Hargreave Hale
AIM VCT

Cultivating opportunities

Annual report and accounts for Hargreave Hale AIM VCT plc year ended 30 September 2023

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Strategic report

Highlights

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 on pages 89 to 92.

(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 (see page 25 for the full policy).

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 pages 93 to 94.

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 on pages 89 to 92.

(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 (see page 25 for the full policy).

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 on pages 89 to 92.

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 notice is set out on pages 96 to 99. 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 at the address set out on page 95 of this document or by email to HHV.CoSec@jtcgroup.com or aimvct@canaccord.com.

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. Further information on these tests can be found on page 17.

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 on pages 22 to 23.

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.

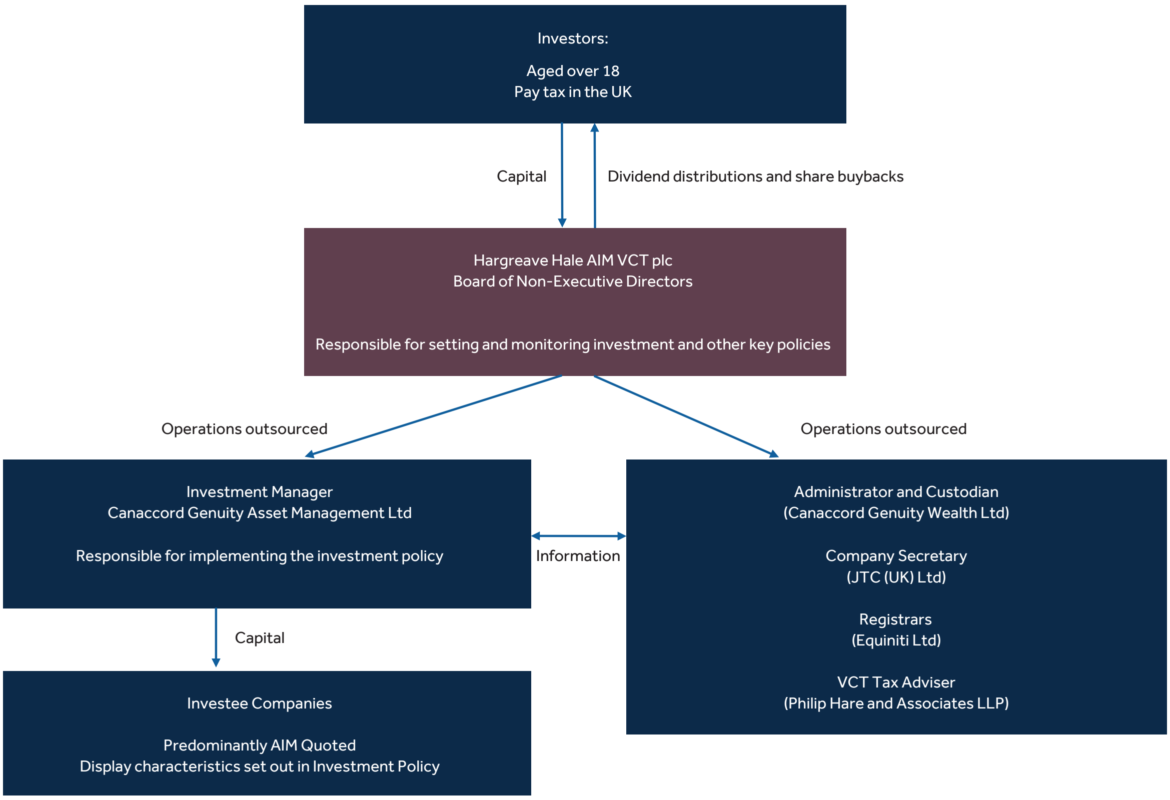
In common with many other VCTs, the Company revoked its status as an investment company as defined in Section 266 of the Companies Act 1985 on 23 May 2006 to facilitate the payment of dividends out of capital profits.

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 on page 22.

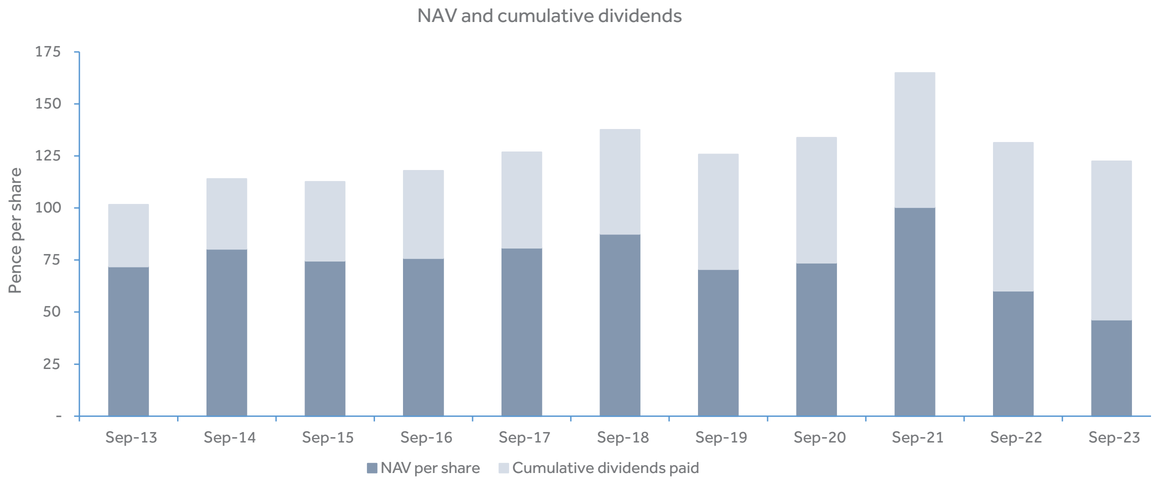
Key performance indicators

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 on pages 4 to 9 and 29 to 32 respectively.

1 NAV and share price total returns

The Board monitors NAV and share price total return to assess how the Company is meeting its objective of generating capital gains and income from its portfolio and making distributions to shareholders. The 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. The definitions and illustrations of these alternative performance measures can be found on pages 89 to 92.

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

(1) Alternative performance measure definitions and illustrations can be found on pages 89 to 92

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.

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).

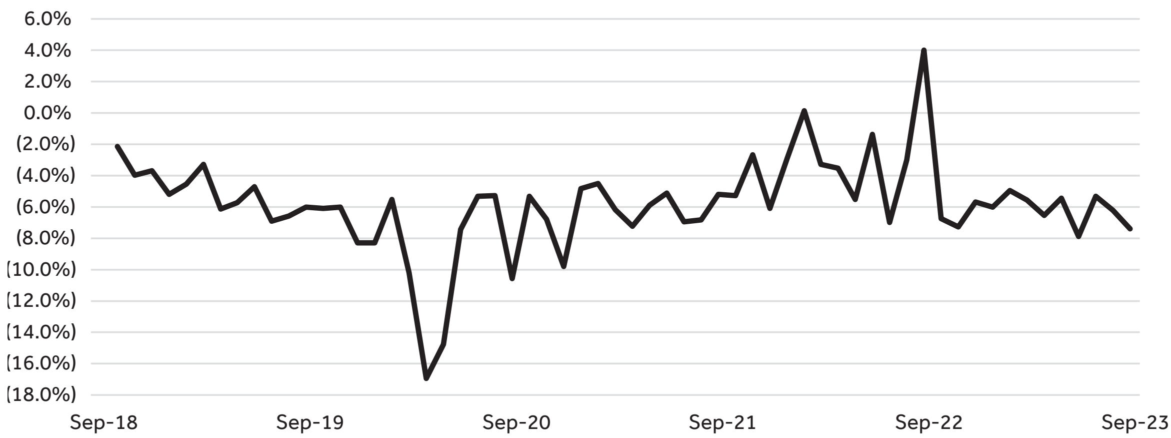
The Company's shares traded at a discount of 7.21%(1) as at 30 September 2023 (2022: 4.25%(1) premium) when calculated with reference to the 30 September 2023 NAV per share. The 1 and 5 year average share price discounts were 6.06%(1) and 5.64%(1) respectively.

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.

Share price discount to NAV



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

(1) Alternative performance measure definitions and illustrations can be found on pages 89 to 92

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.

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 on pages 89 to 92

5. Compliance with VCT regulations

A VCT must be approved by HMRC at all times and, in order to retain its status, the Company must meet a number of tests as set out by the VCT legislation, a summary of which can be found on page 26. 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 on pages 29 to 32.

Section 172 statement

Under section 172 of the Companies Act ("Section 172"), the Directors have a duty to promote the success of the Company for the benefit of its shareholders as a whole, and in doing so to have regard to a number of matters including the interests of its employees, suppliers and customers and the impact of the Company's operations on the community and the environment.

This section sets out how the Directors meet their obligations under Section 172. It provides a summary of how the Directors build and maintain strong relationships with stakeholders, how they understand their interests and concerns and how the strength of these relationships is contributing to the Company's success. This Section 172 statement should be read with the other contents of the Strategic Report on pages 3 to 39.

Purpose

Hargreave Hale AIM VCT aims to support UK investors to fulfil their longer-term financial goals through the effective delivery of its investment objectives, namely by providing financial capital to support growing, innovative businesses across the UK.

Stakeholder review

Within the reporting year, the Board reviewed the Company's key stakeholders, considered how it engaged with those stakeholders and any material issues raised during the year.

Noting that the Company is an externally managed investment company with no employees and no physical premises or assets, the Board agreed that its key stakeholders were its shareholders, the Investment Manager, investee companies, other service providers and advisers, Government agencies and industry bodies and distributors. The Company has different engagement strategies to reflect the varied nature of its stakeholders.

Shareholders

The Board is committed to prioritising the Company's shareholders and considers active shareholder engagement as being central to its understanding of shareholder interests and concerns, in order to ensure their continued support of and investment in the Company. As a result, the Board seeks to have an open, ongoing and positive dialogue with the Company's shareholders.

Reflecting shareholder requests for access to the Investment Manager, the Company and Investment Manager have increased the number of annual shareholder events with three in-person events held within the year.

The Company also provides shareholders with regular reports on performance, investment activity, governance and compliance with HMRC legislation through weekly NAV announcements, monthly factsheets, quarterly interim management statements, the interim report and audited annual report. These reports, together with further background information regarding the Company, can be found on the Company's website.

Shareholders have several channels through which they can ask questions of, or raise matters with, the Investment Manager, the Board, the Administrator, the Company Secretary or the Registrar. Details can be found on the Company's website. Enquiries are shared internally or escalated to the Board as necessary.

One focus area for the Board this year has been to make the Company's processes more efficient, minimising costs for shareholders and reducing its environmental footprint associated with the production of the annual reports, circulars and prospectuses. As part of the 2023/24 Offer documents, shareholders were asked to subscribe via an online application form and to elect to receive electronic communications from the Company to help reduce costs and paper usage.

Key decisions:

- Close the 2022/2023 Offer for subscription having successfully raised £40m;
- launch the 2023/24 Offer for subscription of shares in September 2023;
- payment of dividends totalling 5 pence per share;
- continue the share buy-back programme in support of the discount control policy and to improve liquidity in the Company's shares;
- increase in the number of in-person shareholder events; and
- improvements to digital communications including the website, a new LinkedIn page, additional recorded content and email communications.

Impacts:

- All decisions made in relation to the 2023/24 Offer, dividends and share buy-backs support the delivery of the Company's purpose, investment objectives and key policies as set out in this report and elsewhere;

- increased shareholder engagement leads to increased confidence in decisions made by the Board on behalf of shareholders, improves shareholder understanding and increases transparency and accountability; and
- digital communication allows for better and more frequent communications with shareholders whilst substantially reducing the associated costs and environmental footprint, improving accessibility and reducing the risk of fraud and error.

Investment Manager

The Investment Manager is responsible for the successful delivery of the Company's investment policy under a discretionary mandate. A transparent and open working relationship between the Board and the Investment Manager is fundamental to the successful operation of the Company. The Board and its sub-committees maintain close and frequent contact with the CGAM VCT fund management team. Oliver Bedford is a Board member, the lead fund manager and an employee of Canaccord Genuity and therefore a key link between the Company and the Investment Manager and Administrator. He and other representatives of the Investment Manager attend all Board meetings and sub-committee meetings where appropriate, thus ensuring a regular and constructive dialogue on issues of a strategic and material nature. Less formal communications are adopted for more operational issues or those that require the Board's immediate attention.

The Board retains overall responsibility for the Company's portfolio of investments and risk management. The Board receives detailed reports from the Investment Manager, including commentary on portfolio performance and positioning, which enables it to oversee the delivery of the Company's investment policy throughout the year and upon which it relies to make its key decisions.

In June 2023, the Board held a strategy day. The day allowed the Board and the Investment Manager to have direct and open discussions on a range of matters of importance to both, including the Company's investment strategy, the Investment Manager's investment process, resourcing and approaches to ESG factors.

Through the Management and Service Provider Engagement Committee (the "**MSPEC**"), the Board undertakes an annual review of the Investment Manager. The most recent review was held on 15 November 2023 to cover the financial year to 30 September 2023.

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

Key decisions:

- Retain CGAM as the Investment Manager;
- review investment policy and processes, introduce the Marlborough UK Micro-Cap Growth Fund as an alternative to the Marlborough Special Situations Fund;
- further develop the ESG review process, including the introduction of tailored due diligence questionnaires, and adopt specific policies on divestments and excluded activities;
- update the IMA; and
- introduce measures to support the delivery of the Consumer Duty outcomes.

