Hargreave Hale
AIM VCT

Planting seeds for growth

**Annual report and accounts
for Hargreave Hale AIM VCT plc
year ended 30 September 2020**

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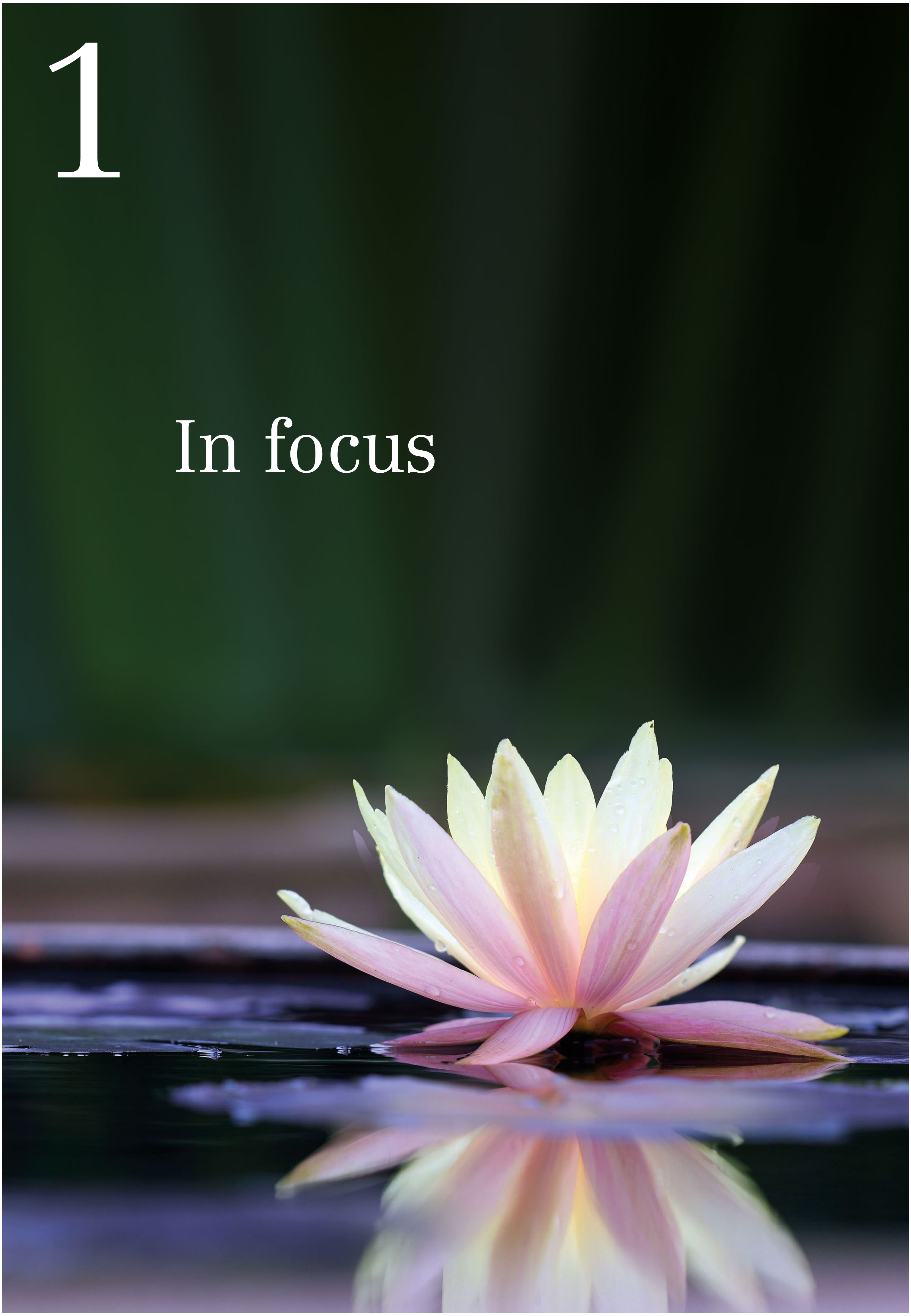
In focus



Strategic report

Financial highlights for the year ended 30 September 2020

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

73.66p	11.42%[1]	5.00p	6.77%[1]	2.35%[1]
Net asset value (NAV) per share	NAV total return	Tax free dividends paid in the period	Share price total return	Ongoing charges ratio

- £17.11 million invested in Qualifying Companies in the year.
- 97.0% invested by VCT tax value in Qualifying Investments at 30 September 2020.
- Offer for subscription to raise £20 million, together with an over-allotment facility to raise a further £10 million launched 2 September. The offer will close at 12 p.m. on 1 April 2021 for subscriptions in the 2020/21 tax year and 20 August 2021 for subscriptions in the 2021/22 tax year (unless fully subscribed earlier or closed at the Directors' discretion).

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

Financial calendar	
Record date for annual dividend	8 January 2021
Payment of annual dividend	11 February 2021
Annual General Meeting	4 February 2021
Announcement of half-yearly results for the six months ending 31 March 2021	June 2021
Payment of interim dividend (subject to Board approval)	July 2021

[1] Alternative performance measure definitions and illustrations can be found on pages 77 to 80.
[2] The year end review resulted in favourable movements in the valuation of several private companies and a substantial increase in the NAV per share relative to the previously published NAV per share, leading to an unusually wide discount at year end.

Chairman's statement

Introduction

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

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

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

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

Performance

At 30 September 2020, the NAV per share was 73.66 pence which after adjusting for dividends paid in the year of 5.00 pence gives a NAV total return for the year of 11.42%. The NAV total return (dividends reinvested) for the year was 12.09% compared with 11.03% in the FTSE AIM All-share Index total return (also calculated on a dividends reinvested basis). The Directors consider this to be the most appropriate benchmark from a shareholder's perspective, however, due to the investment restrictions placed on a VCT it is not wholly comparable. The NAV total return since inception[(1)] is 133.81 pence (a gain of 33.81%).

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

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

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

Investments

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

Dividend

The Directors continue to maintain their policy of targeting a tax free dividend yield equivalent to 5% of the year end NAV per share (see page 19 for the full policy).

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

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

Dividend re-investment scheme

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

Buybacks

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

Share price discount

The Company aims to improve liquidity and to maintain a discount of approximately 5 per cent. to the last published NAV per share (as measured against the mid-price) by making secondary market purchases of its shares in accordance with parameters set by the Board (see page 19 for the full policy).

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

Whilst the discount reported at 30 September is wider than our target of 5% we were pleased we were able to operate the discount control and management of share liquidity policy despite the challenging market environment. As at 21 December 2020 the discount had narrowed to 4.79% of the last published NAV per share.

Offer for subscription

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

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

Related party transactions

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

VCT fund management team

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

Cost efficiency

Your Board reviews costs incurred by the Company on a regular basis and is focused on maintaining a competitive ongoing charges ratio. The year end ongoing charges ratio was 2.35% when calculated in accordance with the AIC's "Ongoing Charges" methodology. This represents an increase of 14.63% from 30 September 2019 ratio of 2.05%. As indicated in the prior year Annual Report, most of this increase is a result of changes to the investment management, administration, custody and directors' fees, further detail can be found in the key performance indicator section on page 12.

Board composition

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

I am delighted to welcome Justin Ward to the Board as a non-executive director appointed on 1 November 2020. Justin is a non-executive director and Chairman of the Audit Committee of The Income & Growth VCT Plc, is non-executive CFO at School Explained Limited and a non-executive director and Chairman of the Audit and Finance Committee at Roehampton Club Limited. Please see page 34 for further details. Justin will take on the role of Chairman of the Audit Committee when Sir Aubrey Brocklebank retires in February 2021.

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

Appointment of new Company Secretary

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

Annual General Meeting

In light of the UK government's public health guidelines on COVID-19 and the interests of the safety and wellbeing of our shareholders, this year's AGM will be run as a closed meeting and Shareholders will not be able to attend in person. Further information can be found in the directors' report and Notice of Annual General Meeting on pages 36 and 83 respectively.

Shareholder event

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

Regulatory update

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

VCT status

I am pleased to report that we continue to perform well against the requirements of the legislation and at the period end, the investment test was 97.0% (2019: 96.6%) against an 80% requirement when measured using HMRC's methodology. The investment test dropped to 86.9% on 1 October 2020 as shares issued in the 2017 financial year fell into the calculation for the first time. The Company satisfied all other tests relevant to its status as a Venture Capital Trust and further information on these tests can be found on page 20.

Key information document

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

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

Covid-19

Your Board has reviewed the risks facing the Company as a result of the Covid-19 pandemic, further detail can be found in the principal and emerging risks and uncertainties section on page 16.

Outlook

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

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

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

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

David Brock
Chairman

21 December 2020

[1] Alternative performance measure definitions and illustrations can be found on pages 77 to 80.

The Company and its business model

The Company was incorporated and registered in England and Wales on 16 August 2004 under the Companies Act 1985, registered number 05206425.

The Company has been approved as a Venture Capital Trust by HMRC under Section 259 of the Income Taxes Act 2007. The shares of the Company were first admitted to the Official List of the UK Listing Authority and trading on the London Stock Exchange on 29 October 2004 and can be found under the TIDM code “HHV”. The Company is premium listed.

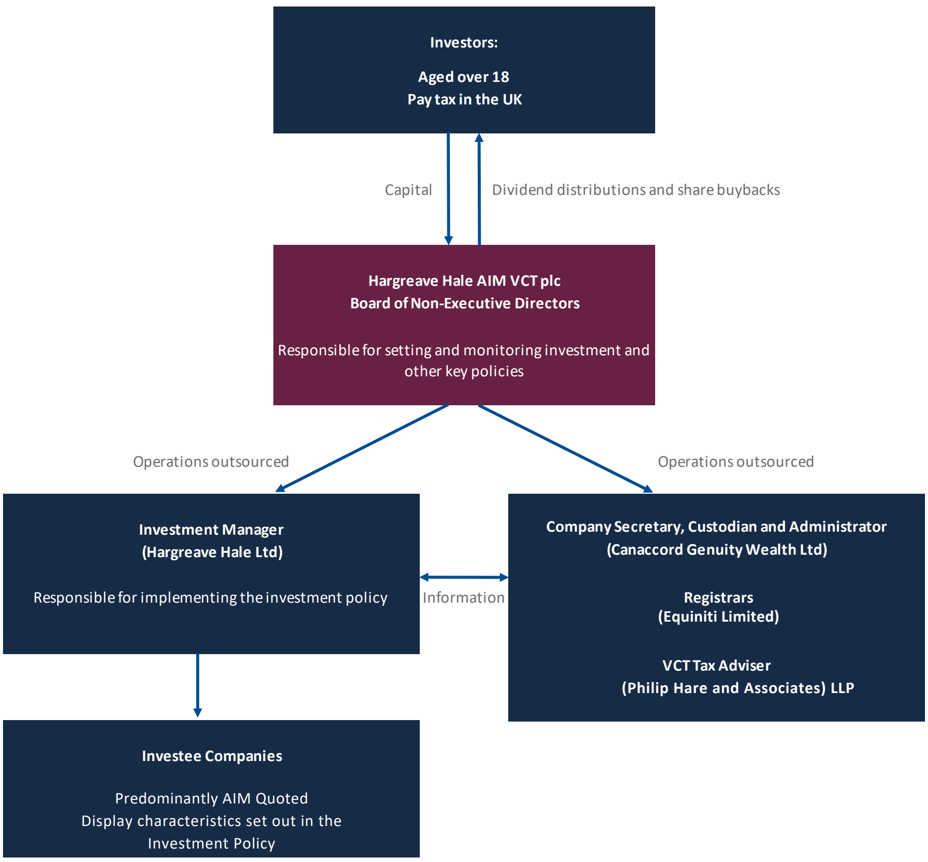
In common with many other VCTs, the Company revoked its status as an investment company as defined in Section 266 of the Companies Act 1985 on 23 May 2006 to facilitate the payment of dividends out of capital profits.

The Company’s principal activity is to invest in a diversified portfolio of qualifying small UK based companies, primarily trading on AIM, with a view to generating capital returns and income from its portfolio and to make distributions from capital and income to shareholders whilst maintaining its status as a VCT.

The Company is registered as a small UK Alternative Investment Fund Manager (AIFM) with a Board comprising of six non-executive directors, five of whom are independent. Hargreave Hale Limited acts as investment manager whilst Canaccord Genuity Wealth Limited (CGWL) acts as administrator and custodian and provides the company secretary. CGWL will cease to provide company secretarial services on 15 January 2021. The Board is in advanced discussions with a new provider and a further announcement will be made in due course.

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

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

Investment policy

The Board has been working with the investment manager to update the Company's investment policy whilst also making it clearer for investors to follow. The investment policy set out below is the updated investment policy approved by shareholders at the general meeting held on 29 September 2020.

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

Qualifying investments

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

To maintain its status as a VCT, the Company must have 80 per cent. of all funds raised from the issue of shares invested in Qualifying Investments throughout accounting periods of the VCT beginning no later than three years after the date on which those shares are issued. To provide some protection against an inadvertent breach of this rule, the investment manager targets a threshold of approximately 85 per cent.

Non-Qualifying Investments

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

Investment controls

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

Borrowings

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

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

Investment process and strategy

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

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

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

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

Qualifying Investments

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

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

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

Non-Qualifying Investments

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

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

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

Environmental, social and governance ("ESG") considerations

The investment manager is actively seeking to strengthen its current approach to ESG issues and is integrating a review of ESG issues into its investment decision-making process for investments in Qualifying Companies. The investment manager has already begun to implement its review of ESG issues in its due diligence process for Qualifying Investments in private companies and seeks to identify material issues in the following areas:

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

The investment manager will seek to engage and influence private companies on any areas of improvement identified through due diligence and, for both public and private companies, material ESG issues that arise during the term of the investment. The investment manager is developing a policy and a reporting structure to align with the UK Stewardship Code 2020, which has introduced a requirement to take ESG factors (including climate change) into account in the investment process as well as addressing ESG issues in ongoing engagement with investee companies.

Risk management

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

- The Company has a broad portfolio of investments to reduce stock specific risk.
- Flexible allocations to non-qualifying equities, exchange traded funds listed on the main market of the London Stock Exchange, fixed income securities, bank deposits that are readily realisable and the Marlborough Special Situations Fund, allow the investment manager to adjust portfolio risk without compromising liquidity.
- Regular meetings with investee companies aid the close monitoring of investments to identify potential risks and allow corrective action where possible. In order to address the additional risks posed by the current COVID-19 pandemic on smaller businesses, the investment manager has increased the number and frequency of meetings that it is holding with investee companies.
- Regular board meetings and dialogue with the Directors, along with policies to control conflicts of interest and co-investment with the Marlborough fund mandates, support strong governance.

