

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

Ordinary Shares (as at 30 September):	2019	2018
Net asset value per share	70.60p	87.59p
Cumulative distributions paid per share since launch	55.15p	50.00p
Total return per share	125.75p	137.59p
Annual Returns per share (basic and diluted):		
Revenue return	(0.01)p	(0.19)p
Capital return	(11.04)p	11.81p
Combined return	(11.05)p	11.62p
Dividends per share:		
Interim paid	1.50p	1.75p
Special dividend	-	1.00p
Final proposed/paid	2.25p	2.65p
Total dividend for year	3.75p	5.40p
Special dividend – declared and paid post year end	1.75p	-
Ongoing Charges Ratio*	2.05%	1.87%

* Calculated using the AIC's "Ongoing Charges" methodology.

Chairman's statement

Introduction

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

Performance

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

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

Investments

During the year, the investment manager, Hargreave Hale Limited, invested £12.0 million into 14 Qualifying Companies. The fair value of Qualifying Investments at 30 September 2019 was £79.6 million invested in 79 AIM companies and 9 unquoted companies. £65.0 million was held in a mix of cash and non-qualifying equities; more detail can be found in the investment manager's report.

Dividend

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

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

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

The Directors continue to maintain their policy of targeting a tax free dividend yield equivalent to 5% of the year end NAV. The ability to pay dividends is also dependent on the Company's available reserves and cash resources, the Companies Act and the Listing Rules. The policy is non-binding and at the discretion of the Board. Dividend payments may vary from year to year in both quantum and timing. Dividends will vary with investment performance; in good years, the Directors may consider a higher dividend payment; in poor years, the Directors may reduce or even pay no dividend.

Buybacks

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

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

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

Offer for subscription

The Directors of the Company announced on 19 September 2018 the launch of a new offer for subscription for shares to raise up to £20 million, together with an over-allotment facility of up to a further £10 million. The offer was approved by shareholders of the Company at a general meeting on 19 October 2018 and was open to both new and existing shareholders. On 28 November 2018, the Company announced it had received valid applications in excess of £20 million and accordingly, the Directors confirmed they were releasing £5 million of the available £10 million over-allotment facility. On 24 January 2019, the Company announced it had received valid applications in respect of the full £5 million over-allotment facility and closed the offer for further applications at that time. On 11 April 2019, the Directors announced the offer was closed.

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

Cost efficiency

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

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

Total costs as measured under the EU rules and published in the Company's Key Information Document are also monitored by the Board. This measure is calculated using a different methodology including some costs which are not treated as ongoing charges under the AIC's approach and therefore shows a higher figure than the published ongoing charge ratio. The current KID is published on the Company's web-site www.hargreaveaimvcts.co.uk.

Hargreave Hale Limited integration with Canaccord Genuity Wealth Limited

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

New agreements

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

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

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

Related party transactions

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

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

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

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

VCT fund management team

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

Board composition

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

I am delighted to welcome Angela Henderson to the Board as a Non-Executive Director appointed on 29 October 2019. Angela is a Non-Executive Director at Credit Suisse Asset Management Limited with over 20 years experience in the financial services sector having worked at Citco Fund Services and the equities divisions of Deutsche Bank and Barclays.

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

I have been Chairman of your Board since the Company was founded in 2004. I will be stepping down as Chairman at the AGM on 4 February 2019, at which point David Brock will succeed me. I will take over as Chairman of the Audit Committee on an interim basis and in due course we will recruit an additional director at which time I intend to retire fully.

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

Shareholder event

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

VCT regulatory update

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

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

VCT status

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

Key information document

I am sure most of you are all too familiar with the new EU's PRIIPs regulation which came into effect in January 2018. The intent is to increase customer protection by improving the functioning of financial markets and in this instance through the Key Information Document (KID) to provide shareholders with more information about the risks, potential returns and charges within VCTs. The regulation requires the Company to publish a KID. Retail investors must now be directed to this before buying shares in the Company. The KID is published on the Company website at www.hargreaveaimvcts.co.uk/document-library.