Impacts:

Through engagement with the Investment Manager, the Board is able to:

- oversee the execution of the Company's key policies;
- monitor progress with the deployment of capital into qualifying companies;
- review the valuation of the Company's investments in unquoted assets;
- receive updates on the key drivers of performance;
- monitor compliance with VCT regulations and FCA regulations, including the Consumer Duty;
- receive updates on regulatory, governance and public affairs matters; and
- identify, monitor and (where applicable) mitigate other risk factors that may impact the Company.

Investee companies

The Company's performance is directly linked to the performance of its underlying investee companies. Through the IMA, the Board has delegated the monitoring of its portfolio companies to the Investment Manager, which directly engages with senior management teams and boards of investee companies through meetings, updates, site visits and through other diligence work.

As a significant shareholder in investee companies with a delegated authority to vote on shareholder resolutions, the Investment Manager is able to engage with and positively influence investee company behaviour, both at the point of investment and during the time in which the Company is a shareholder. This allows the Investment Manager to identify and raise issues of note, provide a forum for positive feedback and promote change where necessary.

The Investment Manager has a strong record of voting on shareholder resolutions on behalf of the Company. Within the year under review, the Investment Manager voted on 99% of the available resolutions.

Key decisions:

- Delegate authority to vote on shareholder decisions to the Investment Manager; and
- publish the Company's engagement strategy on the website.

Impacts:

Active engagement programmes create the forum for:

- active monitoring of governance;
- promoting good corporate behaviours;
- advocating for ESG initiatives where they are seen to be value accretive or reducing risk; and
- protecting stakeholders.

The Board believes that responsible investment, executed through constructive and appropriately calibrated engagement with investee companies, underpins the successful delivery of the investment policy over the long-term.

Key suppliers and professional advisers

As the Company does not have any employees or premises of its own, it depends on outsourcing its operations to key third party suppliers and for those suppliers to run efficient operations on its behalf. Given this reliance, the Board seeks to have an open and constructive relationship with all service providers. Responsibility for the management of the Company's key suppliers is delegated to the MSPEC, which meets bi-annually.

Throughout the year, the Board received a comprehensive overview of the support functions provided by its service providers through a combination of written reports and attendance at MSPEC meetings.

An updated agreement was signed with the Administrator in advance of the launch of the 2023/24 Offer. Following advice from the Administrator and third-party consultants, the Board approved a new anti-money laundering ("**AML**") policy to enhance investor due diligence, support operational efficiencies and created an AML High Risk Sub-Committee to review applications from investors assessed as carrying an elevated risk when assessed under AML regulation.

The Company operates within a complex legal, financial, tax and regulatory environment. Engaging specialist, professional advisers provides the Board with appropriate support as it considers complex and technical factors, designs and implements the Company's policies and monitors compliance with its regulatory obligations. The Board and Investment Manager receive quarterly in-person updates and ad hoc advice as appropriate, compliance status reports and annual training.

Key decisions:

- Retain CGWL as the Administrator under an updated administration agreement;
- appoint CGWL as the Company's receiving agent for the 2023 Offer for subscription;
- introduce a revised AML risk assessment and policy, and establish an AML High Risk Sub Committee of the Board;
- retain Philip Hare & Associates as the Company's tax adviser; and
- appoint Howard Kennedy LLP as the Company's sponsor and legal adviser.

Impacts:

Through the review process, the MSPEC is able to:

- evolve policies to reflect regulatory changes;
- monitor service level agreements; and
- review contracts to ensure they provide value for money to shareholders.

Specialist professional advice supports positive compliance outcomes and informs decision making.

Distributors

Working alongside the Investment Manager and the Receiving Agent, the Company's distributors promote the VCT to financial intermediaries and investors when the Company is raising funds for investment through offers for subscription. Through the IMA and, where applicable, Offer Agreements, the Board delegates responsibility for this to the Investment Manager and Receiving Agent.

The Investment Manager maintains close contact with key distributors throughout the year, providing performance updates and listening to feedback. The Investment Manager reports this back to the Board, along with recommendations. As a result of feedback provided by distributors, the Board reviewed and made changes to elements of the Company's AML policy to reduce operational friction and remove barriers to investment.

The Board's ESG Champions and members of the Investment Manager's team met with certain of the Company's distributors during the year to discuss their approach to ESG issues, responsible investment and Consumer Duty.

Key decisions:

- Review the implementation of Consumer Duty by CGAM and CGWL; and
- enhance ESG policies and processes to reflect feedback from key elements of the distribution chain.

Impacts:

- Improved alignment on ESG issues with major distribution partner; and
- improved understanding of costs and value within the distribution chain.

Government agencies, regulators and industry associations

Governments, regulators and industry associations determine legislation and shape the business and policy environment the Company operates in. The Board is committed to having an open, cooperative and constructive relationship with its regulators and Government agencies, supporting relevant industry associations, providing evidence to support the scheme and engaging in policy reviews and initiatives to improve the operation of the scheme.

The Company is a member of the Association of Investment Companies and the VCT Association and regularly attends events held by both bodies. Oliver Bedford is a member of two VCT Association sub-committees.

Key decisions:

- Continue to actively engage with policy makers through memberships of industry associations.

Impacts:

- Promoting the VCT scheme through engagement with Government agencies; and
- co-ordinating public affairs initiatives through work with associations.

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.
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.

Risk	Potential consequence	How the Board mitigates risk	Changes During the Year
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 Engagement Committee	No change.
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 and profit margins and increases their cost of capital.	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 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.	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.

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 on pages 4 to 9 and the Investment Manager's report on pages 29 to 32.

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, further details can be found in the principal and emerging risks and uncertainties section on pages 22 to 23. 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. Further detail regarding the Investment Manager's approach to ESG issues can be found on pages 12 to 13.

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 on page 9.

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.

The Investment Manager & the Administrator

Canaccord Genuity Asset Management Limited ("**CGAM**"), is a wholly owned subsidiary of Canaccord Genuity Wealth Group Limited. The Investment Manager is a leading small cap UK fund manager with a team of 15 fund managers and analysts. Their combined experience aligns with the Company's published investment policy. As at 30 September 2023, the Investment Manager had more than £2.7 billion of funds under management across 8 unit trusts/OEICS and the Company, including approximately £1.9 billion invested in small UK companies.

The Investment Manager's VCT fund management team is led by Oliver Bedford with support from Lucy Bloomfield as the Deputy Fund Manager, Anna Salim and Archie Stirling as investment analysts and Abbe Martineau as legal counsel. The VCT fund management team is also supported by the wider CGAM fund management team, mainly in the delivery of the Non-Qualifying Investment Strategy through the direct investment of the Company's capital into companies listed on the main market of the London Stock Exchange, as permitted by the VCT Rules.

A short biography on the members of the Investment Manager's VCT team is set out below.

Oliver Bedford

Oliver Bedford graduated from Durham University with a degree in Chemistry. He served in the British Army for 9 years before joining the Investment Manager in 2004. After initially working as an analyst in support of the VCT, Oliver was appointed as co-manager in 2011 and then lead fund manager in 2019.

Lucy Bloomfield

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

Abbe Martineau

Abbe Martineau graduated from the University of Birmingham and went on to qualify as a lawyer in 2005. Her prior legal experience includes eight years at Freshfields Bruckhaus Deringer, where she advised international businesses on a range of corporate matters and strategic M&A, and eight years at Prudential plc, where she worked on delivering the group's strategic priorities, including its first ESG Report and the demerger of M&G. She joined the Investment Manager in 2023.

Anna Salim

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

Archie Stirling

Archie Stirling joined the Investment Manager in September 2021. Prior to this he spent eight years at KPMG, including five years in Transaction Services working for private equity and corporate clients. Archie graduated from Bristol University in 2013 with a degree in Economics and is a Chartered Accountant (ICAEW).

£2.7 BILLION	£1.9 BILLION	25 YEAR	OVER 2,000 MEETINGS
of funds under management	Invested in small UK companies	Track record of fund management	With companies (12 months to 30 September 2023)

Source: Canaccord Genuity Asset Management Limited (as at 30 September 2023)

The Administrator

Canaccord Genuity Wealth Limited ("**CGWL**") provides administration and custody services to the Company. CGWL is a subsidiary of Canaccord Genuity Inc., a full service financial services company listed on the Toronto Stock Exchange.

Fees and expenses

The annual running costs of the Company are capped at 3.5 per cent. of the net assets of the Company. The Investment Manager has agreed to indemnify the Company in relation to all costs that exceed this cap (such costs excluding any VAT payable on the annual running costs of the Company). As at 30 September 2023, the Company's running costs were 2.24 per cent. of the net assets of the Company (including irrecoverable VAT).

Under the investment management agreement, the Investment Manager receives an annual management fee of 1.7 per cent. of the Net Asset Value of the Company. A maximum of 75 per cent. of the annual management charge will be chargeable against capital reserves, with the remainder being chargeable against revenue. The Company does not pay the Investment Manager a performance fee. As the Investment Manager to the Company and investment advisor to the Marlborough Special Situations Fund and the Marlborough UK Micro-Cap Growth Fund (in which the Company may, and does, invest), the Investment Manager adjusts the fee it receives under the investment management agreement to ensure that the Company is not charged twice for its services.

The Investment Manager carries out some due diligence and transaction services on potential investments internally. 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 transactional services costs directly from private investee companies.

The Administrator is engaged by the Company under the terms of an administration agreement. Under the terms of this agreement, with effect from 1 October 2023, the Administrator will be paid an annual fee of £250,000 (previously £195,000) (plus VAT) in relation to administration services. Prior to this, administration fees were last reviewed in June 2019. In addition, the Administrator will continue to receive a fee of £30,000 per annum in relation to its appointment as the Company's Custodian.

Any initial or trail commissions paid to Financial Intermediaries are paid by CGWL.

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.

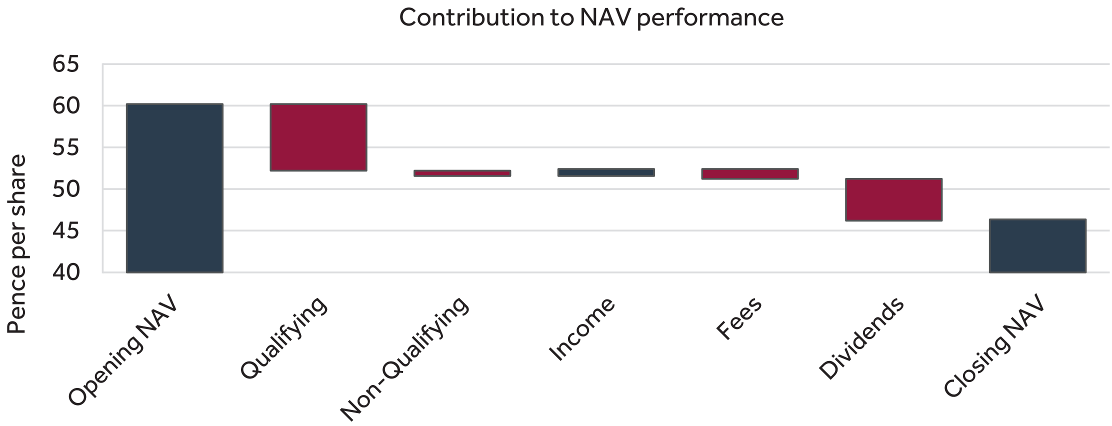
Sadly, these factors continue to depress appetite for investment into high-risk growth equity. AIM continues to endure a particularly difficult period, having now fallen by 41.6% in the two years to 30 September 2023. By any measure, this is a long and uncomfortable bear market. Although trading varies 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
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

	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]
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
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
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

	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]
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.

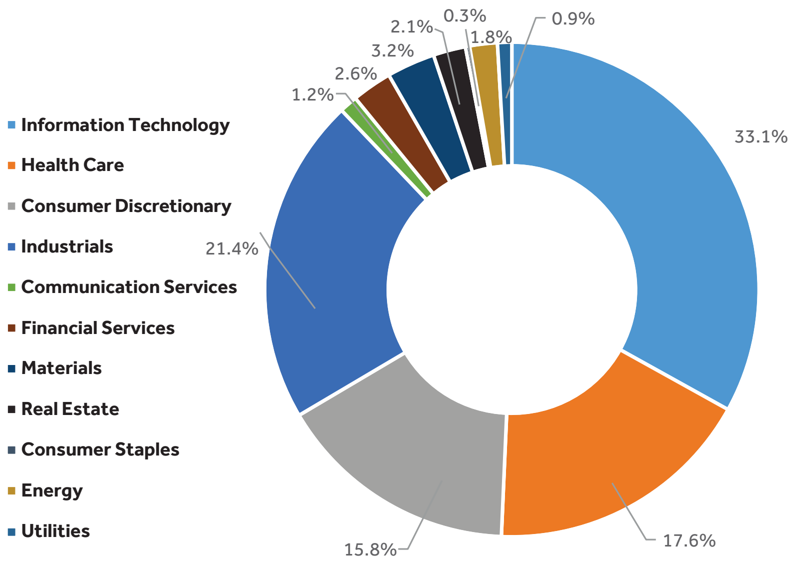
(4) Impaired fully through the profit and loss account and therefore shows a zero cost.

