19 December 2023

HARGREAVE HALE AIM VCT PLC
(the "**Company**" or the "**VCT**")

Full Year Results and Notice of AGM

Hargreave Hale AIM VCT plc announces its results for the year ended 30 September 2023.

The Company also announces that its 2024 Annual General Meeting will be held at 4:45pm on 8 February 2024 at Wood Street, London, EC2V 7QR.

The Company's Annual Report and Financial Statements for the year ended 30 September 2023 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 2023

Net asset value (NAV) per share	NAV total return	Tax free dividends paid in the period	Share price total return	Ongoing charges ratio
46.34p	-14.70%(1)	5.00p	-23.51%(1)	2.24%(1)

- £13.6 million invested in Qualifying Companies in the year.
- 91.65% invested by VCT tax value in Qualifying Investments at 30 September 2023.
- Final dividend of 1.50 pence per share proposed for the year end.
- Offer for subscription closed to further applications on 10 February 2023, having raised £40 million.
- New Offer for subscription launched on 7 September 2023 to raise £20 million, together with an over-allotment facility to raise up to a further £20 million.

Summary financial data	**2023**	**2022**
NAV (£m)	**151.92**	160.51
NAV per share (p)	**46.34**	60.19
NAV total return (%)(1)	**-14.70**	-33.42
Market capitalisation (£m)	**140.96**	167.32
Share price (p)	**43.00**	62.75
Share price discount/premium to NAV per share (%)(1)	**-7.21**	+4.25(2)
Share price 5 year average discount to NAV per share (%)(1)	**-5.64**	-5.65
Share price total return (%)(1)	**-23.51**	-28.06
(Loss)/gain per share for the year (p)	**-9.32**	-33.42
Dividends paid per share (p)	**5.00**	6.65
Ongoing charges ratio (%)(1)	**2.24**	2.06

(1) Alternative performance measure definitions and illustrations can be found in this report.

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

Financial Calendar

Financial calendar	
Record date for final dividend	5 January 2024
Payment of final dividend	15 February 2024
Annual General Meeting	8 February 2024
Announcement of half-yearly results for the six months ending 31 March 2024	June 2024
Payment of interim dividend (subject to Board approval)	July 2024

Chair's statement

Introduction

I would like to welcome shareholders who 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 continue to live through.

The financial year started with some significant headwinds, including high inflation, a dislocation in the UK Government bond market and a forecast by the Bank of England that the United Kingdom would endure the longest recession of the last 100 years. Whilst we would not wish to downplay the hardship that followed, the economy was stronger than predicted, in part due to Government intervention in the energy market over the winter. UK consumer confidence staged a partial recovery off historic lows, employment remained strong and, towards the end of the period under review, UK real wage growth turned positive.

As I noted in our interim report, uncertainty is a theme that we have all learned to live with these past few years. To this list, we must now add the implications of the terrible events that continue to unfold in Israel and Gaza.

Whilst we are encouraged that much of the deep pessimism that permeated markets at the start of the financial year did not manifest, we remain mindful of the macro-economic backdrop, both here and abroad. The cost of borrowing has changed dramatically within the year, impacting the financial sector and companies with high levels of debt. Last year, this manifested itself within the UK pension industry. This year, stress emerged in parts of the US and European banking system. Remote as this might seem, it affected companies closer to home, particularly pre-clinical and clinical stage companies within the life sciences industry that were reliant upon funding from Silicon Valley Bank (SVB). Those exposed to SVB became more cautious with their budgets, which in turn reduced demand for the products and services sold into them. Several of our portfolio companies have seen weaker trading as a consequence of this.

When launching the 2022 offer for subscription, we were cautious about the short-term outlook but spoke about the opportunity for value creation over the medium term. Our experience over the period under review is consistent with that view. Generating short-term performance has been very difficult with the market applying asymmetrical responses to news flow: positive updates are not getting full recognition whilst those that disappoint are often treated harshly. Stock market liquidity is a major contributory factor. With many active managers now deep into their third year of outflows, there are few institutional buyers of shares in small UK companies. Taken together, this has left the sector in deep value territory.

The malaise that continues to hang over markets in the UK and elsewhere has heavily impacted the primary markets in which companies raise new capital through the sale of new shares. With valuations so depressed and very little capital available for investment (away from VCTs), very few companies have undertaken an initial public offering (IPO). On AIM there were just 3 VCT qualifying initial public offerings within the year. Despite this, we are pleased to report that we deployed capital into VCT qualifying companies ahead of budget, highlighting the importance of having a defined pool of capital, a diversified portfolio and a flexible investment policy.

Performance

As described in more detail in the Investment Manager's report, this has been a second consecutive difficult year for performance. In contrast to last year, when we suffered a substantial (unrealised) loss of value across investments in public and private companies, this year the material declines were confined to the portfolio of investments in public companies. The value of the investments in private companies were protected by the difficult decisions made last year and, in some cases, better trading. Although the markets demand a cautious approach, we are hopeful that we might start to see some value recovery within the private companies in the current year. It is worth reiterating at this point that the predominant factor that drove down the valuations in our investments in private companies last year was the broad based (and deep) de-rating of publicly listed companies.

Whilst higher interest rates are a source of concern for many and likely to weigh on economic activity, they have also made a significant positive impact on the income generated from within the VCT, either from cash held on deposit or from recently acquired short-dated fixed income investments. Investment grade fixed income assets were a feature of the investment portfolio for a number of years during and after the financial crisis until negative real yields (and therefore high prices) forced us to exit those positions. We have been able to use the sell off in the bond market this year to rebuild positions that will continue to generate substantial income for the VCT for several years.

At 30 September 2023, the NAV per share was 46.34 pence which, after adjusting for the dividends paid in the year of 5 pence, gives a NAV total return for the year of -14.70%[(1)]. The NAV total return (dividends reinvested) for the year was -15.93%[(1)] compared with -8.28% in the FTSE AIM All-Share Index Total Return (also calculated on a dividends Index reinvested basis). The Directors consider this to be the most appropriate benchmark from a shareholder's perspective, however, due to the range of assets held within the investment portfolio and 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 9.32 pence (comprising a revenue profit of 0.27 pence and a capital loss of 9.59 pence). Revenue income increased by 168% to £2.6m as a result of an increase in dividends received from non-qualifying equity, non-qualifying fixed income investments and bank interest. Interest accrued on loan note instruments increased after the Investment Manager made two follow on (qualifying) investments into Kidly Ltd. For the first time, income received into the revenue account exceeded expenses, resulting in a revenue profit for the year of 0.27 pence per share (FY22: -0.36 pence per share).

The share price decreased from 62.75 pence to 43.00 pence over the reporting period which, after adjusting for dividends paid, gives a share price total return of -23.51%[1], the fall amplified by the normalisation of the share price, having briefly traded at a premium at the close of the last financial year.

Investments

The Investment Manager invested £13.6 million into 10 Qualifying Companies during the period. The fair value of Qualifying Investments at 30 September 2023 was £89.1 million (58.7% of NAV) invested in 63 AIM companies and 5[(2)] unquoted companies. At the year end, the fair value of non-qualifying equities and the Marlborough Special Situations Fund was £15.4 million (10.1% of NAV) and £8.3 million (5.4% 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. £17.4 million (11.4% of NAV) was held in short-dated investment grade corporate bonds, £2.0 million (1.3% of NAV) was invested in a UK Government bond exchange traded fund and £19.2 million (12.7% of NAV) held in cash at the period end. 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 2023, the Company paid dividends totalling 5 pence (2022: 6.65 pence). A special dividend of 2 pence and a final dividend of 2 pence (2021: 3.15 pence) in respect of the 2022 financial year was paid on 10 February 2023 and an interim dividend of 1.00 penny (2022: 1 penny) was paid on 28 July 2023.

A final dividend of 1.50 pence is proposed (2022: 2 pence) which, subject to shareholder approval at the Annual General Meeting, will be paid on 15 February 2024 to ordinary shareholders on the register on 5 January 2024.

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.

On 10 February 2023, 1,836,516 ordinary shares were allotted at a price of 54.95 pence per share, which was calculated in accordance with the terms and conditions of the dividend reinvestment scheme

(DRIS), on the basis of the last reported NAV per share as at 20 January 2023, to shareholders who elected to receive shares under the DRIS as an alternative to the final dividend for the year ended 30 September 2022 and special dividend announced on 19 December 2022.

On 28 July 2023, 591,318 ordinary shares were allotted at a price of 49.29 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 7 July 2023, to shareholders who elected to receive shares under the DRIS as an alternative to the interim dividend for the year ended 30 September 2023.

Share Buybacks

To maintain compliance with the discount control and management of share liquidity policy, the Company purchased through share buybacks 7,183,338 ordinary shares (nominal value £71,833) during the 2023 financial year at a cost of £3,636,841 (average price: 50.63 pence per share).

As at 18 December 2023, a further 2,039,414 shares have been repurchased post the year end at a cost of £873,229 (average price: 42.82 pence per share).

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

(2) Excluding companies in administration or at risk of administration with zero value.

Share price discount

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

We continued to operate the discount control and management of share liquidity policy effectively during the period. As at 30 September 2023, the Company had 1 and 5 year average share price discounts of 6.06% and 5.64% respectively.

The Company's share price was trading at a discount of 7.21%(1) as at 30 September 2023 compared to a premium of +4.25%(1) as at 30 September 2022, this being calculated using the closing mid-price of the Company's shares on 30 September 2023 as a percentage of the year end net asset value per share, as published on 5 October 2023.

As at 15 December 2023, the discount to NAV was 6.71% of the last published NAV per share.

Offer for subscription

The Directors of the Company announced on 5 September 2022 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 £30 million. On 10 February 2023, the Company announced it had received valid applications of approximately £40 million. The Board decided not to utilise any further sums under the over-allotment facility and therefore the offer for subscription was closed to further applications. The offer resulted in gross funds being received of £40 million and the issue of 66 million shares.

New Offer for subscription

The Directors of the Company announced on 7 September 2023 the launch of a new offer for subscription for shares to raise up to £20 million, together with an over-allotment facility of up to a further £20 million. The offer was approved by shareholders of the Company at a general meeting on 11 October 2023.

On 18 December 2023, the Company had allotted 17.6 million shares raising gross proceeds of £8.1 million. The Company has received valid applications for a further £0.5 million. Future decisions by the Board about the potential use of the over-allotment facility, in part or in full, will be made with advice from the Investment Manager and subject to investor demand and the deployment of capital into VCT qualifying companies.

Cancellation of share premium

At the general meeting of the Company held on 7 October 2022, a special resolution was passed approving the cancellation of the Company's share premium account to expand the size of the Company's distributable reserves.

We are pleased to confirm the cancellation of the share premium account of the Company was approved by the High Court of Justice in England and Wales and, accordingly, the amount standing to the credit of the share premium account (£133.2m) of the Company as at 9 May 2023 was cancelled.

Cost efficiency

The Board reviews costs incurred by the Company on a regular basis and is focused on maintaining a competitive ongoing charges ratio (OCR). The year end ongoing charges ratio was 2.24%(1) (FY22: 2.06%(1)) when calculated in accordance with the AIC's "Ongoing Charges" methodology. The increase in the OCR is principally driven by the fall in the average net assets across the year that followed the drop in the NAV per share. Other factors included an increase in the number of independent non-executive directors to five and below inflation increases in remuneration. The Company also made modest investments to improve shareholder communication through investments into the Company's website, video updates and an increased number of shareholder events. The Ongoing Charges methodology divides ongoing expenses by average net assets.

