

16 December 2022

HARGREAVE HALE AIM VCT PLC
(the "Company")

Full Year Results and Notice of AGM

Hargreave Hale AIM VCT plc announces its results for the year ended 30 September 2022.

The Company also announces that its 2023 Annual General Meeting will be held at 10.30am on 2 February 2023 at Wood Street, London, EC2V 7QR.

The Company's Annual Report and Financial Statements for the year ended 30 September 2022 and the formal Notice of the Annual General Meeting will be posted to shareholders who have elected to receive hard copies and in accordance with Listing Rule 9.6.1 copies of the documents have been submitted to the UK Listing Authority and will shortly be available to view on the Company's corporate website at <https://www.hargreaveaimvcts.co.uk> and have also been submitted to the UK Listing Authority and will be shortly available for inspection from the National Storage Mechanism at <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>

Strategic report

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

Financial highlights for the year ended 30 September 2022

Net asset value (NAV) per share	NAV total return	Tax free dividends paid in the period	Share price total return	Ongoing charges ratio
60.19p	-33.42% ⁽¹⁾	6.65p	-28.06% ⁽¹⁾	2.06% ⁽¹⁾

Financial highlights for the year ended 30 September 2022

- £14.7 million invested in Qualifying Companies in the year.
- 84.85% invested by VCT tax value in Qualifying Investments at 30 September 2022.
- Final dividend of 2.00 pence per share proposed for the year end and special dividend of 2.00 pence per share agreed by the Board.
- Offer for subscription to raise £20 million, together with an over-allotment facility to raise a further £20 million fully subscribed as announced by the Company on 22 October 2021.
- New Offer for subscription launched on 5 September 2022 to raise £20 million, together with an over-allotment facility to raise up to a further £30 million.

Summary financial data

	2022	2021
NAV (£m)	160.51	228.96
NAV per share (p)	60.19	100.39
NAV total return (%) ⁽¹⁾	-33.42	42.26
Market capitalisation (£m)	167.32	212.11
Share price (p)	62.75	93.00
Share price premium/discount to NAV per share (%) ⁽¹⁾	+4.25⁽²⁾	-5.00 ⁽³⁾
Share price 5 year average discount to NAV per share (%) ⁽¹⁾	-5.65⁽²⁾	-6.31 ⁽³⁾
Share price total return (%) ⁽¹⁾	-28.06	51.36
(Loss)/gain per share for the year (p)	-33.42	30.45
Dividends paid per share (p)	6.65	4.40
Ongoing charges ratio (%) ⁽¹⁾	2.06	2.12

(1) Alternative performance measure definitions and illustrations can be found in the glossary of terms.

(2) The FY22 year end premium to NAV and the 5 year average discount to NAV is a function of the year end NAV of 60.19 pence per share and the year end share price.

(3) The FY21 year end discount to NAV and the 5 year average discount to NAV is a function of the year end ex-dividend NAV of 97.89p pence per share and the year end share price.

Financial Calendar

Financial calendar	
Record date for final and special dividends	6 January 2023
Payment of final and special dividends	10 February 2023
Annual General Meeting	2 February 2023
Announcement of half-yearly results for the six months ending 31 March 2023	June 2023
Payment of interim dividend (subject to Board approval)	July 2023

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Chairman's statement

Introduction

I would like to welcome shareholders who have joined us as a result of the recent offers for subscription. As always, we are grateful to new and existing shareholders who continue to support the VCT, despite the difficult times we are living through.

2021 featured much discussion about the inflationary threat, transitory or sticky. Many central banks, including our own, were of the view that the supply disruption that had played an important role in driving inflation higher in 2021 would abate in 2022 as the world continued to normalise through a post-Covid reopening. Russia's invasion of Ukraine, devastating for those directly involved, catalysed an energy shock with profound implications for the economy, households and wider society. Central banks have responded aggressively with immediate consequences for the cost of capital, both to companies and households. The economic outlook, already challenging, got significantly worse.

We are fortunate to be investing in some of the UK's most exciting growth companies. For many, these more difficult times will not significantly impact their growth journey. Their success will be determined by the quality of the products and services they are developing, and their ability to commercialise those on attractive terms. Others, most obviously those facing the UK consumer, currently under so much pressure, will see revenues and cash flows come under pressure next year. However, those that are well-capitalised and well-managed will have opportunities to emerge stronger or build market share as weaker competitors retrench.

Performance

As described in more detail in the Investment Manager's report, this has been a very difficult year for performance; the largest decline in the net asset value since the global financial crisis. The pain has not been limited to the investments in public companies; our investments in private companies have been significantly marked lower too. With the exception of Zappar, our unlisted companies are consumer facing. All of them face markedly more difficult trading environments in the short term, now reflected in their valuations. Equally important, in some cases more so, is the very dramatic decline in the valuations of their public company peers. This cannot be ignored, even if it has required us to make some uncomfortable decisions but we do not expect the changes to reflect permanent loss of value. At some point in 2023, we expect to look forward to better times. As we emerge from recession, fundamentals will improve and markets will recover their poise. In the meantime, your manager will work tirelessly to invest in tomorrow's success stories, laying the foundations for future performance.

At 30 September 2022, the NAV per share was 60.19 pence which, after adjusting for the dividends paid in the year of 6.65 pence, gives a NAV total return for the year of -33.42%. The NAV total return (dividends reinvested) for the year was -35.47% compared with -34.34% in the FTSE AIM All-Share Total Return Index (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 earnings per share total return for the year was a loss of 33.42 pence (comprising a revenue loss of 0.36 pence and a capital loss of 33.06 pence). Revenue income increased by 9.1% to £0.98m as a result of an increase in dividends received from portfolio companies and bank interest. Interest accrued on loan note instruments decreased, partly a consequence of the conversion of the loan to XP Factory plc into ordinary shares. Revenue expenses exceeded income and resulted in a revenue loss for the year of 0.36 pence per share, broadly unchanged on last year.

The share price decreased from 93.00 pence (ex-dividend) to 62.75 pence over the reporting period which, after adjusting for dividends paid, gives a share price total return of -28.06%.

Investments

The Investment Manager invested £14.7 million into 11 Qualifying Companies during the period. The fair value of Qualifying Investments at 30 September 2022 was £103.5 million (64.5% of NAV) invested in 62 AIM companies and 5¹ unquoted companies. At the year end, the fair value of non-qualifying equities and the Marlborough Special Situations Fund were £12.4 million (7.7% of NAV) and £3.3 million (2.1% of NAV) respectively, with most of the non-qualifying equities listed within the FTSE 350 and offering good levels of liquidity should the need arise. £41.9 million (26.1% of NAV) was held in cash, higher than normal, reflecting an underweight allocation to non-qualifying equities and fixed income. Further information can be found in the Investment Manager's report.

Dividend

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

In the 12 month period to 30 September 2022, the Company paid dividends totalling 6.65 pence (2021: 4.40 pence). A special dividend of 2.50 pence was paid on 29 October 2021. A final dividend of 3.15 pence in respect of the previous financial year was paid on 10 February 2022 (2020: 2.65 pence) and an interim dividend of 1.00 pence (2021: 1.75 pence) was paid on 29 July 2022.

A final dividend of 2.00 pence is proposed (2021: 3.15 pence) which, subject to shareholder approval at the Annual General Meeting, will be paid on 10 February 2023 to ordinary shareholders on the register on 6 January 2023. A special dividend of 2.00 pence per share has been approved by the Board. The distribution will return to shareholders profits arising from the cash acquisition of Ideagen plc by funds managed by Hg Capital in July 2022. The special dividend will be paid together with the final dividend on 10 February 2023.

Dividend re-investment scheme

Shareholders may elect to reinvest their dividend by subscribing for new shares in the Company. Further information can be found in the shareholder information section of the Annual Report.

On 29 October 2021, 327,293 ordinary shares were allotted at a price of 94.09 pence per share, which was calculated in accordance with the terms and conditions of the DRIS, on the basis of the last reported NAV per share NAV per share as at 8 October 2021, to shareholders who elected to receive shares as an alternative to the special dividend announced on 23 September 2021.

On 10 February 2022, 624,916 ordinary shares were allotted at a price of 86.69 pence per share, which was calculated in accordance with the terms and conditions of the DRIS, on the basis of the last reported NAV per share as at 21 January 2022, to shareholders who elected to receive shares under the DRIS as an alternative to the final dividend for the year ended 30 September 2021.

On 29 July 2022, 285,870 ordinary shares were allotted at a price of 65.65 pence per share, which was calculated in accordance with the terms and conditions of the DRIS, on the basis of the last reported NAV per share as at 8 July 2022, to shareholders who elected to receive shares under the DRIS as an alternative to the interim dividend for the year ended 30 September 2022.

Buybacks

In total, 4,307,731 shares (nominal value £43,077) were repurchased during the year at a cost of £3,243,492 (average price: 75.29 pence per share). As at 16 December 2022, a further 740,562 shares have been repurchased post the year end at a cost of £431,538 (average price: 58.27 pence per share).

Share price discount

¹ Excluding companies in administration or at risk of administration with zero value.

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

We continued to operate the discount control and management of share liquidity policy effectively during the period. The Company has 1 and 5 year average share price discounts of 2.84% and 5.65% respectively.

The Company's share price was trading at a premium of 4.25% as at 30 September 2022 compared to a discount of 5.00% as at 30 September 2021, this being calculated using the closing mid-price of the Company's shares on 30 September 2022 as a percentage of the year end net asset value per share, as published on 10 October 2022.

As at 16 December 2022, the discount to NAV was 6.59% of the last published NAV per share.

Offer for subscription

The Directors of the Company announced on 2 September 2021 the launch of an offer for subscription for shares to raise up to £20 million, together with an over-allotment facility of up to a further £20 million. On 22 October 2021, the Company announced the offer for subscription was closed to further applications. The offer resulted in gross funds being received of £40 million and the issue of 41.6 million shares.

New Offer for subscription

The Directors of the Company announced on 5 September 2022 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 £30 million. The offer was approved by shareholders of the Company at a general meeting on 7 October 2022. Through separate updates, the Company subsequently announced that it intended to utilise up to £20 million of the over-allotment facility. The Board reserves its right to further expand its use of the over-allotment facility, subject to investor demand and the deployment of capital into VCT qualifying companies.

On 16 December 2022, the Company had allotted 45.0 million shares raising gross proceeds of £28.1 million. The Company has also received valid applications for a further £2.0 million.

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 2.06% (FY21: 2.12%) when calculated in accordance with the AIC's "Ongoing Charges" methodology. The decrease reflects a modest reduction in the running costs of the Company and the increase in net assets that occurred in the first quarter of the financial year as a result of the 2021 offer for subscription. The Ongoing Charges methodology divides ongoing expenses by average net assets.

Board and committee composition

Ashton Bradbury retired from his role as non-executive director at the Annual General Meeting in February 2022. We are grateful to Ashton for his support and advice since joining the Board in May 2018. His contribution, commitment and wise counsel both to the Board and the Company has been greatly appreciated and valued. The Board wishes Ashton all the best for the future.

On 1st June 2022, Megan McCracken and Busola Sodeinde joined the Board as independent non-executive directors of the Company.

Megan McCracken has extensive board experience across State Street Trustees Limited, GB Bank, the Fidelity China Special Situations Fund, the Massachusetts Institute of Technology and Folk2Folk, for which she earned the Institute of Directors Chair's Award. Megan began her career at Boeing Satellite Systems in the USA, before management consulting led her to London and financial services. Megan held senior executive roles in strategy at Citi and HSBC and has expertise across banking, asset management and trading.

Busola Sodeinde is a highly experienced financial services professional with significant regulatory and governance experience from her appointments as CFO of State Street Global Markets and a Finance Director to the Corporate Finance team of Deutsche Bank Capital Markets. Busola is a non-executive director of Ombudsman Services, a board member of the Church Commissioners for England and Trustee of The Scout Association.

Both Megan and Busola have a strong focus on and passion for environmental, social and governance issues and entrepreneurial enterprise. The Board is looking forward to incorporating their diversity of thought and approach in its work for your Company.

Following a review of board remuneration and taking into account peer group analysis and inflation, the Board has agreed to increase its remuneration by 5.00%, effective from 1 October 2022. The annual remuneration of the Chairman will increase to £39,000, the independent non-executive directors to £30,500 and the non-independent non-executive director, Oliver Bedford, to £28,000. An additional fee of £1,500 will continue to be paid to the Chairman of the Management and Service Provider Engagement Committee. The Chairman of the Audit Committee will continue to receive an additional fee of £3,000.

Investment Manager

On 2 November 2022, the Company's Investment Manager changed its name from Hargreave Hale Limited (trading as Canaccord Genuity Fund Management) to Canaccord Genuity Asset Management Limited ('CGAM').

Related party transactions

The Company's Investment Manager is a related party to the Company for the purposes of the Listing Rules. As noted above and announced on 2 September 2022, Oliver Bedford's non-executive directorship fees (paid directly to the Investment Manager) will increase from £26,500 to £28,000 with effect from 1 October 2022. Once aggregated with previous related party transactions between the Company and the Investment Manager's group in the last 12 months, this fee increase constitutes a smaller related party transaction under Listing Rule 11.1.10R.

