service, consideration will be given to the contribution and ongoing independence of the individuals and the overall composition of the Board including the experience and range of skills of the Directors. By adopting a rounded approach, the Board believes it is best placed, through careful succession planning, to ensure that it has appropriate levels of experience and diversity whilst introducing new board members as needed.

In recent years the Board has successfully added new directors with complimentary skills through the appointments of Ashton Bradbury in May 2018 and Angela Henderson in October 2019. Summary biographies of all the directors can be found on page 27.

Board succession

During the year the Board utilised Nurole, an online board recruitment platform, to assist in the recruitment of a new director. The search was successful, resulting in the recent appointment of Angela Henderson as an additional non-executive director. Arising from this process the Board also appointed Louise Page as a board observer.

Nurole has no other connection with the Company or individual directors, other than the inclusion of certain of the Company's directors on its database.

Board evaluation

The Directors recognise the importance of evaluating both the performance of the Board as a whole and that of individual directors.

The annual board evaluation is carried out by means of a questionnaire, this was updated during the year to ensure that it reflected Code requirements. The evaluation questionnaire includes accountability and effectiveness, culture, a directors' self-assessment and an appraisal of the Chairman.

The board evaluation was 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.

Diversity and inclusion

The Directors have a diverse range of experience, skills, length of service and backgrounds encompassing accounting and legal skills and experience of investing in both public and private companies. The Board has confirmed that it will consider diversity when making future appointments and will always appoint the most appropriate person to ensure that the Board as a whole has an appropriate range of skills to successfully deliver its strategy. It will not discriminate on the grounds of gender, race, ethnicity, religion, sexual orientation, age or physical ability.

The Audit Committee

Information regarding the composition, responsibilities and activities of the Audit Committee are detailed in the report of the Audit Committee on pages 40 to 41.

Auditor's non-audit service

During the year no fees were paid for non-audit services (2018: £nil).

Risk and internal control

The directors acknowledge that they are responsible for the Company's systems of internal financial and non-financial controls. The controls are operating effectively and continue to be in place up to the date of this report. The key components of this process are as follows:

- Day to day measures have been delegated to the investment manager, administrator and custodian. Written agreements are in place which define the roles and responsibilities of these parties including the investment policy to be followed by the investment manager. The Board receives regular reports to provide it with assurance that appropriate oversight is in place. Additionally, the Board receives and reviews the annual internal control report published by its registrar.
- On a quarterly basis the Board reviews the Company's management accounts, KPIs and investment reports provided by the administrator and manager.
- Annual and half yearly reports and associated announcements are reviewed and approved by the Board prior to publication.

- A detailed risk matrix is maintained which identifies each of the Company's principal risks, assesses the potential impact and describes the controls in place to mitigate those risks. A summary of the key risks can be found in the strategic report on page 14. The risk matrix is discussed regularly at board meetings, thereby ensuring that the nature and extent of the risks facing the Company are being actively monitored.
- The Board reviews the Company's internal policies on an annual basis. The Board has also reviewed a summary of the range of risk management and internal controls it has in place to satisfy itself that the overall system of controls remains appropriate.

The Company does not have an internal audit function. All of the Company's management functions are performed by Hargreave Hale Limited and Canaccord Genuity Wealth Limited which have their own control systems in place. The Board receives regular reports to provide it with assurance that appropriate oversight is being applied and so has decided that it does not need its own internal audit function.

The Board considers that the control systems in place provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate the risk of failure to achieve business objectives.

Remuneration

Due to the size of the Board, the Board has not established a separate remuneration committee and all remuneration responsibilities are therefore carried out by the Board. The Company's disclosure with regard to remuneration is included on pages 31 to 34.

Going concern

The Company's business activities and the factors affecting its future development are set out in the chairman's statement on pages 4 to 7 and the investment manager's report on pages 17 to 18. The Company's principal risks are set out in the strategic report on page 14.

The Board receives regular reports from the manager and administrator and reviews the financial position, performance and liquidity of the Company's investment portfolio. Revenue forecasts and expense budgets are prepared at the start of each financial year and performance against plan is reviewed by the Board. Cash forecasts are prepared and reviewed by the Board as part of the HMRC investment test compliance monitoring.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least twelve months. No material uncertainties related to events or conditions that may cast significant doubt about the ability of the Company to continue as a going concern have been identified by the Directors. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Additional disclosures in the directors' report

Additional disclosures required by Schedule 7 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended 2013) are contained in the directors' report on pages 28 to 30.

For and on behalf of the Board

Canaccord Genuity Wealth Limited
Company Secretary

19 December 2019

Report of the Audit Committee

The Audit Committee consists of three independent non-executive directors at the year end - David Brock (Chairman), Sir Aubrey Brocklebank and Ashton Bradbury. Angela Henderson joined the Audit Committee at the meeting held on 4 December 2019. While the Chairman of the Board does not chair the Committee, he is a member, but the Board is of the opinion that this is appropriate because of his audit, accounting and tax expertise.

The Committee ordinarily meets twice a year. The Committee's terms of reference are available on the Company's website www.hargreaveaimvcts.co.uk and by request from the company secretary.