Key performance indicators

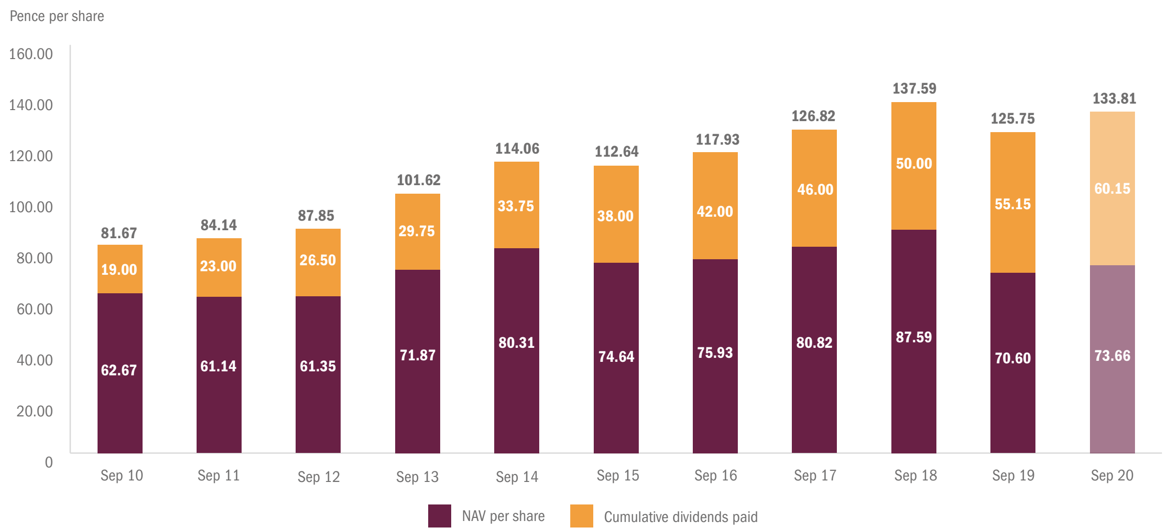
The Directors consider the following Key Performance Indicators (KPIs) to assess whether the Company is achieving its strategic objectives. The Directors believe these measures help shareholders assess how effectively the Company is applying its investment policy and are satisfied the results give a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

Further commentary on the performance of these KPIs has been discussed in the chairman's statement and investment manager's report on pages 4 to 6 and 23 to 25 respectively.

1. NAV and share price total returns

The Board monitors NAV and share price total return to assess how the Company is meeting its objective of generating capital gains and income from its portfolio and making distributions to shareholders. The Board is pleased to report a positive return for the year under review despite the challenging market environment. The NAV per share increased from 70.60 pence to 73.66 pence resulting in a gain to ordinary shareholders of 8.06 pence per share (11.42%) after adjusting for dividends paid in the year.

NAV and cumulative dividends



The Board considers peer group and benchmark comparative performance. Due to the very low number of AIM VCTs, the Board reviews performance against the generalist VCTs as well as the AIM VCTs to provide a broader peer group for comparison purposes. Performance is also measured against the Company's closest benchmark the FTSE AIM All-share Index total return. With 67% of the net assets invested in companies listed on AIM, the Directors consider this to be the most appropriate benchmark from a shareholder's perspective. However, HMRC derived investment restrictions, along with Qualifying Investments in private companies and fixed income securities, and Non-Qualifying Investments in main market listed companies, predominantly in the FTSE 350, mean the index is not a wholly comparable benchmark for performance.

Rolling Returns to end Sep 2020	1Y	3y	5y	10y
NAV total return	11.42%	8.65%	28.36%	83.20%
Share price total return	6.77%	5.46%	21.59%	100.28%
NAV total return (dividends reinvested)[1]	12.09%	9.98%	32.25%	107.56%
Share price total return (dividends reinvested) [1]	7.11%	5.94%	23.94%	124.35%
FTSE AIM All-Share Index total return	11.03%	-0.86%	41.47%	37.41%
Weighted average NAV total return for AIM VCT peer group (dividends reinvested)	16.32%	13.55%	48.09%	134.49%
Weighted average NAV total return for generalist VCT peer group (dividends reinvested)	-4.92%	3.03%	20.81%	75.66%

Source: Hargreave Hale Ltd/ Bloomberg/AIC and Morningstar

(1) The NAV total return (dividends reinvested) and Share price total return (dividends reinvested) measures have been included to improve comparability with the FTSE AIM All-Share index total return and peer group returns which are also calculated on that basis. They are alternative performance measures, the definitions and illustrations can be found on pages 77 to 80.

Whilst behind the weighted average of its AIM VCT peers, which is a particularly narrow peer group of just 5 managers, the NAV total return (dividends reinvested) for the VCT has performed ahead of the FTSE AIM All-Share over most periods, and very significantly ahead over 10 years. It has also comfortably outperformed the average of the much larger Generalist VCT sector over all time horizons shown in the table above.

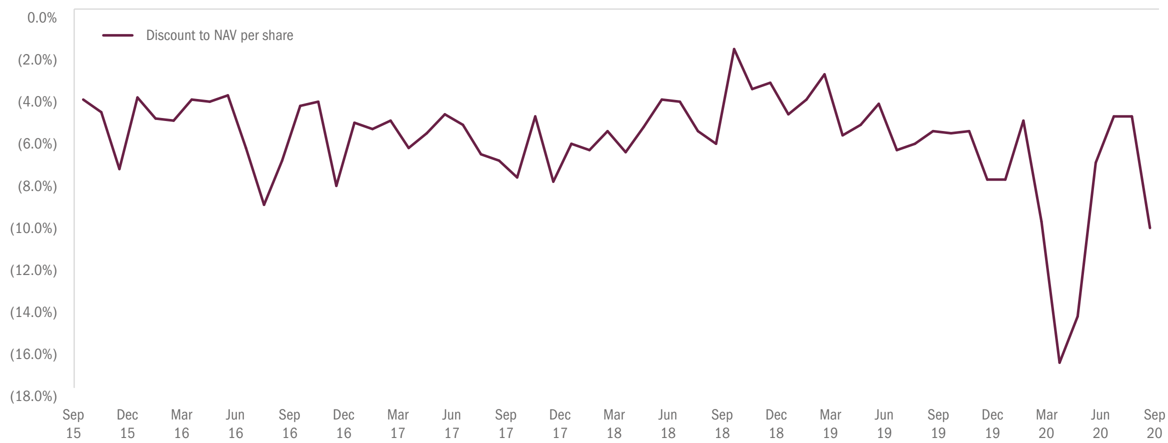
2. Share price discount to NAV per share

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

The share price discount as 30 September 2020 was 10.40% (2019: 5.81%). The 1 and 5 year average share price discounts are 8.55% and 6.18% respectively.

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

Discount to NAV per share



The 30 September 2020 year end review resulted in favourable movements in the valuation of several private companies and a substantial increase in the NAV per share relative to the previously published NAV per share, leading to an unusually wide discount of 10.4% on 30 September 2020. The discount narrowed to 6.3% on 8 October 2020 following the release of 30 September 2020 NAV per share and averaged 8.55% during the year under review.

3. Ongoing charges ratio

The ongoing charges of the Company were 2.35% (2019: 2.05%) of the average net assets of the Company during the financial year to September 2020. The increase in the ongoing charges ratio primarily reflects the full year impact of changes made in the prior financial year, as previously reported. Beyond the appointment of Angela Henderson to the board on 29 October 2019, there were no other material increases to the cost base within the financial year. The addition of a legal counsel to the manager's VCT team in May 2020 provided for a reduced spend on due diligence related legal advice in the latter part of the financial year and should provide further cost benefits in the current financial year and beyond.

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

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

4. Dividends per share

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

A total of 5.00 pence per share (2019: 5.15 pence) of dividends was paid during the year, comprised of a special dividend of 1.75 pence (2019: 1 penny) paid on 28 November 2019, a final dividend of 2.25 pence in respect of the previous financial year (2018: 2.65 pence) paid on 11 February 2020 and an interim dividend of 1 penny (2019: 1.50 pence) paid on 24 July 2020.

A final dividend of 2.65 pence per share will be proposed at the Annual General Meeting. If approved by shareholders, the payment of the interim and final dividends in respect of the financial year to September 2020 would represent a distribution to shareholders of 5.0% of the 30 September 2020 NAV per share. The payment of the special dividend, which was outside of the scope of the dividend policy, further increases the distribution to 7.3% of the 30 September 2020 NAV per share.

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

Dividends paid/payable by financial year

Year	Year end NAV	Dividends	Yield	Additional information
	pence per share			
2009/10	62.67	4.00	6.4%	
2010/11	61.14	4.00	6.5%	
2011/12	61.35	3.25	5.3%	
2012/13	71.87	3.75	5.2%	
2013/14	80.31	4.25	5.3%	
2014/15	74.64	4.00	5.4%	
2015/16	75.93	4.00	5.3%	
2016/17	80.82	4.00	4.9%	
2017/18	87.59	5.40	6.2%	Including special dividend of 1 penny.
2018/19	70.60	3.75	5.3%	
2019/20	73.66	5.40	7.3%	Including a special dividend of 1.75 pence and the proposed final dividend of 2.65 pence

5. Compliance with VCT regulations

A VCT must be approved by HMRC at all times and, in order to retain its status, the Company must meet a number of tests as set out by the VCT legislation, a summary of which can be found on page 20. Throughout the year ended 30 September 2020 the Company continued to meet these tests.

The investment test increased from 96.6% to 97.0% in the financial year, comfortably ahead of the new 80% threshold that applied to the Company with effect from 1 October 2019. The Company invested £17.1 million into 22 Qualifying Companies, 9 of which were investments into new Qualifying Companies. The Board is pleased with the level of new Qualifying Investment, which was ahead of expectations. Along with unrealised gains in the period, the new Qualifying Investments helped to increase the fair value of the qualifying portfolio from £79.6m to £112.4m. On 1 October 2020, when shares issued in the 2017 financial year fell into the test for the first time, the investment test dropped to 86.9%.

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

For further details please refer to the investment manager's report on pages 23 to 25.

Section 172 statement

This section sets out how the Company meets its obligations under Section 172 of the Companies Act and should be read with the other contents of the Strategic Report on pages 3 to 32.

The directors have a duty to promote the success of the Company for the benefit of its members as a whole, and in doing so to have regard to a number of matters including:

- the likely consequences of any decision in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the company.

As an externally managed investment company with no employees, the Board considers its key stakeholders to be the shareholders, the investment manager, other service providers and investee companies.

Shareholders

Shareholder relations are given high priority by the Board. Regular updates are given to shareholders 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, monthly factsheets and the weekly publication of the Company's NAV per share. This information combined with further background regarding the Company is available on the Company's website at https://www.hargreaveaimvcts.co.uk.

In light of the UK government's public health guidelines on COVID-19 and the interests of the safety and wellbeing of our shareholders, this year's AGM will be run as a closed meeting and shareholders will not be able to attend in person. The Board recognises the importance of the AGM to shareholders and encourages them to submit questions in writing, to be received at least six business days before the meeting (i.e. by 10.30 am on 27 January 2021), by sending an email to aimvct@canaccord.com. Answers will be published on the website on 1 February 2021.

Shareholders can also communicate with the Chairman, any other member of the Board or the investment manager by writing to the Company, for the attention of the company secretary at the address set out on page 82 or by email to aimvct@canaccord.com.

In the last financial year the Company held a successful event attended by over 100 of its shareholders giving them the opportunity to hear directly from CEOs of some of the investee companies and meet with the investment manager and members of the Board. Your Board is planning to release a pre-recorded seminar on 25 February 2021. Shareholders are invited to put questions to the investment manager no later than 27 January 2021 by emailing aimvct@canaccord.com or in writing to the Company's registered address.

Investment Manager

The Company's most important business relationship is with its investment manager. The Company's lead fund manager, Oliver Bedford, is a board member and he and other representatives of the investment manager attend all board meetings thus ensuring a constructive dialogue.

The Board regularly reviews the Company's performance in relation to its investment objectives. The Board receives detailed reports from the investment manager, including commentary on investment performance and portfolio positioning, which enable it to oversee the delivery of the Company's investment policy. The Board, through the Management and Service Provider Engagement Committee, formally reviews the performance of the Manager on an annual basis.

Other Service Providers

The Company seeks to have a constructive relationship with all of its service providers. It maintains a schedule of the contracts that it has in place with its service providers including those services provided by the Manager. The service provided by each is reviewed by the Board through the Manager and Service Provider Engagement Committee on an annual basis, most recently in November 2020.

Investee Companies

The Company's performance is directly linked to the performance of its underlying investee companies. The Board has delegated the monitoring of its portfolio companies to the investment manager which engages with investee companies through a programme of regular company meetings as part of its investment process.

The Board has also given the investment manager discretionary authority to vote on investee company resolutions on its behalf as part of its approach to corporate governance.

The impact of key decisions on stakeholders

Key decisions and actions during the year which have required the Directors to have regard to applicable section 172 factors include:

- During the year the Board decided to launch an offer for subscription of shares, this provided an opportunity for existing shareholders and new investors to invest in the Company and provided liquidity to enable the Company to take advantage of new investment opportunities in furtherance of its long-term objectives.
- The Board established a dividend re-investment scheme (“DRIS”) allowing shareholders to elect to receive all or part of their dividends from the Company in the form of new ordinary shares.
- The Board reviewed and updated the Company’s investment and discount control policies to provide additional clarity for shareholders. The revised investment policy was approved by shareholders at the Company’s recent General Meeting.
- Notwithstanding difficult market conditions at times during the year under review the Company continued to buy back shares in line with its stated policy. This action provided liquidity for shareholders looking to sell their shares whilst modestly enhancing the NAV per share for remaining shareholders.
- As part of its Board succession and refreshment plans the Board recruited Angela Henderson in October 2019 and Justin Ward in November 2020 as independent non-executive directors. The Board believes that the orderly refreshment of the Board is consistent with the principles of good corporate governance and so in the best interests of shareholders.

Principal and emerging risks and uncertainties

The Directors acknowledge that they are responsible for the effectiveness of the Company's risk management and internal controls and periodically review the principal risks faced by the Company at board meetings. The Board may fulfil these responsibilities through delegation to Hargreave Hale Limited and Canaccord Genuity Wealth Limited as it considers appropriate. The Board also considers emerging risks of which the most significant to arise during the year was the emergence of the Covid-19 virus. The virus has had a terrible impact on public health and has also led to significant stock market and global economic volatility the duration of which is yet to be determined. The principal risks facing the Company together with mitigating actions taken by the Board are set out below:

Risk	Potential consequence	How the Board mitigates risk
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.
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. As a result of the COVID-19 pandemic the core outsourced functions of the company, including investment management, provided by Hargreave Hale Limited and Canaccord Genuity Wealth Limited transitioned to remote working and continued to operate effectively. The Board has received assurance that the services provided by other outsourced service providers have also been unaffected.
Key personnel risk – A change in the key personnel involved in the management of the portfolio.	Potential impact on investment performance	The Board discusses key personnel risk and resourcing with the investment manager periodically. The VCT team within the investment manager has increased in size over the last two and a half years, which helps to mitigate this risk.

Risk	Potential consequence	How the Board mitigates risk
Exogenous risks such as economic, political, financial, climate change and health – economic risks include recession and sharp changes in interest rates, political risks include the terms of the UK's exit from the European Union or a change in government policy causing the VCT scheme to be brought to an end.	Instability or change arising from these risks could have an impact on stock markets and the value of the Company's investments so reducing returns to shareholders. In particular at present the future path of the Covid-19 pandemic is still uncertain and the full economic impact of measures taken to control the epidemic is yet to be seen. Whilst the UK stock market has already fallen in an attempt to price in these uncertainties further volatility in share prices is possible in the short term. If the VCT scheme was brought to an end the loss of future tax incentives would be likely to lead to the VCT sector as a whole becoming unattractive to investors.	Regular dialogue with the manager provides the Board with assurance that the manager is following the investment policy agreed by the Board and appraises the Board of the portfolio's current positioning in the light of prevailing market conditions. Communication between the Board and the investment manager has remained strong through the period of the COVID-19 outbreak. The Company's investment portfolio is well diversified and the Company has no gearing. When reviewing the valuations of the Company's private company investments the independent non-executive directors have taken account of the impact of COVID-19 where appropriate. The Board keeps abreast of current thinking through contact with industry associations and its advisors.