Annual General Meeting

Shareholders are invited to attend the Company's Annual General Meeting (AGM) to be held at 10.30 am on 2 February 2023 at 88 Wood Street, London, EC2V 7QR.

Those shareholders who are unable to attend the AGM in person are encouraged to raise any questions in advance with the Company Secretary at HHV.CoSec@jtcgroup.com. The deadline for the advance submission of questions is 5.00 p.m. on 26 January 2023. Answers will be published on the Company's website on 2 February 2023.

Shareholder event

Both your Board and the Investment Manager are keen to improve interaction with our shareholders. On the 24 November 2021 and 23 November 2022, the Company held well attended shareholder events at Everyman Cinema, Broadgate, City of London. The events included presentations from several portfolio companies, a panel discussion and a presentation from the Investment Manager's VCT team before concluding with the screening of a feature film.

Electronic communications

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

On a similar note, we would also be grateful if shareholders would consider updating their dividend payment preference from cheque to bank transfer, helping us to further reduce costs and paper usage. Cheques are highly susceptible to fraud and cheque fraud is one of the most common forms of financial crime. It is becoming increasingly difficult to deposit cheques safely with the growing number of branch closures and charges may apply to re-issue lost or expired cheques.

In line with our wish to encourage the use of electronic communications and the practice of many companies, with effect from the interim results to be published in 2023, the Company will no longer print and distribute Interim Reports to shareholders. The interim results will continue to be available for download on our website <https://www.hargreaveaimvcts.co.uk> and a summary of the results is also published via a Regulatory Information Service on the London Stock Exchange.

Electronic tax vouchers are also available in place of paper tax vouchers to those shareholders who have opted in to electronic communications and registered with Equiniti's Shareview system.

Electronic Voting

Electronic proxy voting is available for shareholders to register the appointment of a proxy and voting instructions for any general meeting of the Company once notice has been given. This service assists the Company to make further printing and production cost savings, reduce our environmental footprint and streamline the voting process for investors.

Regulatory update

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

On 23 September 2022, the Government announced that it intended to extend the sunset clause that, if not otherwise repealed or extended, would result in the withdrawal of the upfront 30% income tax relief for new investment into VCTs from 6 April 2025.

The sunset clause, introduced as part of the 2015 EU State aid review, does not affect the Capital Gains Tax relief or tax free dividend payments, nor does it affect investors' income tax relief on VCT investments made before 6 April 2025.

The extension of the sunset clause will require legislation to be laid before parliament.

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 84.85% (2021: 98.7%) against an 80% requirement when measured using HMRC's methodology. The decline in the investment test percentage reflects the introduction to the investment test of funds raised through the 2019 Offer for Subscription, and qualifying disposals made in the previous financial year. The Company satisfied all other tests relevant to its status as a Venture Capital Trust.

Key information document

In accordance with the Packaged Retail Investment and Insurance Products (PRIIPs) regulations, the Company's Key Information Document (KID) is published on the Company's website at <https://www.hargreaveaimvcts.co.uk>.

Investors' attention is drawn to the March 2022 policy statement published by the FCA in relation to amendments to the KID produced by VCTs in accordance with UK PRIIPs Laws. The policy addresses concerns that the current methodology for calculating the Summary Risk Indicator (SRI) results in an inappropriately low SRI being applied for VCTs and now mandates that KIDs issued by VCTs must be assigned an SRI of no lower than 6. The policy statement also replaces the requirements and methodologies for presentation of performance scenarios in the KID with a requirement for narrative information to be provided. The handbook rules and Regulatory Technical Standard came into force on 25 March 2022, with a transitional period which will end on 31 December 2022.

The 30 September 2022 KID has been prepared using the new methodology prescribed in the UK PRIIPS regulation.

Risk review

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

Outlook

Recessions spawn innovation and create opportunity. Growth companies will continue to require capital for investment into research, infrastructure, people and working capital.

We do not expect the falls endured last year to translate to permanent loss of value. At some point in 2023, we will be able to look forward to better times. As we emerge from recession, fundamentals will improve and markets will recover their poise. In the meantime, with your continued support, we will work tirelessly to invest in tomorrow's success stories, laying the foundations for future performance.

David Brock
Chairman

16 December 2022

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. Canaccord Genuity Asset Management Limited acts as investment manager whilst Canaccord Genuity Wealth Limited (CGWL) acts as administrator and custodian. JTC (UK) Limited provides company secretarial services.

The Board has overall responsibility for the Company's affairs including the determination of its investment policy. However, the Board exercises these responsibilities through delegation to Canaccord Genuity Asset Management Limited, Canaccord Genuity Wealth Limited and JTC (UK) Limited as it considers appropriate.

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

Investment objectives, policy and strategy

Investment objectives

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

Investment policy

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

Qualifying investments

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

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

Non-Qualifying Investments

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

Investment controls

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

Borrowings

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

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

Investment process and strategy

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

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

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

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

Qualifying Investments

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

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

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

Non-Qualifying Investments

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

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

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

Environmental, social and governance considerations

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

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

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

Risk management

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

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

Key performance indicators

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

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

1. NAV and share price total returns

The Board monitors NAV and share price total return to assess how the Company is meeting its objective of generating capital gains and income from its portfolio and making distributions to shareholders. The NAV per share decreased from 100.39 pence to 60.19 pence resulting in a loss to ordinary shareholders of -33.55 pence per share (-33.42%) after adjusting for dividends paid in the year.

The Board considers peer group and benchmark comparative performance. Due to the very low number of AIM VCTs, the Board reviews performance against the generalist VCTs as well as the AIM VCTs to provide a broader peer group for comparison purposes. Performance is also measured against the FTSE AIM All-Share Total Return Index. With 59% of the net assets invested in companies listed on AIM or the AQSE Growth Market, the Directors consider this to be the most appropriate benchmark. 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 2022	1Y	3y	5y	10y
NAV total return	-33.42%	7.99%	5.65%	70.97%
Share price total return	-28.06%	18.50%	15.72%	85.26%
NAV total return (dividends reinvested) ⁽¹⁾	-35.47%	3.47%	1.53%	73.85%
Share price total return (dividends reinvested) ⁽¹⁾	-28.98%	15.97%	14.71%	97.28%
FTSE AIM All-Share Total Return Index	-34.34%	-4.65%	-14.86%	28.74%

Source: *Canaccord Genuity Asset Management Ltd*

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

Reflecting the difficult market conditions and deteriorating economic outlook that persisted for much of the financial year, and in common with the AIM VCT peer group, the Company reported a significant reduction in the NAV per share. The NAV total return (dividends reinvested) for the year is ahead of its benchmark over all time horizons but lower than the average return for the AIM VCT peer group over the same time horizons. As the AIM VCT Sector consists of only a very small number of companies, the Directors also consider performance against the much broader Generalist VCT Sector. The steep falls in NAV per share reported by the Company and its AIM VCT peers is not mirrored in the Generalist VCT sector, which has reported a modest average decline of -2.0%. The divergence of performance across the two peer groups is notable, possibly reflecting the speed at which information (macro and company specific) is assimilated into the share prices of listed companies. The Company has underperformed the average NAV total return (dividends reinvested) for the Generalist Sector over all time horizons to 30 September 2022.

The Investment Manager reports that corporate news flow remains resilient. With 60% of the qualifying portfolio invested in companies developing new healthcare and technology products and services, sometimes referred to as long duration assets, the portfolio is sensitive to investor sentiment and the outlook for long term interest rates. Changes in monetary policy can materially impact the present value of these assets, even if they do not directly impact upon the opportunity for value creation. The Investment Manager will continue to deploy capital in pursuit of the Company's investment objectives.

Further detailed information on peer group performance is available through Morningstar (<https://www.morningstar.co.uk>) and the AIC (<https://www.theaic.co.uk/aic/statistics>).

2. Share price discount to NAV per share

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

The Company's shares traded at premium of 4.25% as at 30 September 2022 (2021: 5.00% discount) when calculated with reference to the 30 September 2022 NAV per share. The 1 and 5 year average share price discounts were 2.84% and 5.65% respectively.

The Company's shares are priced against the last published NAV per share with the market typically adjusting the price to reflect the NAV after its publication. In line with the Company's valuation policy, the Company aims to publish the quarter end NAV per share within 5 business days of 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.

The Company's share price on 30 September 2022 reflected the last published NAV per share prior to the year end, which was released on 27 September 2022. The 30 September 2022 NAV was reported on 10 October 2022, following the review of the valuations of the private companies.

As at 15 December 2022, the discount to NAV was 6.59% of the last published NAV per share.

3. Ongoing charges ratio

The ongoing charges of the Company were 2.06% (2021: 2.12%) of the average net assets of the Company during the financial year to 30 September 2022, broadly in line with the prior year. The decrease reflects a modest reduction in the running costs of the Company and the increase in net assets that occurred in the first quarter of the financial year as a result of the 2021 Offer for Subscription.

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 costs for the year, which were 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 6.65 pence per share (2021: 4.40 pence) of dividends was paid during the year, comprised of a special dividend of 2.50 pence per share paid on 29 October 2021, a final dividend of 3.15 pence in respect of the previous financial year (2020: 2.65 pence) paid on 10 February 2022 and an interim dividend of 1.00 pence (2021: 1.75 pence) paid on 29 July 2022.

A final dividend of 2.00 pence per share will be proposed at the Annual General Meeting. If approved by shareholders, the payment of the interim and final dividends in respect of the financial year to 30 September 2022 would represent a distribution to shareholders of 5.00% of the 30 September 2022 NAV per share.

A special dividend of 2.00 pence per share has been approved by the Board. The distribution will return to shareholders profits arising from the cash acquisition of Ideagen plc by funds managed by Hg Capital in July 2022. The special dividend will be paid together with the final dividend on 10 February 2023.

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 end NAV	Dividends		Additional information
Year	pence per share		Yield	
2010/11	61.14	4.00	6.5%	
2011/12	61.35	3.25	5.3%	
2012/13	71.87	3.75	5.2%	
2013/14	80.31	4.25	5.3%	
2014/15	74.64	4.00	5.4%	
2015/16	75.93	4.00	5.3%	
2016/17	80.82	4.00	4.9%	
2017/18	87.59	5.40	6.2%	Including special dividend of 1 penny.
2018/19	70.60	3.75	5.3%	
2019/20	73.66	5.40	7.3%	Including a special dividend of 1.75 pence.
2020/21	100.39	7.40	7.4%	Including a special dividend of 2.50 pence.
2021/22	60.19	3.00	5.0%	Proposed final dividend of 2.00 pence.
2022/23	-	2.00	-	Special dividend of 2.00 pence.

5. Compliance with VCT regulations

A VCT must be approved by HMRC at all times, and in order to retain its status, the Company must meet a number of tests as set out by the VCT legislation. Throughout the year ended 30 September 2022 the Company continued to meet these tests.

The investment test decreased from 98.7% to 84.85% in the financial year. The decline in the investment test percentage reflects the introduction to the investment test of funds raised through the 2019 offer for subscription, and qualifying disposals made in the previous financial year. The investment test remains comfortably ahead of the 80% threshold that applied to the Company with effect from 1 October 2019 and within an acceptable range of the target of 85% as set out in the Company's investment policy.

The Company invested £14.7 million into 11 Qualifying Companies, 4 of which were investments into new Qualifying Companies. The Board is pleased with the level of new Qualifying Investment, which was ahead of expectations.