The main responsibilities of the Audit Committee are as follows:

- To monitor the integrity of the Company's financial statements including the interim reports, preliminary announcements and related formal statements before submission to and approval by the Board. Paying particular attention to:
  - critical accounting policies and practices and any changes in them;
  - the clarity of disclosures;
  - compliance with accounting standards; and
  - compliance with stock exchange and other legal requirements.
- To review the effectiveness of the Company's internal financial control and risk management systems.
- To consider and make recommendations to the Board on the appointment, reappointment and removal of the external auditor.
- To assess the independence and objectivity of the external auditors and the effectiveness of the external audit process. The external auditor is not engaged to supply any non-audit services.

A summary of the Audit Committee's principal activities and key considerations for the year to 30 September 2019 is provided below.

Financial statements

The interim and annual reports to shareholders and the accounting policies therein were thoroughly reviewed by the Committee prior to submission to the Board for approval. The committee was of the view that the annual report and accounts, 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.

The investment manager and the Company's auditor confirmed to the 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 Committee were satisfied that key areas of risks and judgement were appropriately addressed.

Risk and internal control

The Board has identified the key risks faced by the Company and these are set out in the strategic report on page 14. The Committee (or the Board as a whole) has received and reviewed periodic reports to provide it with assurance that appropriate oversight of controls is in place at its key third party providers and to highlight instances of non-compliance.

The Committee has sought and obtained assurances from the investment manager that appropriate policies are in place to prevent bribery and corruption, and has received updates regarding cyber security initiatives. The Committee has reviewed the investment manager's whistleblowing policy and is satisfied that there are sufficient arrangements in place for staff to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.

The Board maintains a schedule of anti-fraud controls that is reviewed by the Committee and they are satisfied that the Board have sufficient oversight and that adequate procedures are in place.

Key areas of risk

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;
- valuation and existence of investments;
- revenue recognition; and
- management override of controls.

These issues were discussed with the auditor at the audit planning meeting and again at the Audit Committee meeting prior to the sign off of the financial statements by the Board. 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. These reports are reviewed by the Board as a whole, which is happy with the reports produced.

- **Valuation and existence of investments**. The investment manager has confirmed to the Committee that the basis of valuation for investments was consistent with the prior year and in accordance with industry guidelines. The auditor confirmed to the Committee that they had reviewed the estimates and judgements made by the investment manager when valuing the unlisted companies and that the valuations proposed were acceptable. They further confirmed that there was no evidence of bias in the valuations of the investments based on the audit work performed. The Company's custodian CGWL provides the Company with quarterly reports confirming that reconciliations to check the existence of the Company's investments have been carried out. Management accounts, including a full portfolio listing, are considered at quarterly board meetings.
- **Revenue recognition**. The auditor confirmed to the Audit Committee they have no adverse findings to bring to the attention of the Committee.
- **Management override of controls**. The auditors have confirmed to the Audit Committee that, in respect of management override of controls and revenue recognition, they have no adverse findings to report.

Relationship with the external auditor

The Committee is responsible for overseeing the relationship with the external auditor, assessing the effectiveness of the external audit process and making recommendations on the appointment and removal of the external auditor, including the level of audit fees and terms of engagement. The Committee meets with the external auditor as part of the audit process.

The Committee undertook a review of the auditor's performance during the 2019 audit and concluded that the auditor:

- Provided a clear explanation of the audit plan, scope and strategy;
- Met the agreed audit plan;
- Was appropriately resourced with sound technical knowledge and demonstrated a clear understanding of the business;
- Demonstrated a proactive approach to the planning process and engaged well with the Committee, Chairman and other key individuals within the business;
- Responded to the Committee's questions and handled key audit issues effectively;
- Demonstrated that it had appropriate procedures and safeguards in place to maintain its independence and objectivity; and
- Charged justifiable fees in respect of the scope of services provided.

The Committee concluded that it is satisfied with the standard of service received and that the re-appointment of BDO LLP was in the best interest of the Company and its shareholders.

The Committee undertook a tender process in 2017 in line with mandatory audit tendering legislation. Rotation of the audit partner took place last year in accordance with the FRC's Ethical Standard for Auditors.

Subject to the Committee continuing to be satisfied with the performance of BDO LLP, the next statutory auditor rotation will take place in 2026, in line with legislative requirements for UK public entities.

Approved on behalf of the Board of Directors

David Brock
Chairman of the Audit Committee

19 December 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, Ashton Bradbury and Angela Henderson, 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
- 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

19 December 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 2019 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 2019 and of its loss 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 set out on page 14 that describes the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on pages 40 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 set out on page 39 in the financial statements 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, including 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 (Notes 1 and 7 to the financial statements) The company’s investments held at fair value through profit and loss total £119,947k, of which £106,087k (88%) are valued using market bid price (level 1) and £13,860k (12%) are valued using more subjective techniques (level 3). Investments represent the most significant balance in the financial statements and are the primary driver of returns to shareholders. There is a high level of estimation uncertainty involved in determining the unquoted investment valuations Furthermore, 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 valuation of quoted investments by obtaining independently sourced market bid prices and comparing to the valuation recorded in the financial statements. We tested 99% of the level 3 unquoted investment portfolio at year-end by value of investment holdings. As part of our detailed testing for such investments we: • Formed a determination of whether the valuation methodology is the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation Guidelines • Re-performed the calculation of investment valuations • Verified and benchmarked key inputs in the valuation to independent information • Obtained the most recent audited accounts and most recent management accounts of the underlying investee company and considered the consistency of reported performance with the assumptions used in the valuations • Challenged 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 free from bias. Key Observations: Based on the procedures performed we concluded that the valuation of the portfolio of investments was not materially misstated.