Board remuneration

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%, effective from 1 October 2023. The annual remuneration of the Chair will increase to £41,000, the independent non-executive directors to £32,000 and the non-independent non-executive director, Oliver Bedford, to £29,500.

An additional fee of £1,500 will continue to be paid to the Chair of the Management and Service Provider Engagement Committee. The Chair 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).

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

Annual General Meeting

Shareholders are invited to attend the Company's Annual General Meeting (AGM) to be held at 4.45 pm on 8 February 2024 at 88 Wood Street, London, EC2V 7QR. The AGM will be followed by a presentation from the Investment Manager and a drinks reception.

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 1 February 2024. Answers will be published on the Company's website on 8 February 2024.

Shareholder Engagement

Shareholder engagement is given a high priority by the Board. Following a recent review, the Board agreed to significantly improve the website and develop new content (including video content) for shareholders to provide more information about the Company's activities and performance. The new website is live at www.hargreaveaimvcts.co.uk.

The Company is working hard to make new, better and more accessible content and hope that shareholders will find the output useful. The website also introduces new functionality to allow shareholders to request by email updates on shareholder events, the performance of the Company (interim management statements, fact sheets and video updates) and information on the Company's fundraising activities.

In addition to this, the Board wants to provide shareholders with more opportunities to meet directly with the Directors and the CGAM VCT management team. As a result, the number of in-person events has been increased with the introduction of three new in-person quarterly updates in February, May and August to sit alongside the AGM in February and the annual shareholder event in November. The Board will look to run an event outside of London in the current financial year to improve access for those unable to attend London based events. The Board is aware that increased engagement carries a cost; we therefore hope shareholders will be able to attend at least one of these events. Further information on future events and recordings of previous updates can be found on the Company's website.

Whilst the Board strongly encourages shareholders to make use of everything the website has to offer, the Directors recognise that it is not for everyone. Should you prefer, you can of course continue to communicate with the Chair, any other member of the Board or the Investment Manager by writing to the Company, for the attention of the Company Secretary.

Within the 2023 financial year, the Investment Manager gave three presentations covering the 12 months to 30 September 2022 on 23 November 2022, the 6 months to 31 March 2023 on 21 June 2023 and the 3 months to 30 June 2023 on 16 August 2023.

Subsequent to the year end, the Investment Manager gave a presentation covering the 12 months to 30 September 2023 on 29 November 2023. The well attended shareholder event was once again held at Everyman Cinema, Broadgate, City of London. It included presentations and a pre-recorded interview with several guest speakers and contributions from a number of portfolio companies, including a panel discussion and a presentation from the Investment Manager's VCT team. The event concluded with the screening of a feature film. Summary recordings of the Investment Manager's presentations are available to view on the Company's website https://www.hargreaveaimvcts.co.uk.

The next shareholder event will be held at the Investment Manager's offices at 88 Wood Street, London EC2V 7QR following the conclusion of the AGM to be held at 4.45 pm on 8 February 2024. The presentation will cover the 3 months to 31 December 2023. Shareholders are asked to register their interest in attending the shareholder event through the Company's website (www.hargreaveaimvcts.co.uk) or by emailing aimvct@canaccord.com.

Electronic communications

As ever, we are respectfully asking shareholders to opt into electronic communications and update their dividend payment preference from cheque to bank transfer. Switching to the digital delivery of shareholder communications and dividend distributions is more cost efficient and more secure whilst also helping to reduce our environmental footprint.

The Company no longer prints and distributes interim reports to shareholders. The interim results continue to be available for download on the Company's website (www.hargreaveaimvcts.co.uk) and a summary of the results are published via a Regulatory Information Service on the London Stock Exchange. Where necessary, the Administrator can produce and send out a hard copy.

To support the digital experience, the Company has invested in an upgraded website to improve the experience and include more regular updates to the content, including recorded updates from the manager and portfolio companies. Much of the new content will be available for distribution by email. You can register your interest in (and opt out of) email updates through the Company's website.

Shareholders are also encouraged to make use of Equiniti's shareview portal, which can be used to monitor their investment, review their transaction history, see information on dividend payments and update their communication preferences.

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.

On 22 November 2023, the Chancellor of the Exchequer announced as part of the Autumn Statement the intention to extend the VCT and EIS schemes to 5 April 2035. The Government will introduce new legislation as part of a future finance bill.

Consumer Duty

The Financial Conduct Authority (FCA) introduced the Consumer Duty on 31 July 2023 to improve the standard of care provided by firms that are involved in the manufacture or supply of products and services to retail clients.

Consumer Duty comprises a new principle and suite of other rules and guidance to be followed by firms involved in the manufacture and distribution of a product to put consumers in a better position to take responsibility for meeting their financial needs and objectives. For consumers, this should:

- give confidence that firms are acting in good faith, in line with their interests;
- allow them to make informed choices about products and services that are fit for purpose and designed to meet a designated target market;
- improve the information available to assist with the review of the products and services most likely to meet their needs;
- support the correct delivery of benefits that consumers should reasonably expect from the product and services they subscribe to;
- improve the standard of customer service; and
- help them obtain fair value from financial products and services.

As the Company is not regulated by the FCA, it falls outside of the FCA's new Consumer Duty regulation. However, CGAM and Canaccord Genuity Wealth Limited (CGWL) are regulated companies and in scope, respectively as the designated manufacturer and distributor of the Company. In its capacity as manufacturer, CGAM has conducted a fair value assessment and a target market assessment. Having reviewed both reports, the Board is satisfied that CGAM and CGWL have complied with their obligations.

Two of the four pillars that underpin Consumer Duty relate to consumer understanding and consumer support.

Although the Board is satisfied that these obligations are met in full, the Company's website has been upgraded to enhance the services and benefits derived from an investment in the Company. As noted above, the Board and Investment Manager have jointly agreed to host more shareholder events to support the delivery of the consumer understanding outcome, one of the key outcomes described under the Consumer Duty.

VCT status

I am pleased to report that the Company continues to perform well against the requirements of the legislation and at the period end, the investment test was 91.65% (2022: 84.85%) against an 80% requirement when measured using HMRC's methodology. The increase in the investment test percentage reflects progress made in deploying capital raised through the 2022 offer and the return of capital to shareholders through the payment of a 2 pence per share special dividend on 10 February 2023 following the successful exit from Ideagen plc. 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 www.hargreaveaimvcts.co.uk/document-library/.

Risk review

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

Outlook

Whilst we continue to navigate an uncertain economic and geopolitical outlook, recent news suggests that monetary policy is likely to become more accommodating as we progress through the year, helping to lay the foundations for a sustainable recovery in value.

When it finally emerges, a change of sentiment in public markets will benefit our investments in both public and private companies. Until then, we draw comfort from a number of factors: first, the majority of portfolio companies continue to provide updates that are in line with expectations; second, there is a substantial amount of growth on offer from within the portfolio, even in these more difficult times; third, a review of valuation metrics within the qualifying portfolio highlights the deep value on offer; and finally, a significant majority of qualifying companies are well funded and commercially robust.

David Brock
Chair
18 December 2023

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 have a permanent establishment in the UK 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. by value as measured by the VCT Rules of all of its investments 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, the Marlborough Special Situations Fund and the Marlborough UK Micro-Cap Growth 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, and competition. Investments are monitored closely and the Investment Manager usually meets or engages with their senior leadership team at least twice each year. Where appropriate the Company may co-invest alongside other funds managed by the Investment Manager.

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

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

Qualifying Investments

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

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

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

Non-Qualifying Investments

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

The Non-Qualifying Investments will typically include a focused portfolio of direct investments in companies listed on the main market of the London Stock Exchange. The portfolio will mix long term structural growth with more tactical investment to exploit short term mispricing within the market. The use of the Marlborough Special Situations Fund and the Marlborough UK Micro-Cap 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

Approach

The Company regards the development of a clearly defined and integrated ESG management system as an important pillar for the long-term success of its business, as well as for its investee companies.

The Investment Manager believes that companies with strong governance, sustainable business models and balanced workforces are more likely to create value over the long term whilst reducing investment risk, benefiting the wider UK economy and society and generating positive shareholder returns.

ESG in the investment process

Holding meaningful stakes in investee companies provides the Investment Manager with the opportunity and responsibility to positively influence investee company behaviour, both at the point of investment and during the time in which the Company is a shareholder.

Due diligence

The Investment Manager assesses ESG factors across the portfolio. For Qualifying Companies, the Investment Manager will use the information provided to develop an individualised ESG risk map to identify issues and track behavioural themes. The Investment Manager regularly engages with senior management teams and boards to identify and raise issues of note, provide a forum for positive feedback and promote change where necessary.

Engagement, exclusions and divestment policies

As part of its investment strategy, the Company has adopted policies covering exclusions and divestment to describe behaviours that fall outside of the Company's expectations of investee companies. The Investment Manager has adopted an engagement policy to create a clear framework that defines how it will interact with investee companies.

The Investment Manager

The Investment Manager adheres to its own ESG investment and stewardship policies. These include an ESG Policy, an Engagement Policy, a Conflicts of Interest Policy and a Stewardship Policy that, together with the investment mandate and the Company's ESG approach, inform the Company's approach.

CGAM is a signatory of the United Nations Principles of Responsible Investment (UN PRI) and HM Treasury's Women in Finance Charter.

Risk management

The structure of the Company's investment portfolio and its investment strategy, has been developed to mitigate risk where possible. Key risk mitigation strategies are as follows:

- 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, the Marlborough Special Situations Fund and the Marlborough UK Micro-Cap 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.

Further information can be found in this report.

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 fair 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 Chair'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 60.19 pence to 46.34 pence resulting in a loss to ordinary shareholders of -8.85 pence per share (-14.70%)(1) 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 Index Total Return. With 91% of the portfolio of Qualifying Investments in companies listed on AIM, the Directors consider this to be the most appropriate benchmark. However, HMRC derived investment restrictions and investments in private companies, main market listed companies and bonds mean that the index is not a wholly comparable benchmark for performance.

Rolling Returns to end Sep 2023	**1Y**	**3y**	**5y**	**10y**
NAV total return	-14.70%	-15.30%	-17.18%	29.11%
Share price total return	-23.51%	-10.53%	-15.87%	35.53%
NAV total return (dividends reinvested) (1)	-15.93%	-22.40%	-25.80%	18.49%
Share price total return (dividends reinvested) (1)	-24.80%	-18.58%	-25.16%	23.65%
FTSE AIM All-Share Index Total Return	-8.28%	-21.23%	-29.50%	4.21%

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 Index Total Return which is also calculated on that basis.

Reflecting the difficult market conditions that continued to dominate through 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 fell behind the benchmark over the year; however, it remains ahead of the benchmark over three, five and ten years but behind the average of the AIM VCT peer group over the same time horizons. The steep falls in valuations of companies listed on AIM, which have heavily impacted the performance of the Company and its AIM VCT peers, have not been mirrored in the Generalist VCT sector, which has reported a very modest average decline of –0.05% over the period under review (source: Morningstar). The divergence of performance across the two peer groups is particularly notable across the two years since the start of the bear market with the AIM VCT sector returning an average loss of 42.1% against the average loss within the Generalist VCT sector of -1.1%. AIM has fallen by 42.0% over the same two-year period. It is difficult to account for the strongly divergent performance although the possible use of investment structures not accessible to investors in public companies may account for some of the difference.

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

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 a discount of 7.21%(1) as at 30 September 2023 (2022: 4.25%(1) premium) when calculated with reference to the 30 September 2023 NAV per share. The 1 and 5 year average share price discounts were 6.06%(1) and 5.64%(1) 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 Investment 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 2023 reflected the last published NAV per share prior to the year end, which was released on 26 September 2023. The 30 September 2023 NAV was reported on 5 October 2023, following the review of the valuations of the private companies.