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

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

Principal and emerging risks and uncertainties

The Directors acknowledge that they are responsible for the effectiveness of the Company's risk management and internal controls and periodically review the principal risks faced by the Company at Board meetings. The Board may fulfil these responsibilities through delegation to Canaccord Genuity Asset Management Limited and Canaccord Genuity Wealth Limited as it considers appropriate. The principal risks facing the Company, together with mitigating actions taken by the Board, are set out below:

Risk	Potential consequence	How the Board mitigates risk	Changes During the Year
<p>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 could result in the disqualification of the Company as a VCT.</p>	<p>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.</p>	<p>To reduce this risk, the Board has appointed an investment manager with significant experience in the management of venture capital trusts. The Investment Manager regularly provides the Board with written and verbal reports. The Board also appointed Philip Hare & Associates LLP to monitor compliance with regulations and provide half-yearly compliance reports to the Board.</p>	<p>No change.</p>
<p>Investment risk. Many of the Company's investments are held in small, high risk companies which are either listed on AIM or privately held.</p>	<p>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.</p>	<p>The Board has appointed an investment manager with significant experience of investing in small companies. The Investment Manager maintains a broad portfolio of investments across a wide range of industries and sectors. Individual Qualifying Investments rarely exceed 5% of net assets. The Investment Manager holds regular company meetings to monitor investments and identify potential risk. The VCT's liquidity is monitored on a regular basis by the Investment Manager and reported to the Board quarterly and as necessary.</p>	<p>Increased. Changes in monetary or fiscal policy have undermined consumer, business and investor confidence with negative impacts on profitability, investment and stock market performance.</p>
<p>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</p>	<p>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.</p>	<p>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.</p>	<p>No change.</p>

<p>Alternative Investment Fund Manager (AIFM) and has to comply with the requirements of the AIFM Directive.</p>		<p>CGWL provides compliance oversight to both the Administrator and the Investment Manager and reports to the Board on a quarterly basis.</p>	
<p>Operational risk and outsourcing. Failure in the Investment Manager, Administrator, Custodian, Company Secretary or other appointed third party systems and controls or disruption to its business.</p>	<p>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.</p>	<p>The Company has in place a risk matrix and a set of internal policies which are reviewed on a regular basis. It has written agreements in place with its third-party service providers. The Board, through the Management and Service Provider Engagement Committee, receives regular reports from the Investment Manager, Administrator and custodian to provide assurance that appropriate oversight is in place. Additionally, the Board receives a control report from the Company's registrars on an annual basis. Where tasks are outsourced to other third parties, reputable firms are used and performance is reviewed periodically by the Management and Service Provider Engagement Committee</p>	<p>No change.</p>
<p>Key personnel risk. A change in the key personnel involved in the management of the portfolio.</p>	<p>Potential impact on investment performance.</p>	<p>The Board discusses key personnel risk and resourcing with the Investment Manager periodically. The VCT team within the Investment Manager comprises two fund managers and two investment analysts, which helps mitigate this risk.</p>	<p>No change.</p>
<p>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</p>	<p>Instability or changes arising from these risks could have an impact on stock markets and the value of the Company's investments so reducing returns to shareholders. There remains some residual risk from the pandemic. New</p>	<p>Regular dialogue with the manager provides the Board with assurance that the Investment 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. The Company's investment portfolio is well diversified and the Company has no gearing.</p>	<p>Increased. The Bank of England, along with several respected institutions (the OBR, the IFS and the OECD), expect the UK to be in an extended period of GDP contraction in 2023 and possibly beyond, with negative implications for many companies, particularly</p>

<p>the VCT scheme to be brought to an end. A condition of the European Commission's State aid approval of the UK's VCT and EIS schemes in 2015 was the introduction of a retirement date for the current schemes at midnight on 5 April 2025 (the 'Sunset Clause'). On 23 September 2022, the Government announced that it intended to extend the Sunset Clause. The extension will require new regulations to be laid before Parliament. If the relevant legislation is not renewed or replaced with similar or equivalent legislation, new investors will not be able to claim income tax relief for investments into new shares issued by VCTs after 5 April 2025.</p> <p>Climate change presents environmental, geopolitical, regulatory and economic risks. In the long term, some companies may have restrictions imposed on their operational model that reduce revenues and profit margins and increases their cost of capital.</p>	<p>variants of the virus may emerge that could result in the introduction of new restrictions, depress economic activity and lead to falls in equity markets in the UK and elsewhere, all of which could have a material adverse impact on the future investment returns of the Company, the price of the ordinary shares and the ability of the Investment Manager to find and realise suitable investments. A failure to renew or replace the relevant sections of the Finance (No 2) Act 2015 with similar or equivalent legislation would make it more difficult for the Company to attract new capital whilst continuing to operate under its current investment policy.</p> <p>Companies may face restrictions on emissions, water consumption and increased risk of environmental hazards.</p>	<p>The Board regularly reviews investment test forecasts and liquidity analysis, including under stress scenarios, to monitor current and anticipate future performance against HMRC legislation and to ensure the Company has, and will continue to have, access to sufficient liquidity and distributable reserves to maintain compliance with its key policies.</p> <p>The Board keeps abreast of current thinking through contact with industry associations and its advisors.</p> <p>The Investment Manager undertakes a review of ESG factors as part of the investment process. Climate change, or the need to limit its impact, will result in technological innovation as young companies seek to develop solutions and create opportunities for value creation for existing or new Qualifying Companies.</p>	<p>those providing goods or services to the UK consumer.</p> <p>The Bank of England increased base rates to 2.25% within the financial year. Interest rates are expected to peak at greater than 4% in 2023, increasing the cost of capital for companies and potentially depressing UK household wealth.</p> <p>On 23 September 2022, the Government announced its intention to extend the VCT scheme beyond 2025. Whilst a positive development, the basis on which the scheme will be extended remains subject to confirmation.</p> <p>The war in Ukraine presents challenges to the European security order and may have further profound economic consequences if restricted access to certain commodities over time limits the ability of energy intensive businesses to operate without interruption.</p>
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Additional risks and further details of the above risks and how they are managed are explained in note 15 of the financial statements. Trends affecting future developments are discussed in the Chairman's statement and the Investment Manager's report.

Long term viability statement

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

- is consistent with investors' minimum holding period to retain the 30% income tax relief;
- exceeds the time allowed to deploy funds raised under the current offer in accordance with VCT legislation; and
- because it is challenging to forecast beyond five years with sufficient accuracy to provide actionable insight.

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

The Board has considered the Company's financial position and its ability to meet its liabilities as they fall due over the next five years. Forecasts and stress tests have been used to support their assessment and the following factors have been considered in relation to 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 (84.85% at 30 September 2022) and the Board believes the Investment Manager will continue to have access to sufficient numbers of investment opportunities to maintain compliance with the HMRC investment test;
- the Company held £41.9 million in cash at the year end;
- the Company has distributable reserves of £40.9 million at 30 September 2022, equivalent to 15 pence per share;
- 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 2022 was strong with no debt or gearing;
- the offer for subscription launched on 5 September 2022 has provided further liquidity for deployment in line with the Company's policies and to meet future expenses;
- the ongoing charges ratio of the Company at the year end was 2.06%, which is competitive for the VCT sector;
- the Company has procedures and forecast models in place to identify, monitor and control risk, portfolio liquidity and other factors relevant to the Company's status as a VCT; and
- the Company has improved its operational resilience through the expansion of its Board from five to six non-executive directors. The Investment Manager and the Company's other key service providers have contingency plans in place to manage operational disruptions.

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 three male non-executive directors and three female non-executive directors 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) and 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. As the Company used less than 40MWh of energy during the period it is exempt from the Streamlined Energy and Carbon Reporting requirements.

The Company, whilst exempt, continues to monitor and develop its approach to the recommendations of the Task Force on Climate related Financial Disclosures.

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

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

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

Prospects

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

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

David Brock

Chairman

16 December 2022

Summary of VCT regulations

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

VCTs' obligations

VCTs must:

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

VCTs must not:

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

Qualifying Investments

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

- has gross assets not exceeding £15 million prior to investment and £16 million post investment;
- carries out activities which 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 7 years (ten years for Knowledge Intensive Companies);
- has not received more than the permitted annual and lifetime limits of risk finance State aid investment; and
- has not been set up for the purpose of accessing tax reliefs or is in substance a financing business.

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

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

Investment Manager's report

Introduction

This report covers the 2021/22 financial year, 1 October 2021 to 30 September 2022. 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

Although strong levels of UK economic growth and high levels of employment made for a positive backdrop to the start of the financial year, the markets became increasingly difficult as the year progressed as it became clear that issues with labour market liquidity, supply chain disruption and rising input prices were weighing on corporate earnings and likely to remain a factor deep into 2022. The emergence of the Omicron variant added further downside risk towards the end of the first quarter; however, evidence quickly emerged that the impact was likely to be less profound than initially feared, allowing markets to move higher as the calendar year drew to a close.

The war in Ukraine further undermined the macro-economic environment, adding a new and deeply disturbing dimension to the geopolitical overlay. The introduction of severe financial sanctions on the Russian economy, both mandatory and self-imposed (in the case of many corporates) added further stress to disrupted supply chains. Commodity prices soared, further fuelling a difficult inflationary environment that central banks were already struggling to contain. In the UK, the Consumer Prices Index (CPI) rose to 10.1% in the 12 months to September 2022.

The Bank of England (BoE), in its August 2022 Monetary Policy Report, forecast CPI to peak at 13% in October 2022, before slowly returning to its 2% target thereafter, in part helped by the UK Government's policies to provide financial support to offset exceptionally high energy bills through to March 2023.

Against low expectations, the UK economy modestly outperformed through the second half of the year. Offsetting this was an increasingly challenging outlook as inflation continued to climb, heaping more pressure on household finances. UK consumer confidence began a precipitous decline, plunging to new lows not seen even in the global financial crisis or at the height of coronavirus pandemic. Confounding the generally gloomy disposition sweeping through markets, the UK continued to post very healthy employment data with employment market participation rates edging higher, unemployment remaining very low. Private sector wage growth (including bonuses) was robust (albeit less than inflation) helping many households at least in part confront rising prices. Of course, what is good for the individual is not necessarily good for the collective and many corporates saw margins come under pressure from increased cost of goods and wage inflation.

With supply-side constraints (energy, labour, components) continuing to drive inflation higher, the BoE responded to the rising inflation with several rate rises to bring the base rate to 2.25% in September. A difficult year was rounded off by the UK Government's much criticised mini-budget, interventions by the Bank of England to maintain financial stability and sharp rises in UK borrowing costs.

Whilst the outlook for inflation within the UK is relevant to our portfolio companies, it is the outlook in the US that has shaped the markets. There, too, inflation remained high and employment strong, prompting some aggressive increases in interest rates by the Federal Reserve and a very rapid repricing of the US Treasury market. This rippled through global equity markets and was a key driver of the fall in global stock markets and, in particular, long duration assets such as investments in healthcare and technology companies.

As sentiment soured, investors increasingly favoured larger more established companies over smaller, higher risk and less liquid companies. AIM underperformed the FTSE 100 and FTSE 250 indices.

In the face of this negative outlook, we note that the portfolio is heavily weighted to small UK companies which by their size and maturity are dependent less on the dynamics of the broader economy in the long term and more on their unique circumstances and development. All the same, small high risk investments with limited liquidity are rarely popular when uncertainty and volatility spike.

Compositional biases in favour of energy and mining, drove a small gain on the FTSE 100 of 0.8% in the period. This return was very strong in the context of moves in other leading indices. The relative strength of the FTSE 100 benefitted the FTSE All-Share, which posted a modest 4.1% decline. UK small caps remain heavily out of favour, with the FTSE AIM All-Share Total Return Index falling by 34.3% in the period.

Performance

In the 12 months to 30 September 2022, the audited NAV per share decreased from 100.39 pence to 60.19 pence, a NAV total return to investors of -33.55 pence per share which, after adding back the 6.65 pence of dividends paid in the year, translates to a loss of 33.42%.

The Qualifying Investments made a net loss of -26.35 pence per share whilst the Non-Qualifying Investments loss was -5.62 pence per share. The -1.58 pence adjusting balance was the net running costs and investment income.

We track and measure corporate news flow. Although the NAV decline would suggest otherwise, a significant majority of the updates have been in line with or better than expectations. A broad based de-rating has been the most significant detractor to performance. Whilst this has been most acutely felt in growth companies it has also led to declines in other strategies.

Equipmake, which manufactures electric powertrains for the automotive, transport and aerospace industries, listed on the Aquis Stock Exchange Growth Market in July 2022. The company was the top performing investment (+47.1%, +0.59 pence per share) after a solid debut that included a £10.0m raise. Post period end, the company provided a first positive update since listing.

The acquisition of Ideagen (+11.1%, +0.32 pence per share) by funds managed by HG Capital was a bittersweet moment. The offer price was generous, valuing the company at £1.06bn, equivalent to 349 pence per share. Upon completion, the VCT realised a gain of £8.4m (+1,400%). As a provider of governance, risk and compliance solutions, the company had a resilient business model supported by high levels of recurring revenues. It was unfortunate to lose such a successful and well managed company from the qualifying portfolio.

Bidstack (+42.9%, +0.29 pence per share) signed a number of key partnerships over the period, including a two-year partnership with digital media platform Azerion and a multi-year deal with a leading global AAA game publisher. As a result, the company has secured a minimum of \$30m guaranteed advertising spend over the next 2 years, which underpins their ambitious growth forecasts for 2022 and 2023. Post period end, the company reported a contractual dispute with Azerion.

Cloudcall (+43.0%, +0.27 pence per share) was another investment lost to private equity following a bid that valued the company at £39.9m or 81.5 pence per share, a 44% premium to the average share price in for the previous 3 months and in line with its March 2021 fundraising. Whilst it was disappointing to exit the investment at a loss at a time when revenues were growing and the outlook improving, analyst's forecasts indicated a requirement for further funding amidst waning support from shareholders.

Zoo Digital (+11.1%, +0.23 pence per share) upgraded forecasts several times on the back of strong demand from clients for its cloud software-based subtitling, dubbing and media localisation services to content creators and streaming platforms. The company is growing rapidly, has a strong balance sheet and a large addressable market to target.

Gousto (-82.4%, -4.89 pence per share), for so long a source of positive performance, was the biggest detractor within the period as several factors came together to materially reduce the company's valuation. Trading became more challenging as the year progressed as consumers increased spending on out of home activities such as dining out, travel and leisure. More recently, the decline in UK consumer confidence and real wages weighed on demand from new and existing customers. The fair value of the investment was decreased following forecast revisions to the current year and FY23 and very significant declines in the valuations within the company's peer group. Some of these factors may prove to be temporary as consumers rebalance their spend away from out of home activities and travel. The company continues to introduce further service enhancements, which we expect to strengthen its competitive advantage.