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	£1,200,000 (30 September 2018: £1,300,000)

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
Performance materiality *(75% of 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)	£900,000 (30 September 2018: £975,000)
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	£300,000 (30 September 2018: £240,000)

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of 14,000 (2018 – £13,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was risk based, and 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.

How the audit was considered capable of detecting irregularities, including fraud

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
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations

There are inherent limitations in the audit procedures described above and the further removed non-compliance 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 and Financial Statements 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 set out on page 40** – 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 set out on page 40** – 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 set out on page 35** – 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 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 Statement of directors' responsibilities, 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 30 September 2007 and subsequent financial periods. We were re-appointed as auditors in respect of the year ended 30 September 2019 by members of the company at the annual general meeting held on 6 February 2019. The period of total uninterrupted engagement, including retenders and reappointments, is 13 years, covering the year ending 30 September 2007 to 30 September 2019.

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

19 December 2019

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

Income statement

	Note	**Year to 30 September 2019** Revenue £000	**Capital £000**	**Total £000**	Year to 30 September 2018 Revenue £000	Capital £000	Total £000
Net (loss)/gain on investments held at fair value through profit or loss	7	–	(20,687)	(20,687)	–	16,519	16,519
Income	2	1,163	354	1,517	806	78	884
		1,163	(20,333)	(19,170)	806	16,597	17,403
Management fee	3	(565)	(1,696)	(2,261)	(416)	(1,249)	(1,665)
Other expenses	4	(616)	(133)	(749)	(633)	(109)	(742)
		(1,181)	(1,829)	(3,010)	(1,049)	(1,358)	(2,407)
(Loss)/gain on ordinary activities before taxation		(18)	(22,162)	(22,180)	(243)	15,239	14,996
Taxation	5	–	–	–	–	–	–
(Loss)/gain after taxation		(18)	(22,162)	(22,180)	(243)	15,239	14,996
(Loss)/gain per share basic and diluted	6	(0.01)	(11.04)	(11.05)	(0.19)	11.81	11.62

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 loss/gain for the year.

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

Balance sheet
As at 30 September 2019

Company Registration Number 5206425 (In England and Wales)

	Note	2019 £000	2018 £000
Fixed assets			
Investments at fair value through profit or loss	7	119,947	130,105
Current assets			
Debtors	9	466	167
Cash at bank		24,638	24,860
		25,104	25,027
Creditors: amounts falling due within one year	10	(1,009)	(346)
Net current assets		24,095	24,681
Total assets less current liabilities		144,042	154,786
Capital and Reserves			
Called up share capital	11	2,040	1,767
Share premium		24,238	–
Capital redemption reserve		46	5
Special reserve		112,803	125,919
Capital reserve – realised		(16,043)	(2,774)
Capital reserve – unrealised		21,713	30,606
Revenue reserve		(755)	(737)
Total shareholders' funds		144,042	154,786
Net asset value per share (basic and diluted)	12	70.60p	87.59p

These financial statements were approved and authorised for issue by the Board of Directors on 19 December 2019 and signed on its behalf by

Sir Aubrey Brocklebank
Chairman

19 December 2019

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

Statement of changes in equity

For the year ending 30 September 2019

		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 2018		1,767	–	5	30,606	125,919	(2,774)	(737)	154,786
Share buybacks	11	(41)	–	41	–	(2,902)	–	–	(2,902)
Share Issues	11	314	24,686	–	–	–	–	–	25,000
Issue Costs	11	–	(448)	–	–	–	–	–	(448)
Equity dividends paid	16	–	–	–	–	(10,214)	–	–	(10,214)
Permanent impairment		–	–	–	10,651	–	(10,651)	–	–
Realised losses on investments	7	–	–	–	–	–	(1,143)	–	(1,143)
Unrealised losses on investments	7	–	–	–	(19,544)	–	–	–	(19,544)
Management fee charged to capital	3	–	–	–	–	–	(1,696)	–	(1,696)
Income allocated to capital	2	–	–	–	–	–	354	–	354
Due diligence investments costs	4	–	–	–	–	–	(133)	–	(133)
Revenue loss after taxation for the year		–	–	–	–	–	–	(18)	(18)
Total loss after taxation		–	–	–	(19,544)	–	(2,618)	(18)	(22,180)
At 30 September 2019		2,040	24,238	46	21,713	112,803	(16,043)	(755)	144,042

Reserves available for distribution are capital reserve realised, special reserve and revenue reserve. Total distributable reserves at 30 September 2019 were £96.0 million. The accompanying notes are an integral part of these financial statements.

(1) The Income Taxes Act 2007 restricts distribution of capital from reserves created by the conversion of the share premium account into a special (distributable) reserve until the third anniversary of the share allotment that led to the creation of that part of the share premium account. As at 30 September 2019, £70.8 million of the special reserve is subject to this restriction.