The KID has been prepared using the methodology prescribed in the PRIIPs regulation. Although well intended, there are widespread concerns about the application of some aspects of the prescribed methodologies to VCTs. Specifically, there are concerns that:

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

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

Outlook

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

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

Sir Aubrey Brocklebank
Chairman
19 December 2019

The Company and its business model

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

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

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

The Company's principal activity is to invest in a diversified portfolio of qualifying small UK based companies, primarily trading on AIM, with a view to maximising tax free dividend distributions to shareholders.

The Company is registered as a small UK Alternative Investment Fund Manager (AIFM) with a Board comprising of five non-executive directors, four of whom are independent. Hargreave Hale Limited acts as investment manager whilst Canaccord Genuity Wealth Limited acts as administrator and custodian and provides the company secretary.

The Board has overall responsibility for the Company's affairs including the determination of its investment policy, however, the Board exercises these responsibilities through delegation to Hargreave Hale/Canaccord Genuity Wealth Limited as it considers appropriate.

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

Investment objectives and policy

Investment objectives

The Company's investment objectives are:

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

Asset allocation

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

- equity investments in Qualifying Companies, referred to as "Qualifying Investments". Qualifying Investments will:
 - comprise qualifying holdings for a VCT as defined in Chapter 4 Part 6 of the Income Tax Act 2007
 - primarily be made in AIM companies, but the Company's investment manager will also consider NEX-quoted companies and private companies that meet the investment criteria summarised below
 - vary in size typically from £250,000 to £3 million by cost
- fixed income securities

- bank deposits that are readily realisable
- non-qualifying equity exposure in the form of equity exposure to UK and international equities through targeted investments made on an opportunistic basis or through an investment into the Marlborough Special Situations Fund.

Investment manager

The Company is managed by Hargreave Hale Limited which has been managing investments in UK Small and Micro Cap companies for 21 years and VCTs for 15 years. Hargreave Hale has a long-established reputation as a substantial investor in and a supporter of small British companies through the main market of the London Stock Exchange and AIM. As well as the Venture Capital Trust, the fund management team manages 6 unit trusts including the Marlborough Special Situations Fund, the Marlborough UK Micro-Cap Growth Fund and the Marlborough Multi-Cap Income Fund. On 1 July 2019, Oliver Bedford assumed the role of lead manager of the Hargreave Hale AIM VCT plc. He is supported by Lucy Bloomfield, a co-manager of the VCT with whom he works closely to deliver the investment strategy. Giles Hargreave continues to act as a co-manager to the VCT, focusing primarily on supporting the delivery of the non-qualifying investment strategy through the direct investment of the Company's capital into listed equities as permitted by the VCT rules, with support from the rest of the Hargreave Hale fund management team. The breadth of the fund management team, the scale of investment into small companies and the investment manager's track record help attract deal flow.

Investment strategy

Qualifying investments

The investment manager will maintain a diversified and fully invested portfolio of Qualifying Investments. The primary purpose of the investment strategy is to ensure the Company maintains its status as a VCT. To achieve this, within the period under review the Company was required to have at least 70% of all funds raised from the issue of shares invested in Qualifying Investments throughout accounting periods of the VCT beginning no later than three years after the date on which those shares are issued.

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

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

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

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

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

Non-qualifying investments

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

The investment manager may invest up to 75% of the net proceeds of any issue of new shares into the Marlborough Special Situations Fund subject to a maximum of 20% (7.9% as at 30 September 2019) of the gross assets of the Company. This will enable the Company to maintain its exposure to small companies indirectly, whilst the investment manager identifies opportunities to invest directly into small UK companies through a suitable number of Qualifying Investments.

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

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

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

Borrowings

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

Key performance indicators

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

Further commentary on the performance of these KPIs has been discussed in the chairman's statement and investment manager's report.

1. Net asset value and total return

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

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

2. Ongoing charges ratio

The ongoing charges of the Company for the financial year under review represented 2.05% (2018: 1.87%) of average net assets, which remains competitive against the whole VCT industry and similar to other AIM VCTs. This ratio is calculated using the AIC's "Ongoing Charges" methodology. Cost control and efficiency continues to be a key focus for your Board and they are satisfied with the result for the year.

3. Earnings per share (basic and diluted)

The Company's earnings per share for the year ended 30 September 2019 was (11.05) pence per share (2018: 11.62 pence per share).