Learning Technologies Group (-51.3%, -1.87 pence per share) was not immune to the sell-off in technology companies. The company has continued to trade in line with expectations and recently released new revenue and profit targets for 2025 that were ahead of prior guidance. The 2021 acquisition of GP Strategies introduced a significant revenue mix shift away from software and platform revenues and an increased exposure to more cyclical content and services revenues, although the company highlights that many of its consulting contracts are long term in nature and afford it similar levels of revenue visibility. The integration of GP strategies is progressing ahead of plan.

Polarean (-59.2%, -1.68 pence per share) announced in October 2021 that the U.S. Food and Drug Administration (FDA) had not approved the New Drug Application (NDA) for its drug device combination product using hyper-polarised xenon for enhanced magnetic resonance imaging (MRI) in pulmonary lung medicine. The issues were considered to be relatively minor and largely related to manufacturing; the company subsequently re-submitted the NDA in April 2022 for approval. The FDA has since asked for further information about the third-party manufacture of the xenon gas and has granted a 90-day extension to the review process. The company remains well funded with a net cash balance of \$22.7m as of 30 June 2022.

Ilika (-60.9%, -1.18 pence per share) reported that performance issues, now resolved, arose during the commissioning of its new Stereax manufacturing facility, leading to a short delay to the start of commercial production. This, along with an updated pipeline of customers that now mostly consists of medical device applications with longer commercialisation programmes, led to a large reduction in forecast FY23 revenues. Although the company reported during the period under review that Goliath, Ilika's programme to develop large

format battery for electric vehicles (EVs) and consumer appliances, remained on track, more recent updates have highlighted some delay to the development programme. The balance sheet remains strong with cash of £18.6m at 31 October 2022.

Creo Medical (-69.2%, -1.03 pence per share) continues to commercialise its innovative range of electrosurgical endoscopic devices. With the healthcare systems globally normalising, the company has been able to expand its pioneer programme to recruit and train clinicians and expand its user base, this having been held back during the pandemic. In parallel, the company advanced plans to commercialise its intellectual property through licensing and royalty agreements with robotics companies. A first collaboration agreement was signed within the period whilst a first licensing and royalty agreement was signed post period end. Although the company had cash of £26.1m at 30 June 2022, it is significantly loss making and will require further funding.

Having been very strong through 2021, the IPO market became increasingly subdued as we moved through the year. Despite this, we invested £14.7m into 11 Qualifying Companies including 4 IPOs and 7 follow on investments into existing portfolio companies. The most significant new investments included Equipmake, Eneraqua and Skillcast. We reduced our investments in Rosslyn Data, Yourgene and Bidstack and made complete exits from DP Poland, e-therapeutics, Trellus Health, KRM22, Mirriad Advertising, Vertu, Cloudcall, Reneuron and Synairgen.

Portfolio structure

The VCT is comfortably through the HMRC defined investment test and ended the period at 84.85% invested as measured by the HMRC investment test. By market value, the VCT had a 64.5% weighting to Qualifying Investments at year-end.

The allocation to non-qualifying equity investments decreased from 11.2% to 7.7% within the year. In line with the investment policy, we made investments in the Marlborough Special Situations Fund as a temporary home for proceeds from fundraising; the allocation increased modestly from 1.6% to 2.1% and returned -1.05 pence per share in the period.

The non-qualifying direct equity investments, which are mostly held in FTSE 350 companies contributed -4.57 pence per share. Within the period, Diversified Energy returned +16.0% (+0.03 pence per share), Glencore returned +6.8% (+0.03 pence per share) and BAE Systems returned +8.1% (+0.01 pence per share). The largest losses from within the non-qualifying portfolio came from S4 Capital (-68.1%, -0.49 pence per share) and Future (-64.3%, -0.45 pence per share). The period ended with no non-qualifying fixed income investments and a significant increase in the cash weighting from 11.8% to 26.1%, higher than normal, reflecting an underweight allocation to non-qualifying equities and fixed income.

The Company invests across all available investment sectors, although VCT legislation tends to promote investment into sectors such as technology, healthcare and consumer discretionary. The weightings to these three sectors changed slightly over the year as a consequence of additional investment and share price performance, taking their respective shares to 32.3%, 27.3% and 16.3%.

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 investment manager's 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.

Share Buy Backs & Discount Control

4,307,731 shares were acquired in the year at an average price of 75.29 pence per share. The share price declined by 3.6% and traded at a premium of 0.52% following the publication of the 30 September 2022 NAV on 10 October 2022.

Post period end update

The NAV per share has increased from 60.19 pence to 61.02 pence in the period to 9 December 2022, a gain of 1.4 %.

As at 16 December 2022, the share price of 57.00 pence represented a discount of 6.6% to the last published NAV per share.

The final weeks of the financial year were dominated by political instability which, at the time threatened to push the UK economy into deep recession in 2023. Borrowing costs were rising rapidly, with profound implications for

households and companies. The appointment of a new Chancellor, the election of a new Prime Minister, a second Autumn statement and interventions from the BoE, helped to stabilise markets and led to a fall in borrowing costs. When viewed against the chaos that preceded the resignation of the former Prime Minister, then the outlook is much improved. Unfortunately, a much improved outlook does not translate into a positive one and we still expect a UK recession throughout 2023. Our expectations align with consensus. However, there are some notable differences across the independent forecasting bodies (IFS, OECD, OBR, BoE) in their predictions for the depth and duration of the recession. The BoE was quite stark in its outlook whilst others are more sanguine. The extent to which UK households draw down on excess savings accumulated during the pandemic is an important factor in this and the subject of some debate.

We have completed 3 new qualifying investments post period end. Deal flow on AIM remains subdued, although we expect this to progressively improve as we move through the financial year. In the meantime, we continue to review large numbers of investment opportunities in private companies.

For further information please contact:

Oliver Bedford
Lead Fund Manager

16 December 2022

Investment portfolio summary

As at 30 September 2022

	Net Assets % at 30.09.22	Cost £000	Cumulative Movement in value £000	Valuation £000	Change in	Market	COI ⁽²⁾
					Value for the Year £000 ⁽¹⁾		
Qualifying Investments							
Zoo Digital Group plc	3.74	2,266	3,739	6,005	600	AIM	Yes
Equipmake Holdings plc	3.06	3,340	1,572	4,912	1,571	AIM	No
Learning Technologies Group plc	2.94	2,238	2,482	4,720	(4,963)	AIM	Yes
Eagle Eye Solutions Group plc	2.94	1,642	3,076	4,718	(43)	AIM	Yes
Maxcyte Inc	2.62	1,270	2,930	4,200	(2,475)	AIM	Yes
Surface Transforms plc	2.41	1,744	2,118	3,862	(2,574)	AIM	Yes
Tortilla Mexican Grill Plc	2.26	1,125	2,500	3,625	(447)	AIM	Yes
PCI-PAL plc	1.98	2,280	904	3,184	(1,315)	AIM	Yes
Polarean Imaging plc	1.86	2,081	906	2,987	(4,338)	AIM	No
SCA Investments Ltd (Gousto)	1.73	2,484	299	2,783	(13,065)	Unlisted	Yes
Infinity Reliance Ltd (My 1st Years) ⁽³⁾	1.71	2,500	243	2,743	(1,151)	Unlisted	Yes
Beeks Financial Cloud Group plc	1.61	1,038	1,549	2,587	(1,038)	AIM	Yes
Bidstack Group plc	1.54	1,983	496	2,479	779	AIM	No
Abcam plc	1.38	55	2,164	2,219	(250)	AIM	No
Cohort plc	1.36	619	1,566	2,185	(456)	AIM	Yes

C4X Discovery Holdings plc	1.25	2,300	(301)	1,999	(1,152)	AIM	No
Ilika plc	1.24	1,636	361	1,997	(3,106)	AIM	No
Craneware plc	1.17	125	1,757	1,882	(490)	AIM	Yes
Blackbird plc	1.15	615	1,230	1,845	(2,337)	AIM	No
Velocys plc	1.07	2,220	(495)	1,725	(459)	AIM	No
Diaceutics plc	1.02	1,550	81	1,631	(591)	AIM	Yes
Crossword Cybersecurity plc	0.98	2,039	(468)	1,571	(586)	AIM	Yes
Eneraqua Technologies plc	0.97	1,955	(402)	1,553	(402)	AIM	No
Escape Hunt plc	0.96	4,067	(2,519)	1,548	(2,519)	AIM	Yes
Arecor Therapeutics Plc	0.96	1,687	(151)	1,536	(699)	AIM	No
Angle plc	0.94	1,158	356	1,514	(1,537)	AIM	No
Zappar Ltd	0.89	1,600	(171)	1,429	(1,351)	Unlisted	No
AnimalCare Group plc	0.89	720	705	1,425	(959)	AIM	Yes
CentralNic Group plc	0.88	588	824	1,412	12	AIM	Yes
Aquis Exchange plc	0.87	765	626	1,391	(1,937)	AIM	Yes
Belvoir Group plc	0.79	762	509	1,271	(211)	AIM	Yes
Creo Medical Group plc	0.76	2,329	(1,110)	1,219	(2,737)	AIM	Yes
Bivictrix Therapeutics Plc	0.75	1,200	-	1,200	120	AIM	No
EKF Diagnostics Holdings plc	0.74	565	629	1,194	(1,308)	AIM	Yes
Idox plc	0.72	135	1,028	1,163	(97)	AIM	Yes
OneMedia iP Group plc	0.71	1,141	-	1,141	32	AIM	Yes
Intelligent Ultrasound Group plc	0.71	1,150	(17)	1,133	(283)	AIM	No
Kidly Ltd	0.70	1,660	(542)	1,118	(1,137)	Unlisted	No
Eden Research plc	0.66	1,355	(294)	1,061	(745)	AIM	No
Verici DX plc	0.62	1,939	(941)	998	(2,451)	AIM	Yes
Instem plc	0.61	297	689	986	(527)	AIM	Yes
Quixant plc	0.61	1,209	(229)	980	(140)	AIM	No
The Property Franchise Group plc	0.58	377	551	928	10	AIM	Yes
Hardide plc	0.54	3,566	(2,696)	870	(869)	AIM	Yes
Skillcast Group plc	0.53	1,570	(721)	849	(721)	AIM	No

Equals Group plc	0.52	750	92	842	192	AIM	Yes
Crimson Tide Plc	0.47	1,260	(504)	756	(378)	AIM	Yes
Tristel plc	0.37	543	58	601	(562)	AIM	No
Diurnal Group plc	0.35	672	(107)	565	(695)	AIM	No
Globaldata plc	0.35	173	384	557	(250)	AIM	Yes
Airportr Technologies Ltd ⁽³⁾	0.33	1,888	(1,359)	529	528	Unlisted	No
Everyman Media Group plc	0.24	600	(208)	392	(177)	AIM	Yes
Intercede Group plc	0.24	305	85	390	(533)	AIM	Yes
Science in Sport plc	0.24	1,479	(1,094)	385	(1,442)	AIM	No
K3 Business Technology Group plc	0.23	270	99	369	(159)	AIM	Yes
Faron Pharmaceuticals Oy	0.22	1,374	(1,024)	350	(380)	AIM	No
Fusion Antibodies plc	0.20	624	(308)	316	(507)	AIM	No
Strip Tinning Holdings PLC	0.20	1,054	(741)	313	(740)	AIM	No
Gfinity plc	0.18	2,026	(1,732)	294	(881)	AIM	Yes
Smooove Plc	0.18	770	(478)	292	(370)	AIM	No
Yourgene Health plc	0.14	472	(252)	220	(496)	AIM	No
Rosslyn Data Technologies plc	0.11	500	(330)	170	(307)	AIM	Yes
Trakm8 Holdings plc	0.09	486	(334)	152	(17)	AIM	No
In the Style Group plc	0.09	1,667	(1,525)	142	(883)	AIM	No
MYCELX Technologies Corporation	0.04	361	(303)	58	(21)	AIM	Yes
Renalytix AI plc	0.02	82	(45)	37	(435)	AIM	Yes
Osirium Technologies plc	0.01	858	(840)	18	(103)	AIM	No
Flowgroup plc	-	26	(26)	-	-	Unlisted	No
Honest Brew Ltd ⁽³⁾	-	2,800	(2,800)	-	(276)	Unlisted	No
Laundrapp Ltd ⁽³⁾	-	2,450	(2,450)	-	-	Unlisted	No
Mporium Group plc	-	33	(33)	-	-	Unlisted	No
Infoserve Group Plc ⁽⁴⁾	-	-	-	-	-	Unlisted	No
Total - equity Qualifying Investments	63.23	92,468	9,058	101,526	(67,234)		
Qualifying Fixed Income Investments							
Kidly Ltd (Loan Notes)	0.75	1,200	-	1,200	(1,191)	Unlisted	No