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 buybacks	11	(29)	–	29	–	(2,387)	–	–	(2,387)
Share Issues	11	293	24,707	–	–	–	–	–	25,000
Issue Costs	11	–	(499)	–	–	–	–	–	(499)
Acquisition of Hargreave Hale AIM VCT 2 plc		687	55,919	–	–	–	–	–	56,606
Capital Reduction		–	(117,642)	(61)	–	117,703	–	–	–
Equity dividends paid	16	–	–	–	–	(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/(loss) 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 cash flows

	Note	2019 £000	2018 £000
Total loss on ordinary activities before taxation		(22,180)	14,996
Realised loss/(gain) on investments	7	1,143	(3,150)
Unrealised loss/(gain) on investments	7	19,544	(13,369)
Decrease/(Increase) in debtors		(299)	(104)
Increase in creditors		663	140
Non-cash distributions	2	(166)	–
Net cash (outflow) from operating activities		(1,295)	(1,487)
Purchase of investments	7	(35,628)	(18,487)
Sale of investments	7	25,265	13,016
Net cash used in investment activities		(10,363)	(5,471)
Share buybacks	11	(2,902)	(2,387)
Issue of share capital	11	25,000	25,000
Issue costs	11	(448)	(499)
Cash acquired on acquisition of Hargreave Hale AIM VCT 2 plc		–	6,616
Dividends paid	16	(10,214)	(4,919)
Net cash provided by financing activities		11,436	23,811
Net increase/(decreased) in cash		(222)	16,853
Opening cash		24,860	8,007
Closing cash		24,638	24,860

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

Notes to the financial statements

As at 30 September 2019

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 on page 71 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 in accordance with UK Generally Accepted Accounting Practice ("UK GAAP"), including Financial Reporting Standard 102 ("FRS 102") and with the Companies Act 2006 and the Statement of Recommended Practice for "Financial Statements of Investment Trust Companies and Venture Capital Trusts" October 2019 ("SORP").

Financial instruments

All investments are classified as fair value through profit or loss. Investments are measured initially and subsequently at fair value which is deemed to be market bid prices for listed investments and investments traded on AIM. Unquoted investments are valued using the most appropriate methodology recommended by the International Private Equity Venture Capital ("IPEV") guidelines published in December 2018.

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

In estimating fair value for an unquoted investment, the investment manager will apply one or more valuation techniques according to the nature, facts and circumstances of the investment. The investment manager will use reasonable current market data and inputs combined with market participant assumptions. The assessment of fair value will reflect the market conditions at the measurement date irrespective of which valuation technique is used. The IPEV guidelines describe a range of valuation techniques, including but not limited to relevant observable market multiples, independent arms-length transactions, income, discounted cash flows and net assets.

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.

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, income that is capital in nature, 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 28.

Share Premium

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

Capital Redemption Reserve

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

Special Reserve

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

Capital Reserve Realised

Gains/losses on disposal of investments, due diligence costs, income that is capital in nature, 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.

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

The IPEV guidelines describe a range of valuation techniques, as described in the "Financial instruments" section on page 54.

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

	2019 £000	2018 £000
Income from investments:		
Revenue:		
UK dividends	1,093	793
Unfranked investment income	13	13
Interest	57	–
	1,163	806
Capital:		
Arrangement fees	–	22
Return of capital	188[1]	56
In-specie dividend	166[2]	–
	354	78
Total Income	1,517	884

(1) Distribution from Micro Focus plc relating to the completion of the disposal of the SUSE business. Distribution from Cineworld plc relating to the sale and leaseback transaction of 18 US based multi-screen cinemas.

(2) The Company received shares in Renalytix plc as a result of an in-specie dividend from EKF Diagnostics Holdings plc. This has been treated as capital income.

3. Management fees

	2019 Revenue £000	2019 Capital £000	2019 Total £000	2019 Revenue £000	2019 Capital £000	2019 Total £000
Management fees	565	1,696	2,261	416	1,249	1,665
Total	565	1,696	2,261	416	1,249	1,665

The investment management agreement terminates on 12 months' notice, subject to earlier termination in certain circumstances. In the event of termination by the Company on less than the agreed notice period, compensation may be payable to the investment manager in lieu of the unexpired notice period. No notice had been given by the investment manager or by the Board to terminate the agreement as at the date of approval of these accounts.

The investment manager receives an investment management fee of 1.7% per annum of the NAV of the Company (effective from 1 April 2019, previously 1.5%), calculated and payable quarterly in arrears. At 30 September 2019, £807,251 (2018: £186,504) was owed in respect of management fees. The Company receives a reduction to the annual management fee for investments in other funds managed by Hargreave Hale Limited, being its investment in the Marlborough Special Situations Fund so the Company is not charged twice for these services. This amounted to £54,385 for the year to 30 September 2019 (2018: £37,800). Hargreave Hale Limited has agreed to indemnify the Company against annual running costs exceeding 3.5% of its net assets. No fees were waived between 1 October 2018 and 30 September 2019 and no fees were waived between 1 October 2017 and 30 September 2018 under the indemnity.