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 6 and the investment manager's report on pages 23 to 25.

Long term viability statement

In accordance with provision 28 of the UK Corporate Governance Code, the Directors have carried out a robust assessment of the Company's emerging and principal risks, further details can be found in the principal and emerging risk section on page 16. This assessment has been carried out over a longer period than the 12 months required by the 'Going Concern' provision. The Board conducted this review for a period of five years, which was selected because it:

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

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

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

- the Company maintains a highly diversified portfolio of Qualifying Investments;
- the Company is well invested against the HMRC investment test and the Board believes the manager will continue to have access to sufficient numbers of investment opportunities to maintain compliance with the HMRC investment test;
- the Company held £15.7 million in cash at the year end;
- the Company has a broad portfolio of Non-Qualifying Investments, most of which are listed in the FTSE 350 and offer good levels of liquidity should the need arise;
- the financial position of the Company at 30 September 2020 was strong with no debt or gearing;
- the current offer for subscription of shares is expected to provide further liquidity for deployment in line with the company's policies or to meet future expenses;
- the ongoing charges ratio of the Company for the year end was 2.35%, which is competitive for the VCT sector; and
- the Company has sufficient procedures in place to identify, monitor and control risk and portfolio liquidity.

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

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

Other matters

Dividend policy

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

Discount control and management of share liquidity policy

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

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

Diversity

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

Environmental Social and Governance (ESG) Considerations

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

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

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

The investment manager is actively seeking to strengthen its approach to ESG issues. Further detail regarding the investment manager's approach to ESG issues can be found on page 9.

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

Prospects

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

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

David Brock

Chairman

21 December 2020

Summary of VCT regulations

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

VCTs' obligations

VCTs must:

- have 80 per cent. (by VCT tax value) of all funds raised from the issue of shares invested in Qualifying Investments throughout accounting periods of the VCT beginning no later than three years after the date on which those shares are issued (this percentage has increased from 70% for accounting periods ending after 30 September 2019);
- have at least 70 per cent. by VCT tax value of Qualifying Investments in Eligible Shares which carry no preferential rights (unless permitted under VCT rules);
- have at least 30 per cent. of all new funds raised by the Company invested in Qualifying Investments within 12 months of the end of the accounting period in which the Company issued the shares;
- have no more than 15 per cent. by VCT tax value of its investments in a single company (as valued in accordance with the VCT Rules at the date of investment);
- derive most of its income from shares and securities, and, must not retain more than 15 per cent. of its income derived from shares and securities in any accounting period; and
- have their shares listed on a European regulated Stock Exchange.

VCTs must not:

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

Qualifying Investments

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

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

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

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

The investment manager and the administrator

Hargreave Hale was founded in 1897. It has been part of the Canaccord Genuity Wealth group of companies since September 2017.

The lead fund manager at the investment manager in relation to the Company is Oliver Bedford, supported by Lucy Bloomfield as deputy fund manager, Giles Hargreave as co-manager, Anna Salim, and Barbara Walshe. The VCT management team is also supported by the wider Hargreave Hale fund management team, which totals 17 (including the VCT team), mainly in the delivery of the Non-Qualifying Investment strategy. The Hargreave Hale fund management team manages approximately £4.3 billion as at 30 September 2020, including approximately £3.0 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

Oliver Bedford graduated from Durham University with a degree in Chemistry. He served in the British Army for 9 years before joining the investment manager in 2004. As well as acting as the lead fund manager in relation to the Company, Oliver supports other unit trusts as part of the fund management team at the investment manager.

Lucy Bloomfield

Lucy joined the Hargreave Hale VCT team in August 2018. Prior to this she spent eight years as an analyst and UK Small & Mid-cap fund manager at BlackRock before her most recent role as a European Small and 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 co-manager of the Marlborough Special Situations Fund, the Marlborough UK Micro Cap Growth Fund, the Marlborough UK Nano-Cap Growth Fund and the Hargreave Hale AIM VCT plc.

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

Anna Salim

Anna Salim joined the investment manager in April 2018. Her prior experience includes European lower mid-market private equity investments at Revolution Capital Group and equity research at Cormark Securities. Anna graduated from the University of Toronto and holds an MBA from University of Western Ontario. She is a CFA charterholder.

Barbara Walshe

Barbara Walshe joined the investment manager as legal counsel in May 2020. She graduated from Oxford University and, following qualification as a solicitor in 2010, worked at Ashurst LLP and Linklaters LLP before her most recent role as chief legal officer at a VCT-backed sustainable recycling company.

Other members of the fund management team at Hargreave Hale include David Walton, Siddarth Chand Lall, Richard Hallett, George Finlay, Guy Feld, Will Searle and Eustace Santa Barbara, (pictured from left to right below), along with Dan Holmstrom, William Rosier, Phil Hallam, Caroline de La Soujeole and Tom Hutchinson.

Source: Hargreave Hale Limited (as at 30 September 2020)

The Administrator

Following the integration of Hargreave Hale into the CGWL group of companies, the Company appointed CGWL as its administrator, custodian and company secretary. CGWL is a subsidiary of Canaccord Genuity Inc., a full service financial services company listed on the Toronto Stock Exchange. CGWL will cease to provide company secretarial services on 15 January 2021. The Board is in advanced discussions with a new provider and a further announcement will be made in due course.

Fees and expenses

The annual running costs of the Company are capped at 3.5 per cent. of the net assets of the Company. The investment manager has agreed to indemnify the Company in relation to all costs that exceed this cap, such costs shall exclude any VAT payable on the annual running costs of the Company. Under the management agreement, the investment manager receives an annual management fee of 1.7 per cent. of the NAV of the Company.

75 per cent. of the annual management charge will be chargeable against capital reserves, with the remainder being chargeable against revenue. The Company does not pay the investment manager a performance fee. As the investment manager to the Company and investment advisor to the Marlborough Special Situations Fund (in which the Company may invest), the investment manager adjusts the fee it receives under the management agreement to ensure that the Company is not charged twice for its services.

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

The administrator charges the Company an annual aggregate fee of £195,000 (plus VAT) in relation to the provision of administration services. In addition, the administrator receives a fee of £30,000 per annum in relation to its appointment as the Company's custodian and will receive an annual fee of £17,000 (pro-rated) to 15 January 2021 for company secretarial services.

Investment manager’s report

Introduction

This report covers the 2019/20 financial year, 1 October 2019 to 30 September 2020. The investment manager’s report contains references to movements in the NAV per share and NAV total return per share. Movements in the NAV per share do not necessarily mirror the earnings per share reported in the accounts and elsewhere, which convey the profit after tax of the Company within the reported period as a function of the weighted average number of shares in issue for the period.

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

Investment report

The financial year started with global equity markets performing well. Markets 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 produced some clarity on how and when the UK will exit the EU. We started 2020 with an optimistic outlook for the small domestically orientated companies that we invest in.

Since then, all of us have had to adjust to a profoundly different way of life. For many portfolio companies, it was a year of extreme operational stress, either through severe business disruption or dramatically accelerated growth. Although the pandemic has taken a terrible toll, we are very proud of the way senior leadership teams responded, working hard to preserve employment, protect livelihoods and maintain safe working environments whilst managing their balance sheet liquidity in the face of the most significant reduction in global activity in living memory.

Whilst some companies have been negatively impacted, others are emerging in a stronger position than when they entered the crisis. It also seems some emerging or existing trends will accelerate and become more entrenched: deglobalisation, digitisation, remote working/learning and e-commerce are good examples. The pandemic has created opportunities for those with relevant service propositions and those companies able to adjust quickly to the new world we find ourselves in.

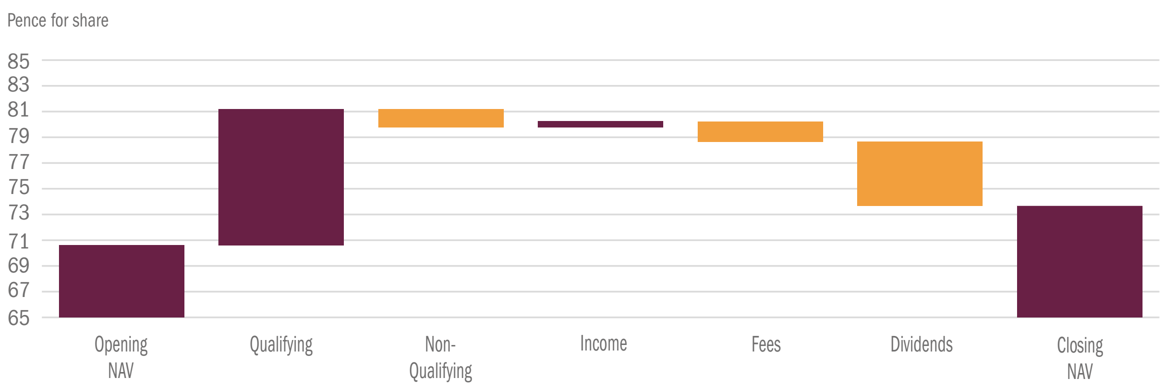
Although it is clear that we are some way from returning to pre-pandemic levels of economic activity, recent progress on vaccine development offers hope and, placing the immediate challenges to one side, we look into 2021 with some optimism that the economic rebound witnessed through the summer will re-emerge early next year as vaccination programmes get underway and consumer and business confidence recovers.

Performance

The year to 30 September 2020 was a year of two very different halves that delivered an increase in the NAV per share from 70.60p to 73.66p. A special dividend of 1.75 pence per share was paid on 28 November 2019, a final dividend of 2.25 pence was paid on 11 February 2020 and an interim dividend of 1 penny per share was paid on 24 July 2020, giving investors a NAV total return for the year of +8.06 pence per share or +11.42%. The NAV total return (dividends reinvested) for the year was +12.09% compared with a +11.03% in the FTSE AIM All-share Index total return and -16.6% in the FTSE All-Share Index total return (also calculated on a dividends reinvested basis).

The Qualifying Investments made a net contribution of +10.60 pence per share, in part offset by a modest decline (-1.24 pence per share) in the non-qualifying portfolio. The adjusting balance was the net of running costs and investment income. The contribution to NAV performance is split out in further detail below.

Contribution to NAV performance



Gousto was the top performing Qualifying Investment (+130.1%, +2.92 pence per share), with the company delivering strong performance and significant upgrades. The company raised £33m in March 2020 and, subsequent to the year end, a further £25m in October 2020 to support product and service enhancement, and a large investment in new capacity. The company delivered more than 5 million meals per month over lockdown and expects to report maiden profits for the year to 31 December 2020.

Ilika (+304.8%, +1.17 pence per share) followed a confident update in January with a £15m fundraise in March to fund the transition to large volume commercial production in response to meaningful levels of customer interest in their miniature solid state batteries.

Surface Transforms (+75.0%, +1.15 pence per share) reported significant contract wins with a large global original equipment manufacturer (OEM) and Koenisegg that more than compensated for further delays with Aston Martin. Aggregating this with the July 2019 EUR 12m contract with a large German OEM and the delayed Aston Martin contract results in a doubling of their 2022 revenue expectations, bringing forward profitability by 12 months.

Maxcyte (+216.5%, +1.11 pence per share) backed up trading that was ahead of expectations in FY19 with a strong start to FY20 with revenues up 30% year on year and a move into EBITDA profitability.

My 1st Years (+135.3%, +1.04 pence per share) reported substantial levels of growth through 2020 as consumers increasingly turned to the online retailer for personalised clothing and toys for pre-school children, helping the company to transition to profit. Other notable contributors included Polarean (+144.4%, +0.72 pence per share) and Oxford Genetics (+39.5%, +0.63 pence per share).

Having reported record revenues in the six months to March and resilient trading through to May, Hardide (-68.9%, -1.43 pence per share) reduced FY20 revenue guidance after travel restrictions delayed a large order in the oil and gas sector. Although demand from other oil and gas customers reduced to reflect lower levels of economic activity, demand from other verticals remains robust. The company continues to move forward with Airbus. The delayed order was confirmed just prior to year-end and provides the company with a good foundation for FY21.

Zoo Digital (-25.3%, -0.46 pence per share) guided lower for revenues and EBITDA for the year to March 2020. Subsequent statements were more positive with the company reporting a return to double digit revenue growth in the 6 months to September despite the difficult production and post production environment. The company is reporting market share gains as clients adopt their cloud based dubbing and subtitling solutions, which enable remote working, and use Zoo's digital packaging solution to migrate back catalogues onto digital media platforms.

Other losses came from Laundrapp (-100%, -0.52 pence per share), which was placed into administration, and Craneware (-38.5%, -0.46 pence per share) which dampened organic growth expectations in response to CV19 impacts on the US healthcare sector. More recent trading points to a recovery in sales order momentum.

We invested £17.1m into 22 Qualifying Companies including 8 investments through secondary placings into new portfolio companies, 1 new private investment and 13 investments into existing portfolio companies.

The most significant new investments included Kidly (online retailer of design-led, parent-approved products for children), Eden Research (sustainable crop protection products), One Media IP (digital record label, publisher and rights management) and Polarean Imaging (advanced imaging solutions for the pulmonary function).

Within the qualifying portfolio, we reduced our investments in Blackbird, Diurnal, Faron Pharma, Fusion Antibodies, Ilika, Learning Technologies, Surface Transforms and Synairgen following good performance. High levels of new investment allowed us to review and refine the qualifying portfolio, resulting in the sale of a large number of legacy positions. Two companies, APC Technology and Synnovia (formerly Plastics Capital), were also sold following bids from private equity. In total we sold 17 Qualifying Investments over the course of the financial year.

Portfolio structure

The VCT is comfortably through the HMRC defined investment test and ended the period at 97.0% invested as measured by the HMRC investment test. By market value, the VCT had a 76.5% weighting to Qualifying Investments.

The allocation to non-qualifying equity investments decreased from 20.1% to 13.3%. In line with the investment policy we sold the investment in the Marlborough Special Situations Fund to release funds for new Qualifying Investments. The Marlborough Special Situations Fund returned a loss of -0.19 pence per share in the period. The non-qualifying direct equity investments, which are mostly held in FTSE 350 companies and included a number of companies that were impacted by the pandemic or the consequential impact on the global economy, contributed -1.24

pence per share. Within the period, XP Power returned +83.4% (+0.29 pence per share), S4 capital returned +90.5% (+0.29 pence per share) and Integrafin returned +28.5% (+0.20 pence per share). The largest non-qualifying losses came from Royal Dutch Shell -60.8% (-0.38 pence per share) and BP -56.3% (-0.27 pence per share). The period ended with no non-qualifying fixed income investments and a decrease in the cash weighting from 17.1% to 10.7%.

The Company invests across all available investment sectors, although VCT legislation tends to promote investment into sectors such as healthcare, technology and consumer discretionary. The weightings to these three sectors increased over the year as a consequence of additional investment and share price performance, taking their respective share of net assets to 27%, 26% and 22% at year end.

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

Equity markets became increasingly nervous as CV19 infection rates built across many of the world's advanced economies through the autumn. Although the winter will be difficult, the prospect of meaningful progress on mass vaccination in early 2021 allows investors to look beyond the immediate challenges. The UK markets have benefitted from this improved outlook, although sentiment remains heavily conditioned by the uncertainty over the future of our trading relationship with the European Union. Within UK equity markets, we have seen a rotation towards businesses which have been most affected by CV19 lockdowns, creating short-term headwinds for the investment portfolio with its significant weightings to high growth technology and healthcare companies.