As at 15 December 2023, the discount to NAV was 6.71% of the last published NAV per share.

3. Ongoing charges ratio

The ongoing charges of the Company were 2.24%(1) (2022: 2.06%(1)) of the average net assets of the Company during the financial year to 30 September 2023.

The increase in the OCR is principally driven by the fall in the average net assets across the year that followed the drop in the NAV per share. Other factors included below inflation increases in board remuneration and an increase in the number of non-executive directors from five to six. There were also modest investments made to improve shareholder communication through investments into the Company's website, video updates and an increased number of shareholder events. The Ongoing Charges methodology divides ongoing expenses by average net assets.

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 the Board. Although the OCR increased within the year, the Board is pleased to report that the Company's expenses incurred within the year were below budget.

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

4. Dividends per share

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

A total of 5.00 pence per share (2022: 6.65 pence) of dividends was paid during the year, comprised of a special dividend of 2.00 pence per share paid on 10 February 2023, a final dividend of 2.00 pence in respect of the previous financial year (2021: 3.15 pence) paid on 10 February 2023 and an interim dividend of 1.00 penny (2022: 1.00 penny) paid on 28 July 2023.

A final dividend of 1.50 pence per share will be proposed at the Annual General Meeting. If approved by shareholders, the payment of the interim, final and special dividends in respect of the financial year to 30 September 2023 would represent a distribution to shareholders of 9.7% of the 30 September 2023 NAV per share.

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

Dividends paid/payable by financial year

Year	Year end NAV	Dividends	Yield	Additional information
	pence per share			
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%	
2022/23	46.34	4.50	9.7%	Including a special dividend of 2.00 pence and proposed final dividend of 1.50 pence.

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

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 2023 the Company continued to meet these tests.

The investment test increased from 84.85% to 91.65% in the financial year. The increase in the investment test percentage reflects progress made in deploying capital raised through the 2022 offer and the return of capital to shareholders through the payment of a 2 pence per share special dividend on 10 February 2023 following the successful exit from Ideagen plc. The investment test remains comfortably ahead of the 80% threshold that applies to the Company and ahead of the target of 85% as set out in the Company's investment policy.

The Company invested £13.6 million into 10 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
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.	Loss of VCT approval could lead to the Company losing its exemption from corporation tax on capital gains, shareholders losing their tax reliefs and, in certain circumstances, being required to repay the initial tax relief on their investment.	To reduce this risk, the Board has appointed 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.	No change.
Investment risk. Many of the Company's investments are held in small, high risk companies which are either listed on AIM or privately held.	Investment in poor quality companies could reduce the capital and income return to shareholders. Investments in small companies are often illiquid and may be difficult to realise.	The Board has appointed an investment manager with significant experience of investing in small companies. The Investment Manager maintains a broad portfolio of investments 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.	No change. Changes in monetary or fiscal policy have undermined consumer, business and investor confidence with negative impacts on profitability, investment and stock market performance. The higher cost of borrowing is starting to impact the cost of debt for companies and consumers. Whilst still subdued, UK consumer and business confidence has recovered off lows as energy prices, inflation and supply chain frictions all eased. Whilst the economy has outperformed expectations for this year, the outlook remains weak.

Risk	Potential consequence	How the Board mitigates risk	Changes During the Year
Compliance risk. The Company is required to comply with the FCA Listing Rules and the Disclosure Guidance and Transparency Rules, the Companies Act, Accounting Standards, the General Data Protection Regulation and other legislation. The Company is also a small registered Alternative Investment Fund Manager ("**AIFM**") and has to comply with the requirements of the AIFM Directive.	Failure to comply with these regulations could result in a delisting of the Company's shares, financial penalties, a qualified audit report or loss of shareholder trust.	Board members have considerable experience of operating at senior levels within quoted businesses. They have access to a range of advisors including solicitors, accountants and other professional bodies and take advice when appropriate. CGWL provides compliance oversight to both the Administrator and the Investment Manager and reports to the Board on a quarterly basis.	No change.
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 as a result of operational failure, environmental hazards or cyber security attacks.	Failures could put the assets of the Company at risk or result in reduced or inaccurate information being passed to the Board or shareholders. Quality standards may be reduced through lack of understanding or loss of control.	The Company has in place a risk matrix and a set of internal policies which are reviewed on a regular basis. It has written agreements in place with its third-party service providers. The Board, through the Management and Service Provider Engagement Committee, receives regular reports from the Investment Manager, Administrator and custodian to provide assurance that they operate appropriate control and oversight systems and have in place training and other defence measures to mitigate the risk of cyber attack. 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	No change.

Risk	Potential consequence	How the Board mitigates risk	Changes During the Year
		Engagement Committee	
Key personnel risk. A change in the key personnel involved in the management of the portfolio.	Potential impact on investment performance.	The Board discusses key personnel risk and resourcing with the Investment Manager periodically. The VCT team within the Investment Manager comprises two fund managers and two investment analysts, which helps mitigate this risk.	No change.
Exogenous risks such as economic, political, financial, climate change and health. Economic risks include recession and sharp changes in interest rates. Political risks include the terms of the UK's exit from the European Union or a change in government policy causing the VCT scheme to be brought to an end. A condition of the European Commission's State aid approval of the UK's VCT and EIS schemes in 2015 was the introduction of a retirement date for the current schemes at midnight on 5 April 2025 (the 'Sunset Clause'). 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. 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	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. 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. Companies may face restrictions on emissions, water consumption and increased risk of environmental hazards.	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. 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. The Board keeps abreast of current thinking through contact with industry associations and its advisors. The Investment Manager undertakes a review of ESG factors as part of the	No change. The Bank of England increased base rates by 300bps to 5.25% during the financial year, significantly increasing the cost of debt for companies and and households with floating rate debt. Companies and households with savings benefitted. The full impact of this is yet to be felt. In the Autumn Statement 2023, the Government confirmed its intention to extend the sunset clause by 10 years to 5 April 2035. Legislation is expected to be introduced through the next Finance Bill and passed into law in early 2024. The wars in Ukraine and the Middle East present a range of risks that may have profound economic and social consequences if they impact access to certain commodities or much higher prices.

Risk	Potential consequence	How the Board mitigates risk	Changes During the Year
and profit margins and increases their cost of capital.		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.	

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 Chair's statement and the Investment Manager's report.

Long term viability statement

—In accordance with provision 36 of the AIC Code of Corporate Governance, the Directors have carried out a robust assessment of the Company's current position and its emerging and principal risks. 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
- 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 (91.65% at 30 September 2023) 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 £19.2 million in cash at the year end;
- the Company has distributable reserves of £134.4 million at 30 September 2023, equivalent to 41 pence per share;
- the Company has a 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 2023 was strong with no debt or gearing;
- the offer for subscription launched on 7 September 2023 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 2.24%;
- 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 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 policy and management of share liquidity

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 adopted specific policies on divestment and excluded activities and 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 Chair's statement.

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

David Brock
Chair

18 December 2023

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 2022/23 financial year, 1 October 2022 to 30 September 2023. 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

Starting from a very low base, investor sentiment showed tentative signs of recovery as investors became more confident that inflation was close to peaking and, with it, the interest rate tightening cycle that had done so much damage to risk assets in 2022. The failure in March 2023 of Silicon Valley Bank, several US regional banks and Credit Suisse challenged the developing thesis and the markets swiftly moved to price in a series of rate cuts by the Federal Reserve throughout the second half of the year. A series of subsequent data points highlighted a substantially more robust US economy which would require US interest rates to remain higher for longer. This dynamic had implications for risk assets globally.

The UK economy has experienced something similar, proving to be substantially stronger this year than most predicted. Inflation has remained disappointingly high, forcing the Bank of England ("**BoE**") into a more hawkish position with many homeowners protected by fixed rate mortgages and now benefitting from higher interest payments on their savings. UK inflation ("**CPI**") peaked at 11.1% in October 2022 but has since steadily declined, reaching 6.7% in September.

UK consumer confidence remains low, albeit substantially better than at the start of the financial year. The September reading did, however, suggest that higher interest rates might finally start to take their toll. There are other signs too that tighter monetary policy is starting to impact with retail sales weakening and unemployment starting to trend higher, whilst remaining low by historical standards.

With the Bank of England raising interest rates seven times within the year to 5.25%, the focus has shifted to the outlook for rate cuts. Currently, the market is forecasting that the BoE remains on hold until mid-2024. This is substantially better than the forecast at the start of the financial year, but also much higher than predicted in the Spring following the failure of SVB. These huge swings in the outlook have been mirrored in the US and, to a lesser extent, in Europe making it difficult for a range of asset classes from equities to bonds and foreign exchange.

Sadly, these factors continue to depress appetite for investment into high-risk growth equity. AIM continues to endure a particularly difficult period, having now fallen by 41.6% in the two years to 30 September 2023. By any measure, this is a long and uncomfortable bear market. Although trading varies quite significantly by sector, price action is heavily influenced by technical factors with many UK institutional shareholders still having to manage sustained outflows. This dynamic is not unique to AIM. Small companies are struggling in other territories too, with the Russell 2000 (US small companies) and MSCI Europe Small Cap Index both posting positive returns over the period under review whilst remaining negative over two years.

The risk averse environment and constant need for liquidity has again led to a material underperformance by AIM (-9.95%) over the year relative to other domestic indices such as the FTSE 100 (+10.36%) and FTSE 250 (+6.47%).

Performance

In the 12 months to 30 September 2023, the audited NAV per share decreased from 60.19 pence to 46.34 pence, a NAV total return to investors of -8.85 pence per share after adding back the 5.00 pence of dividends paid in the year and which translates to a loss of -14.70%.

The qualifying investments made a net loss of -7.99 pence per share whilst the non-qualifying investments loss was –0.32 pence per share. The -0.54 pence adjusting balance was the net of the investment in Marlborough Special Situations Fund, running costs and investment income.

Corporate news flow was mixed across the year. After a difficult winter, when many companies faced weaker trading or pressure on margins, primarily due to macro-economic factors, many companies reported trading improved through the spring and summer. September included an unusually high number of poor updates, although our analysis suggests this was mostly due to company specific factors rather than a weakening economy or tightening of financial conditions. We report below on those companies that were the most significant contributors to performance. In particular, we note that three of the most significant detractors (Zoo Digital, Maxcyte and Tortilla Mexican Grill) are companies that have previously delivered strong contributions to the NAV; we are hopeful that their share prices can recover with time.

Equipmake (+44.0%, +0.75 pence per share) reported that revenues in the 12 months to May 2023 grew by 34% to £5.1m. The company also announced two contracts to convert diesel buses into battery powered buses and a £3.2m grant to develop its electric powertrain technology for the off-highway sector in partnership with Caterpillar. The company is forecast to increase revenues by 163% to £13.4m in the current year. Profits are not expected until 2026. The company is expected to close the current year with £2.0m of net cash.

Following an activist campaign launched by founder Jonathan Milner, Abcam (+38.0%, +0.25 pence per share) launched a strategic review that resulted in a $24 per share takeover offer from Danaher. The exit price represents an increase of 7,086% (71x) over the book cost of the investment.

Following a two-year legal process, PCI-PAL (+21.7%, +0.21 pence per share) received a favourable ruling from the UK High Court, comprehensively defeating the patent infringement claims from competitor Sycurio. Whilst this is a clear positive and a strong endorsement of the company's IP position, the ruling may yet be subject to appeal. Sycurio filed similar claims in the US courts, which may be heard in 2024. The company continues to trade well with 2024 revenue growth subject to some modest revision to £19.1m (previously: £20.0m), equivalent to +28% YOY. The company is expected to report a maiden profit within the current financial year and close the year with net cash of £0.3m.