4. Other expenses

	2019 £000	2018 £000
Other revenue expenses:		
Administration fee	133	92
Directors' fees	77	87
Legal & professional	43	75
Registrar's fee	43	72
Printing, postage and stationery	32	28
Auditors' remuneration – for audit services	24	26
VCT monitoring fees	17	19
Company Secretarial fees	17	24
Custody fee	20	11
Directors' and officers' liability insurance	13	6
Broker's fee	5	5
Trail commission	(7)	(24)
VAT	79	92
Other expenses[1]	120	120
Total other revenue expenses	616	633
Other capital expenses:		
Due diligence costs	111	31
VAT on due diligence costs	22	6
Stamp Duty	–	72
Total other capital expenses	133	109
Total other expenses	749	742

[1] Other expenses include London Stock Exchange fees, FCA fees, AIC membership fees, license and advertising costs and other nominal expenses.

Only directors are classified as key management personnel. The Directors' remuneration above includes national insurance contributions. Directors' remuneration excluding employer's national insurance contributions is detailed in the directors' remuneration report on page 33.

The maximum aggregate directors' emoluments authorised by the Articles of Association are detailed in the directors' remuneration report on page 31.

5. Tax on ordinary activities

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

	2019 Total £000	2018 Total £000
(Loss)/profit on ordinary activities before taxation	(22,180)	14,996
	–	–
UK Corporation Tax: 19%	(4,214)	2,849
Effect of non taxable losses/(profits) on investments	3,931	(3,139)
Effect of non taxable UK dividend income	(275)	(161)
Effect of current year losses carried forward	558	451
Current tax charge	–	–

At the 30 September 2019 the Company had tax losses carried forward of £10,360,586 (2018: £7,426,668 – prior year updated). 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

	2019 Revenue	2019 Capital	2019 Total	2018 Revenue	2018 Capital	2018 Total
Return (£)	(18,218)	(22,162,255)	(22,180,473)	(242,791)	15,239,153	14,996,362
(Loss)/profit per ordinary share (basic and diluted)	(0.01)p	(11.04)p	(11.05)p	(0.19)p	11.81p	11.62p

The earning per share is based on 200,668,966 Ordinary shares (2018: 129,091,888), being the weighted average number of shares in issue during the year.

7. Investments

	Quoted investments 2019 £000	Unquoted investments[1] 2019 £000	Total investments 2019 £000	Total investments 2018 £000
Opening Valuation	103,043	27,062	130,105	58,125
Purchases at cost	30,133	5,559	35,692[3]	18,487
Purchases through acquisition	–	–	–	49,990
Re-classification adjustment	(121)[2]	57[2]	(64)[2]	–
In-specie dividend	166	–	166	–
Sale proceeds	(21,903)	(3,362)	(25,265)	(13,016)
Realised (losses)/gains	(1,299)	156	(1,143)	3,150
Unrealised (losses)/gains	(15,372)	(4,172)	(19,544)	13,369
Closing valuation	94,647	25,300	119,947	130,105
Cost at 30 September 2019	81,213	27,672	108,885	99,842
Unrealised (losses)/gains at 30 September 2019	19,264	2,449	21,713	30,263
Permanent impairment at 30 September 2019[4]	(5,830)	(4,821)	(10,651)	–
Valuation at 30 September 2019	94,647	25,300	119,947	130,105

(1) Includes £11.4 million in 2019 and £13.9 million in 2018 invested in the Marlborough Special Situations Fund.

(2) Includes commission rebate from investment manager (£64k) – that reduces the purchase cost of impacted stocks. Additional adjustment for Paragon Entertainment Ltd that was delisted on 25 June 2019.

(3) Including £12.0 million invested into Qualifying Companies, further information can be found in the investment manager's report on pages 17 to 18.

(4) Permanent impairments were made in the year amounting to £10,651,351.

Transaction Costs

During the year the Company incurred transaction costs of £133,214 and £39,951 on purchases and sales respectively. These amounts are included in the gain/(loss) on investments as disclosed in the income statement.

Fair Value Measurement Hierarchy

The table below sets out fair value measurements using FRS102 (appendix to section 2 fair value measurement) fair value hierarchy. The Company has one class of assets, being at fair value through profit or loss.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: Valued by reference to valuation techniques using inputs that are not based on observable market data.

The following table sets out the basis of valuation for the Level 3 investments held within the portfolio at 30 September 2019.

Level 3 Unquoted Investments	
Mexican Grill Ltd	The fair value of the investment has been increased to £71.05 per share based on rolling forward the September 2018 multiple by 12 months. EV/EBITDA peer group ratios were analysed and a discounted cashflow analysis calculation were completed to support the valuation.
Portr Ltd	The fair value of the investment was written down to £1.00 per share reflecting downgrades in forecasts and funding risk.
Laundrapp Ltd	The fair value of the investment was written down to £1.25 per share reflecting downgrades in forecast. The share price also reflects the 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 marked down to £0.04 per share reflecting material downgrades in forecasts and funding risk.
SCA Investments Ltd (Gousto)	The fair value of the investment has been increased to £67.38 per share based on rolling forward the September 2018 multiple by 12 months. EV/Sales peer group ratios were analysed to support the valuation. The share price also reflects the 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 and discounted cash flow analysis.
Infinity Reliance Ltd (My 1st Years)	The fair value of the investment has been marked down to £28.68, reflecting weak performance and downgrades to 2019 and 2020 forecasts. The valuation has been tested against peer EV/Sales ratios.
Oxford Genetics	The fair value of the investment has been maintained at £320.00 per share, our entry price. The valuation was tested against listed peers.