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

4. Dividends per share

The Board's policy is to target a tax free dividend yield equivalent to 5% of the year end NAV. The Board remains committed to maintaining a steady flow of dividend distributions to shareholders; however, dividends may vary from year to year in both quantum, depending on investment performance, and timing. The ability to pay dividends is dependent on the Company's available reserves and cash resources, the Companies Act and the Listing Rules. The policy is non-binding and at the discretion of the Board.

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

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

5. Percentage invested in Qualifying Companies

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

In addition, the Board considers peer group comparative performance whilst recognising that the relevant peer group is very small. Performance is also measured against the Company's closest benchmark the FTSE AIM All-share total. The Director's consider this to be the most appropriate benchmark from a shareholder's perspective, however, due to the investment restrictions placed on a VCT it is not wholly comparable.

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

For further details please refer to the investment managers report.

Principal risks and uncertainties

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

Risk	Potential consequence	How the Board mitigates risk
Venture Capital Trust approval risk – the Company operates in a complex regulatory environment and faces a number of related risks. A breach of Section 259 of the Income Taxes Act 2007 or the Finance Act could result in the disqualification of the Company as a VCT.	Loss of VCT approval could lead to the Company losing its exemption from corporation tax on capital gains, shareholders losing their tax reliefs and in certain circumstances being required to repay the initial tax relief on their investment.	To reduce this risk, the Board has appointed the investment manager, who has significant experience in venture capital trust management and reports to the Board regularly throughout the year. In addition, to provide further formal assurance, the Board has appointed Philip Hare & Associates LLP to monitor compliance with regulations and provide half yearly compliance reports to the Board.

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

Additional risks and further details of the above risks and how they are managed are explained in the financial statements. Trends affecting future developments are discussed in the chairman’s statement and the investment manager’s report.

Long term viability statement and other policies

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

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

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

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

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

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

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

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

Other policies

Diversity

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

Environmental responsibility

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

Employee, human rights, social and community issues

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

Prospects

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

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

Sir Aubrey Brocklebank

Chairman

19 December 2019

Investment manager

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

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

Investment manager's report

Introduction

This report covers the 2018/19 financial year, 1 October 2018 to 30 September 2019. The investment manager's report contains references to movements in the net asset value (NAV) per share and total return per share (NAV per share plus distributed earnings per share). Movements in the NAV per share do not necessarily mirror the earnings per share (EPS) reported in the accounts and elsewhere, which convey the profit after tax of the Company within the reported period as a function of the weighted average number of shares in issue for the period.

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

Investment report

The year under review started off with the markets firmly on the back foot. The political landscape, at home and abroad, was contentious and confrontational. There were questions about the outlook for the US economy amidst an escalating Sino-American trade war; the US yield curve inverted. This all made for a difficult market environment, particularly for growth stocks. Global equity markets suffered a painful sell off in late 2018, making it the worst year for shares since 2008. 2019 started with soothing comments from the Chairman of the Federal Reserve, who talked of a 'patient' approach to monetary policy tightening. This was enough to bring investors back into the equity markets, where there was clear value on offer and an attractive dividend yield, 5% in the case of FTSE 100. In many respects, little has changed since then: the US and China continued to hike tariffs, the European economies continued to post sub-trend growth (most notably Germany) and the UK failed to leave the EU on 31 March 2019, as originally planned. In response, many central banks loosened monetary policy or signalled that they might, in some cases supported by new fiscal programmes. Fears of a 2020 US recession faded away.

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

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

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

Performance

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

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

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

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

We invested £12.0m into 14 Qualifying Companies over the period, comprising 9 existing Qualifying Companies (2 private), 2 secondary placings, 2 IPOs and 1 additional private company.

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

Portfolio structure

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

The allocation to non-qualifying equity investments increased from 18.5% to 20.1%. We continued to make use of the Marlborough Special Situations Fund as a temporary home for proceeds from fundraising; the allocation decreased from 9.0% to 7.9%. The Marlborough Special Situations Fund returned a loss of 10.1% in the period (-0.72 pence per share). The non-qualifying direct equity investments contributed -0.62 pence per share to the overall loss. Within the period, Future plc returned +154% (+0.83 pence per share), making it the single biggest positive contributor to the net asset value. Investors responded positively to strong execution of the company's mixture of organic and acquisition led growth, which drove performance ahead of market expectations. The period ended with no fixed income investments and an increase in the cash weighting from 16.1% to 17.1%.

