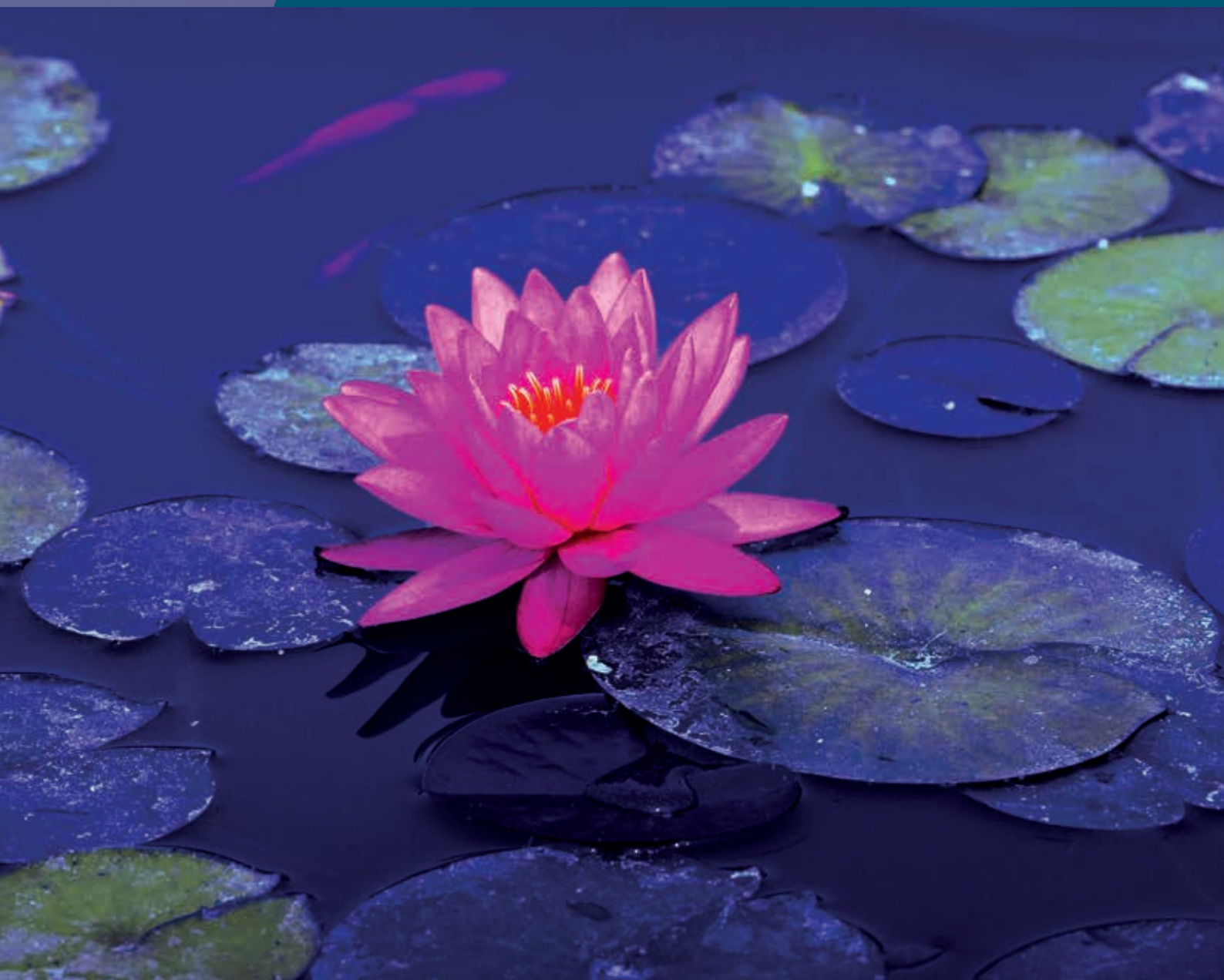


*Hargreave Hale*  
**AIM VCT**

# Cultivating opportunities

**Annual report and accounts  
for Hargreave Hale AIM VCT plc  
year ended 30 September 2021**





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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 2021

|                                 |                             |                                       |                             |                            |
|---------------------------------|-----------------------------|---------------------------------------|-----------------------------|----------------------------|
| Net asset value (NAV) per share | NAV total return            | Tax free dividends paid in the period | Share price total return    | Ongoing charges ratio      |
| <b>100.39p<sup>(1)</sup></b>    | <b>42.26%<sup>(2)</sup></b> | <b>4.40p</b>                          | <b>51.36%<sup>(2)</sup></b> | <b>2.12%<sup>(2)</sup></b> |