Osirium Technologies plc (Loan Notes)	0.47	800	(44)	756	(256)	AIM	No
Honest Brew Ltd (Loan Notes)	-	300	(300)	-	(300)	Unlisted	No
Total qualifying fixed income investments	1.22	2,300	(344)	1,956	(1,747)		
Total Qualifying Investments	64.45	94,768	8,714	103,482	(68,981)		
Non qualifying investments							
Marlborough Special Situations Fund	2.06	4,610	(1,301)	3,309	(2,814)		No
Total unit trusts	2.06	4,610	(1,301)	3,309	(2,814)		
Bytes Technology Group plc	0.72	842	320	1,162	(240)	Main	Yes
SThree plc	0.72	1,687	(534)	1,153	(777)	Main	Yes
NCC Group plc	0.60	985	(24)	961	(169)	Main	Yes
JD Sports Fashion plc	0.48	1,421	(655)	766	(763)	Main	Yes
WH Smith plc	0.46	948	(208)	740	(321)	Main	Yes
Trifast Group plc	0.45	1,318	(598)	720	(688)	Main	Yes
The Watches of Switzerland Group plc	0.42	975	(302)	673	(310)	Main	Yes
Future plc	0.41	599	60	659	(1,188)	Main	Yes
Hilton Food Group plc	0.40	1,262	(621)	641	(781)	Main	Yes
Bodycote plc	0.39	990	(362)	628	(556)	Main	No
Diversified Energy Company plc	0.36	505	77	582	77	Main	Yes
Hollywood Bowl Group plc	0.33	797	(274)	523	(274)	Main	Yes
Rotork plc	0.31	737	(246)	491	(241)	Main	No
Shaftesbury plc	0.29	761	(295)	466	(306)	Main	No
Workspace Group plc	0.29	1,025	(567)	458	(489)	Main	No
Tortilla Mexican Grill Plc	0.25	161	233	394	(48)	AIM	Yes
BAE Systems plc	0.23	346	25	371	25	Main	No
Chemring Group plc	0.19	358	(54)	304	(54)	Main	Yes
Wickes Group plc	0.19	585	(283)	302	(282)	Main	Yes
On the Beach Group plc	0.14	868	(642)	226	(635)	Main	Yes
Seraphine Group plc	0.07	1,853	(1,743)	110	(1,064)	Main	Yes

MYCELX Technologies Corporation	0.04	298	(231)	67	(24)	AIM	Yes
Total - Equity non-qualifying investments	7.74	19,321	(6,924)	12,397	(9,108)		
Total - Non-qualifying investments	9.80	23,931	(8,225)	15,706	(11,922)		
Total investments	74.25	118,699	489	119,188	(80,903)		
Cash at bank	26.11			41,911			
Prepayments & accruals	(0.36)			(591)			
Net assets	100.00			160,508			

(1) The change in fair value has been adjusted for additions and disposals in the year and as such does not reconcile to the unrealised total in note 7. The difference is £4.3 million which is the total of 20 full investment disposals in the year.

(2) COI – Co investments with other funds managed by the Investment Manager at 30 September 2022.

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

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

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

	Listed	Headquartered	Registered
<i>Listed Investments:</i>			
Abcam plc	UK/USA	UK	UK
Bytes Technology Group plc	UK/South Africa	UK	UK
Crimson Tide	UK/Republic of Ireland	UK	UK
Craneware plc	UK	UK/USA	UK
Diversified Energy Company plc	UK	USA	UK
Faron Pharmaceuticals Oy	UK/Finland	Finland	Finland
Maxcyte Inc	UK/USA	USA	USA
Mycelx Technologies Corporation plc	UK	USA	USA
Polarean Imaging plc	UK	USA	UK
Renalytix AI plc	UK/USA	USA	UK
Verici DX plc	UK	UK/USA	UK
<i>Unlisted private companies:</i>			
Genagro Ltd ⁽¹⁾	-	UK	Jersey

(1) Companies awaiting liquidation.

Top ten investments

As at 30 September 2022 (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.

Zoo Digital Group plc			Share Price: 130.0p
Investment date	Apr-17	Forecasts for the year to	March 2023
Equity held	5.28%	Turnover (\$'000)	95,000
Av. Purchase Price	49.1	Profit/(loss) before tax (\$'000)	6,900
Cost (£'000)	2,266	Net cash/(debt) September 2022 (\$'000)	1,498
Valuation (£'000)	6,005	Net assets September 2022 (\$'000)	30,690

Company description

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

Equipmake plc		Share Price: 6.25p	
Investment date	Jul-22	Forecasts for the year to	May 2023
Equity held	9.54%	Turnover (£'000)	4,800
Av. Purchase Price	4.3	Profit/(loss) before tax (£'000)	(4,400)
Cost (£'000)	3,340	Net cash/(debt) May 2022 (£'000)	1,876
Valuation (£'000)	4,912	Net assets May 2022 (£'000)	5,602

Company description

Equipmake is a UK based technology company, which has developed a range of electrification products for the provision of electric vehicle (EV) drivetrains to meet the needs of the automotive, aerospace and other sectors in support of the transition from fossil-fuelled to zero emission powertrains. Equipmake products can be applied in a variety of other vehicle electrification contexts, including hybrid, fully electric and fuel cell vehicles. Equipmake provides individual components to full turnkey systems.

Learning Technologies plc		Share Price: 104.9p	
Investment date	Jul-15	Forecasts for the year to	December 2022
Equity held	0.57%	Turnover (£'000)	531,000
Av. Purchase Price	49.7	Profit/(loss) before tax (£'000)	83,600
Cost (£'000)	2,238	Net cash/(debt) June 2022 (£'000)	(145,279)
Valuation (£'000)	4,721	Net assets June 2022 (£'000)	417,271

Company description

Learning Technologies Group provides workplace digital learning and talent management software and services 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.

Eagle Eye Solutions Group plc		Share Price: 545.0p	
Investment date	Apr-14	Forecast for the year to	June 2023
Equity held	3.28%	Turnover (£'000)	35,100
Av. Purchase Price	189.7	Profit/(loss) before tax (£'000)	3,000
Cost (£'000)	1,642	Net cash/(debt) June 2022 (£'000)	3,632
Valuation (£'000)	4,718	Net assets June 2022 (£'000)	8,567

Company description

Eagle Eye is a Software-as-a-Service (SaaS) technology company that creates digital connections enabling personalised, real-time marketing solutions for large retailers. Through Eagle Eye AIR, the company's loyalty and promotions omnichannel SaaS platform, companies connect all aspects of the customer journey in real time, unlocking the capability to deliver personalisation, streamline marketing execution and open up new revenue streams through promotions, loyalty, apps, subscriptions and gift services.

Maxcyte Inc		Share price: 560.0p	
Investment date	Mar-16	Forecast for the year to	December 2022
Equity held	0.74%	Turnover (\$'000)	43,800
Av. Purchase Price	169.3	Profit/(loss) before tax (\$'000)	(19,500)
Cost (£'000)	1,270	Net cash/(debt) June 2022 (\$'000)	109,168

Valuation (£'000)	4,200	Net assets June 2022 (\$'000)	257,223
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Company description

Leading, cell-engineering focused company providing enabling platform technologies to advance the discovery, development and commercialization of next-generation cell therapeutics.

Surface Transforms plc		Share price: 39.0p	
Investment date	Mar-16	Forecast for the year to	December 2022
Equity held	5.07%	Turnover (£'000)	12,500
Av. Purchase Price	17.6	Profit/(loss) before tax (£'000)	(594)
Cost (£'000)	1,744	Net cash/(debt) June 2022 (£'000)	5,454
Valuation (£'000)	3,862	Net assets June 2022 (£'000)	18,842

Company description

Surface Transforms develops and produces carbon-ceramic brake discs serving customers that include major OEMs in the global automotive markets. Surface Transforms interweaves continuous carbon fibre to form a 3D multi-directional matrix, producing a stronger, lighter and more durable product with 3x the heat conductivity compared to standard production components.

Tortilla Mexican Grill plc		Share price: 145.0p	
Investment date	Oct-09	Forecasts for the year to	December 2022
Equity held	7.17%	Turnover (£'000)	58,400
Av. Purchase Price	46.4	Profit/(loss) before tax (£'000)	700
Cost (£'000)	1,286	Net cash/(debt) July 2022 (£'000)	3,163
Valuation (£'000)	4,019	Net assets July 2022 (£'000)	4,205

Company description

Tortilla is the UK's largest fast-casual Mexican restaurant brand, offering a California-style Mexican menu. Founded in October 2007, Tortilla operates a multichannel order strategy across dine in, take away, click and collect and delivery options. The current estate includes more than 60 Tortilla restaurants across the UK, 10 sites in Dubai and Saudi Arabia, a cloud kitchen estate and exclusive delivery partnership with Deliveroo. Following the acquisition of Chilango Ltd in May 2022, the company operates 8 sites across the UK under the Chilango brand.

PCI PAL plc		Share price: 46.0p	
Investment date	Jan-18	Forecast for the year to	June 2023
Equity held	10.41%	Turnover (£'000)	14,500
Av. Purchase Price	32.9	Profit/(loss) before tax (£'000)	(2,200)
Cost (£'000)	2,280	Net cash/(debt) June 2022 (£'000)	4,888
Valuation (£'000)	3,184	Net assets June 2022 (£'000)	185

Company description

PCI Pal plc is a provider of Software-as-a-Service (SaaS) solutions that allows companies to take payments from their customers securely. Its products secure payments and data in any business communications environment including voice, chat, social, email, and contact centre and is integrated to, and resold by, business communications vendors and payment service providers.

Polarean Imaging plc		Share price: 42.0p	
Investment date	Apr-20	Forecast for the year to	December 2022
Equity held	3.34%	Turnover (\$'000)	1,500
Av. Purchase Price	29.3	Profit/(loss) before tax (\$'000)	(17,700)
Cost (£'000)	2,081	Net cash/(debt) June 2022 (\$'000)	22,690
Valuation (£'000)	2,987	Net assets June 2022 (\$'000)	25,680

Company description

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

SCA Investments Ltd (Gousto)		Unquoted	
Investment date	Jul-17	Results for the year to	December 2021
Voting rights held	1.31%	Turnover (£'000)	315,281
Av. Purchase Price	3711.0	Profit/(loss) before tax (£'000)	(19,984)
Cost (£'000)	2,484	Net cash/(debt) December 2021 (£'000)	89,955
Valuation (£'000)	2,783	Net assets December 2021 (£'000)	176,242
Income recognised in period (£)	0		

Company description

Founded in February 2012, Gousto is an e-commerce company offering recipe kit boxes which include fresh ingredients for step-by-step chef designed recipes to be made at home. Shoppers select meals from a variety of options on Gousto's e-commerce platform.

For further information please contact:

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Lead Fund Manager

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Statement of directors' responsibilities In respect of the financial statements

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK GAAP, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a directors' report, a strategic report and directors' remuneration report which comply with the requirements of the Companies Act 2006.

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

The Directors are responsible for ensuring that the annual report and accounts, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Website publication

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

Directors' responsibility statement pursuant to DTR4

David Brock (Chairman), Oliver Bedford, Angela Henderson, Justin Ward, Megan McCracken and Busola Sodeinde, the Directors confirm to the best of their knowledge that:

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

Disclosure of information to the Auditor

The Directors confirm that:

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

For and on behalf of the Board

David Brock

Chair

16 December 2022

Income statement

		Year to 30 September 2022			Year to 30 September 2021		
	Note	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Net (loss)/gain on investments held at fair value through profit or loss	7	-	(85,203)	(85,203)	-	71,337	71,337
Income	2	975	13	988	894	141	1,035
		975	(85,190)	(84,215)	894	71,478	72,372
Management fee	3	(835)	(2,505)	(3,340)	(908)	(2,722)	(3,630)
Other expenses	4	(1,093)	(22)	(1,115)	(850)	(21)	(871)
		(1,928)	(2,527)	(4,455)	(1,758)	(2,743)	(4,501)
(Loss)/profit on ordinary activities before taxation		(953)	(87,717)	(88,670)	(864)	68,735	67,871
Taxation	5	-	-	-	-	-	-
(Loss)/profit after taxation		(953)	(87,717)	(88,670)	(864)	68,735	67,871
Basic and diluted (loss)/earnings per share	6	(0.36)p	(33.06)p	(33.42)p	(0.39)p	30.84p	30.45p

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

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

Balance sheet

As at 30 September 2022

	Note	2022 £000	2021 £000
Fixed assets			
Investments at fair value through profit or loss	7	119,188	202,800
Current assets			
Debtors	9	408	330
Cash and cash equivalents		41,911	27,016
		42,319	27,346
Creditors: amounts falling due within one year	10	(1,000)	(1,183)
Net current assets		41,319	26,163
Total assets less current liabilities		160,507	228,963
Capital and Reserves			
Called up share capital	11	2,666	2,280
Share premium		93,660	53,802
Capital redemption reserve		201	158
Capital reserve – unrealised		23,935	102,311
Special reserve		63,931	84,004
Capital reserve – realised		(20,774)	(11,433)
Revenue reserve		(3,112)	(2,159)
Total shareholders' funds		160,507	228,963
Net asset value per share (basic and diluted)	12	60.19p	100.39p

These financial statements were approved and authorised for issue by the Board of Directors on 16 December 2022 and signed on its behalf by

David Brock

Chairman

16 December 2022

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

Statement of changes in equity

For the year ending 30 September 2022

	Note	Non-distributable reserves				Distributable reserves ⁽¹⁾			Total
		Share Capital	Share Premium	Capital Redemption Reserve	Capital Reserve Unrealised	Special Reserve	Capital Reserve Realised	Revenue Reserve	

		£000	£000	£000	£000	£000	£000	£000	£000
At 1 October 2021		2,280	53,802	158	102,311	84,004	(11,433)	(2,159)	228,963
Profit and total comprehensive income for the year									
Realised gains on investments	7	-	-	-	-	-	2,056	-	2,056
Unrealised (losses) on investments	7	-	-	-	(87,259)	-	-	-	(87,259)
Management fee charged to capital	3	-	-	-	-	-	(2,505)	-	(2,505)
Income allocated to capital	2	-	-	-	-	-	13	-	13
Due diligence investments costs	4	-	-	-	-	-	(22)	-	(22)
Revenue (loss) after taxation for the year		-	-	-	-	-	-	(953)	(953)
Total (loss) after taxation for the year					(87,259)		(458)	(953)	(88,670)
Contributions by and distributions to owners									
Subscription share issues	11	416	39,579						39,995
Issue costs	11		(746)						(746)
Share buybacks	11	(43)		43		(3,243)			(3,243)
DRIS share issues	11	13	1,025						1,038
Equity dividends paid	16					(16,830)			(16,830)
Total contributions by and distributions to owners		386	39,858	43		(20,073)			20,214
Other movements									
Diminution in value					8,883		(8,883)		-
Total other movements					8,883		(8,883)		
At 30 September 2022		2,666	93,660	201	23,935	63,931	(20,774)	(3,112)	160,507

Reserves available for distribution are capital reserve realised, special reserve and revenue reserve. Total distributable reserves at 30 September 2022 were £40 million (2021: £70.4 million). The accompanying notes are an integral part of these financial statements.