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

Post period end update

Global equity markets have been more benign post period end, with US indices hitting new highs, as some of the more recent political risks fall away, at least for now. Markets have also found support from the more dovish stance adopted by many central banks and, in the case of the UK and elsewhere, talk of fiscal stimulus. The General Election has produced some

welcome clarity on how and when the UK will exit the EU. This, along with confirmation that we will continue to operate within a free market economy, should support a more benign backdrop for the small domestically orientated companies that we invest in. The NAV has fallen from 70.60 pence to 69.90 pence in the period to 13 December 2019, equivalent to a gain of 1.5% after adjusting for the 1.75 pence special dividend paid on 28 November 2019.

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

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

For further information please contact:

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Lead Manager

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19 December 2019

Investment portfolio summary

As at 30 September 2019

	Net Assets % at 30/9/19	Cost £000	Cumulative Movement in value £000	Valuation £000	Change in Value for the year £000	Market	COI ⁽¹⁾
Qualifying Investments							
Learning Technologies Group plc	3.92	2,487	3,153	5,640	(2,867)	AIM	Y
SCA Investments Ltd (Gousto)	3.13	2,484	2,026	4,510	965	Unlisted	Y
Hardide plc	2.63	3,136	651	3,787	507	AIM	Y
Ideagen plc	2.62	1,992	1,777	3,769	(336)	AIM	N
Zoo Digital Group plc	2.53	2,266	1,383	3,649	(1,985)	AIM	N
Creo Medical Group plc	2.30	2,329	983	3,312	(1,790)	AIM	Y
Cohort plc	1.73	619	1,879	2,498	622	AIM	Y
Craneware plc	1.68	125	2,296	2,421	(813)	AIM	Y
Aquis Exchange plc	1.66	765	1,620	2,385	274	AIM	Y
Oxford Genetics Ltd	1.52	2,186	-	2,186	-	Unlisted	Y
Blackbird plc	1.38	777	1,213	1,990	892	AIM	N
Abcam plc	1.31	55	1,831	1,886	(477)	AIM	Y
Angle plc	1.29	1,158	701	1,859	861	AIM	N
Diaceutics plc	1.29	1,550	305	1,855	306	AIM	Y
Beeks Financial Cloud Group plc	1.13	1,038	586	1,624	(754)	AIM	Y
Zappar Ltd	1.11	1,600	-	1,600	2	Unlisted	N
Mexican Grill Ltd (A Preference Shares)	1.11	1,013	586	1,599	218	Unlisted	N
Surface Transforms plc	1.08	980	568	1,548	485	AIM	Y
Eagle Eye Solutions Group plc	1.03	1,642	(162)	1,480	287	AIM	Y
Crossword Cybersecurity plc	0.90	877	423	1,300	423	AIM	Y
Science in Sport plc	0.87	1,479	(229)	1,250	(480)	AIM	Y
Quixant plc	0.80	1,209	(53)	1,156	(1,430)	AIM	Y