2021 could herald a return to a more normal way of life, a strong rebound in economic activity and, at long last, some certainty on BREXIT. Should the Government succeed in securing a positive resolution to their current negotiations, then the outlook for many companies will be substantially brighter than it has been for much of the last year.

The NAV per share has increased from 73.66 pence to 79.82 pence in the period to 11 December, a gain of 8.4%.

We have been less active in making new Qualifying Investments since the year end, potentially a consequence of the record levels of activity seen earlier this year. However, with only very modest levels of new investment required to return to full investment, this is not a cause for concern.

As at 21 December 2021, the share price of 76 pence represented a discount of 4.79% to the last published NAV per share.

For further information please contact:

Oliver Bedford

Lead Fund Manager

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21 December 2020

Investment portfolio summary

As at 30 September 2020

	Net Assets % at 30 Sep 2020	Cost £000	Cumulative movement in value £000	Valuation £000	Change in value for the year £000[2]	Market	COI[1]
Qualifying Investments							
SCA Investments Ltd (Gousto)	7.06	2,484	7,893	10,377	5,867	Unlisted	Y
Learning Technologies Group plc	4.01	2,238	3,657	5,895	504	AIM	Y
Ideagen plc	3.37	1,992	2,965	4,957	1,188	AIM	N
Surface Transforms plc	2.76	1,388	2,668	4,056	2,100	AIM	Y
Creo Medical Group plc	2.60	2,329	1,489	3,818	506	AIM	Y
Infinity Reliance Ltd (My 1st Years)	2.46	2,500	1,112	3,612	2,077	Unlisted	Y
Ilika plc	2.27	1,376	1,954	3,330	2,083	AIM	Y
Maxcyte Inc	2.21	1,514	1,740	3,254	2,226	AIM	Y
Oxford Genetics Ltd	2.02	2,186	785	2,971	785	Unlisted	Y
Cohort plc	1.93	619	2,212	2,831	333	AIM	Y
PCI-PAL plc	1.90	2,355	434	2,789	724	AIM	Y
Zoo Digital Group plc	1.85	2,266	459	2,725	(924)	AIM	N
Blackbird plc	1.76	700	1,890	2,590	677	AIM	Y
Eagle Eye Solutions Group plc	1.76	1,642	938	2,580	1,099	AIM	Y
Polarean Group plc	1.66	1,000	1,444	2,444	1,444	AIM	N
Diaceutics plc	1.54	1,550	713	2,263	408	AIM	Y
Abcam plc	1.37	55	1,951	2,006	120	AIM	Y
Aquis Exchange plc	1.25	765	1,074	1,839	(547)	AIM	Y
Cloudcall Group plc	1.23	2,442	(629)	1,813	(252)	AIM	Y
EKF Diagnostics Holdings plc	1.20	565	1,205	1,770	774	AIM	Y
Beeks Financial Cloud Group plc	1.16	1,038	661	1,699	76	AIM	Y
Honest Brew Ltd	1.09	2,800	(1,198)	1,602	509	Unlisted	N
Zappar Ltd	1.09	1,600	-	1,600	-	Unlisted	N
Eden Research plc	1.08	1,355	226	1,581	226	AIM	N
Craneware plc	1.01	125	1,365	1,490	(931)	AIM	Y
Mexican Grill Ltd	1.00	1,125	343	1,468	(308)	Unlisted	N
Intelligent Ultrasound Group plc	1.00	1,150	314	1,464	533	AIM	N
Diurnal Group plc	0.96	672	735	1,407	735	AIM	N
Hardide plc	0.91	3,566	(2,232)	1,334	(2,883)	AIM	Y
Angle plc	0.83	1,158	58	1,216	(642)	AIM	N
CentralNic Group plc	0.74	588	493	1,081	481	AIM	Y
Yourgene Health plc	0.73	521	557	1,078	458	AIM	N
AnimalCare Group plc	0.73	720	356	1,076	221	AIM	N
Velocys Group plc	0.72	900	162	1,062	162	AIM	N
OneMedia IP Group plc	0.72	1,141	(82)	1,059	(81)	AIM	Y
Fusion Antibodies plc	0.70	629	400	1,029	541	AIM	Y
Tristel plc	0.63	543	378	921	363	AIM	N
Rosslyn Data Group plc	0.61	750	150	900	150	AIM	Y
Belvoir Group plc	0.60	762	116	878	242	AIM	Y
Science in Sport plc	0.59	1,479	(613)	866	(385)	AIM	N
Globaldata plc	0.57	173	663	836	379	AIM	Y
C4X Discovery Holdings plc	0.57	1,150	(319)	831	(36)	AIM	Y
Idox plc	0.56	135	684	819	252	AIM	Y
Synairgen plc	0.55	192	616	808	616	AIM	N
Instem plc	0.55	297	505	802	194	AIM	Y
Faron Pharmaceuticals Oy	0.52	1,374	(604)	770	1,295	AIM	N
Intercede Group plc	0.52	305	465	770	427	AIM	Y
Crossword Cybersecurity plc	0.51	876	(120)	756	(544)	AIM	Y
Quixant plc	0.46	1,209	(539)	670	(487)	AIM	N
E-Therapeutics Group plc	0.45	500	156	656	156	AIM	N
The Property Franchise Group plc	0.44	377	264	641	108	AIM	Y
Clearstar Inc	0.38	720	(167)	553	(326)	AIM	Y

Investment portfolio summary continued

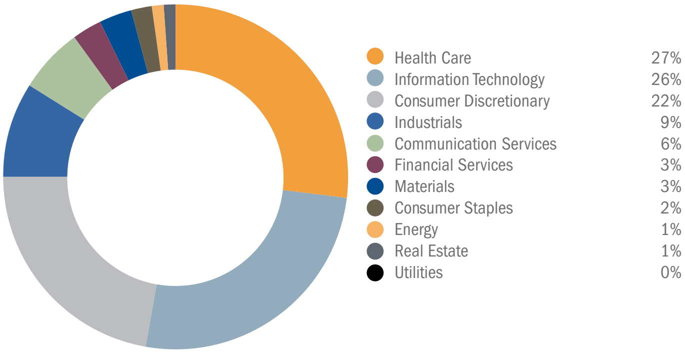
	Net Assets % at 30 Sep 2020	Cost £000	Cumulative movement in value £000	Valuation £000	Change in value for the year £000[2]	Market	COI[1]
Qualifying Investments							
Gfinity plc	0.35	1,526	(1,010)	516	(147)	AIM	N
ULS Technology plc	0.34	770	(271)	499	85	AIM	N
Mirriad Advertising plc	0.26	610	(226)	384	226	AIM	N
WANDisco plc	0.24	347	13	360	24	AIM	N
DP Poland plc	0.22	1,390	(1,060)	330	82	AIM	Y
bigblu Broadband plc	0.22	347	(19)	328	(103)	AIM	Y
Everyman Media Group plc	0.20	600	(299)	301	(450)	AIM	Y
Renalytix AI plc	0.19	82	195	277	113	AIM	Y
K3 Business Technology Group plc	0.18	270	-	270	(366)	AIM	Y
Vertu Motors plc	0.18	600	(341)	259	(71)	AIM	N
Kidly Ltd	0.17	150	99	249	99	Unlisted	N
Location Sciences Group plc	0.17	1,042	(796)	246	(730)	AIM	N
Equals Group plc	0.16	750	(512)	238	(638)	AIM	N
KRM22 plc	0.15	619	(396)	223	(87)	AIM	Y
Lidco Group plc	0.14	307	(107)	200	77	AIM	N
Escape Hunt plc	0.12	1,959	(1,787)	172	(931)	AIM	Y
Reneuron Group plc	0.10	606	(453)	153	(288)	AIM	N
TrakM8 Holdings plc	0.09	486	(361)	125	(36)	AIM	N
Fusionex International plc[3]	0.07	-	111	111	111	Unlisted	N
Osirium Technologies plc	0.07	858	(749)	109	(85)	AIM	Y
MYCELX Technologies Corporation plc	0.04	360	(300)	60	(81)	AIM	Y
Flowgroup plc	-	26	(26)	-	-	Unlisted	N
Infoserve Group plc[3]	-	-	-	-	-	Unlisted	N
Laundrapp Ltd	-	2,450	(2,450)	-	(1,057)	Unlisted	N
Mporium Group plc	-	33	(33)	-	(2)	Unlisted	N
Paragon Entertainment Ltd	-	87	(87)	-	-	Unlisted	N
Portr Ltd	-	1,888	(1,888)	-	(510)	Unlisted	N
Verici Group plc	-	2	(2)	-	(2)	Unlisted	Y
Total – equity Qualifying Investments	**72.85**	**80,061**	**26,992**	**107,053**	**17,926**		
Qualifying convertible loan note investments							
Kidly Ltd	1.68	1,350	1,121	2,471	1,121	Unlisted	N
Oxford Genetics Ltd	1.00	1,000	473	1,473	473	Unlisted	N
Osirium Technologies plc	0.64	800	134	934	134	Unlisted	N
Escape Hunt plc	0.31	340	116	456	116	Unlisted	N
Total qualifying convertible loan note investments	**3.63**	**3,490**	**1,844**	**5,334**	**1,844**		
Total Qualifying Investments	**76.48**	**83,551**	**28,836**	**112,387**	**19,770**		
Non-Qualifying Investments							
Future plc	0.99	328	1,129	1,457	(571)	Main	Y
S4 Capital plc	0.78	575	574	1,149	574	Main	Y
XP Power Ltd	0.75	660	445	1,105	521	Main	Y
IntegraFin Holdings plc	0.69	551	463	1,014	45	Main	Y
Dechra Pharmaceuticals plc	0.66	633	331	964	64	Main	Y
Hilton Food Group plc	0.61	717	174	891	135	Main	Y
Liontrust Asset Management plc	0.59	820	44	864	44	Main	Y
Spirax-Sarco Engineering plc	0.53	443	331	774	179	Main	Y
Halma plc	0.48	379	324	703	(135)	Main	Y
Glaxosmithkline plc	0.44	707	(54)	653	(132)	Main	Y
GoCo Group plc	0.44	674	(23)	651	113	Main	Y
JD Sports Fashion plc	0.44	312	335	647	(490)	Main	Y

	Net Assets % at 30 Sep 2020	Cost £000	Cumulative movement in value £000	Valuation £000	Change in value for the year £000[2]	Market	COI[1]
Non Qualifying Investments							
Tesco plc	0.43	672	(35)	637	(153)	Main	N
Ascential plc	0.40	724	(136)	588	(178)	Main	N
Cohort plc	0.38	333	233	566	49	AIM	Y
Anglo American plc	0.38	443	120	563	(89)	Main	N
James Fisher and Sons plc	0.38	870	(314)	556	(451)	Main	Y
NCC Group plc	0.36	631	(104)	527	(105)	Main	Y
Melrose Industries plc	0.35	867	(347)	520	(368)	Main	N
Pennon Group plc	0.35	520	(5)	515	(4)	Main	Y
On the Beach Group plc	0.33	786	(299)	487	(243)	Main	N
SThree plc	0.33	703	(223)	480	(223)	Main	Y
Royal Dutch Shell plc	0.32	1,086	(616)	470	(727)	Main	N
Hiscox Ltd	0.29	663	(234)	429	(234)	Main	N
Trifast Group plc	0.29	500	(77)	423	(77)	Main	Y
Howden Joinery Group plc	0.28	483	(70)	413	(70)	Main	N
BP plc	0.26	793	(410)	383	(279)	Main	N
Taylor Wimpey plc	0.26	628	(249)	379	(248)	Main	N
Countryside Properties plc	0.23	504	(168)	336	(119)	Main	N
Mexican Grill Ltd	0.11	161	(1)	160	(34)	Unlisted	N
Everyman Media Group plc	0.10	293	(147)	146	(218)	AIM	Y
MYCELX Technologies Corporation plc	0.05	298	(228)	70	(94)	AIM	Y
Genagro Ltd	-	-	-	-	-	Unlisted	Y
Total - equity Non-Qualifying Investments	**13.28**	**18,757**	**763**	**19,520**	**(3,518)**		
Total - Non-Qualifying Investments	**13.28**	**18,757**	**763**	**19,520**	**(3,518)**		
Total investments	**89.76**	**102,308**	**29,599**	**131,907**	**16,252**		
Cash at bank	10.68			15,695			
Prepayments & accruals	(0.44)			(645)			
Net assets	**100.00**			**146,957**			

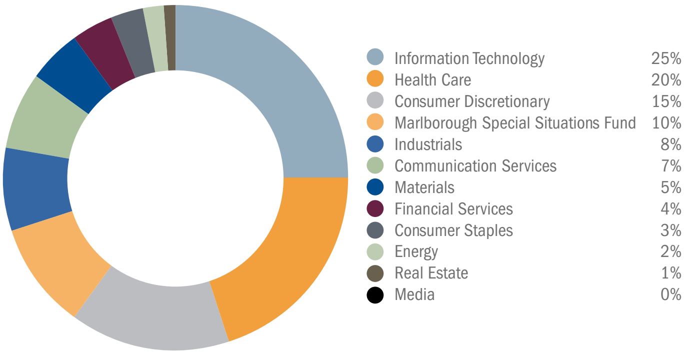
(1) COI – Co investments with other funds managed by Hargreave Hale at 30 September 2020.
(2) The change in fair value has been adjusted for additions and disposals in the year and as such does not reconcile to the unrealised total in note 7. The difference is £2.3 million which is the total of 36 full investment disposals in the year.
(3) These investments have been fully impaired through the profit and loss account and therefore show a zero cost.

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

Investments by market sector as at 30 September 2020



Investments by market sector as at 30 September 2019



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

	Headquartered	Registered
Listed Investments:		
Clearstar Inc	USA	Cayman Islands
Faron Pharmaceuticals Oy	Finland	Finland
Maxcyte Inc	USA	USA
MYCELX Technologies Corporation plc	USA	USA
Polarean Group plc	USA	UK
Renalytix AI plc	USA	UK
Royal Dutch Shell plc	Netherlands	UK
WANDisco plc	UK and USA	Jersey
XP Power Ltd	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 2020 (by market value)

The top 10 investments are shown below. Each investment is valued by reference to the bid price or, in the case of unquoted companies, the IPEV guidelines using one or more valuation techniques according to the nature, facts and circumstances of the investment. Forecasts, where given, are drawn from a combination of broker research and/or Bloomberg consensus forecasts and exclude amortisation, share based payments and exceptional items. Forecasts are in relation to a period end for which the company results are yet to be released. Published accounts are used for private companies or public companies with no published broker forecasts. The net asset figures and net cash values are from published accounts in most cases.

SCA Investments Ltd (Gousto)			**Unquoted**
Investment date	July 2017	Results for the year to	December 2019
Equity held	1.50%	Turnover (£'000)	82,526
Av. Purchase Price	3,711.0p	Profit/(loss) before tax (£'000)	(14,546)
Cost (£'000)	2,484	Net cash/(debt) December 2019 (£'000)	29,794
Valuation (£'000)	10,377	Net assets December 2019 (£'000)	50,813
Income recognised in the period (£)	-	Voting rights held	1.53%

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.