XP factory (+37.5%, +0.17 pence per share) reported strong growth in both H1'23 revenues (£18.6m, +130% YoY) and adjusted EBITDA (£2.4m, +120%). The company continues to roll out its escape room and competitive socialising concepts across the UK. Although trading within the current year remains strong, the company has moderated the new openings planned in FY25 and beyond. The company has a good balance sheet with net cash of £3.6m (30 June 2023).

Diaceutics (+28.8%, +0.15 pence per share) reported H1'23 revenues of £9.9m (+32% YoY) and an EBITDA loss of £0.2m. Net cash was £17.9m. Recurring revenues grew by 66% to £4.6m as more customers signed annual or multi-year licences for the company's DXRX platform. The forward order book of £24.1m provides good cover of the current year forecast. The company also announced that the founder would move from his current CEO role into a business development role with the current COO moving into the CEO role.

Long running strikes (screenwriters and actors) in the US have materially affected the commissioning of new content for distribution through streaming platforms, leading to a substantial drop off in demand for Zoo Digital's (-69.2%, -1.14 pence per share) localisation and media services and several significant forecast revisions. On current projections, revenues will fall by 50% this year to $45m. Whilst the short-term outlook remains uncertain, production has resumed with the company expecting to return to growth in early 2024. There are no changes to medium term guidance. The company is well funded following a $15.5m fundraise in April 2023.

The commercial impact of last year's dispute with Azerion continues to cast a long shadow over Bidstack (-90.0%, -0.90 pence per share), highlighting profound issues with the company's operational model, leadership and governance structures. A Dutch court will review Azerion's decision to withhold payment. In the meantime, a substantially weaker balance sheet has left the company exposed.

Following a very successful year in 2022 that included three profit upgrades, Maxcyte (-55.4%, -0.73 pence per share) has been the victim of a notably weaker end market following the failure of Silicon Valley Bank. The significant tightening of financial conditions within the healthcare sector has caused many clinical and pre-clinical companies to adopt a more cautious approach to investment, leading the company to substantially revise its expectations for this year across several updates. Disappointing as this is, Maxcyte's long-term prospects remain attractive, underpinned by an expanding partnership portfolio with potential pre-commercial milestones valued at over $1.6b and future royalties. The company's shares have been savagely de-rated, at one point valuing the company at $264m with year-end net cash forecast to be approximately $200m. Post period end, the FDA approved Casgevy for the treatment of severe sickle cell disease, the first time a therapy developed using Maxcyte's flow electroporation technology has been approved by the FDA. The approval will trigger further milestone payments and significant royalties from 2025.

Initially, the outlook looked promising for Polarean (-76.9%, -0.70 pence per share) with the company receiving (in December 2022) FDA clearance for Xenoview, its drug-device combination product that allows MRI scanners to provide detailed evaluation of lung function. In subsequent updates, the company reduced its assumptions for revenue growth and increased its guidance on costs. The company has appointed a new CEO with prior experience in driving adoption within the medical equipment sector. The company has net cash of $9.9m but will need additional funding in 2024.

A desire to defend its value proposition at the cost of margins led Tortilla Mexican Grill (-51.7%, -0.56 pence per share) to issue revised profit guidance in late 2022 as inflationary pressures (food, labour and energy) ate into margins. Subsequent updates have remained consistent with the revised forecasts with the company reporting revenue growth of 22% in the 6 months to June 2023. The company continues to use its strong balance sheet to expand its UK footprint with 8 new sites to be opened in 2023. The medium-term opportunity remains compelling.

We entered the year expecting to see an increase in the number of companies undertaking an initial public offering in the second half of the financial year. This has not come to pass with the low valuations and the continued flow of capital out of open-ended funds increasing the risk of a poor outcome and acting as a deterrent to new entrants. Investor confidence and appetite for risk was depressed by a broad range of factors (higher interest rates, US regional banking crisis, war in the Middle East) and will need to improve before the market becomes more attractive to new listings.

We invested £13.6m through 12 Qualifying Investments into 10 Qualifying Companies that included 2 IPOs, 2 new investments into companies listed on AIM, 6 follow on investments into existing AIM portfolio companies and 2 further investments into Kidly. The most significant new investments included Engage XR, Fadel and Itaconix. We reduced our investments in Bidstack, Eneraqua, Equipmake, Faron Pharmaceuticals, Smoove and Zoo Digital. We made complete exits from Diurnal, In The Style and Yourgene.

Portfolio structure

The VCT is comfortably through the HMRC defined investment test and ended the period at 91.65% invested as measured by the HMRC investment test. By market value, the VCT had a 58.7% weighting to Qualifying Investments at year-end.

The allocation to non-qualifying equity investments increased from 7.7% to 10.1% 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, increasing the allocation from 2.1% to 5.4%.

The non-qualifying direct equity investments, which are mostly held in FTSE 350 companies contributed -0.08 pence per share. Within the period, JD Sports returned +72.4% (+0.17 pence per share), Bytes Technology returned +18.8% (+0.09 pence per share) and Bodycote returned +40.3% (+0.09 pence per share). The largest losses from within the non-qualifying portfolio came from NCC (-63.4%, -0.18 pence per share), Diversified Energy (-37.6%, -0.12 pence per share) and Harbour Energy (-41.0%, -0.10 pence per share).

We took advantage of the significant increase in fixed income yields to invest in six short-dated investment grade bonds and a short-dated UK Gilts exchange trade fund. As a result, the allocation to non-qualifying fixed income increased from nil to 12.7% whilst the cash weighting fell from 26.1% to 12.7%.

The Company invests across all available investment sectors, although VCT legislation tends to promote investment into sectors such as technology, healthcare and consumer discretionary. In respect of the Qualifying investment portfolio, 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 37.5%, 20.6% and 13.7%. The weighting to the industrial sector increased from 14.9% to 17.9%.

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

7,183,338 shares were acquired in the year at an average price of 50.63 pence per share. The share price increased by 0.5% and traded at a discount of 6.78% following the publication of the 30 September 2023 NAV on 5 October 2023.

Post period end update

The NAV per share has decreased from 46.34 pence to 45.45 pence in the period to 8 December 2023, a decrease of 1.92%.

As at 15 December 2023, the share price of 42.40 pence represented a discount of 6.71% to the last published NAV per share.

The start of the new financial year was particularly difficult with global markets selling off in the face of higher oil prices and further increases in the cost of capital, most obviously exemplified by the march higher in US 10-year Treasury Yields. For a variety of reasons, the bond markets turned in November with yields falling sharply. This was in part a consequence of comments made by several members of the Federal Open Market Committee that the market took to be dovish in nature. Both bonds and equities rallied. In the UK, inflation fell further post period to 4.6% in October. Having fallen 6.4% in October, the AIM All-share index rebounded by 5.0% in November.

Whilst the war in Israel and Gaza is yet to materially challenge markets, it only adds to the general sense of unease with investors concerned about the risks that would follow were it to escalate from a localised conflict into a regional war.

There is considerable debate about the 'neutral' rate for monetary policy, the level at which interest rates are neither seeking to restrain or stimulate economic activity. The debate is not as abstract as it might appear, with important ramifications for the risk-free rate and the cost of capital, both of which have increased substantially in the year and are factors in assessing company valuations. When central banks return to the neutral rate, and where it is set, are therefore important when establishing the path to a recovery in value. The outlook for the UK economy will impact some companies within the portfolio, but surprisingly few. As we have said in the past, many portfolio companies continue to develop new products and services, with success determined by technical and operational excellence, and access to capital.

Whilst it is disappointing to again report on difficult markets, a weak economy and negative performance, we remain convinced that the portfolio contains a broad array of companies with a range of maturities and a shared ambition to grow revenues and deliver profitable outcomes to their shareholders. For now, the market is unwilling or unable to appropriately recognise value. The stasis will not persist forever and valuations will recover. In the meantime, the portfolio contains substantial amounts of growth at unreasonably low prices.

We have completed one new qualifying investment post period end. Deal flow on AIM remains very subdued. We expect this to remain the case through the early part of 2024, before improving in the second half of the new 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
18 December 2023

Investment portfolio summary

As at 30 September 2023

	Net Assets % at 30.09.23	Cost £000	Cumulative Movement in value £000	Valuation £000	Change in Value for the Year £000[(1)]	Market	COI[(2)]
Qualifying Investments							
Equipmake Holdings plc	5.02	3,662	3,969	7,631	2,501	AIM	No
Eagle Eye Solutions Group plc	2.99	1,642	2,903	4,545	(173)	AIM	Yes
PCI-PAL plc	2.55	2,280	1,596	3,876	692	AIM	Yes
Abcam plc	2.02	55	3,007	3,062	843	AIM	No
Learning Technologies Group plc	1.90	2,238	649	2,887	(1,834)	AIM	No
Infinity Reliance Ltd (My 1st Years)[(3)]	1.81	2,500	243	2,743	—	Unlisted	Yes
Surface Transforms plc	1.76	1,744	929	2,673	(1,188)	AIM	Yes
Engage XR Holdings plc	1.59	3,453	(1,036)	2,417	(1,036)	AIM	Yes
Cohort plc	1.54	619	1,718	2,337	152	AIM	Yes
Fadel Partners, Inc	1.51	2,300	—	2,300	—	AIM	No
XP Factory plc	1.40	4,068	(1,939)	2,129	581	AIM	Yes
Diaceutics plc	1.38	1,550	550	2,100	469	AIM	Yes
Maxcyte Inc	1.23	1,270	605	1,875	(2,325)	AIM	Yes
C4X Discovery Holdings plc	1.18	2,300	(500)	1,800	(199)	AIM	No
Aquis Exchange plc	1.18	765	1,024	1,789	398	AIM	Yes
Zoo Digital Group plc	1.16	2,159	(399)	1,760	(3,806)	AIM	Yes
Tortilla Mexican Grill plc	1.15	1,125	625	1,750	(1,875)	AIM	Yes
Beeks Financial Cloud Group plc	1.09	1,038	623	1,661	(925)	AIM	Yes
Team Internet Group plc	1.09	588	1,067	1,655	243	AIM	Yes
Intelligent Ultrasound Group plc	1.09	1,550	103	1,653	119	AIM	No
Itaconix plc	1.09	3,025	(1,376)	1,649	(1,376)	AIM	No
SCA Investments Ltd (Gousto)	1.02	2,484	(929)	1,555	(1,228)	Unlisted	Yes
Craneware plc	0.95	125	1,316	1,441	(441)	AIM	Yes
Zappar Ltd	0.94	1,600	(171)	1,429	—	Unlisted	No
Instem plc	0.92	297	1,105	1,402	417	AIM	Yes
Belvoir Group plc	0.86	762	539	1,301	30	AIM	Yes