Escape Hunt plc	0.77	1,959	(856)	1,103	(704)	AIM	Y
Laundrapp Ltd (Ordinary & "D" Shares)	0.72	2,236	(1,197)	1,039	(427)	Unlisted	N
EKF Diagnostics Holdings plc	0.69	565	431	996	(57)	AIM	Y
Location Sciences Group plc	0.65	1,000	(67)	933	(67)	AIM	Y
Cloudcall Group plc	0.63	1,287	(376)	911	13	AIM	N
Clearstar Inc	0.61	720	160	880	(255)	AIM	Y
Equals Group plc	0.61	750	126	876	(634)	AIM	N
AnimalCare Group plc	0.59	720	135	855	(204)	AIM	N
Infinity Reliance Ltd (My 1st Years 'D' shares)	0.59	1,500	(647)	853	(395)	Unlisted	Y
Everyman Media Group plc	0.52	600	151	751	(173)	AIM	Y
Infinity Reliance Ltd (My 1st Years 'C' shares)	0.47	1,000	(318)	682	(317)	Unlisted	Y
Gfinity plc	0.46	1,526	(863)	663	(691)	AIM	N
K3 Business Technology Group plc	0.44	270	366	636	(84)	AIM	Y
Belvoir Group plc	0.44	762	(127)	635	6	AIM	N
Maxcyte Inc Com Stk USD0.01 (DI)	0.44	932	(298)	634	(653)	AIM	Y
Yourgene Health plc	0.43	521	99	620	-	AIM	N
Instem plc	0.42	297	312	609	116	AIM	Y
CentralNic Group plc	0.42	588	12	600	(38)	AIM	Y
Intelligent Ultrasound Group plc	0.40	800	-219	581	(30)	AIM	N
Idox plc	0.39	135	432	567	(65)	AIM	Y
Tristel plc	0.39	543	15	558	(12)	AIM	N
Synnovia plc	0.38	478	73	551	54	AIM	N
The Property Franchise Group plc	0.37	377	156	533	61	AIM	Y
PCI-PAL plc	0.36	810	(290)	520	21	AIM	Y
Honest Brew Ltd	0.34	2,200	(1,707)	493	(1,704)	Unlisted	N
Globaldata plc	0.32	173	284	457	117	AIM	Y
Reneuron Group plc	0.31	606	(165)	441	322	AIM	N
bigblu Broadband plc	0.30	347	84	431	11	AIM	Y
ULS Technology plc	0.29	770	(356)	414	(657)	AIM	N
Portr Ltd (Ordinary & "A" Shares)	0.28	1,788	(1,378)	410	(819)	Unlisted	N
APC Technology Group plc	0.28	291	111	402	106	AIM	Y
Maxcyte Inc Com Stk USD0.01 (DI/REG S)	0.27	582	(188)	394	(188)	AIM	Y
Ilika plc	0.26	507	(129)	378	82	AIM	Y
Intercede Group plc	0.24	305	38	343	55	AIM	Y
WANDisco plc	0.23	346	(10)	336	(176)	AIM	N
Vertu Motors plc	0.23	600	(270)	330	(101)	AIM	Y
Faron Pharmaceuticals Oy	0.22	2,218	(1,898)	320	(1)	AIM	N
KRM22 plc	0.22	619	(309)	310	(358)	AIM	Y
Fusion Antibodies plc	0.19	414	(141)	273	(12)	AIM	Y
Loopup Group plc	0.18	1,204	(944)	260	(1,581)	AIM	Y
DP Poland plc	0.17	1,390	(1,143)	247	(1,260)	AIM	Y
i-nexus Global plc	0.15	700	(478)	222	(406)	AIM	Y
C4X Discovery Holdings plc	0.15	500	(283)	217	(283)	AIM	Y
Osirium Technologies plc	0.14	858	(663)	195	(656)	AIM	Y
Mexican Grill Ltd (Ordinary Shares)	0.12	113	65	178	24	Unlisted	N
Renalytix AI plc	0.11	81	82	163	82	AIM	Y