Learning Technologies Group plc			**Share price: 131.0p**
Investment date	November 2014	Forecasts for the year to	December 2020
Equity held	0.67%	Turnover (£'000)	130,000
Av. Purchase Price	49.7p	Profit/(loss) before tax (£'000)	38,000
Cost (£'000)	2,238	Net cash/(debt) June 2020 (£'000)	77,800
Valuation (£'000)	5,895	Net assets June 2020 (£'000)	273,611

Company description

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

Ideagen plc			**Share price: 192.0p**
Investment date	December 2014	Forecasts for the year to	April 2021
Equity held	1.17%	Turnover (£'000)	63,100
Av. Purchase Price	77.2	Profit/(loss) before tax (£'000)	16,800
Cost (£'000)	1,992	Net cash/(debt) April 2020 (£'000)	(16,784)
Valuation (£'000)	4,957	Net assets April 2020 (£'000)	76,909

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.

Oxford Genetics Ltd			Unquoted
Investment date	March 2019	Results for the year to	April 2019
Equity held	7.17%	Turnover (£'000)	6,002
Av. Purchase Price	316.4	Profit/(loss) before tax (£'000)	(3,226)
Cost (£'000)	3,186	Net cash/(debt) April 2019 (£'000)	3,418
Valuation (£'000)	4,444	Net assets April 2019 (£'000)	6,530
Income recognised in the period (£)	33,534	Voting rights held	7.17%

Company description
Oxford Genetics is a synthetic biology company focused on developing novel technologies to overcome the challenges associated with the discovery, development and production of biologics, gene therapies, cell therapies and vaccines.

Surface Transforms plc			Share price: 42.0p
Investment date	March 2016	Forecasts for the year to	December 2020
Equity held	6.25%	Turnover (£'000)	2,000
Av. Purchase Price	14.4	Profit/(loss) before tax (£'000)	(2,700)
Cost (£'000)	1,388	Net cash/(debt) June 2020 (£'000)	1,465
Valuation (£'000)	4,056	Net assets June 2020 (£'000)	6,750

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

Creo Medical Group plc			Share price: 166.0p
Investment date	December 2016	Results for the year to	December 2019
Equity held	1.53%	Turnover (£'000)	13
Av. Purchase Price	101.3	Profit/(loss) before tax (£'000)	(18,600)
Cost (£'000)	2,329	Net cash/(debt) June 2020 (£'000)	69,710
Valuation (£'000)	3,818	Net assets June 2020 (£'000)	79,865

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.

Infinity Reliance Ltd (My 1st Years)			Unquoted
Investment date	December 2016	Results for the year to	December 2019
Equity held	8.97%	Turnover (£'000)	13,043
Av. Purchase Price	4,670.4	Profit/(loss) before tax (£'000)	(2,361)
Cost (£'000)	2,500	Net cash/(debt) December 2019 (£'000)	2,124
Valuation (£'000)	3,612	Net assets December 2019 (£'000)	1,087
Income recognised in the period (£)	-	Voting rights held	8.97%

Company description
My 1st Years is a UK supplier of personalised baby outfits and gifts, predominantly through its e-commerce platform www.my1styears.com. The product range includes bespoke presents for new born babies, christenings, birthdays and Christmas, for new-borns up to five year olds.

Cohort plc			Share price 596.0p
Investment date	February 2006	Forecasts for the year to	April 2021
Equity held	1.39%	Turnover (£'000)	137,900
Av. Purchase Price	166.9	Profit/(loss) before tax (£'000)	17,700
Cost (£'000)	952	Net cash/(debt) April 2020 (£'000)	(4,707)
Valuation (£'000)	3,397	Net assets April 2020 (£'000)	81,789

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 defence and security, transport, offshore energy and other commercial markets.

Ilika plc			Share price: 85.0p
Investment date	February 2014	Forecasts for the year to	April 2021
Equity held	2.81%	Turnover (£'000)	500
Av. Purchase Price	35.1	Profit/(loss) before tax (£'000)	(3,390)
Cost (£'000)	1,376	Net cash/(debt) April 2020(£'000)	13,989
Valuation (£'000)	3,330	Net assets April 2020 (£'000)	17,193

Company description

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

Maxcyte Inc			Share price 364.0p
Investment date	March 2016	Forecasts for the year to	December 2020
Equity held	1.56%	Turnover ($'000)	23,500
Av. Purchase Price	169.3	Profit/(loss) before tax ($'000)	(14,400)
Cost (£'000)	1,514	Net cash/(debt) June 2020 ($'000)	31,732
Valuation (£'000)	3,254	Net assets June 2020 ($'000)	53,377

Company description

MaxCyte is a clinical-stage global cell-based therapies and life sciences company. As the inventors of the premier cell-engineering enabling technology, the Company helps bring the promise of next-generation cell and gene-editing therapies to life. The Company's technology is currently being deployed by leading drug developers worldwide, including all of the top ten global biopharmaceutical companies.

For further information please contact:

Oliver Bedford

Lead Fund Manager

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2

Nurturing your investments

Governance

Board of Directors

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.

Oliver Bedford

Oliver sits on the Board as part of his role as lead fund manager at the investment manager in relation to the Company.

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-traded companies. He is chairman of Downing VCT 4 plc and a director of Edge Performance VCT and Harrogate Group plc.

Ashton Bradbury

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

Angela Henderson

Angela Henderson was appointed on 29 October 2019. Angela is a non-executive director at Credit Suisse Asset Management Ltd and Macquarie Capital (Europe) Limited. Her executive career includes various roles at Citco Fund Services, Deutsche Bank and Barclays. She has invested in and held board seats at small UK companies in the technology and financial services sectors and is a trustee of CW+, a hospital charity. Angela is a graduate (LLB Fr Hons) of the University of Leicester and solicitor in England and Wales.

Justin Ward

Justin is a qualified chartered accountant with extensive financial, investing and private equity experience across a number of sectors. Between 1995 and 2010 he worked for CVC Capital Partners, Hermes Private Equity and Bridgepoint Development Capital leading growth equity and private equity buyout transactions and has subsequently made a number of angel investments in technology businesses. Justin is a non-executive director and Chairman of the Audit Committee of The Income & Growth VCT PLC, is non-executive CFO at School Explained Limited and a non-executive director and Chairman of the Audit and Finance Committee at Roehampton Club Limited.

Directors' report

For the year end 30 September 2020

The Directors present their report together with the audited financial statements of the Company for the year from 1 October 2019 to 30 September 2020, incorporating the corporate governance statement on pages 43 to 47. The principal activity of the Company has been outlined in the strategic report on page 7. The Board believes that 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 position, performance, business model and strategy.

Directors

The Directors of the Company during the year were David Brock (Chairman), Oliver Bedford, Sir Aubrey Brocklebank, Ashton Bradbury and Angela Henderson (appointed on 29 October 2019). Justin Ward was appointed on 1 November 2020. Brief biographical details are given on page 34.

Directors' interests

The Directors' interests (including those of connected persons) in the issued share capital of the Company are outlined in the directors' remuneration report on page 41. 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 2020 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 profit for the year amounted to £15,932,873 (2019: loss of £22,180,473). An interim ordinary dividend of 1 penny per share was paid on 24 July 2020 (2019: 1.50 pence per share). A special dividend of 1.75 pence per share was paid on 28 November 2019. The final dividend of 2.65 pence per share for the year ended 30 September 2020 is due to be paid on 11 February 2021 (2019: 2.25 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 86.

Substantial holdings in the company

At 30 September 2020, 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 6.53% and 3.98% respectively.

At 21 December 2020, the Company had not been notified of any further significant interest exceeding 3% of the issued share capital.

Share buybacks and share price discount

During the year, the Company repurchased 4,499,438 ordinary shares (nominal value £44,994) at a cost of £2,875,694. The repurchased shares represent 2.2% of ordinary shares in issue on 1 October 2019. All repurchased shares were cancelled. As at 21 December 2020, a further 720,904 ordinary shares (nominal value £7,209) have been purchased since the year end at a total cost of £527,771.

Discount control and management of share liquidity policy

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

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

Shares issued

The Company did not issue any new ordinary shares in the year ending 30 September 2020. On 2 September 2020 the Directors of the Company announced the launch of a new offer for subscription of shares to raise up to £20 million, together with an over-allotment facility of up to a further £10 million.

Since its launch and 21 December 2020, the offer has resulted in funds being received of £13.1 million and the issue of 16.8 million shares. The offer remains open to both new and existing shareholders.

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 gas emissions

As a UK quoted company, the VCT is required to report on its greenhouse gas emissions. The Company outsources all of its activities to third parties and does not have any physical assets, property, employees or operations. The Company has no direct greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

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 75.

Future developments

Consideration of the Company's future development and prospects are contained in the chairman's statement, long term viability statement and investment manager's report on pages 4 to 6, 18 and 23 to 25 respectively.

Annual General Meeting

In light of the UK government's public health guidelines on COVID-19 and the interests of the safety and wellbeing of our shareholders, this year's AGM will be run as a closed meeting and shareholders will not be able to attend in person. Shareholders are encouraged to vote by proxy ahead of the AGM. The Chairman will record the voting for each resolution by way of a poll to ensure each vote cast is counted individually.

For the avoidance of doubt shareholders who try and attend the physical location of the AGM will be refused entry to the AGM. The Board and the investment manager will ensure that there are sufficient shareholders in attendance at the AGM to form a quorum.

The Board recognises the importance of the AGM to Shareholders' and encourages them to submit questions in writing to be received at least six business days before the meeting (i.e by 10.30 am on 27 January 2021), by sending an email to aimvct@canaccord.com. Answers will be published on the website on 1 February 2021.

The Notice of the Annual General Meeting of the Company, to be held at 10.30 am on 4 February 2021 at 41 Lothbury, London EC2R 7AE is set out on pages 83 to 86 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. Shareholders who wish to appoint a proxy are recommended to appoint the Chairman of the AGM as their proxy, as third party proxies will not be permitted to attend the AGM.

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 pages 43 to 47 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 £250,000, representing approximately 11.6% 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 £250,000 of the nominal value of the share capital, representing approximately 11.6% 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 at the date of the passing of the resolution being approximately 32,318,900 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 2020 authority, which was on similar terms. During the financial year under review, the Company purchased 4,499,438 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

David Brock
Chairman

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

21 December 2020

Directors' remuneration report

For the year ended 30 September 2020

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 52 to 57.

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

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

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

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, Angela Henderson on 29 October 2019 and Justin Ward on 1 November 2020. 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 2021, 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 2021	Performance Conditions	Company Strategy	Remuneration Policy
David Brock	Chairman	Basic Salary	£34,244	N/A	To generate capital gains and income from its portfolio and make distributions from capital or income to shareholders whilst maintaining its status as a Venture Capital Trust.	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.
Sir Aubrey Brocklebank (1)	Director		£9,983			
Oliver Bedford	Director		£25,000			
Ashton Bradbury	Director		£26,870			
Angela Henderson (3)	Director		£27,992			
Justin Ward (2)	Director		£26,703			

(1) Aubrey Brocklebank will step down as a director at the AGM on 4 February 2021.

(2) Justin Ward was appointed as a director on 1 November 2020. Justin will assume the role of audit committee chairman following Sir Aubrey's retirement at the forthcoming AGM.

(3) Angela Henderson will receive an additional £1,500 per annum with effect from 1 January 2021 for her role as Chairman of the Management and Service Provider Engagement Committee.

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 2021, to receive and adopt the directors' remuneration report and to receive and approve the directors' remuneration policy.

At the Annual General Meeting held on 4 February 2020 the following votes were cast on the remuneration report:

	Number of votes	% of votes cast
For	11,496,285	85.6
Against	825,975	6.2
Discretionary	1,107,190	8.2
Total votes cast	13,429,450	100.0
Number of votes withheld	396,730	
Total votes	13,826,180	

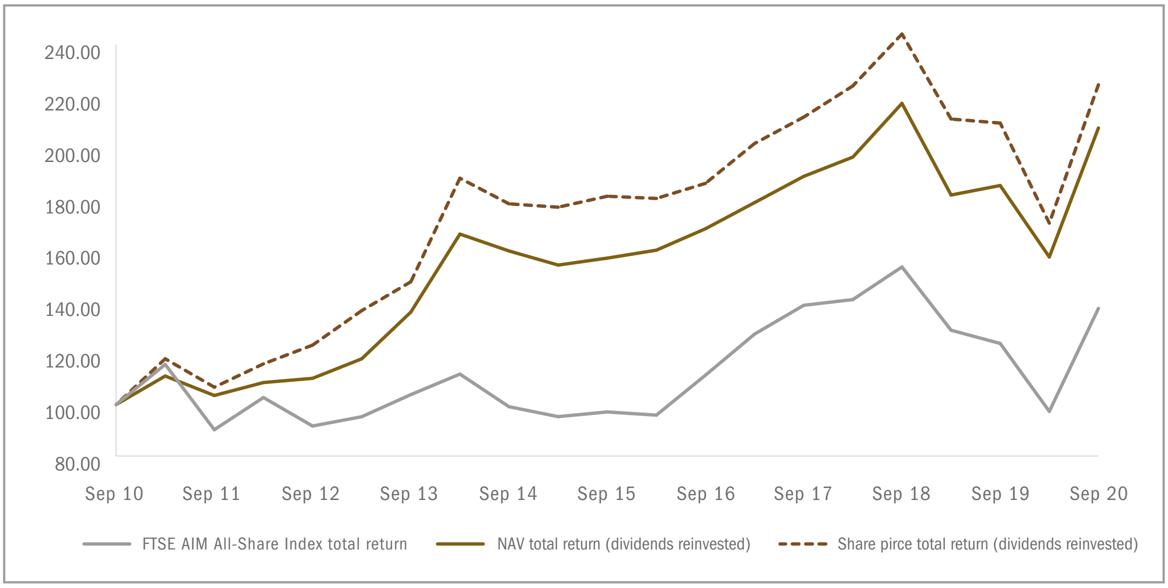
The remuneration policy was approved by shareholders at the Annual General Meeting held on 4 February 2020. Votes were cast as follows:

	Number of votes	% of votes cast
For	10,931,630	83.2
Against	1,084,020	8.2
Discretionary	1,130,841	8.6
Total votes cast	13,146,491	100.0
Number of votes withheld	679,689	
Total votes	13,826,180	

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 NAV total return (dividends reinvested) (rebased to 100) and share price total return (dividends reinvested) (rebased to 100) over the last 10 years compared to the total return of a notional investment in the FTSE AIM All-share Index total return over the same period (also calculated on a dividends reinvested basis). This index was chosen for comparison purposes as it represents the closest comparable equity market index. However, HMRC derived investment restrictions, along with Qualifying Investments in private companies and fixed income securities, and Non-Qualifying Investments in main market listed companies, predominantly in the FTSE 350, mean the index is not a wholly comparable benchmark for performance.

Performance against the FTSE AIM All-Share Index Total Return



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. David Brock is entitled to a higher fee due to his role as Chairman. Sir Aubrey Brocklebank is entitled to a higher fee due to his role as Chairman of the Audit Committee.

	2020 Fees £	2020 Taxable Benefits £	2020 Total £	2019 Fees £	2019 Taxable Benefits £	2019 Total £
David Brock (Chairman)	30,612	–	30,612	18,000	–	18,000
Sir Aubrey Brocklebank	29,388	–	29,388	22,500	–	22,500
Oliver Bedford	25,000	–	25,000	18,000	–	18,000
Ashton Bradbury	25,000	425	25,425	18,000	398	18,398
Angela Henderson	23,122	–	23,122	–	–	–
Total	**133,122**	**425**	**133,547**	**76,500**	398	**76,898**

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 2020 and the preceding financial year:

	Year ended 30 September 2020 £	Year ended 30 September 2019 £	Growth %
Directors' remuneration[1]	133,122	76,500	74.0
Dividend paid	10,142,778	10,212,897	(0.7)
Share buybacks	2,875,694	2,902,402	(0.9)

(1) The figures above exclude 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	
	2020	2019
David Brock	42,170	42,170
Sir Aubrey Brocklebank	4,845	4,845
Oliver Bedford	42,940	42,940
Ashton Bradbury	43,223	43,223
Angela Henderson	–	–
Justin Ward[1]	–	–

(1) Appointed 1 November 2020.