- **£15.9 million invested in Qualifying Companies in the year.**
- **98.7% invested by VCT tax value in Qualifying Investments at 30 September 2021.**
- **Special dividend of 2.50 pence per share paid on 29 October 2021 and final dividend of 3.15 pence per share proposed for the year end.**
- **Offer for subscription to raise £20 million, together with an over-allotment facility to raise a further £10 million fully subscribed as announced by the Company on 15 February 2021.**
- **New Offer for subscription launched on 2 September 2021 to raise £20 million, together with an over-allotment facility to raise a further £20 million fully subscribed as announced by the Company on 22 October 2021.**

| Summary financial data  | 2021                | 2020                 |
|---|---------------------|----------------------|
| NAV (£m)  | 228.96              | 147.00               |
| NAV per share (p)   | 100.39              | 73.66                |
| NAV total return (%) <sup>(2)</sup>                                     | 42.26               | 11.42                |
| Market capitalisation (£m)  | 212.11              | 131.7                |
| Share price (p)   | 93.00               | 66.00                |
| Share price discount to NAV per share (%) <sup>(2)</sup>                | 5.00 <sup>(3)</sup> | 10.40 <sup>(4)</sup> |
| Share price 5 year average discount to NAV per share (%) <sup>(2)</sup> | 6.31 <sup>(3)</sup> | 6.18                 |
| Share price total return (%) <sup>(2)</sup>                             | 51.36               | 6.77                 |
| Gain per share for the year (p)   | 30.45               | 7.81                 |
| Dividends paid per share (p)  | 4.40                | 5.00                 |
| Ongoing charges ratio (%) <sup>(2)</sup>                                | 2.12                | 2.35                 |

(1) Cumulative of special dividend paid post year-end.

(2) Alternative performance measure definitions and illustrations can be found on pages 84 to 87.

(3) The company's shares went ex-dividend on 30 September 2021. The FY21 year end discount to NAV and the 5 year average discount to NAV is a function of the year end ex-dividend NAV of 97.89 pence per share and the year end share price.

(4) The FY20 year end review resulted in favourable movements in the valuation of several private companies and a substantial increase in the NAV per share relative to the previously published NAV per share, leading to an unusually wide discount at the year end.

## Financial Calendar

| Financial calendar  |                  |
|---|------------------|
| Record date for special dividend  | 1 October 2021   |
| Payment of special dividend   | 29 October 2021  |
| Record date for final dividend  | 7 January 2022   |
| Payment of final dividend   | 10 February 2022 |
| Annual General Meeting  | 3 February 2022  |
| Announcement of half-yearly results for the six months ending 31 March 2022 | June 2022        |
| Payment of interim dividend (subject to Board approval)                     | July 2022        |



# Chairman's statement

## Introduction

I would like to welcome shareholders who have joined us as a result of the recent offers for subscription. The most recent offer was launched in early September 2021 and closed in just seven weeks having raised a gross total of £40 million. Thank you to all shareholders for your continuing support which is greatly appreciated.

Covid-19 of course is still with us and, as we have seen in recent weeks with the emergence of the Omicron variant, will likely continue to be for the foreseeable future. However, following the very successful vaccination program, the virus has perhaps become a little less threatening to the wider community, the economy, companies and therefore the prospects for your fund.

Maybe the same can't be said with regard to inflation. In my last report to you I raised the real concern that inflation could accelerate and with it interest rates. Whilst most Central Banks still appear to be confident that current inflation numbers are relatively short term in nature, the markets and many commentators appear to take a more bearish view with expectations now for a gradual increase in rates into 2022.