TrakM8 Holdings plc	0.11	486	(325)	161	(464)	AIM	N
Mirriad Advertising plc	0.11	610	(452)	158	(169)	AIM	N
Universe Group plc	0.10	210	(67)	143	8	AIM	N
MYCELX Technologies Corporation plc	0.10	361	(220)	141	(244)	AIM	Y
Lidco Group plc	0.09	307	(184)	123	(46)	AIM	N
Mirada plc	0.08	96	16	112	43	AIM	N
Pressure Technologies plc	0.08	170	(60)	110	(20)	AIM	N
Portr Ltd ("B" Shares)	0.07	100	-	100	-	Unlisted	N
Omega Diagnostics Group plc	0.07	129	(32)	97	(32)	AIM	N
Verona Pharma plc	0.06	221	(138)	83	(115)	AIM	Y
Egdon Resources plc	0.05	158	(85)	73	(23)	AIM	Y
Redcentric plc	0.03	42	3	45	(2)	AIM	N
Genedrive plc	0.03	54	(15)	39	(15)	AIM	N
SEC Newgate S.p.A.	0.02	106	(75)	31	(75)	AIM	N
Hawkwing plc	0.02	135	(113)	22	(113)	AIM	N
Laundrapp Ltd ("A" Preference Shares)	0.01	213	(195)	18	(195)	Unlisted	N
Microsaic Systems plc	0.01	26	(10)	16	(14)	AIM	N
Tasty plc	0.01	40	(31)	9	(31)	AIM	Y
Midatech Pharma plc	0.01	53	(46)	7	(22)	AIM	N
Mporium Group plc	-	33	(31)	2	(23)	AIM	N
Fusionex International plc	-	-	-	-	-	Unlisted	N
Abal Group plc	-	-	-	-	-	AIM	Y
FlowGroup plc	-	26	(26)	-	-	Unlisted	N
Infoserve Group plc	-	-	-	-	-	Unlisted	N
Paragon Entertainment Ltd	-	87	(87)	-	(78)	Unlisted	N
Total - Qualifying Investments	55.27	72,418	7,176	79,594	(18,658)		
Non qualifying investments							
Marlborough Special Situations Fund	7.94	10,965	475	11,440	(1,473)	Unlisted	Y
Total unit trusts	7.94	10,965	475	11,440	(1,473)		
			-				
Future plc	1.84	944	1,700	2,644	1,631	Main	Y
JD Sports Fashion plc	1.19	892	825	1,717	560	Main	Y
Melrose Industries plc	1.01	1,434	21	1,455	177	Main	Y
Royal Dutch Shell plc	1.00	1,327	110	1,437	(176)	Main	Y
BP plc	0.93	1,471	(130)	1,341	(460)	Main	Y
Halma plc	0.89	822	458	1,280	353	Main	Y
IntegraFin Holdings plc	0.86	815	417	1,232	243	Main	Y
Hilton Food Group plc	0.85	1,183	39	1,222	(247)	Main	Y
Dechra Pharmaceuticals plc	0.78	854	267	1,121	239	Main	Y
Ascential plc	0.77	1,069	42	1,111	(91)	Main	Y
Tesco plc	0.71	906	118	1,024	119	Main	Y
Fisher (James) & Sons plc	0.70	870	137	1,007	112	Main	Y
Anglo American plc	0.65	727	209	936	37	Main	N
XP Power Ltd	0.55	871	(76)	795	(67)	Main	Y
Spirax-Sarco Engineering plc	0.54	633	152	785	151	Main	N
Glaxosmithkline plc	0.54	707	78	785	78	Main	Y
Cineworld Group plc	0.53	980	(223)	757	(223)	Main	Y
Zotefoams plc	0.51	750	(14)	736	(10)	Main	Y
Trainline plc	0.48	681	17	698	18	Main	Y

TT Electronics plc	0.46	656	9	665	9	Main	Y
NMC Health plc	0.42	570	40	610	(304)	Main	Y
Oxford Biomedica plc	0.42	956	(349)	607	(366)	Main	Y
On the Beach Group plc	0.40	627	(56)	571	(200)	Main	Y
Cohort plc	0.38	367	185	552	138	AIM	Y
Countryside Properties plc	0.37	585	(49)	536	(18)	Main	Y
Prudential plc	0.31	470	(28)	442	6	Main	N
Ocean Wilsons (Holdings) Ltd	0.28	535	(126)	409	(126)	Main	Y
Everyman Media Group plc	0.25	293	71	364	(84)	AIM	Y
Horizon Discovery Group plc	0.24	374	(26)	348	(120)	AIM	Y
Vesuvius plc	0.24	448	(106)	342	(178)	Main	Y
Renishaw plc	0.23	374	(44)	330	(56)	Main	Y
GoCo Group plc	0.22	457	(135)	322	(54)	Main	Y
Quixant plc	0.15	159	55	214	(264)	AIM	Y
Mexican Grill Ltd (A Preference Shares)	0.12	135	37	172	23	Unlisted	N
MYCELX Technologies Corporation plc	0.11	298	(134)	164	(283)	AIM	Y
Ricardo plc	0.11	236	(77)	159	(26)	Main	Y
Mexican Grill Ltd (Ordinary Shares)	0.02	26	(4)	22	3	Unlisted	N
Hargreave Hale AIM VCT plc	-	-	1	1	-	Main	Y
Genagro Ltd	-	-	-	-	-	Unlisted	Y
Total - equity non-qualifying investments	20.06	25,502	3,411	28,913	544		
Total - non-qualifying investments	28.00	36,467	3,886	40,353	(929)		
Total investments	83.27	108,885	10,062	119,947	(19,587)		
Cash at bank	17.11			24,638			
Prepayments & accruals	(0.38)			(543)			
Net assets	100.00			144,042			