There are no changes to the beneficial interests of the Directors between 30 September 2020 and the date of this report.

Taxable benefits

The Directors who served during the year received £425 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 38 to 42 was approved by the Board of Directors on 21 December 2020 and will be further subject to an advisory vote at the Annual General Meeting being held on the 4 February 2021 and every year thereafter.

Signed on behalf of the Board of Directors

David Brock

Chairman

21 December 2020

Corporate governance
For the year ended 30 September 2020

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

Introduction

The Board is now reporting fully under the July 2018 version of the UK Corporate Governance Code (the "UK Code") and the February 2019 version of the AIC Code of Corporate Governance (the "AIC Code"), both of which came into effect in respect of accounting periods starting on or after 1 January 2019.

The Board has 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 principles and provisions of the AIC Code and the relevant provisions of the UK Code in the period under review except as detailed below or commented on in the relevant sections of the corporate governance report.

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 the FRC and AIC websites respectively: 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 8 to 9, these were updated during the year and shareholder approval to the changes (albeit not considered material) was obtained at the recent General Meeting. 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 and emerging risks facing the Company is detailed on pages 16 to 17.

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.

Shareholder relations and relations with key stakeholders

The Directors have a duty to promote the success of the Company for the benefit of its members and communication with shareholders is considered a high priority by the Board. The Board also has a responsibility to consider the interests of its other key stakeholders. Please see the section 172 statement on page 14 for further information.

Management of conflicts of interest

In order to manage potential conflicts of interest the Board requires that conflicts of interest are declared at each meeting. A schedule of all the directorships held by Board members and director shareholdings in unquoted companies in which the VCT has an interest is reviewed at quarterly Board meetings. Where a conflict arises the Board will consider what is in the best interests of the Company and whether the Director's ability to act in accordance with his or her wider duties is affected.

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's 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 discount control and management of share liquidity, 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 secretary 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.

The following tables set out the number of board meetings, valuations 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
David Brock (Chairman)	5	5
Sir Aubrey Brocklebank	5	5
Ashton Bradbury	5	5
Oliver Bedford	5	5
Angela Henderson	5	5

	Approval of private company valuations No. of Board Meetings	
	Held	Attended
David Brock (Chairman)	2	2
Sir Aubrey Brocklebank	2	2
Ashton Bradbury	2	2
Oliver Bedford	2	2
Angela Henderson	2	2

The Board meets more frequently when business needs require.

	No of Audit Meetings	
	Held	Attended
Sir Aubrey Brocklebank (Chairman)	3	3
Ashton Bradbury	3	3
Angela Henderson	3	3

Board Committees

The Board has appointed Audit and Management and Service Provider Engagement Committees. The terms of reference for these committees are available on the Company's website.

Audit Committee

Information regarding the composition, responsibilities and activities of the Audit Committee are detailed in the report of the Audit Committee on pages 48 to 49. During the year, no fees were paid to the Company's auditors' for non-audit services (2019: nil).

Management and Service Provider Engagement Committee

The Management and Service Provider Engagement Committee was established during the year and met for the first time in November 2020. The committee is chaired by Angela Henderson and comprises all of the independent non-executive directors. The main responsibilities of the Committee include:

- Monitoring and evaluating the performance of the investment manager.
- Reviewing at least annually the performance of the investment manager.
- Reviewing at least annually the terms of appointment of the investment manager including but not limited to the level of remuneration and the notice period of the investment manager.
- Reviewing the performance and remuneration of the other key service providers to the Company.

The Committee reviewed the performance of the investment manager and recommended to the Board that the continuing appointment of the investment manager was in the best interests of shareholders and the Company. In reaching this decision, the Committee reviewed performance against the Company's key performance indicators over the long term.

The Committee reviewed the contractual terms and service levels from its other key service providers and is satisfied that they are competent to carry out their roles.

Board and director independence

As at 30 September 2020, the Board consisted of five 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. David Brock is chairman of and an investor in Honest Brew in which the Company has an investment and so absents himself from Board decisions relating to that investment. Justin Ward was appointed as an additional independent non-executive director on 1 November 2020.

Brief biographical details for the Board are shown on page 34.

The Board considers that with the exception of Oliver Bedford, all of the directors remain independent. David Brock, Chairman of the Company, has served on the Board for more than 9 years since his initial appointment but is still considered to be independent given the absence of connections with the investment manager, or any other of the Company's advisors.

All new directors are required to disclose other roles prior to their appointment and the Board requires that all significant additional external appointments receive prior Board approval.

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 with additional meetings arranged as necessary. The Board adopted new technology during 2020 to enable it to continue operating effectively during the COVID-19 crisis, this included holding virtual meetings and the use of electronic board packs.

The primary focus at these meetings is the review of the Company's investment performance, progress against key performance indicators 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 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 monitor 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 each board meeting. 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 formal review of the investment manager was carried out by the Manager and Service Provider Engagement Committee in November 2020. The independent non-executive directors accepted the Committee's recommendation that the continuing appointment of the investment manager was in the best interests of the Company.

Details of the contractual arrangements with the investment manager can be found on page 71.

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.) and the service provided by each is monitored and reviewed by the Manager and Service Provider Engagement Committee annually.

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. CGWL will cease to provide company secretarial services on 15 January 2021. The Board is in advanced discussions with a new provider and a further announcement will be made in due course.

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. Also reflecting the size of the Board, it has not appointed a senior non-executive director.

All directors are subject to annual re-election. The Board considers that due to their individual skills, experience and commitment David Brock, Angela Henderson, Ashton Bradbury, and Oliver Bedford each merit re-election as a director.

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

Angela Henderson brings legal skills and a strong knowledge of governance within the asset management industry.

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

Oliver Bedford is the lead fund 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 a director and chair of the Audit Committee at the AGM and will not therefore offer himself for re-election.

Justin Ward was appointed to the Board on 1st November 2020 and will take over from Sir Aubrey Brocklebank as chair of the Audit Committee at the Company's AGM on 4 February 2021. Justin is a chartered accountant and has extensive experience in unquoted company investment. The Board believes that Justin will make a significant contribution to the Company and supports his election to the Board.

The role of the Chairman

The Chairman leads the Board, and so is responsible for its effectiveness in directing the Company. By promoting a culture of openness and positive debate whilst demonstrating independent and objective judgement throughout their tenure the Chairman sets the tone for the Company and can enhance the Board's performance. The Chairman encourages all non-executive directors to make an effective contribution to the Board and acts to facilitate constructive Board relations. In conjunction with the Company Secretary, the Chairman ensures that the directors receive accurate and clear information on a timely basis.

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.

David Brock, Chairman of the Company since February 2020, joined the Board in 2010. David remains independent and, as a highly experienced company chairman, is ideally suited to guide the Board at a time when it is enacting its succession plans.

In recent years the Board has successfully added new directors with complimentary skills through the appointments of Ashton Bradbury in May 2018, Angela Henderson in October 2019 and Justin Ward in November 2020. Summary biographies of all the directors can be found on page 34.

Board succession

During the year the Board retained Nurole, an online board hiring platform, to assist in the recruitment of a new non-executive director. The search was successful, resulting in the recent appointment of Justin Ward. 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 which 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 and that the Board culture remains strong. Requests for training on specific topics arising from the 2019 review were actioned during the year.

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 investment 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, this identifies each of the Company's principal and emerging risks, assesses the potential impact and describes the controls in place to mitigate those risks. A summary of the principal and emerging risks can be found in the strategic report on pages 16 to 17. 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 through the Audit Committee 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

As the Company has no employees and the Board is wholly comprised of non-executive directors 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 38 to 42.

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 6 and the investment manager's report on pages 23 to 25. The Company's principal and emerging risks are set out in the strategic report on pages 16 to 17.

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 from the date of approval of the financial statements. 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 35 to 37.

Appointment of new Company Secretary

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

For and on behalf of the Board

Canaccord Genuity Wealth Limited
Company Secretary

21 December 2020

Report of the Audit Committee

The Audit Committee consisted of three independent non-executive directors at the year end - Sir Aubrey Brocklebank (Chairman), Ashton Bradbury and Angela Henderson. Justin Ward was appointed to the Committee on 8 December 2020 and will become Chairman of the Committee at the Company's AGM on 4 February 2021.

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 2020 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 position and 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 principal and emerging risks and uncertainties section on pages 16 to 17. 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 assurance from the investment manager that policies are in place covering whistleblowing and to help prevent bribery, corruption and fraud. The investment manager has also confirmed that no instances of bribery, corruption and fraud have been detected that would have impacted the Company. The Committee has received a summary of the manager's approach to mitigating cyber security risks.

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; and
- revenue recognition.

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 Trust 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 satisfied with the conclusions.

- **Valuation and existence of investments**. The valuation of investments is undertaken in accordance with the accounting policies in note 1 to the financial statements. The investment manager has confirmed to the Committee that the basis of valuation for unquoted investments was 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 recognition of dividend and interest income is undertaken in accordance with accounting policy note 1 to the financial statements. Management accounts showing income received by the Company, and its categorisation, are reviewed by the Board on a quarterly basis. The committee also considered the independent auditor's review of this area and concluded that there were no issues which needed to be addressed.

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 2020 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 in 2018 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

Sir Aubrey Brocklebank
Chairman of the Audit Committee

21 December 2020

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. The Company's website address is https://hargreaveaimvcts.co.uk. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibility statement pursuant to DTR4

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

- the financial statements have been prepared in accordance with UK GAAP and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company
- 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

David Brock
Chairman

21 December 2020

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Down to earth details

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 2020 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 Sept 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to principal risks, going concern and viability statement

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

- the directors' confirmation in the annual report that they have carried out a robust assessment of the Company's emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- the directors' statement 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. This matter was 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 this matter.

Key Audit Matter	How We Addressed the Key Audit Matter in the Audit
Valuation and ownership of quoted investments (Note 7 to the financial statements) The Company's investments held at fair value through profit and loss total £131,907k, of which £104,425k (79%) are quoted investments, valued using market bid price. We considered the valuation and ownership of quoted investments to be a most significant audit area as quoted investments represent the most significant balance in the financial statements and underpin the principal activity of the entity.	We responded to this matter by testing the valuation and ownership of 100% of the portfolio of quoted investments. We performed the following procedures: • Confirmed the year end bid price was used by agreeing to externally quoted prices and for all of the investments, assessed if there were contra indicators, such as liquidity considerations, to suggest bid price is not the most appropriate indication of fair value. • Obtained direct confirmation from the custodian regarding all investments held at the balance sheet date. Key observations: Based on our procedures performed we did not identify any material exceptions with regards to valuation or ownership of quoted investments or the disclosures thereof.
Valuation of unquoted investments (Note 7 to the financial statements) The Company's investments held at fair value through profit and loss total £131,907k, of which £27,482k (21%) are unquoted and 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. 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 the unquoted investments for the financial statements, there is a potential risk of overstatement of investment valuations.	We tested 97% of the unquoted investment portfolio at year end by value of investment holdings. Our detailed testing for such investments comprised: • re-performing the calculation of the investment valuation • verifying and benchmarking key inputs in the valuation to independent information and our own research • obtaining 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 • where appropriate, performing sensitivity analysis on the valuation calculations where there is sufficient evidence to suggest reasonable alternative inputs might exist • considering the economic environment in which the investment operates to identify factors that could impact the investment valuation, including challenging key assumptions made in the valuation and ensuring that the valuation methodology applied remains applicable given the economic impact of Covid-19 • challenging assumptions made in respect of the probability weighted average methodology applied to convertible loan note scenarios and recalculating the value of the convertible instrument. Key observations: Based on the procedures performed we were satisfied that the valuation of the portfolio was within an acceptable range.

Key Audit Matter	How We Addressed the Key Audit Matter in the Audit
Revenue Recognition (Note 2 of the financial statements) Income arises from dividends and is a key factor in demonstrating the performance of the portfolio. Judgement is required, by management, in determining the allocation of income to revenue or capital.	We performed the following procedures: • For dividends from quoted investments, we derived an independent expectation of income based on the investment holding and distributions from independent sources. We also cross checked the portfolio against corporate actions and special dividends and challenged if these had been appropriately accounted for as income or capital. • We analysed the whole population of dividend receipts to identify any unusual items that could indicate a capital distribution, for example where a dividend represents a particularly high yield. • We traced a sample of dividend income through from the nominal ledger to bank. Key observations: Based on our procedures performed we did not identify any material exceptions with regards to the revenue recognition.

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	£1,320,000 (30 September 2019: £1,200,000)
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	£990,000 (30 September 2019: £900,000)

We have set a lower testing threshold for those items impacting revenue return of £160,000 which is based on 5% of total expenditure.

In the prior year, we set a specific materiality threshold for those items which impact on net realised returns of £300,000 which was based on 10% of expenditure.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £26,000 (2019: £14,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

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

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

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
- considering the effectiveness of control environment in monitoring compliance with laws and regulations

There are inherent limitations in the audit procedures described above and the further removed 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** – 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 position, performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee
- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the

directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Other matters which we are required to address

Following a tender process, we were reappointed as auditors in respect of the year ended 30 September 2018 by the directors which was confirmed by the members of the Company at the annual general meeting held on 25 January 2018. The period of total uninterrupted engagement is 14 years, covering the year ending 30 September 2007 to 30 September 2020.

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

21 December 2020

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

(1) The terms used to describe the primary financial statements should be the same as those used by the directors.

(2) The term used to describe the annual report should be the same as that used by the directors.