	2019 Level 1 £000	2019 Level 2 £000	2019 Level 3 £000	2019 Total £000	2018 Level 1 £000	2018 Level 2 £000	2018 Level 3 £000	2018 Total £000
Investments	106,087	–	13,860	119,947	116,907	–	13,198	130,105

8. Significant interests

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

Investment	Holding %	Investment	Holding %
Honest Brew Ltd	32.88%	Zoo Digital Group plc	6.20%
Laundrapp Ltd	17.45%	Surface Transforms plc	5.66%
Location Sciences Group plc	12.95%	Blackbird plc	5.26%
Escape Hunt plc	11.34%	PCI-PAL plc	4.68%
Hardide plc	10.41%	Osirium Technologies plc	4.49%
Infinity Reliance Ltd (My 1st Years)	8.97%	Clearstar Inc	3.90%
Mexican Grill Ltd	7.72%	Gfinity plc	3.84%
Portr Ltd	7.17%	KRM22 plc	3.78%
Oxford Genetics Ltd	7.17%	Beeks Financial Cloud Group plc	3.72%
Zappar Ltd	6.97%	Cloudcall Group plc	3.49%
Crossword Cybersecurity plc	6.46%	Eagle Eye Solutions Group plc	3.40%

9. Debtors

	2019 £000	2018 £000
Prepayments and accrued income	466	167

10. Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade Creditors	3	7
Accruals and deferred income	1,006	339
	1,009	346

11. Called up share capital

	2019 £000	2018 £000
Allotted, called-up and fully paid: 204,014,367		
(2018: 176,711,020) ordinary shares of 1p each.	2,040	1,767

During the year 4,076,170 (2018: 2,959,394) ordinary shares were purchased through the buyback facility at a cost of £2,902,402 (2018: £2,387,356). The repurchased shares represent 2.3% (2018: 3.6%) of ordinary shares in issue on 1 October 2018. The acquired shares have been cancelled.

During the year, the Company issued 31,379,517 ordinary shares of 1 pence (nominal value £313,795) in an offer for subscription, representing 17.7% of the opening share capital at prices ranging from 73.59p to 83.70p per share. Gross funds of £25,000,000 were received. The 3.5% premium of £875,000 payable to Hargreave Hale Limited under the terms of the offer was reduced by £426,670, being the discount awarded to investors in the form of additional shares. A further reduction of £150 introductory commission was made resulting in fees payable to Hargreave Hale Limited of £448,180 which were then used to pay other costs associated with the prospectus and marketing.

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.

12. Net asset value per ordinary share

	30 September 2019	30 September 2018
Net assets (£'000)	144,042	154,786
Shares in issue	204,014,367	176,711,020
NAV per share	70.60	87.59

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

13. Contingencies, guarantees and financial commitments

There were no contingencies, guarantees or financial commitments of the Company at the year end (2018: nil).

14. Related party transactions and conflicts

The remuneration of the directors, who are key management personnel of the Company, is disclosed in the Directors' remuneration report on page 33 and in note 4 on page 57.

David Brock was appointed as non-executive Chairman of Honest Brew Ltd on 25 July 2019 to assist with the delivery of its business plan.

Transactions with the manager

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

Oliver Bedford, a non-executive director of the Company is also an employee of Hargreave Hale Limited which received fees of £18,000 for the year ended 30 September 2019 in respect of his position on the Board (2018: £25,028 which included a payment of £7,028 for his Hargreave Hale AIM VCT 2 plc directorship). Of these fees £7,500 was still owed at the year end.

From 1 October 2019, directors' fees increased to £25,000.

CGWL act as administrator and custodian to the Company and provide the company secretary. The Company has recently entered into a series of new agreements with CGWL. On 5 April 2019 the Company entered into a new custody agreement with CGWL. Under the terms of the new custody agreement the annual custody fee was increased from £10,000 to £30,000. On 25 June 2019, the Company entered into new administration and secretarial contracts with CGWL. Under the new agreements the annual fee for administration services increased from £110,000 to £195,000. The fee for secretarial services remains unchanged at £17,000.

CGWL received fees for the support functions as follows:

	30 September 2019	30 September 2018
Custody	19,642	11,404[1]
Administration	132,713	91,667
Company secretarial	17,000	23,638[2]
Total	169,355	126,709
Still owed at the year end	88,130	22,833

(1) Includes £1,404 in relation to VCT 2 custody services

(2) Includes £6,638 in relation to VCT 2 company secretarial services

Investment management will continue to be provided by Hargreave Hale Limited under a new agreement which commenced on 25 June 2019. As previously disclosed, the annual fee payable to the investment manager increased to 1.7% with effect from 1 April 2019. The annual fee continues at this rate under the new agreement. The investment manager's previous entitlement to earn a performance fee has been removed under the updated arrangement.

Investment management fees for the year are £2,261,355 (2018: £1,665,754) as detailed in note 3. £807,251 was still owed at the year end in respect of investment management fees (2018: 186,504).