(1) The Income Taxes Act 2007 restricts distribution of capital from reserves created by the conversion of the share premium account into a special (distributable) reserve until the third anniversary of the share allotment that led to the creation of that part of the share premium account. As at 30 September 2022, none of the special reserve is subject to this restriction.

Statement of changes in equity

For the year ending 30 September 2021

	Note	Non-distributable reserves				Distributable reserves ⁽¹⁾			Total £000
		Share Capital £000	Share Premium £000	Capital Redemption Reserve £000	Capital Reserve Unrealised £000	Special Reserve £000	Capital Reserve Realised £000	Revenue Reserve £000	
At 1 October 2020		1,995	24,238	91	46,580	99,785	(24,437)	(1,295)	146,957
Profit and total comprehensive income for the year									
Realised gains on investments	7	-	-	-	-	-	13,189	-	13,189

Unrealised gains on investments	7	-	-	-	58,148	-	-	-	58,148
Management fee charged to capital	3	-	-	-	-	-	(2,722)	-	(2,722)
Income allocated to capital	2	-	-	-	-	-	141	-	141
Due diligence investments costs	4	-	-	-	-	-	(21)	-	(21)
Revenue (loss) after taxation for the year		-	-	-	-	-	-	(864)	(864)
Total profit after taxation for the year		-	-	-	58,148	-	10,587	(864)	67,871
Contributions by and distributions to owners									
Subscription share issues	11	347	29,649	-	-	-	-	-	29,996
Issue costs	11	-	(531)	-	-	-	-	-	(531)
Share buybacks	11	(67)	-	67	-	(6,044)	-	-	(6,044)
DRIS share issues	11	5	446	-	-	-	-	-	451
Equity dividends paid	16	-	-	-	-	(9,737)	-	-	(9,737)
Total contributions by and distributions to owners		285	29,564	67	-	(15,781)	-	-	14,135
Other movements									
Diminution in value		-	-	-	(2,417)	-	2,417	-	-
Total other movements		-	-	-	(2,417)	-	2,417	-	-
At 30 September 2021		2,280	53,802	158	102,311	84,004	(11,433)	(2,159)	228,963

Reserves available for distribution are capital reserve realised, special reserve and revenue reserve. Total distributable reserves at 30 September 2021 were £70.4 million (2020: £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 2021, £24.2 million of the special reserve was subject to this restriction.

Statement of cash flows

		2022	2021
	Note	£000	£000
Total (loss)/profit on ordinary activities before taxation		(88,670)	67,871
Realised (gains) on investments	7	(2,056)	(13,189)
Unrealised losses/(gains) on investments	7	87,259	(58,148)
(Increase) in debtors		(78)	(157)
(Decrease)/increase in creditors		(183)	365
Non-cash distributions	2	(126)	(140)
Net cash (outflow) from operating activities		(3,854)	(3,398)
Purchase of investments	7	(29,460)	(39,618)
Sale of investments	7	27,995	40,202
Net cash (used in)/provided by investing activities		(1,465)	584

Share buybacks	11	(3,243)	(6,044)
Issue of share capital	11	39,995	29,996
Issue costs	11	(746)	(531)
Dividends paid	16	(15,792)	(9,286)
Net cash provided by financing activities		20,214	14,135
Net increase in cash and cash equivalents		14,895	11,321
Opening cash and cash equivalents		27,016	15,695
Closing cash and cash equivalents		41,911	27,016

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 section 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" July 2022 (SORP).

Going Concern

The financial statements have been prepared on a going concern basis and on the basis that the company maintains its VCT status.

The Directors have assessed the Company's ability to continue as a going concern and are satisfied that the Company has adequate resources to continue in operational existence for a period of 12 months from the date these financial statements were approved.

The Company has sufficient cash (£41.9 million at 30 September 2022) and liquid assets held across a diversified portfolio of investments in listed companies to meet obligations as they fall due. The Company is a close-ended fund, where assets are not required to be liquidated to meet day-to-day redemptions. The major driver of cash outflows (dividends, buybacks and investments) are managed in accordance with the Company's key policies at the discretion of the Board or, in the case of the Company's investments, the Investment Manager.

The Board has reviewed forecasts and stress tests to assist them with their going concern assessment. These tests have included the modelling of a 30% reduction in NAV, 50% increase in expenses and 100% decrease in income, whilst also considering ongoing compliance with the VCT investment test. It was concluded that in a plausible downside scenario the Company would continue to meet its liabilities.

The Directors have carefully considered the principal risk factors facing the Company and their potential impact on income into the portfolio and the NAV. The Directors are of the opinion that the Company has sufficient cash and other liquid assets to continue to operate as a going concern, including under a stress scenario.

The Company has improved its operational resilience through the expansion of its Board from five to six non-executive directors. The Investment Manager has a team of four dedicated fund managers and analysts with multi-year experience working for the VCT. The Investment Manager and the Company's other key service providers have contingency plans in place to manage operational disruptions. Operations continued as normal during the Covid-19 pandemic and the Board are satisfied this will continue in future.

The Directors have not identified any material uncertainties related to events or conditions that may cast significant doubt about the ability of the Company to continue as a going concern. Therefore, they are satisfied that the Company should continue to operate as a going concern and report its financial statements on that basis.

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. The nature of estimation means that the actual outcomes could differ from those estimates. Key judgements and estimates mainly relate to determination of the fair valuation of unquoted investments. The policies for these are set out in the notes to the financial statements.

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.

Further areas requiring judgement and estimation are recognising and classifying unusual or special dividends as either capital or revenue in nature. The estimates and underlying assumptions are under continuous review with particular attention paid to the carrying value of the investments.

1. Accounting policies

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

Financial instruments

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

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

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

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

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

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

If an investment has been impaired such that there is no realistic expectation that there will be a full return from the investment, the loss is treated as a diminution in value and transferred to the capital reserve realised. The Company conducts impairments reviews on a quarterly basis. In the case of equity investments, impairment reviews are triggered when unrealised losses exceed 50% of book cost, or if the loss when realised would lead to a material reduction in the Company's distributable reserves. Fixed income investments are reviewed for impairment if the issuing company's ability to repay is uncertain unless there are reasonable grounds to believe that the loan could be recovered through the sale of the company or its trading assets.

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

Cash and cash equivalents

For the purposes of the Balance Sheet, cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments and money market funds that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts when applicable. Cash held at CGWL (see note 15) meets the definition of cash and cash equivalents as it is to meet short term liquidity requirements and is available on demand with no restrictions or penalties on withdrawal.

Income

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

Expenditure

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

Capital reserves

Realised profits and losses on the disposal of investments, due diligence costs, income that is capital in nature, losses realised on investments considered to be diminished in value and 75% of investment management fees are accounted for in the capital reserve realised.

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

Operating segments

There is considered to be one operating segment being investment in equity and debt securities.

Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not yet reversed at the balance sheet date. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Current tax is expected tax payable on the taxable profit for the period using the current tax rate and laws that have been enacted or substantially enacted at the reporting date. The tax effect of different items of income and expenditure is allocated between capital and revenue on the same basis as the particular item to which it relates.

Approved VCTs are exempt from tax on capital gains from the sale of fixed asset investments. The Directors intend that the Company will continue to conduct its affairs to maintain its VCT status, no deferred tax has been provided in respect of any capital gains or losses arising from the revaluation or disposal of investments.

Dividends

Only dividends recognised during the year are deducted from revenue or capital reserves. Equity dividends are recognised in the accounts when they become legally payable.

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

Functional currency

The Company is required to nominate a functional currency, being the currency in which the Company predominantly operates. The Board has determined that sterling is the Company's functional currency. Sterling is also the currency in which these accounts are presented.

Repurchase of shares to hold in treasury

The cost of repurchasing shares into treasury, including the related stamp duty and transaction costs is charged to the special reserve and dealt with in the statement of changes in equity. Share repurchase transactions are

accounted for on a trade date basis. Where shares held in treasury are subsequently cancelled, the nominal value of those shares is transferred out of share capital and into capital redemption reserve.

Should shares held in treasury be reissued, the sale proceeds will be treated as a realised profit up to the amount of the purchase price of those shares and will be transferred to capital reserves. The excess of the sale proceeds over the purchase price will be transferred to share premium.

Capital structure

Share Capital

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

Share Premium

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

Capital Redemption Reserve

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

Special Reserve

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

Capital Reserve Realised

Gains/losses on disposal of investments, due diligence costs, income that is capital in nature, diminishment of financial assets and 75% of the investment management fee are accounted for in the capital reserve realised.

Capital Reserve Unrealised

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

Revenue Reserve

Net revenue profits and losses of the Company.

2. Income

	2022	2021
	£000	£000
Income from investments:		
Revenue:		
Dividend income	744	686
Fixed income interest	184 ⁽¹⁾	204 ⁽³⁾
Interest	47	4
	975	894
Capital:		
Return of capital	-)	67 ⁽⁴⁾
In-specie dividend	13 ⁽²⁾	74 ⁽⁵⁾
	13	141
Total Income	988	1,035

- (1) The Company's accrued fixed income from a convertible loan note in XP Factory (£54k) was converted into shares on 2 February 2022. This was triggered by a notice of redemption from XP Factory on 4 January 2022. The Company agreed to convert the notes at the principal amount plus accrued interest into equity in line with the terms of the agreement. The Company also converted tranche 1 of the Kidly 2025 convertible loan note at the principal plus accrued fixed income of £59k into equity in line with the terms of the agreement to meet HMRC investment requirements ahead of a follow-on investment into the Company in August 2022. Total loan stock interest due but not recognised in the year was £50.7k. This is due to Honest Brew Ltd being placed into administration in June 2022 and impairment of Osirium plc loan note.
- (2) EKF Diagnostics plc distribution in specie of Verici shares (£13k).
- (3) The Company's accrued fixed income from a convertible loan note in Oxford Genetics (£66.4k) was converted into shares. This was triggered by the sale of the company to WuXi App Tec.

- (4) Return of capital from Melrose Industries plc funded from the sale of its Nortek Air Management Division to Madison Industries LLC.
- (5) Dividend in specie shares in Trellus Health plc to facilitate the spin-out of the Company's shareholding to EKF Diagnostics Holdings plc shareholders. Trellus Health is a resilience-driven digital health solution for complex chronic conditions, into which EKF made a \$5 million investment on the 20 August 2020.

3. Management fees

	2022 Revenue £000	2022 Capital £000	2022 Total £000	2021 Revenue £000	2021 Capital £000	2021 Total £000
Management fees	835	2,505	3,340	908	2,722	3,630

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

The Investment Manager receives an investment management fee of 1.7% per annum of the NAV of the Company, calculated and payable quarterly in arrears. At 30 September 2022, £687,373 (2021: £981,565) was owed in respect of management fees. The Company receives a reduction to the annual management fee for investments in other funds managed by the Investment Manager, being its investment in the Marlborough Special Situations Fund so the Company is not charged twice for these services. This amounted to £23,407 for the year to 30 September 2022 (2021: £28,403). The Investment Manager has agreed to indemnify the Company against annual running costs exceeding 3.5% of its net assets. No fees were waived between 1 October 2021 and 30 September 2022 and no fees were waived between 1 October 2020 and 30 September 2021 under the indemnity.

4 Other expenses

	2022 £000	2021 £000
Other revenue expenses:		
Administration fee	195	195
Directors' fees	157 ⁽¹⁾	161
Legal & professional	34	27
London Stock Exchange fees	131	77
Registrar's fee	50	46
Printing, postage and stationary	43	41
Auditors' remuneration – for audit services	41	33
VCT monitoring fees	12	12
Company secretarial fees	72	47
Custody fee	30	30
Directors' and officers' liability insurance	39	24
Broker's fee	5	5
VAT	128	98
Other expenses ⁽²⁾	112	54
Provision against loan stock interest receivable ⁽³⁾	44	-
Total other revenue expenses	1,093	850
Other capital expenses:		
Due diligence costs	18	18
VAT on due diligence costs	4	3
Total other capital expenses	22	21
Total other expenses	1,115	871

⁽¹⁾ Ashton Bradbury retired as a director of the Company on 4 February 2022. With effect from 1 January 2022 the annual remuneration of the Chairman increased to £37,000 and the independent non-executive directors to £29,000. Additional fees

of £1,500 and £3,000 continued to be paid to the Chairman of the Management and Service Provider Engagement Committee and the Chairman of the Audit Committee respectively. Megan McCracken and Busola Sodeinde were appointed to the Board on 1 June 2022.