Income statement

	Note	Year to 30 September 2020 Revenue £000	Capital £000	Total £000	Year to 30 September 2019 Revenue £000	Capital £000	Total £000
Net gain/(loss) on investments held at fair value through profit or loss	7	–	18,308	18,308	–	(20,687)	(20,687)
Income	2	731	70	801	1,163	354	1,517
		731	18,378	19,109	1,163	(20,333)	(19,170)
Management fee	3	(573)	(1,721)	(2,294)	(565)	(1,696)	(2,261)
Other expenses	4	(698)	(184)	(882)	(616)	(133)	(749)
		(1,271)	(1,905)	(3,176)	(1,181)	(1,829)	(3,010)
(Loss)/profit on ordinary activities before taxation		(540)	16,473	15,933	(18)	(22,162)	(22,180)
Taxation	5	–	–	–	–	–	–
(Loss)/profit after taxation		(540)	16,473	15,933	(18)	(22,162)	(22,180)
Basic and diluted (loss)/ earnings per share	6	(0.26)	8.07	7.81	(0.01)	(11.04)	(11.05)

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

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

Balance sheet
As at 30 September 2020

Company Registration Number 5206425 (In England and Wales)

	Note	2020 £000	2019 £000
Fixed assets			
Investments at fair value through profit or loss	7	131,907	119,947
Current assets			
Debtors	9	173	466
Cash at bank		15,695	24,638
		15,868	25,104
Creditors: amounts falling due within one year	10	(818)	(1,009)
Net current assets		15,050	24,095
Total assets less current liabilities		146,957	144,042
Capital and Reserves			
Called up share capital	11	1,995	2,040
Share premium		24,238	24,238
Capital redemption reserve		91	46
Capital reserve – unrealised		46,580	21,713
Special reserve		99,785	112,803
Capital reserve – realised		(24,437)	(16,043)
Revenue reserve		(1,295)	(755)
Total shareholders' funds		146,957	144,042
Net asset value per share (basic and diluted)	12	73.66p	70.60p

These financial statements were approved and authorised for issue by the Board of Directors on 21 December 2020 and signed on its behalf by

David Brock
Chairman

21 December 2020

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

Statement of changes in equity

For the year ending 30 September 2020

	Note	Share Capital £000	Share Premium £000	Capital Redemption Reserve £000	Capital Reserve Unrealised £000	Special Reserve £000	Capital Reserve Realised £000	Revenue Reserve £000	Total £000
		Non-distributable reserves				Distributable reserves[1]			
At 1 October 2019		2,040	24,238	46	21,713	112,803	(16,043)	(755)	144,042
Profit/(loss) and total comprehensive income for the year									
Realised (losses) on investments	7	–	–	–	–	–	(230)	–	(230)
Unrealised gains on investments	7	–	–	–	18,538	–	–	–	18,538
Management fee charged to capital	3	–	–	–	–	–	(1,721)	–	(1,721)
Income allocated to capital	2	–	–	–	–	–	70	–	70
Due diligence investments costs	4	–	–	–	–	–	(184)	–	(184)
Revenue (loss) after taxation for the year		–	–	–	–	–	–	(540)	(540)
Total profit after taxation for the year		–	–	–	18,538	–	(2,065)	(540)	15,933
Contributions by and distributions to owners									
Share buybacks	11	(45)	–	45	–	(2,876)	–	–	(2,876)
Equity dividends paid	16	–	–	–	–	(10,142)	–	–	(10,142)
Total contributions by and distributions to owners		(45)	–	45	–	(13,018)	–	–	(13,018)
Other movements									
Permanent impairment		–	–	–	6,329	–	(6,329)	–	–
Total other movements		–	–	–	6,329	–	(6,329)	–	–
At 30 September 2020		1,995	24,238	91	46,580	99,785	(24,437)	(1,295)	146,957

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

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

Statement of changes in equity
For the year ending 30 September 2019

	Note	Share Capital £000	Share Premium £000	Capital Redemption Reserve £000	Capital Reserve Unrealised £000	Special Reserve £000	Capital Reserve Realised £000	Revenue Reserve £000	Total £000
		Non-distributable reserves				Distributable reserves[1]			
At 1 October 2018		1,767	–	5	30,606	125,919	(2,774)	(737)	154,786
Profit/(loss) and total comprehensive income for the year									
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 for the year		–	–	–	(19,544)	–	(2,618)	(18)	(22,180)
Contributions by and distributions to owners									
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)
Total contributions by and distributions to owners		273	24,238	41	–	(13,116)	–	–	11,436
Other movements									
Permanent impairment		–	–	–	10,651	–	(10,651)	–	–
Total other movements		–	–	–	10,651	–	(10,651)	–	–
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 cash flows

	Note	**2020 £000**	2019 £000
Total profit/(loss) on ordinary activities before taxation		15,933	(22,180)
Realised loss on investments	7	230	1,143
Unrealised (gain)/loss on investments	7	(18,538)	19,544
Decrease/(Increase) in debtors		293	(299)
(Decrease)/Increase in creditors		(191)	663
Non-cash distributions	2	(66)	(166)
Net cash (outflow) from operating activities		(2,339)	(1,295)
Purchase of investments	7	(27,602)	(35,628)
Sale of investments	7	34,016	25,265
Net cash provided by/used in investment activities		6,414	(10,363)
Share buybacks	11	(2,876)	(2,902)
Issue of share capital	11	–	25,000
Issue costs	11	–	(448)
Dividends paid	16	(10,142)	(10,214)
Net cash provided by financing activities		(13,018)	11,436
Net (decrease) in cash		(8,943)	(222)
Opening cash		24,638	24,860
Closing cash		15,695	24,638

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

Notes to the financial statements

Hargreave Hale AIM VCT plc is a company incorporated in England and Wales under the Companies Act. The address of the registered office is given in the company information on page 82 and the nature and principal business activities are set out in the strategic report.

Basis of preparation

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

1. Accounting policies

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

Financial instruments

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

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

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

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.

Income

Equity dividends are analysed to consider if they are revenue or capital in nature on a case by case basis and are taken into account on the ex-dividend date, net of any associated tax credit. Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis so as to reflect the effective yield, provided there is no reasonable doubt that payment will be received in due course. All other income is recognised on an accruals basis. Other income is treated as a repayment of capital or revenue depending on the facts of each particular case.

Expenditure

All expenditure is accounted for on an accruals basis. Of investment management fees, 75% are allocated to the capital reserve realised and 25% to the revenue account in line with the Board's expected long term split of investment returns in the form of capital gains to the capital column of the income statement. Due diligence costs incurred for prospective private company purchases are charged to capital in addition to the cost of investment. All other expenditure is charged to the revenue account.

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 penny and carry one vote each. Substantial holdings in the Company are disclosed in the directors’ report on page 35.

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 63.

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

	2020 £000	2019 £000
Income from investments:		
Revenue:		
Dividend income	603	1,093
Fixed income interest	98	13
Interest	30	57
	731	1,163
Capital:		
Return of capital	4[(1)]	188[(3)]
In-specie dividend	66[(2)]	166[(4)]
	70	354
Total Income	801	1,517

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

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

(3) 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.

(4) 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

	2020 Revenue £000	2020 Capital £000	2020 Total £000	2019 Revenue £000	2019 Capital £000	2019 Total £000
Management fees	573	1,721	2,294	565	1,696	2,261

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 2020, £630,674 (2019: £807,251) 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 £20,793 for the year to 30 September 2020 (2019: £54,385). 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 2019 and 30 September 2020 and no fees were waived between 1 October 2018 and 30 September 2019 under the indemnity.

4. Other expenses

	2020 £000	2019 £000
Other revenue expenses:		
Administration fee[(1)]	195	133
Directors' fees[(2)]	137	77
Legal & professional	30	43
Registrar's fee	31	43
Printing, postage and stationery	29	32
Auditors' remuneration – for audit services	31	24
VCT monitoring fees	11	17
Company Secretarial fees	17	17
Custody fee	30	20
Directors' and officers' liability insurance	23	13
Broker's fee	5	5
Trail commission	-	(7)
VAT	82	79
Other expenses[(3)]	77	120
Total other revenue expenses	698	616
Other capital expenses:		
Due diligence costs	154	111
VAT on due diligence costs	30	22
Total other capital expenses	184	133
Total other expenses	882	749

(1) On 25 June 2019, the annual fee for administration services increased from £110,000 to £195,000.

(2) On 1 October 2019, non-executive director fees were increased from £18,000 to £25,000 per annum with an additional £3,000 for the Chairman of the Audit Committee. Fees for the Chairman of the Board increased from £22,500 to £32,000 per annum. The number of non-executive directors was increased from four to five in October 2019.

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

Only directors are classified as key management personnel. The Directors' remuneration above includes national insurance contributions. Directors' remuneration excluding employer's national insurance contributions is detailed in the directors' remuneration report on page 40.

The maximum aggregate directors' emoluments authorised by the Articles of Association are detailed in the directors' remuneration report on page 38.

5. Tax on ordinary activities

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

	2020 Total £000	2019 Total £000
Profit/(loss) on ordinary activities before taxation	15,933	(22,180)
	–	–
UK Corporation Tax: 19%	3,027	(4,214)
Effect of non taxable (profits)/losses on investments	(3,478)	3,931
Effect of non taxable UK dividend income	(128)	(275)
Effect of current year losses carried forward	579	558
Current tax charge	–	–

At the 30 September 2020 the Company had tax losses carried forward of £13,409,264 (2019: £10,361,928 – 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

	2020 Revenue	2020 Capital	2020 Total	2019 Revenue	2019 Capital	2019 Total
Return (£)	(540,497)	16,473,370	15,932,873	(18,218)	(22,162,255)	(22,180,473)
(Loss)/earnings per ordinary share (basic and diluted)	(0.26)p	8.07p	7.81p	(0.01)p	(11.04)p	(11.05)p

The earnings per share is based on 204,111,631 ordinary shares (2019: 200,668,966), being the weighted average number of shares in issue during the year.

7. Investments

	Quoted investments 2020 £000	Unquoted investments 2020 £000	Total investments 2020 £000	Total investments 2019 £000
Opening Valuation	94,647	25,300	119,947	130,105
Purchases at cost	22,279	5,323	27,602	35,692
Re-classification adjustment	(2)(1)	2(1)	–	(64)(2)
In-specie dividend	65	1	66	166
Sale proceeds	(21,863)	(12,153)	(34,016)	(25,265)
Realised (losses)/gains	(334)	104	(230)(3)	(1,143)
Unrealised gains/(losses)	9,633	8,905	18,538(3)	(19,544)
Closing valuation	104,425	27,482	131,907	119,947
Cost at 30 September	81,328	20,980	102,308	108,885
Unrealised gains at 30 September 2020	33,394	13,185	46,579	21,713
Permanent impairment at 30 September 2020(4)	(10,297)	(6,683)	(16,980)	(10,651)
Valuation at 30 September 2020	104,425	27,482	131,907	119,947

(1) Includes Mporium Group plc that delisted on 23 December 2019.

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

(3) The net gain/(loss) on investments held at fair value through profit or loss in the income statement of £18,308 is the sum of the realised (losses)/gains and unrealised gains/(losses) for the year as detailed in the table above.

(4) Permanent impairments of £11,959,659 were made in the year. Once adjusted for disposals (£2,753,717) and impairment reversals (£2,877,341), the net movement for the year is £6,328,601 and permanent impairments carried forward are £16,979,952.

Transaction Costs

During the year the Company incurred transaction costs of £50,113 and £33,181 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.

	2020 Level 1 £'000	2020 Level 2 £'000	2020 Level 3 £'000	2020 Total £'000	2019 Level 1 £'000	2019 Level 2 £'000	2019 Level 3 £'000	2019 Total £'000
Investments	104,095	330	27,482	131,907	106,087	–	13,860	119,947

The following table sets out the basis of valuation for the material Level 3 investments and those where the value has changed during the year, held within the portfolio at 30 September 2020.

Level 3 Unquoted Investments	
Fusionex International plc	The fair value of the investment was increased following an approach by the company to acquire the VCT's shares at £1.60.
SCA Investments Ltd (Gousto)	The fair value of the investment was increased following strong trading performance and significant upgrades to FY20 forecasts. EV/Sales peer group ratios and DCF analysis were used to support the valuation. The share price increase also reflects the price of a recent transaction in the shares (on an arm's length basis).
Honest Brew Ltd	The fair value of the investment increased following an investment of £0.6m during the period and a valuation increase to reflect good trading and forecast upgrades. EV/Sales peer group ratios were analysed to support the valuation.
Kidly Ltd	The fair value of the equity investment increased to reflects strong trading and significant upgrades to FY21 forecasts. EV/Sales peer group ratio analysis was used to support the valuation. The fair value of the convertible loan note investment increased following an increase in the value of the conversion option. The conversion option is valued using the Black-Scholes option pricing model.
Laundrapp Ltd	The fair value of the investment was written down to nil from £1.25 per share, a loss of £1.0m. The company went into administration in Feb 2020.
Mexican Grill Ltd	The fair value of the investment was reduced to reflect a challenging trading period and forecast downgrades due to the COVID-19 pandemic. EV/Sales peer group ratios were analysed to support the valuation.
Infinity Reliance Ltd (My 1st Years)	The fair value of the investment increased reflecting strong trading and forecast upgrades. EV/Sales peer group ratios were analysed to support the valuation.
Oxford Genetics Ltd	The fair value of our equity investment increased to reflect increased commercial momentum and a re-rating of the peer group. The equity is valued on a EV/Sales basis. The fair value of the convertible loan note investment increased to reflect an increase in the value of the conversion option. The conversion option is valued using the Black-Scholes option pricing model.
Portr Ltd	The fair value of the investment was written down to nil after the company suspended operations in March 2020 due to the severe negative impact of CV19 on the travel and airline industry.
Zappar Ltd	The fair value of the investment is maintained. The equity is valued on an EV/Sales basis and was tested against listed peers.
Escape Hunt plc - convertible loan note	The fair value of the CLN investment increased to reflect an increase in the value of the conversion option following an increase in the value of the company's ordinary shares. The conversion option is valued using the Black-Scholes option pricing model.
Osirium Technologies plc – convertible loan note	The fair value of the convertible loan note investment increased to reflect an increase in the value of the conversion option following an increase in the company's ordinary shares. The conversion option is valued using the Black-Scholes option pricing model.

8. Significant interests

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

Investment	Holding %
Honest Brew Ltd	42.00%[1]
Laundrapp Ltd	17.45%
PCI-PAL plc	12.02%
Infinity Reliance Ltd (My 1st Years)	8.97%
Escape Hunt plc	8.53%
Mexican Grill Ltd	7.72%
One Media IP Group plc	7.34%
Oxford Genetics Ltd	7.17%
Zappar Ltd	6.97%
Portr Ltd	6.30%
Surface Transforms plc	6.25%
Eden Research plc	5.94%
Crossword Cybersecurity plc	5.89%

Investment	Holding %
Cloudcall Group plc	5.37%
Rosslyn Data plc	4.43%
Zoo Digital Group plc	4.31%
Blackbird plc	4.15%
C4X Discovery Holdings plc	4.03%
Clearstar Inc	3.90%
Gfinity plc	3.84%
Beeks Financial Cloud Group plc	3.69%
Intelligent Ultrasound Group plc	3.51%
Polarean Imaging plc	3.44%
Eagle Eye Solutions Group plc	3.36%
Osirium Technologies plc	3.12%

(1) In accordance with FRS 102 (section 9.9b) Honest Brew Ltd is held as part of an investment portfolio and is excluded from consolidation. It is measured at fair value with changes in value recognised in profit or loss.

9. Debtors

	2020 £000	2019 £000
Prepayments and accrued income	173	466

10. Creditors: amounts falling due within one year

	2020 £000	2019 £000
Trade Creditors	17	3
Accruals and deferred income	801	1,006
	818	1,009

11. Called up share capital

	2020 £000	2019 £000
Allotted, called-up and fully paid: 199,514,929		
(2019: 204,014,367) ordinary shares of 1p each.	1,995	2,040

During the year 4,499,438 (2019: 4,076,170) ordinary shares were purchased through the buyback facility at a cost of £2,875,694 (2019: £2,902,402). The repurchased shares represent 2.2% (2019: 2.3%) of ordinary shares in issue on 1 October 2019. The acquired shares have been cancelled.

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

Income entitlement

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

Capital entitlement

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

Voting entitlement

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

Transfers

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

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

12. Net asset value per share

	30 September 2020	30 September 2019
Net assets (£'000)	146,957	144,042
Shares in issue	199,514,929	204,014,367
NAV per share (p)	73.66	70.60

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 (2019: nil).

14. Related party transactions and conflicts of interest

The remuneration of the directors, who are key management personnel of the Company, is disclosed in the Directors' remuneration report on page 40 and in note 4 on page 66.

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

Transactions with the 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 £25,000 for the year ended 30 September 2020 in respect of his position on the Board (2019: £18,000). On 1 October 2019 Oliver Bedford's directors' fees increased from £18,000 to £25,000 per annum. Of these fees £6,250 was still owed at the year end.