A further £448,180 was paid to Hargreave Hale Limited under the terms of the offer agreement as detailed in note 11.

Total commission of £85,874 was paid to CGWL in the year for broker services.

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

The Company also held £14,362,793 in the client account held at CGWL at 30 September 2019.

15. 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 Qualifying 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 funds were invested in liquid assets (such as non-qualifying equities, fixed interest securities and bank deposits). The Company is managed as a VCT in order that shareholders in the Company may benefit from the tax relief available.

This strategy exposes the Company to certain risks, which are summarised below.

The structure in place to manage these risks is set out in the corporate governance report on pages 35 to 39 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 4 to 7 and 17 to 18 respectively.

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

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

Other financial assets comprise cash at bank of £24,638,431 (2018: £24,860,177), accrued income and debtors of £151,814 (2018: £151,999), which is classified as 'loans and receivables measured at amortised cost'. Financial liabilities consist of trade creditors and accruals of £1,009,955 (2018: £345,873) 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 company. 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:

		2019 £000	2018 £000
Equity	Fair value	108,507	116,241
Authorised unit trust	Fair value	11,440	13,864
Fixed income securities	Fair value	–	–
		119,947	130,105

If market prices had been 10% higher or lower while all other variables remained unchanged the return attributable to ordinary shareholders for the year ended 30 September 2019 would have increased/decreased by £11,994,700 (2018: £13,010,500). This is based on the Company's total equity portfolio including private company investments held at year end.

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 2019			
	Fixed Rate £000	Variable Rate £000	Non-Interest Bearing £000	Total £000
Investments	–	–	119,947	119,947
Cash and cash equivalents	–	24,638	–	24,638
Other currents assets and current liabilities (net)	–	–	(543)	(543)
Net assets	–	24,638	119,404	144,042

	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

Interest rate risk exposure relates to fixed income securities and cash and cash equivalents (bank deposits) where interest income is primarily linked to bank base rates. Interest rate risk exposure on debt instruments is reflected in the market risk and since these securities are valued at fair value, no additional disclosure is made in this respect. Movements in interest rates on cash and cash equivalents are not considered a material risk.

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet obligations as they fall due. As the Company has no debt or other financial liabilities other than trade creditors and accruals of £1,009,955, liquidity risk is not considered material. As at 30 September 2019 the Company held £24,638,431 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 payment.

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

	2019 £000	2018 £000
Investments – (UK fixed income securities)	–	–
Cash and cash equivalents	24,638	24,860
Other assets/(liabilities)	(543)	(179)
	24,095	24,681

Cash balances were held on deposit with RBS and in the CGWL client account at 30 September 2019.

Fair value of financial assets and financial liabilities

Equity investments are held at fair value. No investments are held for trading purposes only.

Capital management policies and procedures

The current policy is to fund investments through equity. No future change to this policy is envisaged. As a public limited company, the Company is required to hold a minimum £50,000 share capital.

The Company's capital is summarised in notes 1 and 11 to these accounts. The Company has no debt and is fully funded by equity.

16. Dividends

	2019 Ord £000	2018 Ord £000
Paid per share: Final capital dividend of 2.25 pence for the 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)
Paid per share:[2] Special capital dividend of 1.00 pence	1,772	–
Paid per share: Final capital dividend of 2.65 pence for year ended 30 September 2018	5,370	–
Paid per share: Interim capital dividend of 1.50 pence for year ended 30 September 2019	3,072	–
	10,214	4,919
Paid per share:[3] Special capital dividend of 1.75 pence	3,564	–
Proposed per share: Final capital dividend of 2.25 pence for the year ended 30 September 2019	4,578	–
Proposed per share: Final capital dividend of 2.65 pence for the year ended 30 September 2018	–	5,369

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

(2) Special capital dividend was paid on 24 October 2018

(3) Special capital dividend was paid after the year end on 28 November 2019

17. Post balance sheet events

Appointment of non-executive director

On 29 October 2019, Angela Henderson was appointed as a non-executive director. Further details can be found in the chairman's statement on page 5 and the Board of directors section on page 27.

Buybacks

Since the period end, a further 615,077 ordinary shares were purchased at an average price of 66.78 pence per share and a total cost of £410,766.

Special dividend

On 31 October 2019 the Company announced a special dividend of 1.75 pence per share. The distribution returned to shareholders proceeds arising from the realisation of some of the Company's underlying investments. The payment was made on 28 November 2019 to shareholders on the register on 8 November 2019.

New investments

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

Row Labels	Sum of Amount Invested £000	Investment into existing company
Qualifying companies	**2,954**	
C4X Discovery Holdings plc	500	Yes
Cloudcall Group plc	1,154	Yes
Honest Brew Limited	300	Yes
Location Sciences Group plc	200	Yes
Osirium Technologies plc	800	Yes
Non-qualifying companies	**4,691**	
Ascential plc	103	Yes
Cineworld Group plc	257	Yes
GoCo Group plc	217	Yes
Hiscox Ltd	405	No
Howden Joinery Group plc	483	No
Integrafin Holdings plc	177	Yes
On The Beach Group plc	276	Yes
Liontrust Asset Management plc	17	No
Marlborough Special Situations Fund	1,015	Yes
Next plc	250	No
Sthree plc	528	No
Pennon Group plc	302	No
Tesco plc	382	Yes
Taylor Wimpey plc	279	No
Grand Total	**7,646**	

Private company valuation reviews

The valuation of Infinity Reliance Ltd (My 1st Years) was reviewed and adjusted down following a period of weak trading post period end. The downward revision to the share price, which equates to -£454,461 (-0.22 pence per share), was incorporated into the net asset value per share as at 30 November 2019, released on 13 December 2019. The valuation of My 1st Years and its contribution to the net asset value per share reflects the performance of the Company at the balance sheet date.