(1) COI – Co investments with other funds managed by Hargreave Hale at 30 September 2019.

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

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

Top ten investments

As at 30 September 2019 (by market value)

The top 10 equity investments are shown below; each is valued by reference to the bid price, or in the case of unquoted companies, the investment manager will apply one or more valuation techniques according to the nature, facts and circumstances of the investment. Forecasts, where given, are drawn from a combination of broker research and/or Bloomberg consensus forecasts and exclude amortisation, share based payments and exceptional items. Forecasts are in relation to a period end for which the company results are yet to be released. Forecasts are not shown for private companies. The net asset figures and net cash values are from published accounts in most cases.

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

Company description

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

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

Income recognised in the period 0

Company description

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

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

Company description

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

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

Company description

Ideagen is a supplier of compliance-based information management software with operations in the UK and the United States. The company specialises in enterprise governance, risk and compliance and healthcare solutions for organisations operating within highly regulated industries. Ideagen provides complete content lifecycle solutions that enable organisations to meet their regulatory and quality compliance standards, helping them to reduce costs and improve efficiency.

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

Company description

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

Creo Medical Group plc			144.0p
Investment date	December 2016	Forecasts for the year to	December 2019
Equity held	1.89%	Turnover (£'000)	300
Av. Purchase Price	101.3p	Profit/(loss) before tax (£'000)	(17,100)

Cost (£'000)	2,329	Net cash/(debt) June 2019 (£'000)	38,280
Valuation (£'000)	3,312	Net assets June 2019 (£'000)	45,727

Company description

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

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

Company description

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

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

Company description

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

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

Company description

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

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

Valuation (£'000)

2,385 Net assets June 2019 (£'000)

13,888

Company description

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

Statement of directors' responsibilities

In respect of the financial statements

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

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

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

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

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

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

Website publication

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

Directors' responsibility statement pursuant to DTR4

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

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

For and on behalf of the Board

Sir Aubrey Brocklebank

Chairman

19 December 2019

Income statement

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

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

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

Balance sheet

Company Registration Number 5206425 (In England and Wales)

As at 30 September 2019

	Note	2019 £000	2018 £000
Fixed assets			
Investments at fair value through profit or loss		119,947	130,105
Current assets			
Debtors		466	167
Cash at bank		24,638	24,860
		25,104	25,027
Creditors: amounts falling due within one year		(1,009)	(346)

Net current assets	24,095	24,681
Total assets less current liabilities	144,042	154,786

Capital and Reserves

Called up share capital	2,040	1,767
Share premium	24,238	-
Capital redemption reserve	46	5
Special reserve	112,803	125,919
Capital reserve – realised	(16,043)	(2,774)
Capital reserve – unrealised	21,713	30,606
Revenue reserve	(755)	(737)
Total shareholders' funds	144,042	154,786

Net asset value per share (basic and diluted)	3	70.60p	87.59p
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These financial statements were approved and authorised for issue by the Board of Directors on 19 December 2019 and signed on its behalf by

Sir Aubrey Brocklebank

Chairman

19 December 2019

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

Statement of changes in equity

For the year ending 30 September 2019

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

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

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

For the year ending 30 September 2018

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

Reserves available for distribution are capital reserve realised, special reserve and revenue reserve. Total distributable reserves at 30 September 2018 were £122.4 million. The accompanying notes are an integral part of these financial statements.

⁽¹⁾ The Income Taxes Act 2007 restricts distribution of capital from reserves created by the conversion of the share premium account into a special (distributable) reserve until the third anniversary of the share allotment that led to the creation of that part of the share premium account. As at 30 September 2018, £80.8 million of the special reserve is subject to this restriction.