	Net Assets % at 30.09.23	Cost £000	Cumulative Movement in value £000	Valuation £000	Change in Value for the Year £000[1]	Market	COI[2]
Arecor Therapeutics plc	0.80	1,687	(471)	1,216	(320)	AIM	No
Bivictrix Therapeutics Plc	0.78	1,600	(420)	1,180	(420)	AIM	No
Idox plc	0.75	135	1,007	1,142	(22)	AIM	Yes
Ilika plc	0.73	1,636	(526)	1,110	(888)	AIM	No
Equals Group plc	0.72	750	345	1,095	253	AIM	Yes
AnimalCare Group plc	0.67	720	298	1,018	(407)	AIM	Yes
Eden Research plc	0.67	1,355	(339)	1,016	(45)	AIM	No
Blackbird plc	0.64	606	364	970	(858)	AIM	No
The Property Franchise Group plc	0.60	377	534	911	(17)	AIM	Yes
OneMedia iP Group plc	0.59	1,141	(245)	896	(244)	AIM	Yes
Tristel plc	0.56	543	310	853	252	AIM	No
Skillcast Group plc	0.53	1,570	(764)	806	(42)	AIM	No
EKF Diagnostics Holdings plc	0.53	565	239	804	(390)	AIM	No
Crimson Tide plc	0.50	1,260	(504)	756	—	AIM	Yes
Nexteq plc	0.48	1,209	(479)	730	(250)	AIM	No
Rosslyn Data Technologies plc	0.47	1,345	(629)	716	(299)	AIM	Yes
Creo Medical Group plc	0.47	2,329	(1,616)	713	(506)	AIM	Yes
Crossword Cybersecurity plc	0.47	2,039	(1,332)	707	(864)	AIM	Yes
Polarean Imaging plc	0.45	2,081	(1,391)	690	(2,297)	AIM	No
Hardide plc	0.42	3,566	(2,928)	638	(232)	AIM	Yes
Globaldata plc	0.39	173	424	597	40	AIM	Yes
Verici DX plc	0.35	1,939	(1,405)	534	(463)	AIM	No
Eneraqua Technologies plc	0.33	1,401	(895)	506	(702)	AIM	No
Faron Pharmaceuticals Oy	0.33	1,133	(638)	495	269	AIM	No
Tan Delta Systems plc	0.31	504	(39)	465	(39)	AIM	No
Intercede Group plc	0.30	305	157	462	72	AIM	Yes
Velocys plc	0.23	2,220	(1,866)	354	(1,372)	AIM	No
Strip Tinning Holdings plc	0.22	1,054	(712)	342	28	AIM	No
Angle plc	0.22	1,158	(825)	333	(1,182)	AIM	No
K3 Business Technology Group plc	0.22	270	60	330	(39)	AIM	Yes
Kidly Ltd	0.21	1,660	(1,334)	326	(793)	Unlisted	No
Bidstack Group plc	0.21	2,733	(2,419)	314	(2,915)	AIM	No
Smoove plc	0.20	621	(316)	305	83	AIM	No
Science in Sport plc	0.19	1,479	(1,191)	288	(96)	AIM	No
Everyman Media Group plc	0.14	600	(394)	206	(186)	AIM	Yes
Trakm8 Holdings plc	0.09	486	(352)	134	(18)	AIM	No
MYCELX Technologies Corporation	0.09	361	(230)	131	73	AIM	Yes
Renalytix AI plc	0.03	82	(43)	39	2	AIM	Yes
Fusion Antibodies plc	0.02	624	(588)	36	(280)	AIM	No
Gfinity plc	0.02	2,026	(1,998)	28	(266)	AIM	Yes
Osirium Technologies plc	0.01	858	(845)	13	(5)	AIM	No
Flowgroup plc	—	26	(26)	—	—	Unlisted	No
Honest Brew Ltd	—	2,800	(2,800)	—	—	Unlisted	No

	Net Assets % at 30.09.23	Cost £000	Cumulative Movement in value £000	Valuation £000	Change in Value for the Year £000(1)	Market	COI(2)
Laundrapp Ltd	—	2,450	(2,450)	—	—	Unlisted	No
Mporium Group plc	—	33	(33)	—	—	Unlisted	No
Airportr Technologies Ltd(3)	—	1,888	(1,888)	—	(529)	Unlisted	No
Infoserve Group plc(4)	—	—	—	—	—	Unlisted	No
Total – equity Qualifying Investments	56.36	100,597	(14,972)	85,625	(25,875)		
Qualifying fixed income investments							
Kidly Ltd (convertible loan notes)	1.58	2,400	—	2,400	—	Unlisted	No
Osirium Technologies plc (convertible loan notes)	0.53	800	—	800	44	AIM	No
Rosslyn Data Technologies plc (convertible loan notes)	0.20	300	—	300	—	AIM	No
Honest Brew Ltd (loan notes)	—	300	(300)	—	—	Unlisted	No
Total qualifying fixed income investments	2.31	3,800	(300)	3,500	44		
Total Qualifying Investments	58.67	104,397	(15,272)	89,125	(25,831)		
Non qualifying investments							
Funds							
Marlborough Special Situations Fund	5.44	9,717	(1,449)	8,268	(1,125)	Unlisted	
iShares plc ISHRS UK Gilts 0-5Yr ETF GBP (Dist)	1.30	2,001	(23)	1,978	(24)	Main	
Total non-qualifying funds	6.74	11,718	(1,472)	10,246	(1,149)		
Hollywood Bowl Group plc	0.98	1,566	(81)	1,485	194	Main	Yes
Bodycote plc	0.97	1,534	(66)	1,468	296	Main	No
Chemring Group plc	0.82	1,362	(113)	1,249	(59)	Main	Yes
Bytes Technology Group plc	0.75	747	400	1,147	304	Main	Yes
WH Smith plc	0.71	1,220	(145)	1,075	63	Main	Yes
Ashtead Group plc	0.66	1,116	(116)	1,000	(115)	Main	Yes
BAE Systems plc	0.65	782	206	988	180	Main	No
National Grid plc	0.65	1,041	(61)	980	(61)	Main	No
TP ICAP Group plc	0.63	1,022	(69)	953	(70)	Main	Yes
Rotork plc	0.58	944	(69)	875	176	Main	Yes
Energean plc	0.53	926	(126)	800	(126)	Main	No
Diversified Energy Company plc	0.48	1,050	(324)	726	(402)	Main	Yes
XP Power plc	0.47	743	(35)	708	(35)	Main	Yes
The Watches of Switzerland Group plc	0.44	1,216	(549)	667	(246)	Main	Yes
On the Beach Group plc	0.38	1,304	(722)	582	(81)	Main	No
Wickes Group plc	0.23	585	(242)	343	42	Main	No
Tortilla Mexican Grill plc	0.12	161	29	190	(204)	Main	Yes

	Net Assets % at 30.09.23	Cost £000	Cumulative Movement in value £000	Valuation £000	Change in Value for the Year £000(1)	Market	COI(2)
MYCELX Technologies Corporation	0.10	298	(146)	152	85	AIM	Yes
Genagro Services Ltd	—	—	—	—	1	Unlisted	Yes
Total – equity non-qualifying investments	10.15	17,617	(2,229)	15,388	(58)		
Fixed income – bonds							
Royal Bank of Canada 5.000% SNR NTS 24/01/28	1.90	3,045	(161)	2,884	(161)	Main	No
British Telecommunications plc 5.75% BDS 17/12/28	1.96	3,158	(173)	2,985	(173)	Main	No
Barclays plc 3.25% NTS 12/02/27	1.78	2,876	(169)	2,707	(169)	Main	No
NatWest Markets plc 6.375% NTS 08/11/27	1.93	3,051	(122)	2,929	(122)	Main	No
Next Group plc 4.375% BDS 02/10/26	1.89	2,980	(108)	2,872	(108)	Main	No
Marks & Spencer plc 3.000% NTS 08/12/23	1.96	2,999	(15)	2,984	(15)	Main	No
Total non-qualifying fixed income – bonds	**11.42**	**18,109**	**(748)**	**17,361**	**(748)**		
Total – non-qualifying investments	**28.31**	**47,444**	**(4,449)**	**42,995**	**(1,955)**		
Total investments	**86.98**	**151,841**	**(19,721)**	**132,120**	**(27,786)**		
Cash at bank	12.65			19,231			
Prepayments & accruals	0.37			569			
Net assets	100.00			151,920			

(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 £0.7 million which is the total of 16 full investment disposals in the year.

(2) COI – Co investments with other funds managed by the Investment Manager at 30 September 2023.

(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
Listed Investments:			
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
Engage XR plc	UK/Ireland	Ireland	Ireland
Fadel Partners plc	UK	USA	USA
Faron Pharmaceuticals Oy	UK/Finland	Finland	Finland
Itaconix plc	UK	USA	UK
Maxcyte Inc	UK/USA	USA	USA
Mycelx Technologies Corporation plc	UK	USA	USA

	Listed	Headquartered	Registered
Polarean Imaging plc	UK	USA	UK
Renalytix AI plc	UK/USA	USA	UK
Verici DX plc	UK	UK/USA	UK
XP Power Ltd	UK	Singapore	Singapore
Unlisted private companies:			
Genagro Ltd(1)	—	UK	Jersey

(1) Companies awaiting liquidation.

Top ten investments

As at 30 September 2023 (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.

Equipmake Holdings plc		**Share Price: 9.0p**	
Investment date	July 2022	Forecasts for the year to	May 2024
Equity held	8.94%	Turnover (£'000)	13,400
Av. Purchase Price	4.3p	(Loss) before tax (£'000)	(5,300)
Cost (£'000)	3,662	Net cash May 2023 (£'000)	7,000
Valuation (£'000)	7,631	Net assets May 2023 (£'000)	13,803

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.

Eagle Eye Solutions Group plc		**Share Price: 525.0p**	
Investment date	April 2014	Forecasts for the year to	June 2024
Equity held	2.96%	Turnover (£'000)	50,800
Av. Purchase Price	189.7p	Profit before tax (£'000)	4,400
Cost (£'000)	1,642	Net cash June 2023 (£'000)	9,300
Valuation (£'000)	4,545	Net assets June 2023 (£'000)	24,100

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.

PCI PAL plc		**Share Price: 56.0p**	
Investment date	January 2018	Forecasts for the year to	June 2024
Equity held	10.55%	Turnover (£'000)	19,100

PCI PAL plc		**Share Price: 56.0p**	
Av. Purchase Price	32.9p	(Loss) before tax (£'000)	1,000
Cost (£'000)	2,280	Net cash June 2023 (£'000)	1,169
Valuation (£'000)	3,876	Net (liabilities) June 2023 (£'000)	(4,109)

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.

Abcam plc(1)		**Share Price: $22.63 USD**	
Investment date	October 2005	Forecast for the year to	December 2023
Equity held	0.07%	Turnover (£'000)	438,800
Av. Purchase Price	33.4p	Profit before tax (£'000)	118,600
Cost (£'000)	55	Net (debt) December 2022 (£'000)	(30,600)
Valuation (£'000)	3,062	Net assets December 2022 (£'000)	726,900

Company description

Abcam is a global life science company listed on the Nasdaq stock exchange after delisting from AIM. Abcam produces and distributes research-grade antibodies and biological tools to the life sciences sector. The Company's customers include universities, research institutes and pharmaceutical and biotechnology companies in countries around the world.

(1) Abcam was acquired by Danaher Inc. post period-end for $24.00 a share with £3.14m received by the Company on 6 December 2023.

Learning Technologies Group plc		**Share price: 64.15p**	
Investment date	July 2015	Forecast for the year to	December 2023
Equity held	0.57%	Turnover (£'000)	560,200
Av. Purchase Price	49.7p	Profit/(loss) before tax (£'000)	83,000
Cost (£'000)	2,238	Net (debt) June 2023 (£'000)	(108,377)
Valuation (£'000)	2,887	Net assets June 2023 (£'000)	419,647

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.

Infinity Reliance Ltd (My 1st Years)		**Unquoted**	
Investment date	May 2018	Results for the year to	December 2022
Voting rights held	8.97%	Turnover (£'000)	18,751
Av. Purchase Price	4670.4p	Profit before tax (£'000)	1,091
Cost (£'000)	2,500	Net cash December 2022 (£'000)	2,818
Valuation (£'000)	2,743	Net assets December 2022 (£'000)	6,235
Income recognised in period (£)	0		

Company description

My 1st Years is a UK retail platform that focusses on the sale of personalised baby and children's gifts through e-commerce channels. The product range includes bespoke presents for new born babies to seven year olds, for christenings, birthdays and Christmas.