- (2) Other expenses include FCA fees, AIC membership fees, VCT Association fees, recruitment costs, professional subscriptions, license and marketing costs and other nominal expenses.
- (3) Provision against loan interest receivable of £44,145 (2021: nil), for loan stock interest regarded as collectable in previous years in relation to Honest Brew Ltd and Osirium plc.

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

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

5. Tax on ordinary activities

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

	2021 Total £000	2021 Total £000
(Loss)/profit on ordinary activities before taxation	(88,670)	67,871

UK Corporation Tax: 19%	(16,847)	12,895
Effect of non taxable losses/(profits) on investments	16,189	(13,554)
Effect of non taxable UK dividend income	(144)	(157)
Effect of current year losses carried forward	802	816
Current tax charge	-	-

At the 30 September 2022 the Company had tax losses carried forward of £21,921,076 (2021: £17,703,112). 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. Basic and diluted (loss)/earnings per share

	2022 Revenue £000	2022 Capital £000	2022 Total £000	2021 Revenue £000	2021 Capital £000	2021 Total £000
Return (£)	(953)	(87,717)	(88,670)	(864)	68,735	67,871
(Loss)/earnings per ordinary share	(0.36)p	(33.06)p	(33.42)p	(0.39)p	30.84p	30.45p

The earnings per share is based on 265,292,558 ordinary shares (2021: 222,903,748), being the weighted average number of shares in issue during the year.

7. Investments

	Quoted Investments 2022 £000	Unquoted Investments ⁽¹⁾ 2022 £000	Total Investments 2022 £000	Total Investments 2021 £000
Opening Valuation	163,928	38,872	202,800	131,907
Re- Classification Adjustment	5,901 ⁽²⁾	(5,901) ⁽²⁾	-	-
Purchases at cost	20,826	8,634	29,460	39,618
Non-cash distribution	67 ⁽³⁾	59 ⁽⁴⁾	126	140
Sale proceeds	(21,492)	(6,503)	(27,995)	(40,202)
Realised gains/(losses)	3,975	(1,919)	2,056 ⁽⁵⁾	13,189
Unrealised losses	(67,884)	(19,375)	(87,259) ⁽⁵⁾	58,148
Closing valuation	105,321	13,867	119,118	202,800
Cost at 30 September 2022	96,348	22,351	118,699	115,051
Unrealised gains at 30 September 2022	25,222	(1,287)	23,935	102,311

Diminution in value at 30 September 2022 ⁽⁶⁾	(16,249)	(7,197)	(23,446)	(14,562)
Valuation at 30 September 2022	105,321	13,867	119,188	202,800

⁽¹⁾ Includes the Marlborough Special Situations Fund – valuation £3.3m as at 30 September 2022.

⁽²⁾ Includes Mexican Grill (£4.5m) listed on the London Stock Exchange on 8 October 2021 and conversion of the XP Factory loan note (£1.4m) into listed equity shares on 2 February 2022.

⁽³⁾ The Company elected to convert accrued fixed income from a convertible loan note in XP Factory into shares (£54k) and EKF Diagnostics plc distribution in specie of Verici shares (£13k).

⁽³⁾ The Company elected to convert accrued fixed income from a convertible loan note in Kidly into shares (£59k).

⁽⁴⁾ The net loss on investments held at fair value through profit or loss in the income statement of -£85,203 is the sum of the realised gains and unrealised losses for the year as detailed in the table above.

⁽⁵⁾ Diminishments of £14,857,518 were made in the year. Once adjusted for disposals (£4,646,074) and diminishment reversals (£1,328,333), the net movement for the year is £8,883,111. Diminishments carried forward are £23,445,576.

Transaction Costs

During the year the Company incurred transaction costs of £40,809 (2021: £27,912) and £15,989 (2021: £30,183) on purchases and sales respectively. These amounts are included in the gain on investments as disclosed in the income statement.

Fair Value Measurement Hierarchy

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

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

	2022 Level 1 £'000	2022 Level 2 £'000	2022 Level 3 £'000	2022 Total £'000	2021 Level 1 £'000	2021 Level 2 £'000	2021 Level 3 £'000	2021 Total £'000
Investments	104,999	3,561	10,558	119,188	167,629	-	35,171	202,800

Level 3 financial assets

	2022 Equity shares £'000	2022 Preference Shares £'000	2022 Loan notes £'000	2022 Total £'000	2021 Equity shares £'000	2021 Preference Shares £'000	2021 Loan notes £'000	2021 Total £'000
Opening balance	19,956	9,380	5,835	35,171	15,223	6,925	5,334	27,482
Re- Classification Adjustment	(457)	(3,013)	(2,431)	5,901 ⁽¹⁾	1,473	-	(1,473)	-
Purchases at cost	-	-	300	300	1,749	1,000	300	3,049
Non-cash distribution	-	59	-	59 ⁽²⁾	66	-	-	66
Sale proceeds	(590)	-	-	(590)	(8,891)	-	-	(8,891)
Realised (losses)/gains	(1,159)	-	-	(1,159)	5,639	-	-	5,639
Unrealised losses	(13,010)	(2,565)	(1,747)	(17,322)	4,697	1,455	1,674	7,826
Closing valuation	4,740	3,861	1,957	10,558	19,956	9,380	5,835	35,171

⁽¹⁾ Includes Mexican Grill (£4.5m) listed on the London Stock Exchange on 8 October 2021 and conversion of the XP Factory loan note (£1.4m) into listed equity shares on 2 February 2022.

⁽²⁾ The Company elected to convert accrued fixed income from a convertible loan note in Kindly into shares (£59k).

Level 3 Unquoted Investment disposals

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

Company	Cost £'000	Total realised loss	Disposal proceeds £'000	Valuation as at 30 September 2021 £'000	Realised loss in year £'000
Out in Collectives Ltd	1,749	(1,159)	590	871	(281)

The following table sets out the basis of valuation for the material Level 3 investments and those where the value has materially changed during the year, held within the portfolio at 30 September 2022.

Level 3 Unquoted Investments	
SCA Investments Ltd (Gousto)	Trading became more challenging as the year progressed as consumers increased spending on dining out, travel and leisure. More recently, the decline in UK consumer confidence and real wages has weighed on demand from new and existing customers. The fair value of the investment was decreased following forecast revisions for the current year and FY23 and a significant decline in the valuations within the peer group. EV/Sales and EV/EBITDA peer group ratios and DCF analysis were used to support the valuation.
Kidly Ltd	In common with other online retailers and consistent with ONS reports of a more demanding retail environment, Kidly has reported that trading has become more challenging. The fair value of the equity investment decreased following forecast revisions for the current year and beyond and a significant decline in the valuations within the peer group. The fair value of the convertible loan note investment decreased, reflecting the lower equity valuation. EV/Sales peer group ratios were used to support the valuation. The conversion option is valued using the Black-Scholes option pricing model.
Infinity Reliance Ltd (My 1st Years)	The company has continued to recover from the 2021 warehouse fire and reports good growth in revenues. Trading has been positive despite the difficult consumer backdrop. Modest revenue downgrades to the current year and a significant decline in the valuations within the peer group led to a reduction in the fair value of the investment. EV/Sales peer group ratios were used to support the valuation.
Zappar Ltd	Trading was in line with budget for the 6 months to 30 September 2022. More recently, the company has reported reduced visibility over the remainder of the current financial year as sales cycles extend. The fair value of the investment decreased following minor forecast revisions for the current year and a significant decline in the valuations within the peer group. EV/Sales peer group ratios were used to support the valuation.
Osirium Technologies plc – convertible loan note	The company, which continues to win new business and grow its order book in line with expectations, re-iterated that it will require further funding in 2022. The fair value of the convertible loan note decreased, reflecting the lower price of the company's listed shares and the need for further funding in the short-term. The conversion option is valued using the Black-Scholes option pricing model.
Honest Brew Limited	Honest Brew Limited went into administration in June 2022 and is valued at nil pending liquidation.

8. Significant interests

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

Investment	Holding %	Investment	Holding %
Bidstack Group plc	10.64%	Zoo Digital Group plc	5.28%
PCI-PAL plc	10.41%	Surface Transforms plc	5.07%
Equipmake Holdings plc	9.54%	Skillcast Group plc	4.74%
Bivictrix Therapeutics Plc	9.08%	C4X Discovery Holdings plc	4.23%
Crossword Cybersecurity plc	8.50%	Verici DX plc	4.18%
Escape Hunt plc	8.34%	Strip Tinning Holdings PLC	3.76%
Crimson Tide Plc	6.39%	Intelligent Ultrasound Group plc	3.49%

OneMedia iP Group plc	7.33%	Blackbird plc	3.35%
Tortilla Mexican Grill Plc	7.17%	Polarean Imaging plc	3.34%
Eden Research plc	5.94%	Eagle Eye Solutions Group plc	3.28%

9. Debtors

	2022 £000	2021 £000
Prepayments and accrued income	408	330

10. Creditors: amounts falling due within one year

	2022 £000	2021 £000
Trade Creditors	8	-
Accruals and deferred income	992	1,183
	1,000	1,183

11. Called up share capital

	2022 £000	2021 £000
Allotted, called-up and fully paid: 266,652,209		
(2021: 228,279,956) ordinary shares of 1p each.	2,666	2,280

During the year 4,307,731 (2021: 6,661,974) ordinary shares were purchased through the buyback facility at a cost of £3,243,492 (2021: £6,043,569). The repurchased shares represent 1.9% (2021: 3.3%) of ordinary shares in issue on 1 October 2021. The acquired shares have been cancelled.

During the year, the Company issued 41,641,905 ordinary shares of 1 pence (nominal value £416,419) in an offer for subscription, representing 18.3% of the opening share capital at prices ranging from 79.93p to 99.55p per share. Gross funds of £39,995,000 were received. The 3.5% premium of £1,399,825 payable to Canaccord Genuity Wealth Ltd (CGWL) under the terms of the offer was reduced by £554,413, being the discount awarded to investors in the form of additional shares. A further reduction of £50 introductory commission was made resulting in fees payable to CGWL of £845,362 which were then used to pay other costs associated with the prospectus and marketing. In accordance with the offer agreement, the Company was entitled to a rebate of £100,000 from CGWL reducing the net fees payable to CGWL to £745,362.

On 29 October 2021, 327,293 ordinary shares were allotted at a price of 94.09 pence per share, being the last published ex-dividend NAV per share as at 8 October 2021, to shareholders who elected to receive shares under the DRIS as an alternative to the special dividend for the year ended 30 September 2022.

On 10 February 2022, 624,916 ordinary shares were allotted at a price of 86.69 pence per share, being the last published ex-dividend NAV per share as at 21 January 2022, to shareholders who elected to receive shares under the DRIS as an alternative to the final dividend for the year ended 30 September 2021.

On 29 July 2022, 285,870 ordinary shares were allotted at a price of 65.65 pence per share, being the last published ex-dividend NAV per share as at 8 July 2022, to shareholders who elected to receive shares under the DRIS as an alternative to the interim dividend for the year ended 30 September 2022.

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

Income entitlement

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

Capital entitlement

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

Voting entitlement

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

Transfers

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

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

12. Net asset value per ordinary share

	30 September 2022	30 September 2021
Net assets (£'000)	160,507	228,963
Shares in issue	266,652,209	228,079,956
NAV per share (p)	60.19	100.39

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 (2021: 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 and in note 4.

David Brock was a non-controlling shareholder in and the non-executive Chairman of Honest Brew Limited, which was an investee company. During the period David Brock and close family made further investments in Honest Brew Ltd, collectively remaining non-controlling shareholders, on the same commercial terms as independent third party investors. The Company did not make any further investments into Honest Brew Limited in the financial year ending 30 September 2022. The Board, excluding David Brock, reviewed potential conflicts of interest in relation to this matter in accordance with control measures previously established to mitigate any conflicts that may arise. In June 2022, Honest Brew Limited was placed into administration in order to complete a sale of its assets.

Transactions with the Investment Manager

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

Oliver Bedford, a non-executive director of the Company is also an employee of the Investment Manager which received fees of £26,125 for the year ended 30 September 2022 in respect of his position on the Board (2021: £25,000). Of these fees £6,625 was still owed at the year end. As announced on 2 September 2022, Oliver Bedford's non-executive directorship fees will increase to £28,000 per annum, with effect from 1 October 2022.

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

CGWL received fees for the support functions as follows:

	30 September 2022	30 September 2021
Custody	30,000	30,000
Administration	195,000	195,000
Company secretarial	-	4,902
Total	225,000	229,902

Still owed at the year end	55,240	55,745
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Under an offer agreement dated 2 September 2021, CGWL were appointed by the Company to administer the Offer for

Subscription and acted as receiving agent in relation to the offer. Under the terms of the agreement CGWL received a fee

of 3.5 per cent. of the gross proceeds of the offer for providing these services. The Administrator agreed to discharge commissions payable to Financial Advisers in respect of accepted applications for Offer Shares submitted by them, including any trail commission.