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

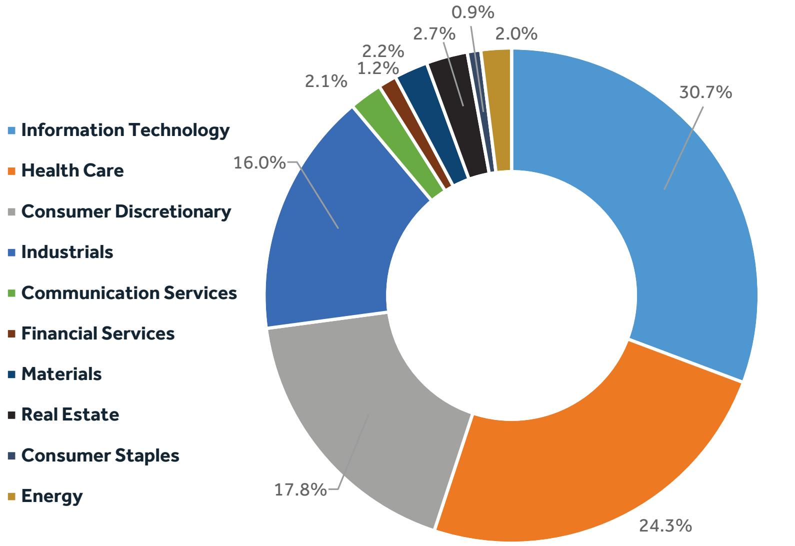
	Listed	Headquartered	Registered
Listed Investments:			
Abcam plc	UK/USA	UK	UK
Bytes Technology Group plc	UK/South Africa	UK	UK
Crimson Tide	UK/Republic of Ireland	UK	UK
Craneware plc	UK	UK/USA	UK
Engage XR plc	UK/Ireland	Ireland	Ireland
Fadel Partners plc	UK	USA	USA
Faron Pharmaceuticals Oy	UK/Finland	Finland	Finland
Itaconix plc	UK	USA	UK
Maxcyte Inc	UK/USA	USA	USA
Mycelx Technologies Corporation plc	UK	USA	USA
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.

Total investments by market sector as at 30 September 2023



Total investments by market sector as at 30 September 2022



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
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
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:

Oliver Bedford
Lead Fund Manager

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aimvct@canaccord.com

Governance

Board of Directors

David Brock *(Chair)*
Date of Appointment: 13 October 2010

David Brock, who is an experienced company chair in both private and public companies and a former main board director of MFI Furniture Group plc. David is chair of Molten Ventures VCT plc and ECS Global Group Ltd. David was appointed as Chair of the Board on 4 February 2020.

Oliver Bedford
Date of Appointment: 13 December 2016

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

Angela Henderson *(Management and Service Provider Engagement Committee Chair)*
Date of Appointment: 1 November 2019

Angela Henderson is a non-executive director at Macquarie Capital (Europe) Limited, Wells Fargo Securities International Limited and Polar Capital Global Financials Trust plc following an executive career in financial services. She has invested in early stage technology companies and held non-executive board seats in the asset management sector. Previously, she has served on the governing body of a London hospital and is a trustee of a healthcare charity. She is a solicitor of the Senior Courts of England & Wales.

Megan McCracken
Date of Appointment: 1 June 2022

Megan McCracken is Chair of State Street Trustees Limited, the senior independent director of GB Bank and chair of Remuneration and Nomination Committees for Folk2Folk. She was awarded the Institute of Directors' Chair's Award. Megan has held executive roles at HSBC and Citibank, and was a PwC consultant and a Boeing Satellite Systems engineer. She has an MBA from MIT Sloan and a Bachelor of Science in Aerospace Engineering from the University of Notre Dame.

Busola Sodeinde
Date of Appointment: 1 June 2022

Busola Sodeinde is a qualified Chartered Accountant and has spent most of her executive career in Financial Services. Until 2019 she was a Managing Director/CFO in Global Markets EMEA at State Street Bank. She is a non-executive director and chair of the Audit Committee of TR Property Investment Trust plc, a member of the Board of Governors for Church Commissioners (and sits on its Audit & Risk Committee), is a non-executive director at The Ombudsman Services and a Trustee of The Scouts. Busola is the founder of a social start up and is also an activator supporting women-led ventures.

Justin Ward *(Audit Committee Chair)*
Date of Appointment: 1 November 2020

Justin Ward is a qualified Chartered Accountant and is a non-executive director and chair of the Investment Committee of The Income and Growth VCT plc. He is also a non-executive director of School Explained Limited and has previously served on the board of a number of private companies. Justin formerly led growth equity and private equity buyout transactions at CVC Capital Partners, Hermes Private Equity and Bridgepoint Development Capital.

Directors' report
For the year end 30 September 2023

The Directors of the Company present their report together with the audited financial statements of the Company for the year from 1 October 2022 to 30 September 2023 ("**Annual Report**"), incorporating the corporate governance statement on pages 51 to 55. The principal activity of the Company has been outlined in the strategic report on page 10. The Board believes that the Annual Report taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Directors

The Directors of the Company during the year were David Brock (Chair), Oliver Bedford, Angela Henderson, Justin Ward, Busola Sodeinde and Megan McCracken. Brief biographical details are given on page 41.

Directors' interests

The Directors' interests (including those of connected persons) in the issued share capital of the Company are outlined in the Directors' remuneration report on page 46. There is no minimum holding requirement that the Directors need to adhere to.

David Brock, Oliver Bedford, Angela Henderson, and Justin Ward are shareholders in the Company. Their current shareholdings, as at the date of the Annual Report, are stated in the Directors' remuneration report on page 46.

Directors' and officers' liability insurance

Directors' and officers' liability insurance cover is held by the Company in respect of the Directors.

Deeds of Indemnity

The Company has entered into deeds of indemnity in favour of each of the Directors in order to provide additional protection to the Directors in certain liability scenarios. The deeds of indemnity give each Director the benefit of an indemnity, out of the assets and profits of the Company, to the extent permitted by the Companies Act 2006 and subject to certain limitations against liabilities incurred by each of them in the execution of their duties and exercise of the powers as Directors of the Company.

Disclosable interests

No Director is under contract of service with the Company and other than as disclosed in note 14, no contract existed during or at the end of the year in which any Director was materially interested and which was significant in relation to the Company's business.

Revenue and dividends

The statutory loss for the year amounted to £29,726,556 (2022: loss £88,670,119). A special dividend of 2.00 pence per share was paid on 10 February 2023. An interim ordinary dividend of 1.00 penny per share was paid on 28 July 2023 (2022: 1.00 penny per share). The final dividend of 1.50 pence per share for the year ended 30 September 2023 is due to be paid on 15 February 2024 (2022: 2.00 pence per share).

Capital structure

The Company's capital structure is summarised in notes 1 and 11 to the financial statements.

Voting rights in the Company's shares

Details of the voting rights in the Company's shares as at the date of the Annual Report are given in note 2 to the Notice of Annual General Meeting on page 96.

Substantial holdings in the company

As at 30 September 2023 and the date of this report, the Company was aware of the following shareholdings of 3% or more of the Company's issued ordinary share capital:

Shareholder	Number of ordinary shares as at 30 September 2023	% held	Number of ordinary shares as at 14 December 2023	% held
Hargreave Lansdown (Nominees) Limited	12,880,056	3.93	13,109,189	3.87
UBS Banking Nominees Ltd	11,140,397	3.40	11,494,052	3.39

Share buybacks and share price discount

During the year, the Company repurchased 7,183,338 ordinary shares (nominal value £71,833) at a cost of £3,636,841. The repurchased shares represent 2.69% of the ordinary shares in issue on 1 October 2022. All repurchased shares were cancelled. As at 18 December 2023, a further 2,039,414 ordinary shares (nominal value £20,394) have been purchased since the year end at a total cost of £873,229.

The Directors believe that these share buybacks are in the best interests of all shareholders as they provide liquidity for shareholders looking to realise their investment whilst ensuring the shares are bought back at a discount to the NAV to the longer term benefit of remaining shareholders.

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

Shares issued

During the year, the Company issued 65,917,234 ordinary shares of 1 penny (nominal value £659,172) in the offer for subscription launched in the year ending September 2022, 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 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.

Financial instruments

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

VCT status monitoring

The Company has appointed Philip Hare & Associates LLP as advisors on, inter alia, compliance with legislative requirements. The Directors monitor the Company's VCT status through regular reports from Philip Hare & Associates LLP.

Auditors

A resolution proposing the reappointment of BDO LLP as auditors to the Company and authorising the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

Greenhouse gas emissions

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

Amendments to the Articles of Association

The Company's Articles of Association may be amended by the members of the Company by special resolution (requiring a majority of at least 75% of the persons voting on the relevant resolution).

At the Company's General Meeting on 11 October 2023, a resolution to adopt amended Articles of Association which, provided that the next continuation vote in relation to the Company will be held in 2030 rather than 2029, was passed, with 96.96% votes in favour.

Post balance sheet events

Post balance sheet events are disclosed in note 17 to the financial statements on page 87.

Future developments

Consideration of the Company's future development and prospects are contained in the Chair's statement, long term viability statement and Investment Manager's report on pages 4 to 9, 24 and 29 to 32 respectively.

Going concern

The Company's business activities and the factors affecting its future development are set out in the Chair's statement on pages 4 to 9 and the Investment Manager's report on pages 29 to 32. The Company's principal and emerging risks are set out in the strategic report on pages 22 to 23.

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

The Directors have 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, as described on pages 22 to 29 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 as legal counsel 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.

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 Company's Notice of AGM is set out on pages 96 to 99 of this annual report. Shareholders who are unable to attend the AGM in person are invited to vote by proxy ahead of the AGM and submit any questions in writing to the Company Secretary at HHV.CoSec@jtcgroup.com (please include 'HHV AGM' in the subject heading) by 5.00 p.m. on 1 February 2024. Answers will be published on the Company's website on 8 February 2024. The Chair will record the voting for each resolution by way of a poll to ensure each vote cast is counted.

A proxy form for the AGM is enclosed separately with shareholders' copies of this annual report. The proxy form permits shareholders to disclose votes 'for', 'against' and 'withheld'. A vote 'withheld' is not a vote in law and will not be counted in the proportion of the votes for and against the resolution. Shareholders who wish to appoint a proxy are recommended to appoint the Chair of the AGM as their proxy.

Resolutions being proposed at the AGM

There are 15 resolutions being proposed at the forthcoming AGM, 13 as ordinary resolutions, including approval of the annual accounts (resolution 1), and 2 as special resolutions, requiring the majority of the votes cast and 75 per cent of the votes cast to be in favour of the resolutions, respectively, in order for the resolutions to carry. Ordinary resolutions include the re-election of the Directors.

Resolution 12 – Authority to implement any scrip dividend offer

Ordinary resolution number 12 grants the Directors the necessary authority, in accordance with the terms of Article 29 of the Articles, to continue to offer a scrip dividend alternative in respect of future dividends made or paid in the period ending at the conclusion of the annual general meeting to be held in 2025. The Board believes that this continued authority offers the Company and its shareholders a greater level of flexibility in relation to dividend payments. The appendix on pages 100 to 102 of this document sets out a summary of key terms and conditions of the Company's scrip dividend scheme. The full terms and conditions can be accessed via the Company's website at https://www.hargreaveaimvcts.co.uk and are available on request from the Company's registrar, Equiniti Limited.

Resolution 13 – Power to allot shares

Ordinary resolution number 13 will request the authority for the directors to allot up to an aggregate nominal amount of £338,803 representing approximately 10 per cent. of the total share capital of the Company in issue (excluding treasury shares) as at the date of this document, generally from time to time or pursuant to shareholders' right to elect or participate in the dividend reinvestment scheme operated by the Company in accordance with Article 29 of the Company's Articles of Association. This authority is in addition to any existing authorities.

The authority sought at the forthcoming Annual General Meeting will expire 15 months from the date that this resolution is passed, or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier.

Resolutions 14 and 15 are being proposed as special resolutions requiring the approval of at least 75 per cent. of the votes cast at the meeting.

Resolution 14 – Disapplication of pre-emption rights

Special resolution number 14 will request the authority for the Directors to allot equity securities for cash without first being required to offer such securities to existing members. This will include the sale on a non pre-emptive basis of any shares the Company holds in treasury for cash. The authority is limited to (i) an aggregate nominal amount of £169,401 (representing approximately 5 per cent. of the issued share capital of the Company (excluding treasury shares) as at the date of this document) pursuant to the dividend reinvestment scheme operated by the Company and (ii) for allotments generally from time to time, an aggregate nominal amount of £169,401 (representing approximately 5 per cent. of the issued share capital of the Company (excluding treasury shares) as at the date of this document). This authority is in addition to any existing authorities.

The authority sought at the forthcoming Annual General Meeting will expire 15 months from the date that this resolution is passed or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier.

Resolution 15 – Purchase of own shares

Special resolution number 15 will request the authority to purchase a maximum of 14.99 per cent. of the Company's issued ordinary share capital at the date of the passing of the resolution being approximately 50,786,705 as at the date of this document at or between the minimum and maximum prices specified in resolution 13. Shares bought back under this authority may be cancelled or held in treasury.

The Board believes that it is helpful for the Company to continue to have the flexibility to buy its own shares and this resolution seeks authority from shareholders to do so. The passing of this resolution will replace and renew the buyback authority taken at the last AGM. During the financial year under review, the Company purchased 7,183,338 ordinary shares which were then cancelled.

The authority sought at the forthcoming Annual General Meeting will expire 15 months from the date this resolution is passed, or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier.

Recommendation

The Directors believe that the passing of the resolutions above are in the best interests of the Company and its shareholders as a whole and unanimously recommend that you vote in favour of these resolutions, as they intend to in respect of their own beneficial shareholdings amounting to 318,689 ordinary shares.