Kidly Ltd[(1)]		**Unquoted**	
Investment date	March 2020	Results for the year to	March 2022
Voting rights held	9.45%	Turnover (£'000)[(2)]	—
Av. Purchase Price	165.6p	Profit/(loss) before tax (£'000)[(2)]	—
Cost (£'000)	4,060	Net cash March 2022 (£'000)	358
Valuation (£'000)	2,726	Net assets March 2022 (£'000)	(1,490)
Income recognised in period (£)	223,562		

Company description

Kidly is an online retail platform that curates a range of the world's best brands for children that sit alongside its own Kidly Label brand catering to children between the ages of 0-5 years.

(1) Includes equity investment of £0.3m and convertible loan note investments of £2.4m.

(2) Not available, data taken from abbreviated accounts.

Surface Transforms plc		**Share price: 27.0p**	
Investment date	March 2016	Forecast for the year to	December 2023
Equity held	4.85%	Turnover (£'000)	8,600
Av. Purchase Price	17.6p	(Loss) before tax (£'000)	(8,500)
Cost (£'000)	1,744	Net cash June 2023 (£'000)	3,512
Valuation (£'000)	2,673	Net assets June 2023 (£'000)	28,990

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.

Engage XR Holdings plc		**Share price: 2.80p**	
Investment date	March 2023	Forecast for the year to	December 2023
Equity held	29.72%	Turnover (€'000)	5,400
Av. Purchase Price	4.0p	(Loss) before tax (€'000)	(4,500)
Cost (£'000)	3,453	Net cash December 2022 (€'000)	9,447
Valuation (£'000)	2,417	Net assets December 2022 (€'000)	10,340

Company description

Engage XR is virtual reality ('VR') technology company with a proprietary cloud-based professional metaverse platform used to deliver immersive corporate communications, remote collaborations and events, training and education. The company has a strong reputation for data security and reliability, with a diverse customer base of 190 clients including several blue-chip companies such as Meta, HP, HTC, KIA and BMW.

Cohort plc		**Share price: 492.0p**	
Investment date	February 2006	Forecast for the year to	April 2024
Equity held	1.15%	Turnover (£'000)	187,400
Av. Purchase Price	130.2p	Profit before tax (£'000)	19,200

Cohort plc		**Share price: 492.0p**	
Cost (£'000)	619	Net cash April 2023 (£'000)	15,608
Valuation (£'000)	2,337	Net assets April 2023 (£'000)	99,778

Company description

Cohort is the parent company of six businesses based in the UK, Germany and Portugal, providing a wide range of services and products for domestic and export customers in defence and related markets. The group is split into two divisions: Communications and Intelligence, and Sensors and Effectors.

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://www.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 (Chair), 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

18 December 2023

Income statement

		Year to 30 September 2023			**Year to 30 September 2022**		
	Note	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Net loss on investments held at fair value through profit or loss	7	**—**	**(28,455)**	**(28,455)**	—	(85,203)	(85,203)
Income	2	**2,616**	**—**	**2,616**	975	13	988
		2,616	**(28,455)**	**(25,839)**	975	(85,190)	(84,215)
Management fee	3	**(699)**	**(2,098)**	**(2,797)**	(835)	(2,505)	(3,340)
Other expenses	4	**(1,052)**	**(39)**	**(1,091)**	(1,093)	(22)	(1,115)
		(1,751)	**(2,137)**	**(3,888)**	(1,928)	(2,527)	(4,455)
Profit/(loss) on ordinary activities before taxation		**865**	**(30,592)**	**(29,727)**	(953)	(87,717)	(88,670)
Taxation	5	**—**	**—**	**—**	—	—	—
Profit/(loss) after taxation		**865**	**(30,592)**	**(29,727)**	(953)	(87,717)	(88,670)
Basic and diluted earnings/(loss) per share	6	**0.27p**	**(9.59)p**	**(9.32)p**	(0.36)p	(33.06)p	(33.42)p

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

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

Balance sheet

As at 30 September 2023

Company Registration Number 5206425 (In England and Wales)

	Note	2023 £000	2022 £000
Fixed assets			
Investments at fair value through profit or loss	7	**132,120**	119,188
Current assets			
Debtors	9	**1,475**	408
Cash and cash equivalents		**19,231**	41,911
		20,706	42,319
Creditors: amounts falling due within one year	10	**(906)**	(1,000)
Net current assets		**19,800**	41,319
Total assets less current liabilities		**151,920**	160,507
Capital and Reserves			
Called up share capital	11	**3,278**	2,666
Share premium		**286**	93,660
Capital redemption reserve		**272**	201
Capital reserve – unrealised		**13,640**	23,935
Special reserve		**177,762**	63,931
Capital reserve – realised		**(41,071)**	(20,774)
Revenue reserve		**(2,247)**	(3,112)
Total shareholders' funds		**151,920**	160,507
Net asset value per share (basic and diluted)	**12**	**46.34p**	60.19p

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

These financial statements were approved and authorised for issue by the Board of Directors on 18 December 2023 and signed on its behalf by

David Brock
Chair

18 December 2023

Statement of changes in equity

For the year ending 30 September 2023

		Non-distributable reserves				Distributable reserves [1]			
	Note	Share Capital £000	Share Premium £000	Capital Redemption Reserve £000	Capital Reserve Unrealised £000	Special Reserve £000	Capital Reserve Realised £000	Revenue Reserve £000	Total £000
At 1 October 2022		**2,666**	**93,660**	**201**	**23,935**	**63,931**	**(20,774)**	**(3,112)**	**160,507**
Profit and total comprehensive income for the year									
Realised (losses) on investments	7	—	—	—	—	—	(8,245)	—	(8,245)
Unrealised (losses) on investments	7	—	—	—	(20,210)	—	—	—	(20,210)

		Non-distributable reserves				Distributable reserves [1]			
	Note	Share Capital £000	Share Premium £000	Capital Redemption Reserve £000	Capital Reserve Unrealised £000	Special Reserve £000	Capital Reserve Realised £000	Revenue Reserve £000	Total £000
At 1 October 2022		**2,666**	**93,660**	**201**	**23,935**	**63,931**	**(20,774)**	**(3,112)**	**160,507**
Management fee charged to capital	3	—	—	—	—	—	(2,098)	—	(2,098)
Income allocated to capital	2	—	—	—	—	—	—	—	—
Due diligence investments costs	4	—	—	—	—	—	(39)	—	(39)
Revenue profit after taxation for the year		—	—	—	—	—	—	865	865
Total (loss) after taxation for the year		**—**	**—**	**—**	**(20,210)**	**—**	**(10,382)**	**865**	**(29,727)**
Contributions by and distributions to owners									
Subscription share issues	11	659	39,277	—	—	—	—	—	39,936
Issue costs	11	—	(742)	—	—	—	—	—	(742)
Share buybacks	11	(71)	—	71	—	(3,637)	—	—	(3,637)
DRIS share issues	11	24	1,276	—	—	—	—	—	1,300
Equity dividends paid	16	—	—	—	—	(15,717)	—	—	(15,717)
Total contributions by and distributions to owners		**612**	**39,811**	**71**	**—**	**(19,354)**	**—**	**—**	**21,140**
Other movements									
Capital reduction	11	—	(133,185)	—	—	133,185	—	—	—
Diminution in value		—	—	—	9,915	—	(9,915)	—	—
Total other movements									
At 30 September 2023		**3,278**	**286**	**272**	**13,640**	**177,762**	**(41,071)**	**(2,247)**	**151,920**

Reserves available for distribution are capital reserve realised, special reserve and revenue reserve. Total distributable reserves at 30 September 2023 were £134.4 million, following the capital reduction of £133.2m (2022: £40 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 2023, £108.9 million of the special reserve is subject to this restriction.

Statement of changes in equity

For the year ending 30 September 2022

		Non-distributable reserves				Distributable reserves [1]			
	Note	Share Capital £000	Share Premium £000	Capital Redemption Reserve £000	Capital Reserve Unrealised £000	Special Reserve £000	Capital Reserve Realised £000	Revenue Reserve £000	Total £000
At 1 October 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

		Non-distributable reserves				Distributable reserves (1)			
	Note	Share Capital £000	Share Premium £000	Capital Redemption Reserve £000	Capital Reserve Unrealised £000	Special Reserve £000	Capital Reserve Realised £000	Revenue Reserve £000	Total £000
At 1 October 2021		**2,280**	**53,802**	**158**	**102,311**	**84,004**	**(11,433)**	**(2,159)**	**228,963**
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 2023, none of the special reserve is subject to this restriction.

Statement of cash flows

	Note	2023 £000	2022 £000
Total (loss) on ordinary activities before taxation		**(29,727)**	(88,670)
Realised losses/(gains) on investments	7	**8,245**	(2,056)
Unrealised losses on investments	7	**20,210**	87,259
(Increase) in debtors		**(1,067)**	(78)
(Decrease) in creditors		**(94)**	(183)
Amortisation for discount/premium on bonds		**(24)**	—
Non-cash distributions	2	**—**	(126)
Net cash (outflow) from operating activities(1)		**(2,457)**	(3,854)
Purchase of investments	7	**(57,699)**	(29,460)
Sale of investments	7	**16,336**	27,995
Net cash (used in) investing activities		**(41,363)**	(1,465)
Share buybacks	11	**(3,637)**	(3,243)
Issue of share capital	11	**39,936**	39,995
Issue costs	11	**(742)**	(746)
Dividends paid	16	**(14,417)**	(15,792)
Net cash provided by financing activities		**21,140**	20,214
Net (decrease)/increase in cash and cash equivalents		**(22,680)**	14,895
Opening cash and cash equivalents		**41,911**	27,016
Closing cash and cash equivalents		**19,231**	41,911

(1) The Company received dividends of £1,178,059 (2022: £715,253) and interest of £599,735 (2022: £47,143).

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 (£19.2 million at 30 September 2023) 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 15% reduction in NAV, 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 Investment Manager has a team of four dedicated fund managers and analysts with multi-year experience working for the VCT. Abbe Martineau joined the CGAM VCT fund management team on 17 April 2023. The Investment Manager and the Company’s other key service providers have contingency plans in place to manage operational disruptions.

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 2022.

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

	2023 £000	2022 £000
Income from investments:		
Revenue:		
Dividend income	1,247	744
Fixed income interest	867 (1)	184
Interest	502	47
Total revenue income	2,616	975
Capital:		
Return of capital	—	—
In-specie dividend	—	13
Total capital income	—	13
Total Income	2,616	988

(1) Additional loan stock interest of £18k was recognised in the year following reversal of the impairment being carried at 30 September 2022. The loan note accrued interest to 30 June 2023 in line with the terms of the redemption agreement with Sailpoint Technologies UK Limited.

3. Management fees

	2023 Revenue £000	2023 Capital £000	2023 Total £000	2022 Revenue £000	2022 Capital £000	2022 Total £000
Management fees	699	2,098	2,797	835	2,505	3,340

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 2023, £645,397 (2022: £687,373) 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 any investment in the Marlborough Special Situations Fund and/or the Marlborough UK Micro-Cap Growth Fund so the Company is not charged twice for these services. This amounted to £49,931 for the year to 30 September 2023 (2022: £23,407). 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 2022 and 30 September 2023 and no fees were waived between 1 October 2021 and 30 September 2022 under the indemnity.