Your manager has more detail below on NAV performance over the past year but it would be wrong for me not to highlight the exceptional returns your fund has produced over the last twelve months - well in excess of 40% whilst at the same time outperforming the comparative indices.

## Performance

At 30 September 2021, the cum-dividend NAV per share was 100.39 pence which, after adjusting for the dividends paid in the year of 4.40 pence, gives a NAV total return for the year of 42.26%. The NAV total return (dividends reinvested) for the year was 43.04% compared with 30.79% in the FTSE AIM All-Share Index Total Return (also calculated on a dividends reinvested basis). The Directors consider this to be the most appropriate benchmark from a shareholder's perspective, however, due to the investment restrictions placed on a VCT it is not wholly comparable. The NAV total return since inception<sup>(1)</sup> is 164.94 pence (a gain of 64.94%).

The earnings per share total return for the year was a gain of 30.45 pence (comprising a revenue loss of 0.39 pence and a capital return of 30.84 pence). Revenue income increased by 22% to £0.89m as a result of an increase in dividends received from portfolio companies and interest accrued on convertible loan note instruments. Revenue expenses exceeded income and resulted in a revenue loss for the year of 0.39 pence per share.

The share price increased from 66.00 to 93.00 pence (ex-dividend) over the reporting period which, after adjusting for dividends paid, gives a share price total return of 51.36%.

## Investments

The Investment Manager invested £15.9 million into 18 Qualifying Companies during the period. The fair value of Qualifying Investments at 30 September 2021 was £173.4 million (75.7% of NAV) invested in 68 AIM companies and 7<sup>(2)</sup> unquoted companies. £25.7 million (11.2% of NAV) was invested in non-qualifying equities, £3.7 million (1.6% of NAV) was invested in the Marlborough Special Situations Fund and £27.0 million (11.8% of NAV) was held in cash at the year end. Most of the non-qualifying equities are listed in the FTSE 350 and offer good levels of liquidity should the need arise.

The year end valuation review resulted in changes to the valuation of several of the investments in private companies, some higher and some lower, which in aggregate amounted to a net increase of 0.81 pence per share since the last review on 30 June 2021. Across the year as a whole, movements in the valuations of the private companies added 5.50 pence per share to the year end NAV per share, in part due to significant increases in value for SCA Investments Limited (trading as Gousto) and Oxford Genetics, which was sold to WuXi AppTec on 1 March 2021.

## 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 20 for the full policy).

In the 12 month period to 30 September 2021, the Company paid dividends totalling 4.40 pence (2020: 5.00 pence). A final dividend of 2.65 pence in respect of the previous financial year was paid on 11 February 2021 (2019: 2.25 pence) and an interim dividend of 1.75 pence (2020: 1 penny) was paid on 30 July 2021.

A special dividend of 2.50 pence per share was announced on 23 September 2021 and paid on 29 October 2021 to shareholders on the register on 1 October 2021. A final dividend of 3.15 pence is proposed (2020: 2.65 pence) which, subject to shareholder approval at the Annual General Meeting, will be paid on 10 February 2022 to ordinary shareholders on the register on 7 January 2022.

(1) Alternative performance measure definitions and illustrations can be found on pages 84 to 87.

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

### 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 page 88.

On 11 February 2021, 276,440 ordinary shares were allotted at a price of 90.03 pence per share, being the last published ex-dividend NAV per share as at 22 January 2021, to shareholders who elected to receive shares under the DRIS as an alternative to the final dividend for the year ended 30 September 2020.

On 30 July 2021, 203,313 ordinary shares were allotted at a price of 99.23 pence per share, being the last published ex-dividend NAV per share as at 9 July 2021, to shareholders who elected to receive shares under the DRIS as an alternative to the interim dividend for the year ended 30 September 2021.

On 29 October 2021 (post period end), 327,293 ordinary shares were allotted at a price of 94.09 pence per share, being the last published ex-dividend NAV per share as at 8 October 2021, to shareholders who elected to receive shares under the DRIS as an alternative to the special dividend announced by the Company on 23 September 2021.