By order of the Board

David Brock
Chair

Registered office:
Hargreave Hale AIM VCT plc
Talisman House
Boardmans Way
Blackpool
FY4 5FY

18 December 2023

Directors' remuneration report

For the year ended 30 September 2023

The Board presents this report which has been prepared in accordance with the requirements of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. Shareholders are encouraged to vote on the remuneration report annually at the Annual General Meeting and on the remuneration policy at least every three years. Notwithstanding this, the Directors' policy is to put the remuneration to the vote of its shareholders at each Annual General Meeting.

Your Company's independent auditor is required to audit certain disclosures provided in this report. Where disclosures have been audited, they are indicated in this report. The auditor's opinion is included in their report on pages 62 to 68.

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

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

Following a review of the Board remuneration levels of the Company's peers and taking into account inflation, the Board has decided to increase its remuneration, effective 1 October 2023. As a result of the increases, the annual remuneration of the Chair will be £41,000, the independent non-executive directors will receive £32,000 and Oliver Bedford, who is not considered independent, will receive £29,500. An additional fee of £1,500 will continue to be paid to the Chair of the Management and Service Provider Engagement Committee and the Chair of the Audit Committee will continue to receive an additional fee of £3,000.

Remuneration responsibilities

As the Board consists entirely of non-executive directors it is considered appropriate that matters relating to remuneration are considered by the Board as a whole, rather than a separate remuneration committee.

All Directors are considered independent with the exception of Oliver Bedford who is an employee of the Investment Manager and is not therefore independent.

The remuneration policy is set by the Board, who consider the remuneration of each of the Directors and whether the remuneration policy is fair and in line with comparable VCTs. The Board deals with all matters relating to the Directors' remuneration and reporting thereon.

Policy on Directors' remuneration

The Company has no employees, so the Board's policy is that the remuneration of its Directors should be fair and reasonable in relation to the time commitment and responsibilities of the Directors and in line with the remuneration paid by other listed Venture Capital Trusts and investment trusts. The Board aims to review Directors' remuneration from time to time.

Fees for the Directors are determined by the Board within the limits stated in the Company's Articles of Association. The maximum permitted by the Company's Articles of Association is £250,000 per annum. The Directors are not eligible for bonuses, pension benefits, share options, other incentives or benefits. The Directors may be reimbursed for reasonable expenses incurred. The Directors do not receive payment on loss of office other than in lieu of notice period, if applicable.

Director's terms of appointment

It is the Board's policy that none of the Directors has a service contract. Each of the Directors has entered into an agreement with the Company when appointed. David Brock was appointed on 28 September 2010, Oliver Bedford on 13 December 2016, Angela Henderson on 29 October 2019, Justin Ward on 1 November 2020 and Busola Sodeinde and Megan McCracken on 1 June 2022. The terms of appointment provide that a Director shall retire and be subject to election at the first Annual General Meeting after appointment. The Articles of Association provide that a Director may retire at any Annual General Meeting following the Annual General Meeting at which he or she last retired and was re-elected provided that he or she must retire from office at or before the third Annual General Meeting following the Annual General Meeting at which he or she last retired and was re-elected. However, notwithstanding this, the Board agreed in July 2019 that all Directors will be subject to annual re-election. Either party can terminate the agreement by giving to the other at least 3 months' notice in writing.

Basis of remuneration

All of the Directors are non-executive and considered to be independent with the exception of Oliver Bedford, who is not independent. It is not considered appropriate to relate any portion of their remuneration to the performance of the Company and performance conditions have not been set in determining their level of remuneration. As the Company has no employees, it is not possible to take account of the pay and employment conditions of the employees when determining the levels of the Directors' remuneration.

The following table shows the expected maximum payment that can be received per annum by each director for the year to 30 September 2024, together with a summary of the Company's strategy and how this is supported by the current remuneration policy.

<table>
<tr><th>Director</th><th>Role</th><th>Components of pay package</th><th>Expected Fees for the year to 30 September 2024</th><th>Performance Conditions</th><th>Company Strategy</th><th>Remuneration Policy</th></tr>
<tr><td>David Brock</td><td>Chair</td><td rowspan="6">Basic Salary</td><td>£41,000</td><td rowspan="6">N/A</td><td rowspan="6">To generate capital gains and income from its portfolio and make distributions from capital or income to shareholders whilst maintaining its status as a Venture Capital Trust</td><td rowspan="6">The levels of remuneration are considered to be fair and reasonable in relation to the time committed, responsibilities of the Directors and in line with the remuneration paid by other VCTs and investment trusts</td></tr>
<tr><td>Justin Ward</td><td>Director and Chair of the Audit Committee</td><td>£35,000</td></tr>
<tr><td>Angela Henderson</td><td>Director and Chair of the Management and Service Provider Engagement Committee</td><td>£33,500</td></tr>
<tr><td>Oliver Bedford</td><td>Director</td><td>£29,500</td></tr>
<tr><td>Megan McCracken</td><td>Director</td><td>£32,000</td></tr>
<tr><td>Busola Sodeinde</td><td>Director</td><td>£32,000</td></tr>
</table>

Annual remuneration report

The purpose of this report is to demonstrate the method by which the Board has implemented the Company's remuneration policy and provide shareholders with specific information in respect of the Directors' remuneration.

Under s439 of the Companies Act 2006, companies are required to ask shareholders to approve the annual remuneration paid to directors every year and to formally approve the directors' remuneration policy every three years. However, the Board's preferred approach is to put the remuneration policy to shareholders annually for approval. Any change to the Directors' remuneration policy will require shareholder approval. As in prior years, the vote on the Directors' remuneration report is an advisory vote, whilst the vote on the Directors' remuneration policy is binding.

Accordingly, ordinary resolutions will be put to shareholders at the forthcoming Annual General Meeting to be held on 8 February 2024, to receive and adopt the Directors' remuneration report and to receive and approve the directors' remuneration policy.

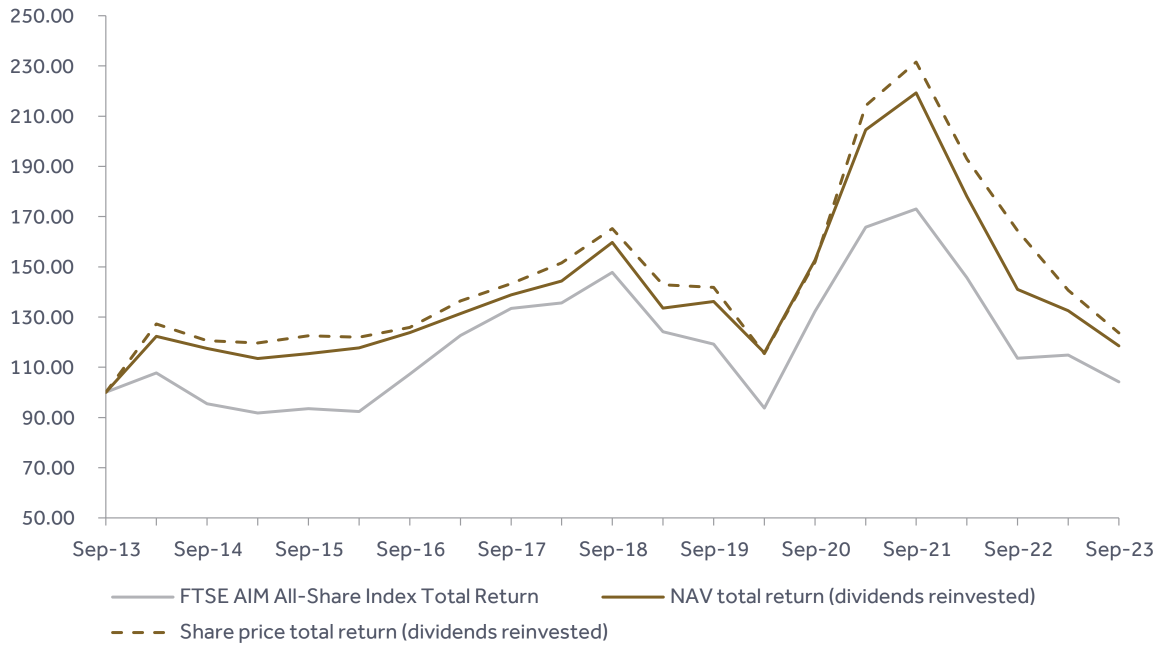
At the Annual General Meeting held on 2 February 2023 the following votes were cast on the remuneration report and the remuneration policy:

	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld
Remuneration report	12,763,878	93.31	915,521	6.69	13,679,399	531,672
Remuneration policy	12,685,494	92.62	1,010,324	7.38	13,695,818	515,253

Company performance

The Company was incorporated on 16 August 2004 and commenced trading on 29 October 2004. The performance chart below plots the Company's NAV total return (dividends reinvested) (rebased to 100) and share price total return (dividends reinvested) (rebased to 100) over the last 10 years compared to the FTSE AIM All-Share Index Total Return over the same period (also calculated on a dividends reinvested basis). This index was chosen for comparison purposes as it represents the closest comparable equity market index. However, HMRC derived investment restrictions, along with Qualifying Investments in private companies and fixed income securities and Non-Qualifying Investments in main market listed companies, predominantly in the FTSE 350, mean the index is not a wholly comparable benchmark for performance.

Performance against the FTSE AIM All-Share Index Total Return



Source: Bloomberg

Directors' emoluments for the year (audited)

The total emoluments of each person who served as a director during the year are set out in the table below. David Brock is entitled to a higher fee due to his role as Chair of the Board, Justin Ward is entitled to a higher fee due to his role as Chair of the Audit Committee and Angela Henderson is entitled to a higher fee due to her role as Chair of the Management and Service Provider Engagement Committee.

	2023 Fees £	2023 Taxable Expenses £	2023 Total £	2022 Fees £	2022 Taxable Expenses £	2022 Total £
David Brock (Chair)	39,000	532	39,532	36,500	–	36,500
Oliver Bedford	28,000	–	28,000	26,125	–	26,125
Ashton Bradbury[1]	–	–	–	9,633	558	10,191
Angela Henderson	32,000	–	32,000	30,125	–	30,125
Justin Ward	33,500	–	33,500	31,625	40	31,665
Megan McCracken[2]	30,500	–	30,500	9,667	–	9,667
Busola Sodeinde[2]	30,500	–	30,500	9,667	–	9,667
Total	193,500	532	194,032	153,342	598	153,940

(1) Ashton Bradbury resigned as a Director effective 3 February 2022.

(2) Megan McCracken and Busola Sodeinde were appointed with effect from 1 June 2022 and their 2022 fees are with effect from that date.

Directors' annual percentage change in remuneration

The increase in Directors' remuneration over the last two years is set out in the table below. As the Company does not have any employees no comparisons are given for employees' remuneration increases.

	2023 Fees Total £	2022 Fees Total £	2021 Fees Total £	Annual % Change 2022-2023	Annual % Change 2021-2022
David Brock (Chair)	39,532	36,500	34,250	6.9	6.6
Oliver Bedford	28,000	26,125	25,000	7.2	4.5
Ashton Bradbury[(1)]	–	10,191	26,875	N/A	N/A
Angela Henderson	32,000	30,125	28,000	6.2	7.6
Sir Aubrey Brocklebank	–	–	9,982	N/A	N/A
Justin Ward [(3)]	33,500	31,665	26,703	5.8	18.4
Megan McCracken[(2)]	30,500	9,667	–	215.5	N/A
Busola Sodeinde[(2)]	30,500	9,667	–	215.5	N/A
Total	**194,032**	**153,940**	**150,810**	**–**	**–**

(1) Ashton Bradbury resigned as a Director effective 3 February 2022.

(2) Megan McCracken and Busola Sodeinde were appointed with effect from 1 June 2022 and their 2022 fees are with effect from that date.

(3) Justin Ward's annual % change 2021-2022 reflects his fee increase following his appointment as Audit Chair in February 2021.

Relative importance of spend on pay (unaudited)

The table below compares Directors' remuneration to shareholder distributions (through dividend payments and share buybacks) in respect of the financial year ended 30 September 2023 and the preceding financial year:

	Year ended 30 September 2023 £	Year ended 30 September 2022 £	Growth %
Directors' remuneration[(1)]	193,500	153,342	26.2
Dividend paid	15,717,501	16,828,890	-6.6
Share buybacks	3,636,841	3,243,492	12.1

(1) The figures above exclude employer's National Insurance contributions.

Within the financial year, the Company paid interim and final dividends totalling 3.00 pence per share. The Company also paid a special dividend of 2.00 pence per share on 10 February 2023, taking the total cash distributions in the year to 5.00 pence per share, a 24.8% decrease on the prior year. Including share buybacks, the Company returned £19.3 million to shareholders during the period under review.

In light of the significant time contributed by the independent non-executive Directors during the year, particularly from those with additional responsibilities as Chair of the Board and its sub committees, the Board agreed to a modest increase in the Directors' remuneration for the year ending 30 September 2023.

Directors' interests (audited)

The Directors' interests (including those of connected persons) in the issued share capital of the Company are outlined below. There is no minimum holding requirement that the Directors need to adhere to.

	Ordinary Shares			
	30 September 2022	30 September 2023	Acquired after Year end	Total holding at 18 December 2023
David Brock	42,170	122,606	216,560	339,336
Oliver Bedford	84,488	167,790	54,475	222,265
Angela Henderson	–	8,223	–	8,223
Justin Ward	25,223	62,899	–	62,899
Megan McCracken	–	–	–	–
Busola Sodeinde	–	–	–	–

Taxable benefits

The Directors who served during the year received no taxable benefits in the year.

Variable pay

The Directors who served during the year received no variable pay relating to the performance of the Company in the year.