4. Other expenses

	2023 £000	2022 £000
Other revenue expenses:		
Administration fee	195	195
Directors' fees	205	157
Legal & professional	39	34
London Stock Exchange fees	84	131
Registrar's fee	47	50
Website and marketing	60	14
Printing, postage and stationary	40	43
Auditors' remuneration – for audit services	55	41
VCT monitoring fees	15	12
Company secretarial fees	57	72
Custody fee	30	30
Directors' and officers' liability insurance	36	39
Broker's fee	5	5
VAT	115	128
Other expenses(1)	104	98
Provision against loan stock interest receivable	(35)(2)	44(3)
Total other revenue expenses	1,052	1,093
Other capital expenses:		
Due diligence costs	32	18
VAT on due diligence costs	7	4
Total other capital expenses	39	22
Total other expenses	1,091	1,115

(1) Other expenses include FCA fees, AIC membership fees, VCT Association fees, recruitment costs, professional subscriptions, license costs, shareholder event costs and other nominal expenses.

(2) Reversal of provision against loan interest receivable in previous years of £34,816 for Osirium plc.

(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.

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 22%(1) (2022: 19%)
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	2023 Total £000	2022 Total £000
Loss on ordinary activities before taxation	(29,727)	(88,670)
UK Corporation Tax: 22% (2022: 19%)	(6,540)	(16,847)
Effect of non taxable losses on investments	6,260	16,189
Effect of non taxable UK dividend income	(274)	(144)
Deferred tax not recognised	554	802
Current tax charge	—	—

(1) Average rate of corporation tax applicable for the period.

At the 30 September 2023 the Company had tax losses carried forward of £24,379,001 (2022: £21,921,076). 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 earnings/(loss) per share

	2023 Revenue £000	2023 Capital £000	2023 Total £000	2022 Revenue £000	2022 Capital £000	2022 Total £000
Return (£)	865	(30,592)	(29,727)	(953)	(87,717)	(88,670)
Earnings/(loss) per ordinary share	0.27p	(9.59)p	(9.32)p	(0.36)p	(33.06)p	(33.42)p

The earnings per share is based on 318,946,009 ordinary shares (2022: 265,292,558), being the weighted average number of shares in issue during the year.

7. Investments

	Quoted investments(1) 2023 £000	Unquoted Investments 2023 £000	Total investments 2023 £000	Total investments 2022 £000
Opening Valuation	108,630	10,558	119,188	202,800
Purchases at cost	56,199	1,500	57,699	29,460
Non-cash distribution	—	—	—	126
Sale proceeds	(16,336)	–	(16,336)	(27,995)
Realised gains/(losses)	(8,245)	–	(8,245)(2)	2,056
Unrealised losses	(17,705)	(2,505)	(20,210)(2)	(87,259)
Amortisation for discount/premium on bonds	24	—	24	—
Closing valuation	122,567	9,553	132,120	119,188(4)
Cost at 30 September 2023	132,600	19,241	151,841	118,699
Unrealised gains	14,981	(1,341)	13,640	23,935
Diminution in value (3)	(25,014)	(8,347)	(33,361)	(23,446)
Closing valuation	122,567	9,553	132,120	119,188

(1) Includes the Marlborough Special Situations Fund (valuation £8.3m as at 30 September 2023), included in unquoted investments previously.

(2) The net loss on investments held at fair value through profit or loss in the income statement of -£28,455 is the sum of the realised gains and unrealised losses for the year as detailed in the table above.

(3) Diminishments of £14,762,893 were made in the year. Once adjusted for disposals (£4,617,026) and diminishment reversals (£230,000) the net movement for the year is £9,915,867. Diminishments carried forward are £33,361,442.

(4) Correction to prior year (casting error).

Transaction Costs

During the year the Company incurred transaction costs of £97,493 (2022: £40,809) and £15,710 (2022: £15,989) 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.

	2023 Level 1 £'000	2023 Level 2 £'000	2023 Level 3 £'000	2023 Total £'000	2022 Level 1 £'000	2022 Level 2 £'000	2022 Level 3 £'000	2022 Total £'000
Investments	82,565	40,002	9,553	132,120	105,069(1)	3,561	10,558	119,188

(1) Correction to prior year (casting error).

Transfers between level 3 and level 1 occur when a previously unquoted investment undertakes an initial public offering, resulting in its equity becoming quoted on an active market. There have been no instances in the current period (2022: £5.9m). Transfers between level 1 and 3 would occur when a quoted investment's market becomes inactive, or the portfolio company elects to delist. There have been no instances in the current year (2022: none).

There were transfers of £20.2m between level 1 and level 2 in the current period where the investments market is not sufficiently active (2022: £3.6m). There were no transfers between level 2 and level 1 (2022: none).

Level 3 financial assets

	2023 Equity shares £'000	2023 Preference Shares £'000(1)	2023 Loan notes £'000	2023 Total £'000	2022 Equity shares £'000	2022 Preference Shares £'000(1)	2022 Loan notes £'000	2022 Total £'000
Opening balance	4,740	3,861	1,957	10,558	19,956	9,380	5,835	35,171
Re-Classification Adjustment	—	—	—	—	(457)	(3,013)	(2,431)	(5,901)(2)
Purchases at cost	—	—	1,500	1,500	—	—	300	300
Non-cash distribution	—	—	—	—	—	59	—	59(3)
Sale proceeds	—	—	—	—	(590)	—	—	(590)
Realised (losses) /gains	—	—	—	—	(1,159)	—	—	(1,159)
Unrealised (losses) /gains	(1,756)	(792)	43	(2,505)	(13,010)	(2,565)	(1,747)	(17,322)
Closing valuation	2,984	3,069	3,500	9,553	4,740	3,861	1,957	10,558

(1) The preference shares held are in the nature of equity.

(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 Kidly into shares (£59k).

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 2023.

In assessing fair value, the Investment Manager considered a range of valuation methodologies including EV/Sales, and EV/EBITDA multiples for the current and next financial year. Where appropriate, the Investment Manager also assessed value using discounted cash flow analysis. Where observable market multiples were available, these were used as part of peer group analysis. Market based multiples were taken as reference points with discounts applied (where appropriate) to reflect liquidity and forecast risk.

The manager also undertook sensitivity analysis to consider the impact of a 30% movement in the peer group multiples, both higher and lower. The use of alternative investment structures such as convertible loan stock by the Company or other investors can lead to asymmetric movements in value in response to different upside and downside scenarios. For further information on sensitivities, please see note 15.

Level 3 Unquoted Investments	
Infinity Reliance Ltd (My 1st Years)	Despite the difficult environment, trading remained resilient and in line with expectations for the financial year to December 2022. Although trading remains difficult, the company expects to report further progress with revenues and EBITDA in the current financial year. The fair value of the investment, which was unchanged, was reviewed against EV/Sales multiples across a peer group of listed companies. Peer group multiples recovered some of the heavy declines seen in the prior year.
Kidly Ltd	Trading was difficult over the winter period with the company closing the financial year to March 2023 with revenues lower year on year. Although trading remains challenging within the current year, changes to the operating model are expected to increase margins and reduce losses. The company raised new equity and debt funding (including from the Company) during the period under review. The fair value of the equity investment, which was reviewed against EV/Sales multiples across a peer group of listed companies, was reduced. The fair value of the convertible loan note investment was unchanged. The conversion option is valued using the Black-Scholes option pricing model. Peer group multiples recovered some of the heavy declines seen in the prior year.
SCA Investments Ltd (Gousto)	The company raised new equity (February 2023) and debt (September 2023) to fund capital expenditure and working capital. EBITDA and cash flow generation improved significantly within the year. Although the assessment of value has resulted in an increased enterprise value, the addition of a new class of share and warrants resulted in a reduction to the value of the investment. EV/Sales and EV/EBITDA peer group ratios and discounted cash flow analysis were used to support the valuation. Peer group multiples recovered some of the heavy declines seen in the prior year.
Zappar Ltd	Trading for the financial year to March 2023 was in line with (modestly) revised guidance. With

Level 3 Unquoted Investments

	end markets remaining difficult and extended sales cycles, the company has made small reductions to revenue and profit guidance for the financial year to March 2024, although these, if achieved, would still represent gains over the prior year. The valuation, which was unchanged, was reviewed against the revised financial projections for the current year and EV/Sales multiples across a peer group of listed companies. Peer group multiples reduced in the year under review.
Osirium Technologies plc – convertible loan note	On 30 August 20203, Osirium announced a recommended cash offer for the company by SailPoint Technologies through a scheme of arrangement, effective from 30 October 2023. As part of the transaction, the convertible loan notes and all outstanding accrued interest was repaid in full in November 2023.
Rosslyn Data Technologies plc – convertible loan note	On 19 September 2023, Rosslyn Data Technologies completed a £3.3m fundraising through the issue of new shares and convertible loan notes to fund its organic growth strategy. As part of the funding round, the Company invested £0.3m through the new convertible loan notes. The fair value of the convertible loan notes was unchanged with the value of the conversion option calculated using the Black-Scholes option pricing model.

8. Significant interests

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

Investment	Holding %	Investment	Holding %
Engage XR Holdings plc	29.72%	Crimson Tide plc	6.39%
Fadel Partners inc	22.55%	Eden Research plc	5.59%
Rosslyn Data Technologies plc	20.27%	Skillcast Group plc	4.74%
Bivictrix Therapeutics plc	11.00%	Zoo Digital Group plc	4.50%
PCI-PAL plc	10.54%	C4X Discovery Holdings plc	4.26%
Bidstack Group plc	9.64%	Intelligent Ultrasound Group plc	4.21%
Equipmake Holdings plc	8.94%	Verici DX plc	4.18%
Itaconix plc	8.80%	Surface Transforms plc	4.10%
Crossword Cybersecurity plc	8.38%	Strip Tinning Holdings plc	3.69%
XP Factory plc	7.39%	Polarean Imaging plc	3.34%
One Media IP Group	7.33%	Blackbird plc	3.29%
Tortilla Mexican Grill plc	7.17%		

9. Debtors

	2023 £000	2022 £000
Prepayments and accrued income	1,475	408

The material increase in accrued income from the prior year is due to increased investment in fixed interest bonds and convertible loan notes.

10. Creditors: amounts falling due within one year

	2023 £000	2022 £000
Trade Creditors	21	8
Accruals	885	992
	906	1,000

11. Called up share capital

	2023 £000	2022 £000
Allotted, called-up and fully paid: 327,813,939 (2022: 266,652,209) ordinary shares of 1p each.	3,278	2,666

During the year 7,183,338 (2022: 4,307,731) ordinary shares were purchased through the buyback facility at a cost of £3,636,841 (2022: £3,243,492). The repurchased shares represent 2.7% (2022: 1.9%) of ordinary shares in issue on 1 October 2022. The acquired shares have been cancelled.

During the year, the Company issued 65,917,234 ordinary shares of 1 penny (nominal value £659,172.) in an offer for subscription, representing 24.7% of the opening share capital at prices ranging from 54.76p to 63.84p per share. Gross funds of £39,935,333 were received. The 3.5% premium of £1,397,737 payable to Canaccord Genuity Wealth Ltd (CGWL) under the terms of the offer was reduced by £555,552 being the discount awarded to investors in the form of additional shares. A further reduction of £755 introductory commission was made resulting in fees payable to CGWL of £841,430 which were 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 £741,430.

On 10 February 2023, 1,836,516 ordinary shares were allotted at a price of 54.95 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 20 January 2023, to shareholders who elected to receive shares under the DRIS as an alternative to the final and special dividend for the year ended 30 September 2022.

On 28 July 2023, 591,318 ordinary shares were allotted at a price of 49.29 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 7 July 2023, to shareholders who elected to receive shares under the DRIS as an alternative to the interim dividend for the year ended 30 September 2023.