### Buybacks

In total, 6,661,974 shares (nominal value £66,620) were repurchased during the year at a cost of £6,043,569 (average price: 90.72 pence per share). As at 16 December 2021, a further 401,981 shares have been repurchased post the year end at a cost of £365,958 (average price: 91.04 pence per share).

### Share price discount

The Company aims to improve liquidity and to maintain a discount of approximately 5 per cent. to the last published NAV per share (as measured against the mid-price) by making secondary market purchases of its shares in accordance with parameters set by the Board (see page 20 for the full policy).

We continued to operate the discount control and management of share liquidity policy effectively during the period. The Company has 1 and 5 year average share price discounts of 6.25% and 6.31% respectively.

On an ex-dividend basis, the Company's share price discount as at 30 September 2021 was 5.00% compared to 10.40% at 30 September 2020.

As at 15 December 2021 the discount to NAV was 5.28% of the last published NAV per share.

### Offer for subscription

The Directors of the Company announced on 2 September 2020 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 £10 million. On 15 February 2021, the Company announced the offer for subscription was closed to further applications. The offer resulted in gross funds being received of £30 million and the issue of 34.8 million shares.

### New Offer for subscription

The Directors of the Company announced on 2 September 2021 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 6 October 2021.

On 22 September 2021, the Company announced that it had received valid applications in excess of £17 million and, accordingly, the Directors of the Company confirmed they intended to utilise the available £20 million over-allotment facility.

On 22 October 2021, the Company announced it had received valid applications in respect of the full £20 million over-allotment facility and therefore the offer for subscription was closed to further applications.

As at 16 December 2021, 40.6 million shares have been allotted raising gross proceeds of £39.2 million. A further £0.8 million will be allotted in the 2022/23 tax year.

### Investment Manager VCT team

As previously announced, Giles Hargreave stepped down as co-manager on 31 December 2020; he has not been involved in the management of the VCT portfolio since then. Looking forward, Giles is not expected to provide any input to the VCT's portfolio, although he remains available to support the Investment Manager's VCT team in his role as Life President of Canaccord Genuity Fund Management (the trading name of Hargreave Hale Ltd). The Board would like to thank Giles for his contribution to the VCT since it first launched in 2004.

Additionally, the Investment Manager's VCT team has further expanded with the addition of Archie Stirling, a second investment analyst in September 2021, taking the Investment Manager's VCT team to five. Archie joined the Investment Manager in September 2021 following 8 years at KPMG LLP, including 5 years working in transaction services.

### Cost efficiency

Your Board reviews costs incurred by the Company on a regular basis and is focused on maintaining a competitive ongoing charges ratio. The year end ongoing charges ratio was 2.12% when calculated in accordance with the AIC's "Ongoing Charges" methodology. This compares with the 30 September 2020 ratio of 2.35%.

### Board and committee composition

Sir Aubrey Brocklebank retired from his role as non-executive director and Chairman of the Audit Committee at the Annual General Meeting in February 2021. Justin Ward was appointed to the Board on 1 November 2020 and assumed the role of Chairman of the Audit Committee on 4 February 2021, following the retirement of Sir Aubrey.

Ashton Bradbury will not be standing for re-election at the upcoming AGM in 2022. We are very sorry to see him go and thank him for his significant contribution. The process of recruiting a new non-executive director will commence in the New Year.

Following a review of board remuneration and taking into account peer group analysis and inflation, the Board has decided to increase its remuneration, effective 1 January 2022. The annual remuneration of the Chairman will increase to £37,000, the independent non-executive directors to £29,000 and the non-independent non-executive director, Oliver Bedford, to £26,500. An additional fee of £1,500 will continue to be paid to the Chairman of the Management and Service Provider Engagement Committee and the Chairman of the Audit Committee will continue to receive an additional fee of £3,000.