Pension benefits

The Directors who served during the year received no pension benefits in the year.

Recruitment remuneration policy

The remuneration levels are designed to reflect the duties and responsibilities of the roles and the value of time spent in carrying these out. The Board will obtain independent advice on this where it considers it necessary. No such advice was taken during the year under review. This policy would be used when agreeing the remuneration of any new director.

Approval

The Directors' remuneration report on pages 46 to 50 was approved by the Board of Directors on 18 December 2023 and will be further subject to an advisory vote at the Annual General Meeting being held on the 8 February 2024 and every year thereafter.

Signed on behalf of the Board of Directors

David Brock
Chair
18 December 2023

Corporate governance
For the year ended 30 September 2023

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

Introduction

The Board recognises the importance of sound corporate governance and has chosen to comply with the Association of Investment Companies (AIC) Code of Corporate Governance (the AIC Code). This was last updated in February 2019. The Board believes that the Company has complied with the principles and provisions of the AIC Code in the period under review, with the exceptions of the items outlined below.

- Appointment of a senior independent director;
- Establishment of a separate nomination committee; and
- Establishment of a separate remuneration committee.

For the reasons commented on in the relevant sections of this Corporate Governance Report, the Board considers these provisions are not relevant to the position of the Company and has therefore not reported in respect of these provisions.

Copies of the AIC Code can be found on the AIC's website: https://www.theaic.co.uk.

Board leadership and purpose

The Board considers that the Company's business model remains attractive because of the potential returns available from investing in small companies and the advantageous VCT tax structure. The management of the investment portfolio has been delegated to the Investment Manager and, through regular meetings with the Investment Manager, the Board seeks to ensure that the portfolio is managed in accordance with the agreed investment objectives and policy. The Company's investment objectives and policy are shown on pages 11 to 13, these were reviewed during the year and deemed appropriate for the Company's needs. The Board seeks to control risk by ensuring that appropriate policies and controls are in place and by reviewing the Company's risk matrix every six months and taking mitigating action where necessary. A summary of the principal and emerging risks facing the Company is detailed on pages 22 to 23.

The Board carries out an annual review of its own culture, practices and behaviour, the findings from which are considered by the Board and any actions required are monitored.

Shareholder relations and relations with key stakeholders

The Directors have a duty to promote the success of the Company for the benefit of its members and communication with shareholders is considered a high priority by the Board. The Board also has a responsibility to consider the interests of its other key stakeholders. Please see the section 172 statement on pages 18 to 21 for further information.

Management of conflicts of interest

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

Director responsibilities

The Directors have adopted a formal Schedule of Matters Reserved for the Board which sets out the responsibilities of the Board, a copy of which is available on the Company's website. These matters include, but are not limited to:

- approving strategic objectives and reviewing the Company's strategy and investment policy to ensure it is consistent with the objectives of the Company;
- monitoring the performance of the Investment Manager and other key service providers;
- changes to the Company's structure and capital, this includes capital raising and reductions, policy on share buybacks and the approval of any borrowing arrangements;
- approval of all financial statements and any significant changes in accounting practices or policies;
- ensuring the maintenance of a sound system of internal control and risk management;
- carrying out an annual review of the contracts in place with key service providers and approving any other materially strategic contracts;
- communication with shareholders;
- appointment and removal of the Company Secretary;

- determining the remuneration of the Chair and other directors subject to the Articles of Association and shareholder approval as appropriate; and
- responsibility for all corporate governance matters.

The Directors have delegated the responsibility for the day to day investment management decisions of the Company to the Investment Manager. The provision of administration and custodian services has been delegated to Canaccord Genuity Wealth Limited.

The following tables set out the number of scheduled Board meetings, valuation meetings, Audit Committee meetings and Management and Service Provider Engagement Committee meetings held during the year and the number of meetings attended by each individual Director:

	Scheduled Meetings	
	Number of Board Meetings	
	Held	Attended
Oliver Bedford	5	5
David Brock (Chair)	5	4
Angela Henderson	5	5
Justin Ward	5	5
Megan McCracken	5	5
Busola Sodeinde	5	5

	Approval of private company valuations	
	Number of Board Meetings	
	Held	Attended
Oliver Bedford	5	5
David Brock (Chair)	5	5
Angela Henderson	5	5
Justin Ward	5	5
Megan McCracken	5	5
Busola Sodeinde	5	4

	Number of Audit Meetings	
	Held	Attended
Angela Henderson	3	3
Justin Ward (Chair)	3	3
Megan McCracken	3	3
Busola Sodeinde	3	3

	Number of Management and Service Provider Engagement Meetings	
	Held	Attended
David Brock	2	2
Angela Henderson (Chair)	2	2
Justin Ward	2	2
Megan McCracken	2	2
Busola Sodeinde	2	2

The Board also held a number of ad-hoc meetings outside of the scheduled meeting cycle to meet business needs.

Board Committees

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

Due to the size of the Company and the experience of its Board members, separate Remuneration and Nomination Committees have not been established. These roles are instead fulfilled by the Board as a whole. A statement from the Chair in relation to Directors' remuneration matters is included in the Directors' Remuneration Report on page 46.

Audit Committee

Information regarding the composition, responsibilities and activities of the Audit Committee are detailed in the report of the Audit Committee on pages 56 to 58. During the year, no fees were paid to the Company's auditors for non-audit services (2022: nil).

Management and Service Provider Engagement Committee

Information regarding the composition, responsibilities and activities of the Management and Service Provider Engagement Committee are detailed on page 59.

Board and Director independence

As at 30 September 2023, the Board consisted of six directors, all of whom are non-executive.

The Board considers that with the exception of Oliver Bedford, all of the directors remain independent. David Brock, Chair of the Company, has served on the Board for 13 years since his initial appointment. The Board does not have a policy of restricting the term served by director to a fixed time limit. As part of the Board evaluation process a rigorous review was carried out on the Chair's independence, without him present. The Directors concluded that notwithstanding his tenure, David Brock is still considered to be independent given that he was independent upon his appointment, throughout his tenure there has been the absence of connections with the Investment Manager or any other of the Company's advisors, he does not have any involvement in the day to day running of the Company and his experience and the range of skills that he brings to the Board, including his constructive challenge and support, continues to be beneficial to the success of the Company. All new directors are required to disclose other roles prior to their appointment and the Board requires that all significant additional external appointments receive prior Board approval.

Board induction and training

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

Board meetings

The Administrator and the Company Secretary ensure that the Directors have timely access to all relevant management, financial and regulatory information to enable informed decisions to be made.

The Board meets on a regular basis at least five times each year with additional meetings arranged as necessary. The Board continued to make effective use of technology to enable it to operate efficiently which included holding some meetings virtually and the use of electronic board packs.

The primary focus at these meetings is the review of the Company's investment performance, progress against key performance indicators and corporate governance.

Relationship with the Investment Manager

Both the Schedule of Matters Reserved for the Board and the investment management agreement with the Investment Manager clearly set out those areas of decision making over which the Investment Manager has discretion. The Board's responsibility is to review the Company's strategy and investment policy to ensure it is consistent with the objectives of the Company, and monitor the performance and investment approach of the Investment Manager.

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

A formal review of the Investment Manager was carried out by the Management and Service Provider Engagement Committee in November 2023. The independent non-executive directors accepted the Committee's recommendation that the continuing appointment of the Investment Manager was in the best interests of the Company and its shareholders. Details of the contractual arrangements with the Investment Manager can be found on page 77.

Relationship with other service providers

The Company maintains a schedule of the contracts that it has in place with its service providers (including the administrator, company secretary, custodian, registrar etc.) and the service provided by each is monitored and reviewed by the Management and Service Provider Engagement Committee annually.

The Board has direct access to the Company Secretary, who is responsible for the timely delivery of relevant information and advising the Board on all governance matters. JTC (UK) Limited ("**JTC**") was appointed as Company Secretary on 15 January 2021 and a formal agreement detailing the responsibilities of JTC to the Company is in place.

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

Board composition

Due to the independent nature of the majority of its members, the Board does not consider it necessary to appoint a senior independent director. However, this will be kept under review. For the same reason, the Board has not established a separate nomination committee and all nomination responsibilities are therefore carried out by the Board as a whole. These responsibilities include reviewing the size, structure and skills of the Board and considering any changes necessary or new appointments. Directors are required to seek approval from the Board prior to taking on any new significant external appointments.

All Directors are subject to annual re-election. The Board considers that due to their individual skills, experience and commitment the re-election of all Directors is merited.

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

Angela Henderson is a solicitor, bringing legal skills and a strong knowledge of governance within the asset management industry.

Oliver Bedford is the Lead Fund Manager to the Company, has strong technical knowledge covering the VCT regulations and is an effective liaison between the Company and the Investment Manager.

Justin Ward is a chartered accountant and has extensive experience in unquoted company investment.

Megan McCracken is an experienced director and brings cross sector knowledge from her executive career.

Busola Sodeinde is a chartered accountant with significant regulatory and governance experience.

The role of the Chair

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

Board succession

The Board's policy for succession planning is that there should be forward-looking and detailed succession and refreshment plans when proposing re-election of long-serving members. Any member of the Board who has served for nine years will be subject to a particularly rigorous review and evaluation process to determine whether they remain independent and should continue in their position. Each Board member is subject to annual re-election at each annual general meeting.

Board tenure

The Company has put in place a policy on the tenure of its Board members (Board Tenure and Succession Planning Policy). The Board Tenure and Succession Planning Policy states that the term the Chair and other Directors serve on the Board should not be restricted to a fixed time limit.

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

David Brock, Chair of the Company since February 2020, joined the Board in 2010. David is still considered to be independent given the absence of connections with the Investment Manager, or any other of the Company's advisors and, as a highly experienced company chairman, is ideally suited to guide the Board at a time when it is enacting its succession plans.

In recent years the Board has successfully added new directors with complementary skills through the appointments of Megan McCracken and Busola Sodeinde in June 2022. Summary biographies of all the Directors can be found on page 41.

Board evaluation

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

The annual Board evaluation is carried out by means of a questionnaire which includes accountability and effectiveness, culture, a Directors' self-assessment and an appraisal of the Chair.

A Board evaluation covering the year under review was carried out. Following this the Board is satisfied with the results and finds that the Board, the Chair and the Directors are suitably qualified to undertake their responsibilities and perform their duties in respect of managing the Company and that the Board culture remains strong.

During the year, the Board also considered whether it was appropriate to have an externally facilitated Board evaluation. Following due consideration and taking into account the satisfactory results of the Board evaluation, this was not deemed necessary.

Risk and internal control

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

- Day to day measures have been delegated to the Investment Manager, Administrator and Custodian. Written agreements are in place which define the roles and responsibilities of these parties including the investment policy to be followed by the Investment Manager. The Board receives regular reports to provide it with assurance that appropriate oversight is in place.

Additionally, the Board receives and reviews the annual internal control report published by its Registrar.

- On a quarterly basis, the Board reviews the Company's management accounts, KPIs and investment reports provided by the Administrator and Investment Manager.
- Annual and half-yearly reports and associated announcements are reviewed and approved by the Board prior to publication.
- A detailed risk matrix is maintained, this identifies each of the Company's principal and emerging risks, assesses the potential impact and describes the controls in place to mitigate those risks. A summary of the principal and emerging risks can be found in the strategic report on pages 22 to 23. The risk matrix is discussed regularly at Board and Audit Committee meetings, thereby ensuring that the nature and extent of the risks facing the Company are being actively monitored.
- The Board reviews the Company's internal policies on an annual basis. The Board has also reviewed a summary of the range of risk management and internal controls it has in place to satisfy itself that the overall system of controls remains appropriate.

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

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

Remuneration

As the Company has no employees and the Board is wholly comprised of non-executive directors the Board has not established a separate remuneration committee and all remuneration responsibilities are therefore carried out by the Board. The Company's disclosure with regard to remuneration is included on pages 46 to 50.

Going concern

Under the AIC Code, the Board needs to consider whether it is appropriate to adopt the going concern basis of accounting in preparing these financial statements. The Board continues to adopt the going concern basis and the detailed consideration is contained on pages 43 to 44.

Viability Statement

The viability statement, under which the Directors assess the prospects of the Company over a longer period, is contained on page 24.

Modern Slavery Statement

As an investment company with no employees or customers and which does not provide goods or services in the normal course of business, the Company considers that it does not fall within the scope of the Modern Slavery Act 2015 and it is not, therefore, obliged to make a human trafficking statement. The Company's own supply chain, which consists predominantly of professional advisers and service providers in the financial services industry, is considered to be low risk in relation to this matter.

Additional disclosures in the Directors' Report

Additional disclosures required by Schedule 7 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended 2013) are contained in the Directors' Report on pages 42 to 45.

For and on behalf of the Board

JTC (UK) Limited
Company Secretary

18 December 2023

Report of the Audit Committee

Composition of the Audit Committee

The Audit Committee consists of four independent non-executive directors at the year-end; Justin Ward (Chair), Angela Henderson, Megan McCracken and Busola Sodeinde.

The Board confirms that, in line with the recommendations of the AIC Code, at least one member of the Audit Committee has recent and relevant financial experience. Justin Ward and Busola Sodeinde are both chartered accountants. Angela Henderson and Megan McCracken also have relevant financial experience and the Board is confident that the Committee as a whole has competence relevant to the sector in which the Company operates. Oliver Bedford and David Brock are not members of the Audit Committee due to their respective roles as Lead Fund Manager and Chair of the Board.