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

During the year, the Company issued 41,641,905 ordinary shares of 1 penny (nominal value £416,419) in an offer for subscription, representing 18.3% of the opening share capital at prices ranging from 79.93p to 99.55p per share. Gross funds of £39,995,000 were received. The 3.5% premium of £1,399,825 payable to Canaccord Genuity Wealth Ltd (CGWL) under the terms of the offer was reduced by £554,413, being the discount awarded to investors in the form of additional shares. A further reduction of £50 introductory commission was made resulting in fees payable to CGWL of £845,362 which were then used to pay other costs associated with the prospectus and marketing. In accordance with the offer agreement, the Company was entitled to a rebate of £100,000 from CGWL reducing the net fees payable to CGWL to £745,362.

Under an offer agreement dated 5 September 2022, CGWL were appointed by the Company to administer a new Offer for Subscription and act as receiving agent in relation to the offer. Under the terms of the agreement CGWL will receive a fee of 3.5 per cent. of the gross proceeds of the offer for providing these services. The Administrator has agreed to discharge commissions payable to Financial Advisers in respect of accepted applications for Offer Shares submitted by them, including any trail commission.

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

If following the final admission under the Offer, the aggregate fee that has been paid to CGWL exceeds the costs and expenses referred to above by more than £25,000, then CGWL will rebate any surplus to the Company subject to a maximum rebate of £100,000. In addition (i) where gross proceeds of between £45 million and £50 million are raised under the Offer, the value of the cap applicable to the rebate will increase by £50,000 (resulting in an aggregate cap at this level of £150,000) and (ii) where gross proceeds of £50 million or more are raised under the Offer, the value of the cap applicable to the rebate will increase by £100,000 (resulting in an aggregate cap at this level of £200,000).

Canaccord Genuity Asset Management Ltd is appointed as Investment Manager to the Company and receives an investment management fee of 1.7% per annum.

Investment management fees for the year are £3,340,182 (2021: £3,629,685) as detailed in note 3. Of these fees £687,373 was still owed at the year end. As the Investment Manager to the Company and the investment advisor to the Marlborough Special Situations Fund (in which the Company may invest), the Investment Manager makes an adjustment as necessary to its investment management fee to ensure the Company is not charged twice for their services.

Upon completion of an investment, the Investment Manager is permitted under the investment management agreement to charge private investee companies a fee equal to 1.5 per cent. of the investment amount. This fee is

subject to a cap of £40,000 per investment and is payable directly from the investee company to the Investment Manager. The Investment Manager may recover external due diligence and transaction services costs directly from private investee companies. No fees were charged to investee companies in the year under this agreement.

Total commission of £30,612 was paid to CGWL in the year for broker services.

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

The Company also held £16,786,442 in the client account held at CGWL at 30 September 2022 (2021: £10,751,715).

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 income securities and bank deposits). The Company is managed as a VCT in order that shareholders in the Company may benefit from the tax relief available.

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

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

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

Classification of financial instruments

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

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

Other financial assets comprise cash at bank of £41,911,058 (2021: £27,016,389), accrued income and debtors of £370,624 (2021: £291,328), which is classified as 'loans and receivables measured at amortised cost'. Financial liabilities consist of trade creditors and accruals of £1,000,255 (2021: £1,183,421) which are classified as 'financial liabilities measured at amortised cost'.

Market risk

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

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

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

	Change in Fair Value of Investments
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Asset class	30% market increase 2022 £'000	30% market decrease 2022 £'000	Aggregate value 2022 £'000	Aggregate value 2021 £'000
AIM Qualifying Investments ⁽¹⁾	+19,281	-19,208	93,680	141,041
Unquoted Qualifying Investments ⁽²⁾	+1,783	-2,693	9,802	32,331
Quoted Non-Qualifying Investments	+3,470	-3,470	12,397	25,284
Unquoted Non-Qualifying Investments	-	-	-	443
Authorised unit trust	+595	-595	3,309	3,701
	+25,129	-25,966	119,188	202,800

(1) Includes variances in the value of CLN issued by Osirium plc.

(2) Including variances in the value of CLNs issued by Kidly Ltd.

If market prices had been 30% higher or lower while all other variables remained unchanged the return attributable to ordinary shareholders for the year ended 30 September 2022 would have increased by £25,128,703 (2021: £49,082,130⁽¹⁾) or decreased by £25,965,809 (2021: £49,389,254⁽¹⁾).

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

The review has also examined the potential impact of a 30% move in the market on the CLN investments held by the Company, whose values will vary according to the price of the underlying security into which the loan note instrument has the option to convert.

Currency risk

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

Interest rate risk

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

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

	30 September 2022			
	Fixed Rate £000	Variable Rate £000	Non-Interest Bearing £000	Total £000
Investments	1,956	-	117,232	119,188
Cash and cash equivalents	-	41,911	-	41,911
Other currents assets and current liabilities (net)	-	-	(592)	(592)
Net assets	1,956	41,911	116,640	160,507

	30 September 2021			
	Fixed Rate £000	Variable Rate £000	Non-Interest Bearing £000	Total £000
Investments	5,835	-	196,965	202,800

Cash and cash equivalents	-	27,016	-	27,016
Other current assets and current liabilities (net)	-	-	(853)	(853)
Net assets	5,835	27,016	196,112	228,963

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. The Company has no debt and maintains sufficient investments in cash or readily realisable securities to pay trade creditors and accrued expenses (£1,000,255 as at 30 September 2022). Liquidity risk is not considered material. As at 30 September 2022 the Company held £41,911,058 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. On 31 March 2022, the Company fully impaired and realised a loss of £0.30m on its loan to Honest Brew Limited. There was a non-material adjustment to the carrying value of the loan to Osirium plc and a partial impairment of the accrued interest reflecting the company's requirement for further funding.

An investment will be impaired if the investee company is loss making and does not have sufficient funds available to transition into profit and in the opinion of the Investment Manager may fail to secure sufficient equity or debt funding to transition into profit, or 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:

	2022 £000	2021 £000
Investments – (Fixed income securities)	1,956	5,835
Cash and cash equivalents	41,911	27,016
Other assets	408	330
	44,275	33,181⁽¹⁾

⁽¹⁾ Total corrected re prior year casting error.

Cash and cash equivalents include bank deposits held through Canaccord Genuity Wealth Limited of £16.8 million (2021: £10.8 million) (CGWL, trading as CGWM), are held with banks that are authorised and regulated to carry on banking or deposit-taking business. All these meet the requirements of UK's FCA CASS rules. Through its treasury function, CGWM uses a tiered level approach to counterparty selection to reflect different maturities of cash held on deposit.

The Company's cash reserves, when held through CGWL, are pooled with cash deposits from other clients of CGWL and diversified across a specified panel of banks. CGWM's treasury function reviews panel members ahead of selection and prioritises the safety of client assets with the panel selection process placing an emphasis on quality and security. Participating banks must be rated as investment grade by at least two international credit rating agencies. CGWM will also consider the expertise and market reputation of the bank; review a bank's financial statements and consider its capital and deposit base; consider the geographical location of the parent; monitor a bank's credit default swaps; and ask the bank to complete a due diligence questionnaire. The CGWM treasury function maintains regular contact with panel banks, typically meeting them every 6 months or so. There are no withdrawal restrictions on the Company's cash held with CGWL.

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

	2022 Ord £000	2021 Ord £000
Paid per share:		
Final capital dividend of 2.65 pence for year ended 30 September 2020	-	5,711
Paid per share:		
Interim capital dividend of 1.75 pence for year ended 30 September 2021	-	4,026
Paid per share:		
Special capital dividend of 2.50 pence for the year ended 30 September 2021 ⁽¹⁾	5,704	-
Paid per share:		
Final capital dividend of 3.15 pence for year ended 30 September 2021	8,455	-
Paid per share:		
Interim capital dividend of 1.00 pence for year ended 30 September 2022	2,671	-
	16,830 ⁽²⁾	9,737
Proposed per share:		
Final capital dividend of 2.00 pence for the year ended 30 September 2022	6,218	-
Proposed per share:		
Special capital dividend of 2.00 pence for the year ended 30 September 2023	6,218	-
Paid per share:		
Special capital dividend of 2.50 pence for the year ended 30 September 2021	-	5,704
Proposed per share:		
Final capital dividend of 3.15 pence for the year ended 30 September 2021	-	8,456

⁽¹⁾ Special capital dividend paid on 29 October 2021

⁽²⁾ The difference between total dividends paid for the period ending 30 September 2022 and the cash flow statement is £1,038,000 which reflects the amount of dividends reinvested under the DRIS.

17. Post balance sheet events

Share buybacks

As at 16 December 2022, 740,562 ordinary shares have been purchased at an average price of 58.27 pence per share and a total cost of £431,538.

Shares issued

As at 16 December 2022, 44,980,291 ordinary shares have been issued through the offer for subscription raising gross proceeds of £28,093,184.

Special dividend

The Board has agreed to pay a special dividend of 2.00 pence per share. The distribution will return to shareholders profits arising from the sale of Ideagen in July 2022. The special dividend will be paid together with the final dividend on 10 February 2023 to ordinary shareholders on the register on 6 January 2023.

New investments

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

	Amount Invested £000	Investment into existing company
Qualifying Companies		
Bidstack Group PLC	750	Yes
Intelligent Ultrasound Group plc	400	Yes
Kidly Ltd	600	Yes
Non-Qualifying Companies		
BAE Systems plc	229	
Bodycote PLC	544	Yes
Bytes Technology Group plc	295	Yes
Chemring Group plc	282	Yes
Diversified Energy Company plc	546	Yes
Energear plc	926	No
Harbour Energy PLC	922	No
Marlborough Special Situations Fund	10,055	Yes
Watches of Switzerland Group plc	240	Yes
WH Smith plc	272	Yes

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

NAV total return

		30 September 2022	30 September 2021
Opening NAV per share	A	100.39p	73.66p
Special dividend paid	B	2.50p	-
Final dividend paid	C	3.15p	2.65p
Interim dividend paid	D	1.00p	1.75p
Closing NAV per share	E	60.19p	100.39p
NAV total return	$((B+C+D+E-A)/A)*100$	-33.42%	42.26%

NAV total return (dividends reinvested)

		30 September 2022	% Return
Opening NAV per share (30 September 2021)	A	100.39p	
Closing NAV per share (30 September 2022)		60.19p	
	Special dividend paid October 2021	2.50p	
	Final dividend for year paid February 2022	3.15p	
	Interim dividend July 2022	1.00p	
Total dividend payments		6.65p	
Closing NAV per share plus dividends paid		66.84p	-33.42% (42.26% 30 September 2021)
In year performance of reinvested dividends		-2.06p	

NAV total return (dividends reinvested)	$((B-A)/A)*100$	B	64.78p	-35.47% (43.04% 30 September 2021)
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Share price total return

		30 September 2022	30 September 2021
Opening share price	A	93.00p ⁽¹⁾	66.00p
Final dividend paid	B	3.15p	4.40p
Interim dividend paid	C	1.00p	2.50p
Closing share price	D	62.75p	93.00p ⁽¹⁾
Share price total return	$((B+C+D-A)/A)*100$	-28.06%	51.36%

(1) Ex – dividend

Share price total return (dividends reinvested)

			30 September 2022	% Return
Opening share price (30 September 2021)		A	93.00p ⁽¹⁾	
Closing share price (30 September 2022)			62.75p	
	Final dividend for year paid February 2022	3.15p		
	Interim dividend paid July 2022	1.00p		
Total dividend payments			4.15p	
Closing share price plus dividends paid			66.90p	-28.06% (51.36% 30 September 2021)
In year performance of reinvested dividends			-0.86p	
Share price total return (dividends reinvested)	$((B-A)/A)*100$	B	66.04p	-28.98% (52.46% 30 September 2021)

(1) Ex – dividend

Ongoing charges ratio

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

		30 September 2022 £000	30 September 2021 £000
Investment management fee		3,340	3,630
Other expenses ⁽¹⁾		989	805
VCT proportion of MSSF expenses		26	30
Ongoing charges	A	4,355	4,465
Average net assets	B	211,552	210,298
Ongoing charges ratio	$(A/B)*100$	2.06%	2.12%

(1) Other expenses exclude London Stock Exchange fees of £82,160 for admission of shares under the offer for subscription and the provision against loan stock interest receivable of £44,145 as the Board do not consider these costs to be ongoing costs to the fund.

Share price discount

		30 September 2022	30 September 2021
Share price	A	62.75p	93.00p ⁽¹⁾
Net asset value per share	B	60.19p	97.89p ⁽¹⁾
(Discount) / premium	$((A/B)-1)*100$	4.25%	(5.00%)

(1) Ex-dividend

The 1-year average discount of 2.84% is calculated by taking the average of the share price discount at each month end between 1 October 2021 and 30 September 2022.

The 5-year average discount of 5.65% is calculated by taking the average of the share price discount at each month end between 1 October 2017 and 30 September 2022.