### Related party transactions

The Company's Investment Manager, Hargreave Hale Limited is a related party to the Company for the purposes of the Listing Rules. As noted above and announced on 14 December 2021, Oliver Bedford's non-executive directorship fees (paid directly to the Investment Manager) will increase from £25,000 to £26,500 with effect from 1 January 2022. Once aggregated with previous related party transactions between the Company and the Investment Manager's group in the last 12 months, this fee increase constitutes a smaller related party transaction under Listing Rule 11.1.10R.

### Appointment of new Company Secretary

As announced on 12 January 2021, JTC (UK) Limited was appointed as company secretary, effective from 15 January 2021.

### Annual General Meeting

Shareholders are invited to attend the Company's Annual General Meeting (AGM) to be held at 10.30am on 3 February 2022 at 41 Lothbury, London EC2R 7AE. The AGM notice is set out on pages 91 to 92.

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. Questions must be received by 5.00 p.m. on 31 January 2022 and answers will be published on the Company's website on 1 February 2022.

In light of the continued relative uncertainty in relation to the Covid-19 pandemic, the Board will continue to monitor Government guidance and will update shareholders on any changes to the above arrangements through the Company's website at: <https://www.hargreaveaimvcts.co.uk> and by announcement through a regulatory information service.

### Shareholder event

Both your Board and the Investment Manager are keen to improve interaction with our shareholders. On 25 February 2021, a pre-recorded shareholder event was released. In the video, Lead Fund Manager Oliver Bedford reviewed the Company's performance over 2020, investment activity, portfolio positioning and outlook for the year ahead. In addition to this, representatives from six portfolio companies shared their thoughts on the challenges, opportunities and the legacy of 2020. The video is available to watch via the news and events page on the Company's website at: <https://www.hargreaveaimvcts.co.uk>.

I am pleased to report that on 24 November 2021, following strong interest from shareholders, the Company held an in-person shareholder event at Everyman Cinema, Broadgate, City of London. The event included presentations from the Investment Manager's VCT team, several portfolio companies and concluded with the screening of a feature film. Recorded highlights will be made available to view through the Company's website.

### Electronic communications

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

On a similar note, we would also be grateful if



shareholders would consider updating their dividend payment preference from bank cheque to bank transfer, helping us to reduce costs and paper usage on more than c.1,500 dividend cheques annually.

### Electronic Voting

Your Board is pleased to announce that electronic proxy voting is now 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 will hopefully assist 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.

### VCT status

I am pleased to report that we continue to perform well against the requirements of the legislation and at the period end, the investment test was 98.7% (2020: 97.0%) against an 80% requirement when measured using HMRC's methodology. The Company satisfied all other tests relevant to its status as a Venture Capital Trust and further information on these tests can be found on page 21.

### Key information document

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

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

Investors' attention is drawn to the consultation currently being undertaken by the FCA in relation to amendments to the Key Information Document produced by VCTs in accordance with UK PRIIPs Laws. In Consultation Paper CP21/23 (published on 1 July 2021), the FCA proposes to require that Key Information Documents issued by VCTs must be assigned a summary risk indicator (SRI) of no lower than 6. The FCA states that this change should ensure investors will be better informed of the nature of the risk of investing in VCTs. If this proposal is made into law, the Company's SRI will increase as a

result of the mandatory minimum SRI prescribed.

### Risk review

Your Board has reviewed the risks facing the Company and further detail can be found in the principal and emerging risks and uncertainties section on pages 17 to 18.

### Outlook

Whilst there are many reasons for investors to be cautious, amongst them the Omicron variant, tax rises, government debt, inflation, further interest rate rises, energy costs and access to skilled labour, there are similarly many reasons to be positive.

These include, exceptional growth in the economy with GDP forecast to continue to rise in the near term at a rate that has not been seen in the U.K. for many decades, low unemployment, rises in average earnings, high levels of household savings that consumers can call upon, early signs of increases in company investment and still buoyant financial markets.

One thing I can assure you is that your Fund Management team and board are focussed on delivering above average returns through the VCT's large and diversified portfolio of innovative and high growth British companies.

I look forward to reporting to you further on the VCT's performance in six months time.

**David Brock**  
Chairman

16 December 2021

DocuSigned by:

*David Brock*

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# 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.