On 9 May 2023, the amount standing to the credit of the share premium account (£133.2m) was cancelled.

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

Income entitlement

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

Capital entitlement

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

Voting entitlement

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

Transfers

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

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

12. Net asset value per ordinary share

	30 September 2023	**30 September 2022**
Net assets (£'000)	151,920	160,507
Shares in issue	327,813,939	266,652,209
NAV per share (p)	46.34	60.19

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 (2022: nil).

14. Related party transactions and conflicts of interest

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

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.

On 7 September 2023, the Board and the Investment Manager entered into an updated Investment Management Agreement. The amended agreement included updates to reflect changes in regulation. There were no changes to the commercial terms of the agreement.

Oliver Bedford, a non-executive director of the Company is also an employee of the Investment Manager which received fees of £28,000 for the year ended 30 September 2023 in respect of his position on the Board (2022: £26,125). Of these fees £7,000 was still owed at the year end. Oliver Bedford's non-executive directorship fees will increase to £29,500 per annum, with effect from 1 October 2023.

CGWL act as administrator and custodian to the Company. On 7 September 2023, the Company entered into an amended administration agreement with CGWL. Under the terms of the agreement the fees to be paid to CGWL were increased to £250,000 per annum (previously £195,000) with effect from 1 October 2023.

CGWL received fees for the support functions as follows:

	30 September 2023	**30 September 2022**
Custody	30,000	30,000
Administration	195,000	195,000
Total	225,000	225,000
Still owed at the year end	55,765	55,240

Under an offer agreement dated 5 September 2022, CGWL were appointed by the Company to administer an 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 65,917,234 ordinary shares of 1 penny (nominal value £659,172) in an offer for subscription, representing 24.7% of the opening share capital at prices ranging from 54.76p to 63.84p per share. Gross funds of £39,935,333 were received. The 3.5% premium of £1,397,737 payable to Canaccord Genuity Wealth Ltd (CGWL) under the terms of the offer was reduced by £555,552, being the discount awarded to investors in the form of additional shares. A further reduction of £755 introductory commission was made resulting in fees payable to CGWL of £841,430 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 £741,430.

Under an offer agreement dated 7 September 2023, 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.

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 £2,797,377 (2022: £3,340,182) as detailed in note 3. Of these fees £645,397 (2022: £687,373) were 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 (2022: nil).

Total commission of £63,318 was paid to CGWL in the year for broker services (2022: £30,612).

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 £8,119,302 in the client account held at CGWL at 30 September 2023 (2022: £16,786,442).

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 and cash equivalents of £19,231,167 (2022: £41,911,058), accrued income and debtors of £1,434,688 (2022: £370,624), which is classified as 'loans and receivables measured at amortised cost'. Financial liabilities consist of trade creditors and accruals of £905,897 (2022: £1,000,255) 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			
Asset class	**30% market increase 2023 £'000**	**30% market decrease 2023 £'000**	**Aggregate value 2023 £'000**	**Aggregate value 2022 £'000**
AIM Qualifying Investments(1)	14,365	-14,232	80,673	93,680
Unquoted Qualifying Investments(2)	2,004	-2,645	8,453	9,802
Quoted Non-Qualifying Investments	4,496	-4,496	17,366	12,397
Unquoted Non-Qualifying Investments	—	—	—	—
Authorised unit trust	1,409	-1,409	8,268	3,309

	Change in Fair Value of Investments			
Asset class	30% market increase 2023 £'000	30% market decrease 2023 £'000	Aggregate value 2023 £'000	Aggregate value 2022 £'000
Quoted Non-Qualifying fixed income securities	-110	110	17,360	—
	22,164	22,672	132,120	119,188

(1) Includes variances in the value of CLN issued by Osirium plc and Rosslyn Data Technologies 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 2023 would have increased by £22,164,436 (2022: £25,128,703) or decreased by £22,671,676 (2022: £25,965,809).

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 2023			
	Fixed Rate £000	Variable Rate £000	Non-Interest Bearing £000	Total £000
Investments	20,860	—	111,260	132,120
Cash and cash equivalents	—	19,231	—	19,231
Other current assets (net)	1,293	—	182(2)	1,475
Other current liabilities (net)	—	—	(906)	(906)
Net assets	22,153	19,231	110,536	151,920

	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 current assets (net)(1)	262	—	146	408
Other current liabilities (net)(1)	—	—	(1,000)	(1,000)
Net assets	2,218	41,911	116,378	160,507

(1) Prior year updated to split out assets and liabilities and correct fixed interest accrual allocation.

(2) Includes prepayments of £40k which is not considered a financial asset.

Interest rate risk exposure relates to 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 cash equivalents, or readily realisable securities to pay trade creditors and accrued expenses (£905,897 as at 30 September 2023). Liquidity risk is not considered material. As at 30 September 2023 the Company held £19,231,167 in cash or cash equivalents.

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 30 August 2023, Osirium announced a recommended cash offer for the company by SailPoint Technologies through a scheme of arrangement, effective from 30 October 2023. As part of the transaction, the convertible loan notes and all outstanding accrued interest was repaid in full in November 2023. In anticipation of the completion of the transaction, which was completed post period end, the impairments to the carrying value of the loan note and accrued interest were reversed.

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:

	2023 £000	**2022 £000**
Fixed income securities;		
—Qualifying Investments (convertible loan notes)	3,500	1,956
—Non-qualifying investments (investment grade corporate bonds)	17,361	—
—Non-qualifying investments (UK gilt exchange traded fund)	1,978	—
Total fixed income securities	22,839(1)	1,956
Cash and cash equivalents	19,231	41,911
Other assets	1,475	408
	43,545	44,275

(1) Includes UK gilt exchange traded fund as underlying investments are fixed income securities.

Cash and cash equivalents include bank deposits held through Canaccord Genuity Wealth Limited of £8.1 million (2022: £16.8 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

	2023 Ord £000	2022 Ord £000
Paid per share:		
Special capital dividend of 2.50 pence for the year ended 30 September 2021	—	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 penny for year ended 30 September 2022	—	2,671
Paid per share:		
Special capital dividend of 2.00 pence for the year ended 30 September 2023	6,216	—
Paid per share:		
Final capital dividend of 2.00 pence for year ended 30 September 2022	6,216	—
Paid per share:		
Interim capital dividend of 1.00 penny for year ended 30 September 2023	3,298	—
Dividends unclaimed	(13)	(1)
	15,717[(2)]	16,830[(3)]
Proposed per share:		
Final capital dividend of 1.50 pence for the year ended 30 September 2023	5,151	—
Paid per share:		
Special capital dividend of 2.00 pence for the year ended 30 September 2023	—	6,218
Paid per share:		
Final capital dividend of 2.00 pence for the year ended 30 September 2022	—	6,218

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

(2) The difference between total dividends paid for the period ending 30 September 2023 and the cash flow statement is £1,300,000 which reflects the amount of dividends reinvested under the DRIS.

(3) 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 18 December 2023, 2,039,414 ordinary shares have been purchased at an average price of 42.82 pence per share and a total cost of £873,229.

Shares issued

As at 18 December 2023, 17,599,435 ordinary shares have been issued through the offer for subscription raising gross proceeds of £8,101,695.

New investments

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

	Amount Invested £000	Investment into existing company
Qualifying Investments		

	Amount Invested £000	Investment into existing company
Eden Research plc	500	Yes
Non-Qualifying Investments		
Next Group plc GRTD BDS 26/08/25	957	No
Shell plc	809	No
XP Power plc	126	Yes
Marlborough UK Micro-Cap Fund	4,365	No
Marks & Spencer plc 3.75% SNR EMTN 19/05/2026	2,058	No
Unilever plc 1.375% GTD SNR NTS 15/09/24	3,028	No

Disposals

The Company has made the following full disposals since the period end:

	Proceeds £000
Qualifying Investments	
Osiruim Technologies plc	14
Osiruim Technologies plc (convertible loan note)	800
Renalytix AI plc	13
Velocys plc	61
Instem plc	1,416
Abcam plc	3,143
Non-Qualifying Investments	
Diversified Energy Company plc	659
Watches of Switzerland plc	641
Energean plc	679
Marks and Spencer 3% SNR EMTN	3,000
IShares III plc UK Gilts 0-5 YR UCITS ETF	2,005

Alternative performance measures

Alternative performance measures

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

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

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

NAV total return

		30 September 2023	30 September 2022
Opening NAV per share	A	60.19p	100.39p
Special dividend paid	B	2.00p	2.50p
Final dividend paid	C	2.00p	3.15p
Interim dividend paid	D	1.00p	1.00p
Closing NAV per share	E	46.34p	60.19p
NAV total return	((B+C+D+E-A)/A)*100	-14.70%	-33.42%

NAV total return (dividends reinvested)

		30 September 2023	% Return
Opening NAV per share (30 September 2022)	A	60.19p	

			30 September 2023	% Return
Closing NAV per share (30 September 2023)		46.34p		
	Special dividend paid February 2023	2.00p		
	Final dividend for year paid February 2023	2.00p		
	Interim dividend July 2023	1.00p		
Total dividend payments		5.00p		
Closing NAV per share plus dividends paid		51.34p	-14.70% (-33.42% 30 September 2022)	
In year performance of reinvested dividends		-0.74p		
NAV total return (dividends reinvested)	((B-A)/A)*100	B	50.60p	-15.93% (-35.47% 30 September 2022)

Share price total return

		30 September 2023	30 September 2022
Opening share price	A	62.75p	93.00p(1)
Special dividend paid	B	2.00p	—
Final dividend paid	C	2.00p	3.15p
Interim dividend paid	D	1.00p	1.00p
Closing share price	E	43.00p	62.75p
Share price total returns	((B+C+D+E-A)/A)*100	-23.51%	-28.06%

(1) Ex-dividend

Share price total return (dividends reinvested)

			30 September 2023	% Return
Opening share price (30 September 2022)		A	62.75p	
Closing share price (30 September 2023)		43.00p		
	Special dividend paid February 2023	2.00p		
	Final dividend for year paid February 2023	2.00p		
	Interim dividend paid July 2023	1.00p		
Total dividend payments		5.00p		
Closing share price plus dividends paid		48.00p	% -23.51% (-28.06% 30 September 2022)	

			30 September 2023	% Return
In year performance of reinvested dividends		-0.81p		
Share price total return (dividends reinvested)	((B-A)/A)*100	B	47.19p	% -24.80% (-28.98% 30 September 2022)

Ongoing charges ratio

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

		30 September 2023 £000	30 September 2022 £000
Investment management fee		2,797	3,340
Other expenses		1,035[(1)]	989
VCT proportion of MSSF expenses		65	26
Ongoing charges	A	3,897	4,355
Average net assets	B	174,334	211,552
Ongoing charges ratio	(A/B)*100	2.24%	2.06%

(1) Other expenses exclude London Stock Exchange fees of £58,905 for admission of shares under the offer for subscription, reversal of the provision of loan stock interest previously recognised (£34,816) , capital reduction costs of £15,131 and witholding tax charges of £16,485 as the Board do not consider these costs to be ongoing costs to the fund.

Share price discount

		30 September 2023	30 September 2022
Share price	A	43.00p	62.75p
Net asset value per share	B	46.34p	60.19p
(Discount) / premium	((A/B)-1) *100	-7.21%	4.25%

The 1-year average discount of 6.06% is calculated by taking the average of the share price discount at each month end between 1 October 2022 and 30 September 2023.

The 5-year average discount of 5.64% is calculated by taking the average of the share price discount at each month end between 1 October 2018 and 30 September 2023.

END

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