Alternative performance measures

Alternative Performance Measure ("APM")

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

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

The definition of each APM is in the glossary of terms on page 69. Where the calculation of the APM is not detailed within the financial statements, an explanation of the methodology employed is below:

NAV total return since inception

		30 September 2019
Net asset value per share	A	70.60p
Dividends paid per share since inception	B	55.15p
NAV total return since inception	A+B	125.75p

Ongoing charges ratio

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

		30 September 2019 £'000
Investment management fee		2,261
Other expenses(1)		677
VCT proportion of MSSF expenses		89
Ongoing charges	A	3,027
Average net assets	B	147,607
Ongoing charges ratio	(A/B)*100	2.05%

(1) Other expenses exclude the London Stock Exchange fee of £72k for admission of shares under the offer for subscription as the Board do not consider this cost to be an ongoing cost to the fund.

Share price discount

		30 September 2019
Share price	A	66.50p
Net asset value per share	B	70.60p
(Discount)/premium	[(A/B)-1]*100	(5.81%)

The 5 year average discount of 5.37% is calculated by taking the average share price discount between 1 October 2014 and 30 September 2019.

Glossary of terms

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.

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.

Revenue return

Revenue profit/(loss) for the reporting period divided by the weighted average number of shares in issue.

Capital return

Capital profit/(loss) for the reporting period divided by the weighted average number of shares in issue.

Combined return

Total profit/(loss) for the reporting period divided by the weighted average number of shares in issue.

Alternative performance measures

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

The Company uses the following alternative performance measures:

Net asset value (NAV)

The value of the Company's assets, less its liabilities.

Net asset value (NAV) per share

The net asset value divided by the total number of shares in issue.

Ongoing charges ratio

The ongoing costs of managing and operating the Company divided by its average net assets. Calculated in accordance with AIC guidance, this figure excludes 'non-recurring costs'.

Share price discount

The price of a share is derived from buyers and sellers agreeing a price at which to trade their shares. The share price may not be identical to the NAV per share of the underlying assets less liabilities of the Company. If the share price is lower than the NAV per share, the shares are trading at a discount. Shares trading at a price above NAV per share are said to be at a premium.

Total return

The NAV total return shows how the NAV per share has performed over a period of time in percentage terms taking into account both capital returns and dividends paid. We calculate this by adding the dividends paid in the period to the closing NAV per share and measuring the percentage change relative to the opening NAV per share.

Total return since inception

The sum of the published NAV per share plus all dividends paid per share over the lifetime of the Company.

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 13 December 2019 was 69.90 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 4 February 2020, the Board has proposed the payment of a final dividend of 2.25 pence in respect of the financial year ending 30 September 2019.

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 buyback 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. Investors who sell their VCT shares before the fifth anniversary of the share issue are likely to have to repay their income tax relief. Canaccord Genuity Wealth Limited 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 Canaccord Genuity Wealth Limited to act for you as their client (as opposed to a shareholder in the Company) then please contact Andrew Pang for further information (020 7523 4872, andrew.pang@canaccord.com).

Please note that Canaccord Genuity Wealth Limited 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 Canaccord Genuity Wealth 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 71.

Company information

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Directors
Sir Aubrey Brocklebank, Chairman
David Brock
Oliver Bedford
Ashton Bradbury
Angela Henderson

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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 4 February 2020 at 10.30 am for the purposes of considering and if thought fit, passing the following resolutions, of which resolutions 1 to 11 will be proposed as ordinary resolutions and 12 and 13 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 2019;
2. To receive and approve the directors' remuneration report for the year ended 30 September 2019;
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 2019;
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 David Brock as a director of the Company;
7. To re-elect Oliver Bedford as a director of the Company;
8. To re-elect Ashton Bradbury as a director of the Company;
9. To elect Angela Henderson as a director of the Company; and
10. To approve a final dividend of 2.25 pence per ordinary share in respect of the year ended 30 September 2019.
11. 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 2021 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

12. 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 2021 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 11 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 for any existing powers.
13. 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 14.99% of the issued share capital at the date of the passing of this resolution. If this resolution had been passed at the date of this notice, the maximum aggregate number of shares would be 30,489,553, but this figure will decrease proportionately if there is a decrease in the shares in issue between the date of this notice and the Annual General Meeting.

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 2021 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 www.hargreaveaimvcts.co.uk.

By order of the Board of Directors.

Canaccord Genuity Wealth Limited
Company Secretary

Registered Office:
41 Lothbury
London
EC2R 7AE

19 December 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 31 January 2020 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 31 January 2020 (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 18 December 2019 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 203,399,290, carrying one vote each. Therefore, the total voting rights in the Company are 203,399,290.

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