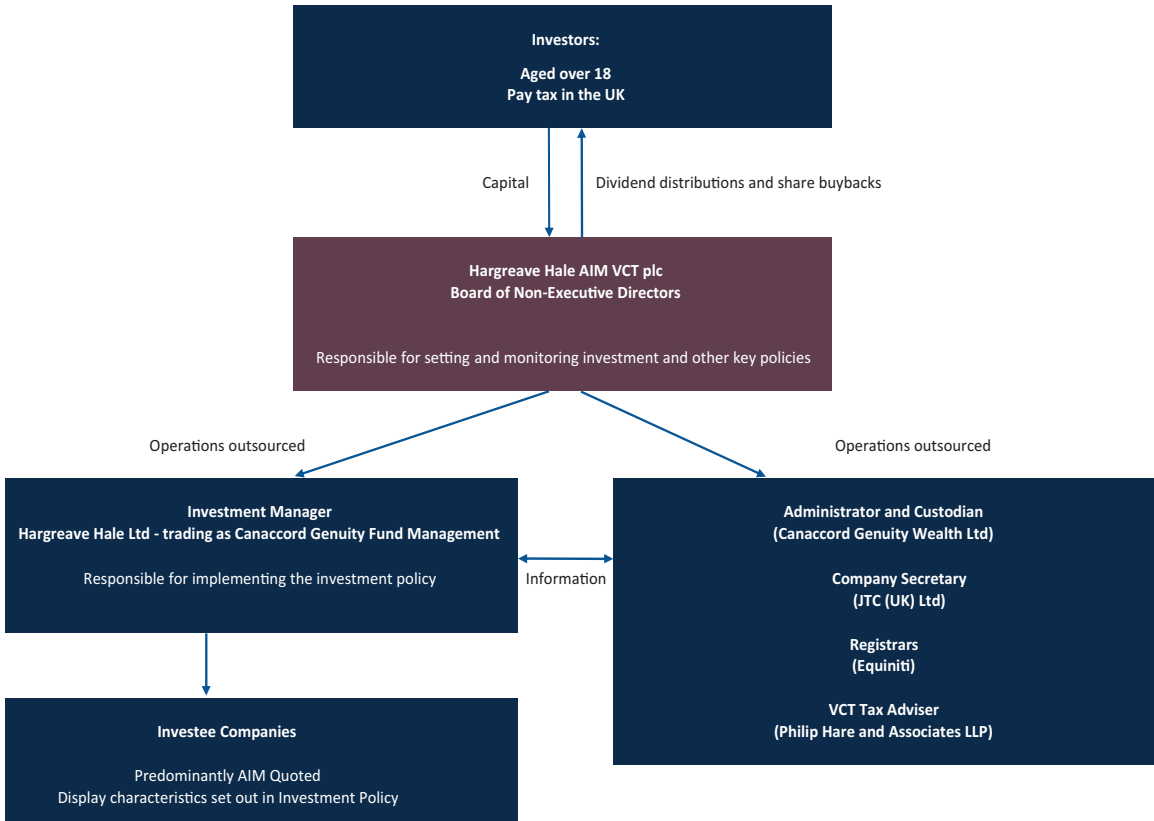
In common with many other VCTs, the Company revoked its status as an investment company as defined in Section 266 of the Companies Act 1985 on 23 May 2006 to facilitate the payment of dividends out of capital profits.

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 five non-executive directors, four of whom are independent. Hargreave Hale Limited (trading as Canaccord Genuity Fund Management) acts as investment manager whilst Canaccord Genuity Wealth Limited (CGWL) acts as administrator and custodian. JTC (UK) Limited provide 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 the Investment Manager/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 interest securities as permitted by the VCT Rules. Investments will primarily be made in companies listed on AIM but may also include private companies that meet the Investment Manager's criteria and companies listed on the AQSE Growth Market. These small companies will be UK based or have a UK presence and, whilst of high risk, will have the potential for significant capital appreciation.