Statement of cash flows

2019
£000

2018
£000

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

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

1. Basis of preparation

The financial information set out in this preliminary announcement does not constitute the Company's statutory accounts for the years ended 30 September 2019 or 30 September 2018. Statutory accounts for the year ended 30 September 2018 have been filed with the Registrar of Companies and those of the year ended 30 September 2019 will be delivered to the Registrar in due course; both have been reported on by the independent auditors. The independent auditor's reports on the Statutory accounts for the years ended 30 September 2018 and 30 September 2019 were unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The accounts of the Company are prepared in accordance with UK Generally Accepted Accounting Practice ("UK GAAP"), including Financial Reporting Standard 102 ("FRS 102") and with the Companies Act 2006 and the Statement of Recommended Practice for "Financial Statements of Investment Trust Companies and Venture Capital Trusts" October 2019 ("SORP"). The accounting policies used in preparing this preliminary announcement are consistent with those used in the preparation of the financial statements.

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

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

In estimating fair value for an unquoted investment, the investment manager will apply one or more valuation techniques according to the nature, facts and circumstances of the investment. The investment manager will use reasonable current

market data and inputs combined with market participant assumptions. The assessment of fair value will reflect the market conditions at the measurement date irrespective of which valuation technique is used. The IPEV guidelines describe a range of valuation techniques, including but not limited to relevant observable market multiples, independent arms-length transactions, income, discounted cash flows and net assets.

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

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

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

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

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

The accounting policies adopted in these preliminary results have been consistently applied to all the years presented and are consistent with the policies used in the preparation of the statutory accounts for the years ended 30 September 2019 and 30 September 2018. The full statutory annual accounts will be published in December 2019. Copies may in due course be obtained during normal business hours from Canaccord Genuity Wealth Limited, Talisman House, Boardmans Way, Blackpool, FY4 5FY.

The Annual General Meeting of the Company will be held at the Company's registered office on 4 February 2020 at 10.30am.

2. Earnings per share

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

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

3. Net asset value per ordinary share

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

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

4. Principal Risks and Uncertainties

The principal risks facing the Company relate to the Company's investment activities and include venture capital trust approval risk, investment risk, operational risk and outsourcing, compliance risk and reputational risk. Other risks faced by the Company include market risk, currency risk, interest rate risk and credit risk. These risks and the way in which they are managed are described in more detail in the Strategic Report.

5. Related party transactions and conflicts

The remuneration of the directors, who are key management personnel of the Company, is disclosed below:

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

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

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

Transactions with the manager

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

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

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

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

CGWL received fees for the support functions as follows:

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

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

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

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

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

A further £448,180 was paid to Hargreave Hale Limited under the terms of the offer agreement .

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

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

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

6. Called up share capital

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

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

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

7. Capital structure

Share Capital

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

Share Premium

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

Capital Redemption Reserve

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

Special Reserve

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

Capital Reserve Realised

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

Capital Reserve Unrealised

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

Revenue Reserve

Net revenue profits and losses of the Company.

Key judgements and estimates

The preparation of the financial statements requires the Board to make judgements and estimates that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Key estimation uncertainties mainly relate to the fair valuation of unquoted investments. The assessment of fair value will reflect the market conditions at the measurement date irrespective of which valuation technique is used. The IPEV guidelines describe a range of valuation techniques, as described in note 1. The estimates are under continuous review with particular attention paid to the carrying value of the

investments. The process of estimation is also affected by the determination of fair value hierarchy described in note 1 to the financial statements.

Alternative Performance Measure (“APM”)

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

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

Where the calculation of the APM is not detailed within the financial information set out in this preliminary announcement, an explanation of the methodology employed is below:

NAV total return since inception

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

Ongoing charges ratio

The ongoing charges ratio has been calculated using the AIC’s “Ongoing Charges” methodology.

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

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

Share price discount

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

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

Canaccord Genuity Wealth Limited

Company Secretary

Registered office:

Hargreave Hale AIM VCT plc,

41 Lothbury

London

EC2R 7AE

19 December 2019