Duties of the Audit Committee

The main responsibilities of the Audit Committee are as follows:

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

Meetings

The Committee met three times during the year to consider the annual and half-year reports for the Company and review the audit plan. JTC attends meetings as Secretary to the Committee and representatives of the Investment Manager as well as the Auditor are also invited to attend. The Committee's terms of reference were reviewed during the year and are available on the Company's website https://www.hargreaveaimvcts.co.uk and by request from the Company Secretary.

Activities during the year

A summary of the Audit Committee's principal activities and key considerations for the year to 30 September 2023 is provided below.

Financial statements

The interim and annual reports to shareholders and the accounting policies therein were thoroughly reviewed by the Committee prior to submission to the Board for approval.

The Committee carried out a going concern assessment, taking into account all reasonably available information about the future financial prospects of the Company as well as the possible outcomes of events and changes in conditions. Following this assessment, the Committee considered it was appropriate to adopt the going concern basis of accounting and reviewed the going concern statement to ensure any significant issues were described in a concise and understandable form.

The Committee also conducted a review of the viability statement and concluded that this was a fair representation of the Company's future prospects and that the period of the viability statement remained appropriate.

The Committee is of the view that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Investment Manager and the Company's independent auditor (the "**Auditor**") confirmed to the Committee that they were not aware of any material misstatements to the financial statements. Having reviewed the financial statements and the report produced by the Auditor, the Committee were satisfied that key areas of risks and judgement were appropriately addressed.

Risk and Internal Control

The Board has identified the key risks faced by the Company and these are set out in the principal and emerging risks and uncertainties section on pages 22 to 23. The Committee (and the Board as a whole) has received and reviewed periodic reports to provide it with assurance that appropriate oversight of controls is in place at its key third party providers and to highlight instances of non-compliance.

The Committee has sought and obtained assurance from the Investment Manager that policies are in place covering whistleblowing and to help prevent bribery, corruption and fraud. The Investment Manager has also confirmed that no instances of bribery, corruption and fraud have been detected that would have impacted the Company. The Committee has received a summary of the Investment Manager's approach to mitigating cyber security risks.

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

Key areas of risk

The key areas of risk identified by the Audit Committee in relation to the business activities and financial statements of the Company are as follows:

- compliance with HM Revenue and Customs legislation to maintain the Company's VCT status;
- valuation and safe custody of investments; and
- revenue recognition.

These issues were discussed with the Investment Manager during the year and with the Auditor, at the time the Audit Committee reviewed and agreed the Auditor's audit plan and when the Auditor presented its findings at the conclusion of its year-end audit. The Committee concluded:

- Venture Capital Trust Status. The Investment Manager confirmed to the Audit Committee that the conditions for maintaining the Company's status had been complied with throughout the year. The Company's status is also reviewed by the Company's tax advisors Philip Hare & Associates LLP and further half-yearly reconciliations are carried out. These reports are reviewed by the Board as a whole, which is satisfied with the conclusions;
- Valuation and safe custody of investments. The valuation of investments is undertaken in accordance with the accounting policies in note 1 to the financial statements. The Investment Manager has confirmed to the Committee that the basis of valuation for unquoted investments was in accordance with industry guidelines. The Auditor confirmed to the Committee that they had reviewed the estimates and judgements made by the Investment Manager when valuing the unlisted companies and that the valuations proposed were acceptable. They further confirmed that there was no evidence of bias in the valuations of the investments based on the audit work performed. The Company's Custodian, CGWL, provides the Company with quarterly reports confirming that reconciliations to check the safe custody of the Company's investments have been carried out. Management accounts, including a full portfolio listing, are considered at quarterly board meetings; and
- Revenue recognition. The recognition of dividend and interest income is undertaken in accordance with accounting policy note 1 to the financial statements. Management accounts showing income received by the Company, and its categorisation, are reviewed by the Board on a quarterly basis. The Committee also considered the Auditor's review of this area and concluded that there were no issues which needed to be addressed.

Relationship with the external auditor

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

The Committee undertook a review of the Auditor's performance during the 2023 audit and concluded that the Auditor:

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

The Committee concluded that it is satisfied with the standard of service received and that the re-appointment of the Auditor was in the best interest of the Company and its shareholders and accordingly the Committee has recommended to the Board that a resolution to re-appoint the Auditor is proposed to shareholders at the forthcoming Annual General Meeting.

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

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

Policy Reviews

During the year, the Audit Committee conducted a review of the Company's policies and provided recommendations to the Board regarding the continued appropriateness of these policies. Minor changes were made to the policies throughout the year. Each policy is reviewed at least annually and the Company Secretary maintains a record of when each policy is due for review by the Committee or the Board.

Compliance Control

The Committee receives a compliance control report on a quarterly basis, which details an operational update from the Administrator as well as confirmation that the Administrator, Custodian and Receiving Agent have carried out their relevant duties under the terms of their agreements. No compliance issues were reported during the year.

Justin Ward
Chair of the Audit Committee

Report of the Management and Service Provider Engagement Committee

Composition of the Management and Service Provider Engagement Committee

The Management and Service Provider Engagement Committee comprises of all the independent non-executive directors and is chaired by Angela Henderson. The Committee's terms of reference were reviewed during the year and are available on the Company's website https://www.hargreaveaimvcts.co.uk and by request from the Company Secretary.

Duties of the Management and Service Provider Engagement Committee

The duty of the Committee is to review the terms of appointment of, and the performance by, the Investment Manager, the Administrator and the other key service providers appointed by the Company and to decide whether it is in the best interests of shareholders for those appointments to continue. The Auditor is not included in this review as their appointment falls under the remit of the Audit Committee.

The key areas of focus for the Committee include:

- Monitoring and evaluating the performance of the Investment Manager;
- Reviewing at least annually the performance of the Investment Manager;
- Reviewing at least annually the terms of appointment of the Investment Manager including but not limited to the level of fees and the notice period of the Investment Manager; and
- Reviewing the performance and fees of the other key service providers to the Company.

Meetings

The Committee met twice during the year to review the performance of the Investment Manager and other key service providers. JTC (UK) Limited attends meetings as Secretary to the Committee, but takes no part in discussions relating to its own performance. The Investment Manager is also invited to attend the meetings as appropriate, to provide its feedback on the Company's service providers.

Activities during the year

A summary of the Committee's principal activities and key considerations for the year to 30 September 2023 is provided below.

Review of the Investment Manager

The Committee reviewed the performance of the Investment Manager during the year. The Investment Manager was asked to provide a report detailing the Company's performance against its key performance indicators during this year and previous years, and the contents of this were considered by the Committee as part of its review. JTC was also invited to provide feedback on its experience of working with the Investment Manager. The views of the Committee and JTC, which were positive, were subsequently provided to the Investment Manager by the Chair of the Committee. The Committee is satisfied that its queries and concerns have been adequately addressed throughout the remainder of the year.

Following the Committee's recommendation, the Board concluded that the continuing appointment of the Investment Manager was in the best interests of shareholders and the Company.

Review of Key Service Providers

The Committee reviewed the contractual terms, fees and service levels from its other key service providers during the year. Each provider was asked to complete a questionnaire assessing its own performance and confirming it has complied with the legislation and statutory requirements related to its role.

The Investment Manager, Administrator and Company Secretary each provided feedback on their experience of working alongside the other service providers. This was generally positive, with some areas for improvement being identified and fed back to each provider as appropriate.

Following a detailed review of the feedback and information provided, the Committee concluded it is satisfied that the service providers currently engaged by the Company are competent to carry out their roles.

Angela Henderson
Chair of the Management and Service Provider Engagement Committee

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

Financial statements

Independent auditor's report to the members of Hargreave Hale AIM VCT PLC

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Hargreave Hale AIM VCT PLC (the 'Company') for the year ended 30 September 2023 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and Notes to the Financial Statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standard, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors in January 2007 to audit the financial statements for the year ended 30 September 2007 and subsequent financial periods. The period of total uninterrupted engagement including re-tenders and reappointments is 17 years, covering the years ended 30 September 2007 to 30 September 2023. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- obtaining the VCT compliance reports during the year and as at year end and reviewing the calculations therein to check that the Company was meeting its requirements to retain VCT status;
- consideration of the Company's expected future compliance with VCT legislation, the absence of bank debt, contingencies and commitments and any market or reputational risks;
- reviewing the forecasted cash flows that support the Directors' assessment of going concern, challenging assumptions and judgements made in the forecasts, and assessing them for reasonableness. In particular, we considered the available cash resources relative to the forecast expenditure which was assessed against the prior year for reasonableness; and
- evaluating the Directors' method of assessing the going concern in light of market volatility caused by the current macroeconomic uncertainties.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

		2023	2022
Key audit matters	Valuation and ownership of investments	✓	✓
	Revenue recognition*	✗	✓
	*Revenue recognition was no longer considered to be a key audit matter because based on the nature of revenue generated being interest & dividends received from investments and the lack of incentive to manipulate revenue recognised given the capital growth objective of the Company.		
Materiality	Company financial statements as a whole £1,330,000 (2022: £1,200,000) based on 1% of adjusted net assets.		

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation and ownership of investments (Note 1 and Note 7 to the financial statements)	The investment portfolio comprises of quoted and unquoted investments held at fair value through profit and loss. Quoted Investments total £122.5 million (93%) of the investment portfolio and unquoted investments make up £9.5 million (7%). The Investment Manager's fee is based on the value of the net assets of the fund, as shown in note 3. As the Investment Manager is also responsible for preparing the valuation of investments for the financial statements, there is a potential risk of misstatement in the investment valuations.	We obtained an understanding of the processes and controls relating to the valuation of investments. In respect of quoted investments, we responded to this matter by testing 100% of the valuation and ownership of the portfolio. We performed the following procedures: • Confirmed the year end bid price was used by agreeing to externally quoted prices and for all of the investments, assessed if there were contra indicators, such as liquidity considerations, to suggest bid price is not the most appropriate indication of fair value; • Obtained direct confirmation from the custodian and agreed all investments held at the balance sheet date to CREST records. We also tested 100% of the valuation and ownership of the unquoted investment portfolio at the year end and performed the following procedures: • Challenged whether the valuation methodology was the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines and the applicable accounting standards.

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation and ownership of investments (Note 1 and Note 7 to the financial statements)	For quoted investments there is a risk that the investment balance includes investments which are no longer owned by the Company or that inappropriate pricing is used to value the investment. For unquoted investments there is risk that the investment balance includes investments which are no longer owned by the Company. Furthermore there is a high level of estimation uncertainty involved in determining the unquoted investment valuations. There is an inherent risk of management override arising from the unquoted investment valuations being prepared by the investment Manager, who is remunerated based on a percentage of the value of the net assets of the fund, as shown in note 3. Therefore we consider the valuations and ownership of investments to be a key audit matter.	• Obtained capital tables directly from the investee companies to confirm the ownership at year end and recalculated the value attributable to the Company, having regard to the application of enterprise value across the capital structures of the investee companies; • Challenged and corroborated the inputs to the valuation with reference to management information of investee companies, market data and our own understanding and assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the financial statements; • Reviewed the historical financial statements and any recent management information available to support assumptions about maintainable revenues used in the valuation; • Considered the revenue multiples applied and the discounts applied by reference to observable listed company market data; and • Challenged the consistency and appropriateness of adjustments made to such market data in establishing the revenue multiple applied in arriving at the valuations adopted, by considering the individual performance of investee companies against plan and relative to the peer group, the market and sector in which the investee company operates and other factors as appropriate; • Challenged assumptions made in respect of the probability weighted average methodology applied to convertible loan note scenarios for example assessing the likelihood of early redemption, redemption at maturity, assumptions made in respect of sale and profit forecasts and recalculating the value of the convertible instrument.

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation and ownership of investments (Note 1 and Note 7 to the financial statements)		• Where appropriate, we performed a sensitivity analysis by developing our own point estimate where we considered that alternative input assumptions could reasonably have been applied and we considered the overall impact of such sensitivities on the portfolio of investments in determining whether the valuations as a whole are reasonable and free from bias. Key Observations: Based on our procedures performed we did not identify any matters to suggest the valuation or ownership of investments was not appropriate and we are satisfied that the estimates and judgements made in the unquoted investment valuations are appropriate considering the level of estimation uncertainty.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Company Financial statements	
	2023 £	2022 £
Materiality	1,330,000	1,200,000
Basis for determining materiality	1% of net assets adjusted to exclude funds raised during the year	
Rationale for the benchmark applied	In setting materiality, we have had regard to the nature and disposition of the investment portfolio. The Company's portfolio is mainly comprised of quoted investments, which are considered low risk. Since the portfolio is low risk where fair values are highly visible, we have applied a percentage of 1% of adjusted net asset value. An adjusted benchmark was used to exclude the effects of cash that has been raised from fundraising during the year.	
Performance materiality	1,000,000	900,000
Basis for determining performance materiality	75% of materiality	
Rationale for the percentage applied for performance materiality	The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.	

Lower testing threshold

While the majority of long-term returns are expected to arise from capital, we considered that ongoing costs and revenue returns are still important to users of the financial statements, despite being considerably smaller in magnitude. As a result, we determined a lower testing threshold for those items impacting revenue return of £194,000 (2022: £220,000) based on 5% (2022:5%) of total gross expenditure.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £26,000 (2022: £24,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified; and • The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate.
Other Code provisions	• Directors' statement on fair, balanced and understandable; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems; and • The section describing the work of the Audit Committee.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or • the financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- our understanding of the Company and the industry in which it operates;
- discussion with management and those charged with governance; and
- obtaining an understanding of the Company's policies and procedures regarding compliance with laws and regulations,

we considered the significant laws and regulations to be Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, industry practice represented by the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts (2022) (the SORP) and the applicable financial reporting framework. We also considered the Company's qualification as a VCT under UK tax legislation.