CGWL act as administrator and custodian to the Company and provide the company secretary. During the financial year ending 30 September 2019 administration fees increased from £110,000 to £195,000 per annum and custodian fees increased from £10,000 to £30,000 per annum.

CGWL received fees for the support functions as follows:

	30 September 2020	30 September 2019
Custody	30,000	19,642
Administration	195,000	132,713
Company secretarial	17,000	17,000
Total	242,000	169,355
Still owed at the year end	60,500	88,130

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

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

Following the final allotment under the Offer the Company and the Administrator will agree on the aggregate costs of the Offer. If the aggregate fee paid by the Company to the Administrator exceeds the costs of the Offer by more than £25,000 then CGWL will rebate any surplus to the Company, subject to a maximum rebate of £75,000. No fees were paid to CGWL in relation to this agreement during the year ended 30 September 2020.

Hargreave Hale Limited is appointed as investment manager to the Company and receives an investment management fee of 1.7% per annum (increased from 1.5% effective 1 April 2019).

Investment management fees for the year are £2,294,259 (2019: £2,261,355) as detailed in note 3. Of these fees £630,674 was still owed at the year end. As the investment manager to the Company and the investment advisor to the Marlborough Special Situations Fund (in which the VCT may investment), Hargreave Hale Limited makes an adjustment as necessary to its investment management fee to ensure the VCT is not charged twice for their services.

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

Total commission of £43,000 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 3.5per cent. of the net assets of the Company, such costs shall exclude any VAT payable thereon and any payments to financial intermediaries, the payment of which is the responsibility of the Company. No fees were waived by Hargreave Hale Limited in the financial year under the indemnity.

The Company also held £10,459,777 in the client account held at CGWL at 30 September 2020.

15. Financial instruments

Risk management policies and procedures

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

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

At least 80% of the Company's funds have been invested in qualifying holdings during the year under the HMRC investment test definition. The balance of the Company's funds were invested in liquid assets (such as non-qualifying equities, fixed interest securities and bank deposits). The Company is managed as a VCT in order that shareholders in the Company may benefit from the tax relief available.

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

The structure in place to manage these risks is set out in the corporate governance report on pages 43 to 47 of the annual report and accounts.

A detailed review of the investment portfolio is contained in the chairman's statement and investment manager's report on pages 4 to 6 and 23 to 25 respectively.

Classification of financial instruments

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

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

Other financial assets comprise cash at bank of £15,695,112 (2019: £24,638,431), accrued income and debtors of £152,451 (2019: £451,829 – prior year updated), which is classified as 'loans and receivables measured at amortised cost'. Financial liabilities consist of trade creditors and accruals of £817,739 (2019: £1,009,955) which are classified as 'financial liabilities measured at amortised cost'.

Market risk

Market price risk arises from any fluctuations in the value of investments held by the Company. Adherence to investment policies mitigates the risk of excessive exposure to any particular type of security or issuer. In particular, other than bank deposits, no individual investment shall exceed 10 per cent. of the Company's net assets at the time of investment. However, many of the investments are in small companies traded on the AIM market which by virtue of their size carry more risk than investments in larger companies listed on the main market of the London Stock Exchange.

Market risk is monitored by the Board on a quarterly basis and on an ongoing basis, through the investment manager.

The following table summarises exposure to price risk by asset class at year end date:

		2020 £000	2019 £000
Equity	Fair value	126,573	108,507
Authorised unit trust	Fair value	–	11,440
Fixed income securities	Fair value	5,334	–
		131,907	119,947

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 2020 would have increased/decreased by £13,190,700 (2019: £11,994,700). This is based on the Company's total equity and fixed income 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 2020			
	Fixed Rate £000	Variable Rate £000	Non-Interest Bearing £000	Total £000
Investments	5,334	–	126,573	131,907
Cash and cash equivalents	–	15,695	–	15,695
Other currents assets and current liabilities (net)	–	–	(645)	(645)
Net assets	5,334	15,695	125,928	146,957

	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

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 £817,739, liquidity risk is not considered material. As at 30 September 2020 the Company held £15,695,112 on bank deposit.

Credit risk

Credit risk relates to the risk of default by a counterparty. The Company may have credit risk through investments made in unsecured loan stock issued by Qualifying Companies or through Non-Qualifying Investments in fixed income securities and exchange traded funds. No assets are past due date for payment or impaired. There have been no changes in the financial value of the Company during the year that are attributable to credit risk.

An investment will be impaired if the investee company is lossmaking and does not have sufficient funds available to transition into profit and in the opinion of the investment manager is unlikely to secure sufficient equity or debt funding to transition into profit. An investment will be impaired if the borrower defaults or is expected to default on payment of accrued interest or repayment of the principal sum.

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

	2020 £000	2019 £000
Investments – (Fixed income securities)	5,334	–
Cash and cash equivalents	15,695	24,638
Other assets/(liabilities)	(645)	(543)
	20,384	24,095

Cash balances were held on deposit with RBS and in the CGWL client account at 30 September 2020.

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

	2020 Ord £000	2019 Ord £000
Paid per share: Final capital dividend of 2.65 pence for the 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
Paid per share:(1) Special capital dividend of 1.00 pence		1,772
Paid per share: Final capital dividend of 2.25 pence for year ended 30 September 2019	4,576	–
Paid per share: Interim capital dividend of 1.00 pence for year ended 30 September 2020	2,004	–
Paid per share:(2) Special capital dividend of 1.75 pence	3,564	–
Unclaimed dividends(3)	(2)	
	10,142	10,214
Proposed per share: Final capital dividend of 2.65 pence for the year ended 30 September 2020	5,713	–
Proposed per share: Final capital dividend of 2.25 pence for the year ended 30 September 2019	–	4,578

(1) Special capital dividend paid on 24 October 2018

(2) Special capital dividend paid on 28 November 2019

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

17. Post balance sheet events

Appointment of non-executive director

On 1 November 2020, Justin Ward 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 34.

Directors' remuneration

In response to the amount of time committed by the non-executive directors the Board has decided to increase the annual remuneration of the independent non-executive directors. Further details can be found in the chairman's statement on page 6 and the Directors' remuneration report on page 38.

Share buybacks

As at 21 December 2020, 720,904 ordinary shares have been purchased at an average price of 73.21 pence per share and a total cost of £527,771.

Shares issued

As at 21 December 2020, 16,809,047 ordinary shares have been issued through the offer for subscription raising gross proceeds of £13,052,276.

New investments

The Company has made the following investments since the period end

	Amount Invested £000	Investment into existing company
Qualifying Companies		
C4X Discovery	400	Yes
Verici	700	Yes
Non-Qualifying Companies		
BodyCote	739	No
Bytes Technology Group	639	No
Howden Joinery	156	Yes
James Fisher	118	Yes
Marlborough Special Situations Fund	4,864	Yes
NCC	146	Yes
Shaftesbury	514	No
Sthree	162	Yes
Taylor Wimpey	154	Yes
Watches of Switzerland	771	No
WH Smith	748	No
Workspace	482	No

Alternative performance measures

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

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

The definition of each APM is in the glossary of terms on pages 79 to 80. 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 2020
Net asset value per share	A	73.66p
Dividends paid per share since inception	B	60.15p
NAV total return since inception[1]	A+B	133.81p

[1] Includes 100 pence initial cost

NAV total return

		30 September 2020
Net asset value per share 30 September 2019	A	70.60p
Dividends paid	B	5.00p
Net asset value per share 30 September 2020	C	73.66p
NAV total return	((B+C-A)/A)*100	11.42%

NAV total return (dividends reinvested)

			30 September 2020	% Return
Opening NAV per share per share (30 September 2019)		A	70.60p	
Closing NAV per share (30 September 2020)			73.66p	
	Special dividend paid November 2019	1.75p		
	Final dividend for year paid February 2020	2.25p		
	Interim dividend paid July 2020	1.00p		
Total dividend payments			5.00p	
Closing NAV per share plus dividends paid			78.66p	11.42%
In year performance of reinvested dividends			0.63p	
NAV total return (dividends reinvested)	((B-A)/A)*100	B	79.29p	12.31%

Share price total return

		30 September 2020
Share price as at 30 September 2019	A	66.50p
Dividends paid	B	5.00p
Share price as at 30 September 2020	C	66.00p
Share price total return	((B+C-A)/A)*100	6.77%

Share price total return (dividends reinvested)

				30 September 2020	% Return
Opening share price (30 September 2019)			A	66.50p	
Closing share price (30 September 2020)				66.00p	
	Special dividend paid November 2019	1.75p			
	Final dividend for year paid February 2020	2.25p			
	Interim dividend paid July 2020	1.00p			
Total dividend payments				5.00p	
Closing share price plus dividends paid				71.00p	6.77%
In year performance of reinvested dividends				0.23p	
Share price total return (dividends reinvested)	((B-A)/A)*100		B	71.23p	7.11%

Ongoing charges ratio

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

		30 September 2020 £000
Investment management fee		2,294
Other expenses		882
Ongoing charges	A	3,176
Average net assets	B	135,416
Ongoing charges ratio	(A/B)*100	2.35%

Share price discount

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

The 5 year average discount of 6.18% is calculated by taking the average of the share price discount at each month end between 1 October 2015 and 30 September 2020.

Glossary of terms

AIM
The Alternative Investment Market operated by the London Stock Exchange.

AQSE Growth Market
The Growth Market of the Aquis Stock Exchange, a recognised investment exchange for growth companies operated by Aquis Exchange plc.

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

Eligible Shares
Shares in Qualifying Companies which do not carry preferential rights to dividends and/or assets on a winding-up or redemption.

FTSE AIM All-Share Index Total Return
Measures the total return of the underlying FTSE AIM All-Share index combining both capital performance and income.

FTSE All-Share Index Total Return
Measures the total return of the underlying FTSE All-Share index combining both capital performance and income.

ITA
Income Tax Act 2007, as amended.

Knowledge Intensive Companies
A company satisfying the conditions in Section 331(A) of Part 6 ITA.

Non-Qualifying Company or Non-Qualifying Investment
An investment made by the Company which is not a Qualifying Investment and is permitted under the VCT rules.

Offer Shares
New ordinary shares of 1 penny each in the capital of the Company to be issued pursuant to the Offer for Subscription of Ordinary Shares in Hargreave Hale AIM VCT plc launched on 2 September 2020.

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.

Qualifying Trade
A trade complying with the requirements of section 300 ITA.

State Aid
State Aid received by a company as defined in Section 280B (4) of ITA.

VCT or Venture Capital Trust
Venture capital trust as defined in section 259 ITA.

VCT Rules
All rules and regulations that apply to VCTs from time to time, including the ITA.

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 at the year end.

NAV 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.

NAV total return since inception

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

NAV total return (dividends reinvested)

The NAV total return (dividends reinvested) shows the percentage movement in the NAV Total Return per share over time taking into account both capital returns and dividends paid assuming dividends are re-invested into new shares. To be consistent with industry standard practice, the allotment price of the new shares issued in place of the cash dividend is assumed to be the prevailing ex-dividend NAV per share on the day the shares go ex-dividend. This differs from the methodology followed by the registrar when issuing shares under the Company's dividend re-investment scheme.

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

As stockmarkets and share prices vary, VCT's share price is rarely the same as its NAV. When the share price is lower than the NAV per share it is said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, this situation is called a premium.

Share price total return

The share price total return shows performance over a period of time in percentage terms by reference to the mid price of the Company's shares taking into account dividends paid and any return of capital if applicable.

We calculate this by adding the dividends paid in the period to the closing mid price and measuring the percentage change relative to the opening mid price.

Share price total return (dividends reinvested)

The performance of the Company's share price on a total return basis assuming dividends are reinvested in new shares at the mid-price of the shares on the ex-dividend date.

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 11 December 2020 was 79.82 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 2021, the Board has proposed the payment of a final dividend of 2.65 pence in respect of the financial year ending 30 September 2020.

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. Additionally, the Company offers a dividend re-investment scheme ("DRIS") allowing shareholders to elect to receive all or part of their dividends from the Company in the form of new ordinary shares. Shareholders may elect to join the DRIS at anytime by completing a DRIS mandate form. Mandates can be obtained by contacting the Company's registrar, Equiniti.

Selling your shares

The Company aims to improve the liquidity in its ordinary shares and to maintain a discount of approximately 5% to the last published NAV per share (as measured against the mid-price of the shares) by making secondary market purchases. This policy is non-binding and at the discretion of the Board. The effective operation of the policy is dependent on a range of factors which may prevent the Company from achieving its objectives. As a result there is no guarantee you will be able to sell your shares or of the discount to NAV per share at which they will be sold.

VCT share disposals are exempt of capital gains tax when the disposal is made at arms' length, which means a shareholder should sell their shares to a market maker through a stockbroker or another share dealing service. In practice, this means that the price achieved in a sale is likely to be below the mid-price of the Company's shares and, therefore, the discount is likely to be more than 5% to the last published NAV per share.

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.

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 (0207 523 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 376622 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 82.

Company information

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

All directors are non-executive and in all cases of:
41 Lothbury
London
EC2R 7AE

Administrator, Company Secretary and Custodian
Canaccord Genuity Wealth Limited
c/o Talisman House
Boardmans Way
Blackpool
FY4 5FY

Canaccord Genuity Wealth Limited will cease to act as Company Secretary on 15 January 2021.

VCT Status Adviser
Philip Hare & Associates
Hamilton House
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London
EC4Y 0HA

Auditors
BDO LLP
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London
W1U 7EU

Company Registration Number
05206425 in England and Wales

Registered office
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EC2R 7AE

Investment manager
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41 Lothbury
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EC2R 7AE

Registrars
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Brokers
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Solicitors
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Broadgate Tower
London
EC2A 2EW

Notice of Annual General Meeting

In light of the UK government's public health guidelines on COVID-19 and the interests of the safety and wellbeing of our shareholders, this year's AGM will be run as a closed meeting and shareholders will not be able to attend in person. Shareholders are encouraged to vote by proxy ahead of the AGM. The Chairman will record the voting for each resolution by way of a poll to ensure each vote cast is counted individually.

The Board recognises the importance of the AGM to Shareholders' and encourages them to submit questions in writing, to be received at least six business days before the meeting (i.e. by 10.30 am on 27 January 2021), by sending an email to aimvct@canaccord.com. Answers will be published on the website on 1 February 2021.

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 2021 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 2020;
2. To receive and approve the directors' remuneration report for the year ended 30 September 2020;
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 2020;
4. To reappoint BDO LLP as auditors to the Company and to authorise the Directors to determine their remuneration;
5. To re-elect David Brock as a director of the Company;
6. To re-elect Oliver Bedford as a director of the Company;
7. To re-elect Ashton Bradbury as a director of the Company;
8. To re-elect Angela Henderson as a director of the Company;
9. To elect Justin Ward as a director of the Company; and
10. To approve a final dividend of 2.65 pence per ordinary share in respect of the year ended 30 September 2020.
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 £250,000, this authority to expire on the earlier of the conclusion of the Company's next Annual General Meeting in 2022 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 2022 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 32,318,900, 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 2022 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

21 December 2020

A member entitled to attend and vote at this meeting may appoint a proxy or proxies to attend and vote on their behalf. A proxy need not also be a member of the Company, however shareholders who wish to appoint a proxy are recommended to appoint the Chairman of the AGM as their proxy, as third party proxies will not be permitted to attend the AGM. To be effective, forms of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially 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.

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 2 February 2021 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 2 February 2021 (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 https://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 21 December 2020 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 215,603,072, carrying one vote each. Therefore, the total voting rights in the Company are 215,603,072.

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