Our procedures in respect of the above included:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management and those charged with governance relating to the existence of any non-compliance with laws and regulations;
- reviewing minutes of meeting of those charged with governance throughout the period for instances of non-compliance with laws and regulations; and
- obtaining the VCT compliance reports during the year and as at year end and reviewing their calculations to check that the Company was meeting its requirements to retain VCT status.

Fraud

We assessed the susceptibility of the financial statement to material misstatement including fraud.

Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud;
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud; and
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements.

Based on our risk assessment, we considered the areas most susceptible to be management override of controls and the valuation of unquoted investments.

Our procedures in respect of the above included:

- The procedures set out in the Key Audit Matters section above for the valuation of the unquoted investments;
- Review of estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias;
- Review and consideration of the appropriateness of adjustments made in the preparation of the financial statements; and
- Review of unadjusted audit differences, if any, for indications of bias or deliberate misstatement.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Elizabeth Hooper (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom
Date: 18 December 2023

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

Income statement

	Note	Year to 30 September 2023 Revenue £000	Capital £000	Total £000	Year to 30 September 2022 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)
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

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

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

(1) The Income Taxes Act 2007 restricts distribution of capital from reserves created by the conversion of the share premium account into a special (distributable) reserve until the third anniversary of the share allotment that led to the creation of that part of the share premium account. As at 30 September 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 on page 95 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, as described on pages 22 to 23 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 on pages 79 to 81.

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 on page 42.

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 on page 48.

The maximum aggregate directors' emoluments authorised by the Articles of Association are detailed in the directors' remuneration report on page 48.

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%).

	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 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.

Level 3 Unquoted Investments	
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 on page 46 and in note 4 on page 78.

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 on pages 51 to 55 of the annual report and accounts.

A detailed review of the investment portfolio is contained in the chairman's statement and Investment Manager's report on pages 4 to 9 and 29 to 32 respectively.

Classification of financial instruments

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

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

Other financial assets comprise cash 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:

Asset class	30% market increase 2023 £'000	30% market decrease 2023 £'000	Aggregate value 2023 £'000	Aggregate value 2022 £'000
	Change in Fair Value of Investments			
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
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		
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.

The definition of each APM is in the glossary of terms on pages 91 to 92. 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	
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)
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.

Glossary of terms

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

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

CGWM
In the UK & Europe, Canaccord Genuity Wealth Management (CGWM) is the trading name of Adam & Company Investment Management Limited (AIM), Canaccord Genuity Wealth Limited ('CGWL'), Canaccord Genuity Financial Planning Limited ('CGFPL'), CG Wealth Planning Limited ('CGWPL'), Canaccord Genuity Asset Management Limited ('CGAM'), Punter Southall Wealth Limited ('PSW') and Canaccord Genuity Wealth (International) Limited.

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

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

FTSE AIM All-Share Index Total Return
Measures the total return of the underlying FTSE AIM All-Share index combining both capital performance and income. Calculated on a dividends re-invested basis.

FTSE All-Share Index Total Return
Measures the total return of the underlying FTSE All-Share index combining both capital performance and income. Calculated on a dividends re-invested basis.

ITA
Income Tax Act 2007, as amended.

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

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

Offer Shares
New ordinary shares of 1 penny each in the capital of the Company issued or to be issued pursuant to the Offer for Subscription of Ordinary Shares in Hargreave Hale AIM VCT plc launched on 7 September 2023.

Qualifying Company or Qualifying Investment
An investment made by a venture capital trust in a trading company which comprises a qualifying holding under Chapter 4 of Part 6 ITA.

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

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

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

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

Alternative performance measures

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

The Company uses the following alternative performance measures:

Net asset value (NAV)

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

Net asset value (NAV) per share

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

NAV total return

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

NAV total return since inception

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

NAV total return (dividends reinvested)

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

Ongoing charges ratio

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

Share price discount

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

Share price total return

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

We calculate this by adding the dividends paid and payable having past the ex-dividend date in the period to the closing mid-price and measuring the percentage change relative to the opening mid-price.

Share price total return (dividends reinvested)

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

Shareholder information

The Company's ordinary shares (Code: HHV) are listed on the London Stock Exchange. Shareholders can visit the London Stock Exchange website, https://www.londonstockexchange.com, for the latest news and share prices of the Company. Further information for the Company can be found on its website at https://www.hargreaveaimvcts.co.uk.

Net asset value per share

The Company's NAV per share as at 8 December 2023 was 45.45 pence per share. The Company publishes its unaudited NAV per share on a weekly basis.

Dividends

Subject to approval at the Annual General Meeting on 8 February 2024, the Board has proposed the payment of a final dividend of 1.50 pence in respect of the financial year ending 30 September 2023.

Shareholders who wish to have future dividends paid directly into their bank account rather than sent by cheque to their registered address can complete a mandate for this purpose. Mandates can be obtained by contacting the Company's Registrar, Equiniti.

Dividend reinvestment scheme

The Company offers a dividend re-investment scheme (DRIS) allowing shareholders to elect to receive all of their dividends from the Company in the form of new ordinary shares. Shareholders may elect to join the DRIS at any time by completing a DRIS mandate form. Mandates can be obtained by contacting the Company's registrar, Equiniti or by visiting the Company's website at https://www.hargreaveaimvcts.co.uk. As new ordinary shares will be issued, shareholders are also able to claim tax relief on the shares, including 30 per cent. income tax relief on their investment (subject to the terms of the VCT legislation and the personal circumstances of the shareholder).

Selling your shares

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

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

VCT share disposals settle two business days post trade if the shares are already dematerialised or placed into CREST ahead of the trade, or ten days post trade if the stock is held in certificated form.

Investors who sell their VCT shares before the fifth anniversary of the share issue are likely to have to repay their income tax relief. Canaccord Genuity Wealth Management can facilitate the sale of VCT shares and is able to act for VCT shareholders who wish to sell their shares. However, you are free to nominate any stockbroker or share dealing service to act for you. If you would like further information from Canaccord Genuity Wealth Management please contact the VCT administration team at aimvct@canaccord.com or call 01253 376622.

Please note that Canaccord Genuity Wealth Limited will need to be in possession of the share certificate and a completed CREST transfer form before executing the sale. If you have lost your share certificate, then you can request a replacement certificate from the Company's registrar Equiniti. The registrar will send out an indemnity form, which you will need to sign. The indemnity form will also need to be countersigned by a UK insurance company or bank that is a member of the Association of British Insurers. Since indemnification is a form of insurance, the indemnifying body will ask for a payment to reflect their risk. Fees will reflect the value of the potential liability.

Shareholder enquiries:

For general shareholder enquiries, please contact Canaccord Genuity Wealth Limited on 01253 376622 or by e-mail to aimvct@canaccord.com. For enquiries concerning the performance of the Company, please contact the Investment Manager on 0207 523 4837 or by e-mail to aimvct@canaccord.com.

Electronic copies of this report and other published information can be found on the Company's website at https://www.hargreaveaimvcts.co.uk.

Change of address

To notify the Company of a change of address please contact the Company's registrar at the address on page 95.

Company information

Directors
David Brock, Chair
Oliver Bedford
Angela Henderson
Megan McCracken
Busola Sodeinde
Justin Ward

Investment Manager
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Administrator and Custodian
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FY4 5FY

Company Secretary
JTC (UK) Limited
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EC3M 7AF

VCT Status Adviser
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EC4Y 0HA

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W1U 7EU

Brokers
Nplus1 Singer Advisory LLP
1 Bartholomew Lane
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EC2N 2AX

Company Registration Number
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Registered office
Talisman House
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Blackpool
FY4 5FY

Solicitors
Howard Kennedy LLP
1 London Bridge
London
SE1 9BG

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of Hargreave Hale AIM VCT plc (the "**Company**") will be held at 88 Wood Street, London EC2V 7QR on Thursday 8 February 2024 at 4.45 pm for the purposes of considering and if thought fit, passing the following resolutions, of which resolutions 1 to 13 (inclusive) will be proposed as ordinary resolutions and resolutions 14 and 15 as special resolutions:

Ordinary Resolutions

1. To receive and adopt the reports of the directors and auditor and the audited financial statements for the year ended 30 September 2023.
2. To receive and approve the directors' remuneration report for the year ended 30 September 2023.
3. To approve the directors' remuneration policy, the full text of which is contained in the directors' remuneration report for the year ended 30 September 2023.
4. To reappoint BDO LLP as auditors to the Company and to authorise the Directors to determine their remuneration.
5. To re-elect David Brock as a director of the Company.
6. To re-elect Oliver Bedford as a director of the Company;
7. To re-elect Angela Henderson as a director of the Company.
8. To re-elect Justin Ward as a director of the Company.
9. To re-elect Megan McCracken as a director of the Company.
10. To re-elect Busola Sodeinde as a director of the Company.
11. To approve a final dividend of 1.50 pence per ordinary share in respect of the year ended 30 September 2023.
12. To authorise the directors of the Company (the "**Directors**"), in addition to any existing power and authority granted to the Company pursuant to Article 29 of the Company's articles of association (the "**Articles**"), to exercise the power conferred on them by Article 29 of the Articles to offer holders of ordinary shares in the capital of the Company the right to elect to receive ordinary shares credited as fully paid, instead of cash, in respect of the whole (or some part to be determined by the Directors) of dividends declared, made or paid during the period starting with the date of this resolution and ending at the conclusion of the next annual general meeting of the Company following the date of this resolution and to authorise the Directors to do all acts and things required or permitted to be done in accordance with the Articles in connection therewith.
13. THAT, in addition to all existing authorities, the Directors be and are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the "**Act**") to exercise all the powers of the Company to allot ordinary shares of 1 penny each in the capital of the Company ("**Ordinary Shares**") and to grant rights to subscribe for, or to convert any security into, Shares ("**Rights**"), up to an aggregate nominal value of £338,803 (being equal to approximately 10 per cent. of the Company's issued share capital (excluding treasury shares) as at 14 December 2023 generally from time to time or pursuant to shareholders' right to elect to participate in the dividend reinvestment scheme operated by the Company in accordance with Article 29 of the Articles on such terms as the Directors may determine, such authority to expire on the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2025 and the expiry of 15 months from the passing of this resolution (unless previously renewed, varied or revoked by the Company in a general meeting), but so that this authority shall allow the Company to make, before the expiry of this authority offers or agreements which would or might require Shares to be allotted or Rights to be granted after such expiry and the Directors shall be entitled to allot Shares or grant Rights pursuant to any such offers or agreements as if the power conferred by this resolution had not expired.

Special Resolutions

14. THAT, in addition to all existing authorities and subject to the passing of Resolution 13 set out in this notice of meeting, the Directors be and are hereby empowered, pursuant to sections 570 and 573 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority given pursuant to Resolution 13 set out in the notice of this meeting, or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such allotment or sale, provided that this power:
    (i) shall be limited to the allotment of equity securities and the sale of treasury shares for cash up to an aggregate nominal amount of £169,401 (representing approximately 5 per cent. of the issued share capital of the Company (excluding treasury shares) as at 14 December 2023) pursuant to the dividend reinvestment scheme operated by the Company;

(ii) shall be limited to the allotment of equity securities and the sale of treasury shares for cash (otherwise than pursuant to sub-paragraph (i) above), up to an aggregate nominal amount of £169,401 (representing approximately 5 per cent. of the issued share capital of the Company (excluding treasury shares) as at 14 December 2023); and

(iii) expires on the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2025 and the expiry of 15 months from the passing of this resolution (unless previously renewed, varied or revoked by the Company in a general meeting), save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred by this resolution had not expired.

15. THAT, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date hereof, the Company be generally and unconditionally authorised, in accordance with section 701 of the Act, to make one or more market purchases (within the meaning of section 693(4) of the Act) of its Ordinary Shares on such terms and in such manner as the directors may determine (either for cancellation or for retention as treasury shares for future re-issue, resale, transfer or cancellation) provided that:

a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 50,786,705 Ordinary Shares or, if less, the number representing approximately 14.99 per cent. of the issued share capital of the Company as at the date of the passing of this resolution;

b) the maximum price (excluding expenses) which may be paid for any Ordinary Share purchased pursuant to this authority shall not be more than the higher of:

(i) 105 per cent. of the average of the middle market quotations of an Ordinary Share in the Company, as derived from the London Stock Exchange Daily Official List, for the five business days immediately preceding the date of purchase; and

(ii) the higher price of the last independent trade of an Ordinary Share and the highest current independent bid for such a share on the London Stock Exchange plc;

c) the minimum price (excluding expenses) which may be paid for an Ordinary Share shall be 1 penny (the nominal value thereof); and

d) unless previously varied, revoked or renewed by the Company in general meeting, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2025 or on the expiry of 15 months following the passing of this resolution, whichever is the earlier, save that the Company may, prior to the expiry of such authority, enter into a contract or contracts to purchase ordinary shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract or contracts as if the power conferred by this resolution had not expired.

By order of the Board of Directors.

JTC (UK) Limited
Company Secretary

Registered Office:
The Scalpel
18th Floor
52 Lime Street
London
EC3M 7AF

18 December 2023

A member entitled to attend and vote at this meeting may appoint a proxy or proxies to attend and vote on their behalf. A proxy need not also be a member of the Company, however shareholders who wish to appoint a proxy are recommended to appoint the Chair of the AGM as their proxy. To be effective, forms of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notorially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of that power or authority must be lodged with the Company's Registrar, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA not less than 48 hours (excluding non-working days) before the time appointed for holding the meeting or any adjourned meeting.

A member may appoint more than one proxy, provided each proxy is appointed to exercise rights attached to different shares. Members may not appoint more than one proxy to exercise rights attached to any one share. The return of a completed proxy form or other instrument of proxy will not prevent you attending the AGM and voting in person if you wish. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with Section 146 of the Companies Act 2006 (nominated persons). Nominated persons may have a right under an agreement with the member who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

The Company, pursuant to Regulation 41 of the Uncertified Securities Regulations 2001 specifies that only those members registered in the register of members of the Company as at 6.30 pm on 6 February 2024 or, in the event that the meeting is adjourned, on the register of members at 6.30 pm on the day 2 days (excluding non-working days) prior to the reconvened meeting, shall be entitled to attend or vote at the aforesaid annual general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after 6.30 pm on 6 February 2024 (or in the event that the meeting is adjourned, as at 6.30 pm 2 days (excluding non-working days) prior to the adjourned meeting) shall be disregarded in determining the rights of any person to attend or vote at the meeting notwithstanding any provisions in any enactment, the Articles of Association of the Company or any other instrument to the contrary.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual (www.euroclear.com). CREST personal members or other CREST sponsored members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take appropriate action on their behalf. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST proxy instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by Equiniti, the Company's Registrar (ID RA19), not later than 48 hours (excluding non-working days) before the time appointed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Equiniti is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and where applicable their CREST sponsors or voting service provider(s) should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST proxy instructions. It is the responsibility of the CREST member concerned to take (or if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that their CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST proxy instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 4.45pm on 6 February 2024 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

Information regarding the Annual General Meeting, including the information required by section 311A of the Companies Act 2006, is available from https://www.hargreaveaimvcts.co.uk.

Under section 319A of the Companies Act 2006, the Company must answer at the Annual General Meeting any question a member asks relating to the business being dealt with at the Annual General Meeting unless:

- answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
- the answer has already been given on a website in the form of an answer to a question; or
- it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

In accordance with Section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the Annual General Meeting and if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website https://www.hargreaveaimvcts.co.uk.

Members satisfying the thresholds in Section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting that the members propose to raise at the meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement required to be placed on the website must also be sent to the Company's auditor no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website.

Any person holding 3 per cent. or more of the total voting rights of the Company who appoints a person other than the Chair of the meeting as his/her proxy will need to ensure that both he/she and his/her proxy complies with their respective disclosure obligations under the UK Disclosure Guidance and Transparency Rules.

Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

Shareholders (and any proxy or representatives they appoint) agree, by attending the meeting, that they are expressly requesting that they are willing to receive any communications (including communications relating to the Company's securities) made at the meeting.

Members who have general queries about the meeting should contact the Company's Registrars, Equiniti, on +44 (0)371 384 2714, if calling from outside the UK, please ensure the country code is used, or contact them via their website www.shareview.co.uk. Lines are open 8.30am to 5.30pm Monday to Friday (excluding public holidays in England and Wales), (no other methods of communication will be accepted. You may not use any electronic address provided either in this notice of meeting or any related documents (including the form of proxy) to communicate with the Company for any purpose other than those expressly stated.

Note:

1. The following documents will be available for inspection at the registered office of the Company, Talisman House, Boardmans Way, Blackpool, England, FY4 5FY, during usual business hours on a weekday (except Saturdays, Sundays and Public Holidays) until the date of the meeting and at the place of the meeting for a period of 15 minutes up to and during the meeting;
   a) copies of the directors' letters of appointment;
   b) the Articles of Association of the Company; and
   c) the register of directors' interests in the shares of the Company.
2. As at 18 December 2023 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 338,803,907 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company are 338,803,907.

Appendix - Scrip dividend scheme

SUMMARY TERMS AND CONDITIONS

General

The Company operates, through Equiniti Limited, a scrip dividend scheme (the "**DRIS**") whereby shareholders can elect to have relevant dividends reinvested in new Ordinary Shares.

The Company seeks to renew its DRIS by virtue of Resolution 12 set out in the Notice of AGM. If Resolution 12 is passed, the DRIS will apply to any subsequent interim or final dividend of the Company in respect of which a scrip dividend alternative is offered and this shareholder authority will expire at the AGM to be held in 2024.

When a future dividend is announced the Company will advise if the DRIS applies to that dividend, together with the relevant details for that dividend.

The details (including the timetable, price etc.) for each relevant dividend to which the DRIS will apply along with the full terms and conditions of the DRIS, will be/are available on the Company's website at https://www.hargreaveaimvcts.co.uk. Information regarding future scrip dividend alternatives will also be provided via a Regulatory Information Service. Shareholders can also contact Equiniti on their helpline at 0371 384 2714 (or from overseas on +44 121 415 7047) if they have any questions about the operation of the DRIS in respect of any relevant dividend.

Whether or not you should elect to receive new Ordinary Shares instead of cash in respect of any future relevant dividends may depend on your own personal tax circumstances. Please note, the tax treatment may change during the period for which the Scrip Dividend Scheme is available.

For the avoidance of doubt, if you currently participate in the Company's DRIS and do not wish to cancel your standing mandate, there is no need to complete a new Mandate Form as your existing mandate will stand.

For general enquiries about the DRIS please contact Equiniti on 0371 384 2714 (or from overseas on +44 121 415 7047) or contact them via their website www.shareview.co.uk. Lines are open from 8:30 a.m. to 5:30 p.m. Monday to Friday (except UK public holidays). Calls to the helpline from outside the UK will be charged at applicable international rates. Calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the DRIS nor give any personal financial, legal or tax advice.

Summary terms and conditions of the DRIS

For the avoidance of doubt, unless the context otherwise requires, all defined terms used in this Appendix have the same meanings as set out in the 'DRIS Terms and Conditions' available on the Company's website at https://www.hargreaveaimvcts.co.uk.

1. Participation in the DRIS

a. Applicants may join the DRIS by giving notice in writing to the DRIS Manager. The Company, acting through the DRIS Manager, shall have absolute discretion to accept or reject applications to participate in the DRIS. An Applicant shall become a member of the DRIS upon acceptance of his or her application by the DRIS Manager on the Company's behalf. The DRIS Manager will provide written notification if an application is rejected. Only Shareholders or their applicable Nominee Shareholder may join the DRIS.

b. In order to participate in the DRIS in relation to a certain Investment Date an Applicant must have notified the DRIS Manager of their intention to participate in the DRIS at least 10 Business Days prior to the relevant Investment Day.

c. The Company shall not be obliged to accept any application or issue Ordinary Shares hereunder if the Directors so decide in their absolute discretion. The Company may do or refrain from doing anything which, in the reasonable opinion of the Directors, is necessary to comply with the law of any jurisdiction or any rules, regulations or requirement of any regulatory authority or other body which is binding upon the Company or the DRIS Manager.

d. The Company and the DRIS Manager shall be entitled, at their absolute discretion at any time and from time to time, to suspend the operation of the DRIS and/or to terminate the DRIS without notice to the Applicants and/or to resolve to pay dividends to Applicants partly by way of cash and partly by way of new Ordinary Shares and/or to refuse to invest dividends due on Ordinary Shares held by a Nominee Shareholder where the DRIS Manager is unable to obtain confirmation of the identity and shareholdings of the relevant Beneficial Shareholder. In the event of termination, the Company shall, subject to the terms and conditions, pay to each Applicant all of the monies held by the Company on his or her behalf under the DRIS.

e. Applicants who are not Shareholders may join the DRIS in respect of the number of Ordinary Shares of the Company specified as Nominee Shareholdings and notified to the DRIS Manager by the Applicant and the Shareholder in whose name the Ordinary Shares are held.

f. The number of Ordinary Shares held by any such Applicant which are mandated to the DRIS shall be altered immediately following any change to the number of Ordinary Shares in respect of which such Shareholder is the registered holder as entered onto the share register of the Company from time to time.

g. Applicants who hold their Ordinary Shares through a Nominee may join the DRIS in respect of the number of Ordinary Shares of the Company specified as Nominee Shareholdings and notified to the DRIS Manager by the Applicant and the Shareholder in whose name the Ordinary Shares are held.

2. Issue of Ordinary Shares under the DRIS

a. On an Investment Day, dividends paid, or to be paid, on Ordinary Shares held by, or on behalf of, Applicants who have elected to participate in the DRIS in relation to those Ordinary Shares shall be transferred by the Company to the DRIS.

b. On or as soon as practicable after an Investment Day, the funds held within the DRIS on behalf of an Applicant shall be applied on behalf of that Applicant in the subscription for the maximum number of whole new Ordinary Shares as can be acquired with those funds.

c. The number of new Ordinary Shares to be allotted to an Applicant shall be calculated by dividing the funds held within the DRIS on behalf of the Applicant by the greatest of:

    I. the latest published net asset value per Ordinary Share (net of all unpaid dividends declared on or before an Investment Day);

    II. the nominal value per Ordinary Share; and

    III. the mid-market price per Ordinary Share as quoted on the London Stock Exchange, each at the close of business on the tenth Business Day preceding the date of issue of such Ordinary Shares.

    Fractions of new Ordinary Shares will not be allotted to Applicants and their entitlement will be rounded down to the nearest whole number of new Ordinary Shares.

d. Any balance of cash remaining within the DRIS for the account of an Applicant after an issue of Ordinary Shares is made shall be held by the Company on behalf of the relevant Applicant and added to the cash available in respect of that Applicant for the subscription of Ordinary Shares on the next Investment Day. No interest shall accrue or be payable in favour of any Applicant on any such cash balances carried forward. All cash balances held by the Company will be held as banker and not trustee and as a result will not be held in accordance with any client money rules made by the Financial Conduct Authority from time to time.

e. The new Ordinary Shares will rank equally with all existing Ordinary Shares.

f. The issue of Ordinary Shares under the DRIS shall be conditional on the following:

    i. the Company having the requisite Shareholder authorities to allot Ordinary Shares under the DRIS; and

    ii. the Company having not issued Ordinary Shares representing more than 10 per cent. of its issued share capital under the DRIS in the 12 months immediately preceding the Investment Date, and if this limit is reached in relation to Ordinary Shares to be issued on an Investment Date, the entitlements of each Applicant in relation to that Investment Date will be scaled back on a pro-rata basis.

g. The Company shall immediately after the issue of Ordinary Shares under the DRIS take all necessary steps to ensure that those Ordinary Shares shall be admitted to the Official List and to trading on the premium segment of the main market of the London Stock Exchange, provided that at the time of such issue the existing Ordinary Shares in issue are so admitted to the Official List and to trading on the premium segment of the main market of the London Stock Exchange.

h. The DRIS Manager shall as soon as practicable after the issue of Ordinary Shares take all necessary steps to ensure that the Applicants (or, where an Applicant is not a Shareholder, the Shareholder on whose behalf the Ordinary Shares mandated to the DRIS are held) are entered onto the share register of the Company as the registered holders of the Ordinary Shares issued to them in accordance with the DRIS, and that share certificates (unless such Ordinary Shares are to be uncertificated in which case the new Ordinary Shares will be credited to the Applicant's CREST account) in respect of such Ordinary Shares are issued and delivered to Applicants at their own risk

i. Applicants (or such other person as aforesaid) will receive with their share certificates (if any) a statement detailing:

i. the total number of Ordinary Shares held at the Investment Day in respect of which a valid election to participate in the DRIS was made;

ii. the amount of the dividend available for investment and participation in the DRIS;

iii. the price at which each Ordinary Share was issued under the DRIS;

iv. the number of Ordinary Shares issued and the date of issue; and the amount of cash to be carried forward for investment on the next Investment Day.

3. Terminating and amending participation in the DRIS

a. An Applicant may at any time by completing a Mandate Form and sending it to the DRIS Manager, terminate his or her participation in the DRIS and withdraw any monies held by the Company on his or her behalf in relation thereto.

b. If an Applicant who is a Shareholder shall at any time cease to hold Ordinary Shares, he or she shall be deemed to have submitted a Mandate Form under paragraph (a) above in respect of his or her participation in the DRIS. Whenever a Nominee Shareholder sells Ordinary Shares on behalf of the Beneficial Shareholder, the Nominee Shareholder agrees to notify the DRIS Manager of the full details of the sale as soon as practicable. Neither the Company nor the DRIS Manager shall be responsible for any loss or damage as a result directly or indirectly of a failure by a Nominee Shareholder to comply with such obligation. If a Shareholder in whose name Ordinary Shares are held on behalf of an Applicant shall at any time cease to hold any Ordinary Shares on behalf of that Applicant, he or she shall be deemed to have submitted a Mandate Form under paragraph (a) above in respect of his or her participation in the DRIS. If notice of termination is served or deemed to have been served, all of the monies held by the Company on the Applicant's behalf shall be delivered to the Applicant as soon as reasonably practicable at the address set out in the Mandate Form, subject to any deductions which the Company may be entitled or bound to make. Any Mandate Form submitted or deemed to have been submitted as set out above shall not be effective in respect of the next forthcoming Investment Day unless it is received by the DRIS Manager at least 10 Business Days prior to such Investment Day.

c. Cash balances of less than £1 held on behalf of Applicants who have withdrawn from, or otherwise cease to participate in, the DRIS will not be repaid, but will be donated to a recognised registered charity at the discretion of the Company.

4. Notices

All Mandate Forms and any other notices and instructions to be given to the DRIS Manager shall be in writing and delivered or posted to Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 6DA.

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