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

## Non-Qualifying Investments

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

## Investment controls

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

## Borrowings

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

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

## Investment process and strategy

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

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

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

- the strength and depth of the management team;
- the business strategy;
- a prudent approach to financial management and forecasting;
- 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 enables the Company to maintain its exposure to small UK companies whilst the Investment Manager identifies opportunities to invest the proceeds of fundraisings into Qualifying Companies.

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

### Environmental, social and governance ("ESG") considerations

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

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

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

### **Risk management**

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

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



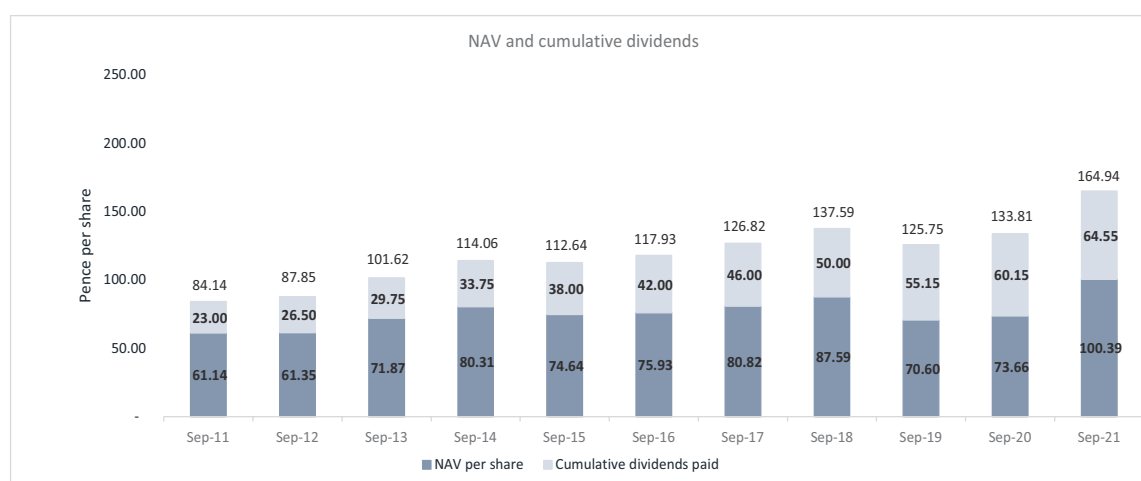
# Key performance indicators

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

Further commentary on the performance of these KPIs has been discussed in the Chairman's statement and Investment Manager's report on pages 4 to 7 and 24 to 27 respectively.

## 1. NAV and share price total returns

The Board monitors NAV and share price total return to assess how the Company is meeting its objective of generating capital gains and income from its portfolio and making distributions to shareholders. The Board is pleased to report a positive return for the year with the NAV per share increasing from 73.66 pence to 100.39 pence resulting in a gain to ordinary shareholders of 31.13 pence per share (42.26%) 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 Company's closest benchmark the FTSE AIM All-Share Index total return. With 61.9% of the net assets invested in companies listed on AIM, the Directors consider this to be the most appropriate benchmark from a shareholder's perspective. However, HMRC derived investment restrictions, along with Qualifying Investments in private companies and fixed income securities, and Non-Qualifying Investments in main market listed companies, predominantly in the FTSE 350, mean the index is not a wholly comparable benchmark for performance.

| Rolling Returns to end Sep 2021                                | 1Y     | 3y     | 5y     | 10y     |
|--|--------|--------|--------|---------|
| NAV total return   | 42.26% | 31.23% | 61.91% | 132.16% |
| Share price total return                                       | 51.36% | 33.80% | 67.45% | 156.17% |
| NAV total return (dividends reinvested) <sup>(1)</sup>         | 43.04% | 36.77% | 76.36% | 186.79% |
| Share price total return (dividends reinvested) <sup>(1)</sup> | 52.46% | 40.13% | 83.89% | 220.38% |
| FTSE AIM All-Share Index total return                          | 30.79% | 17.06% | 61.25% | 96.62%  |

Source: Hargreave Hale 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. They are alternative performance measures, the definitions and illustrations can be found on pages 84 to 87.

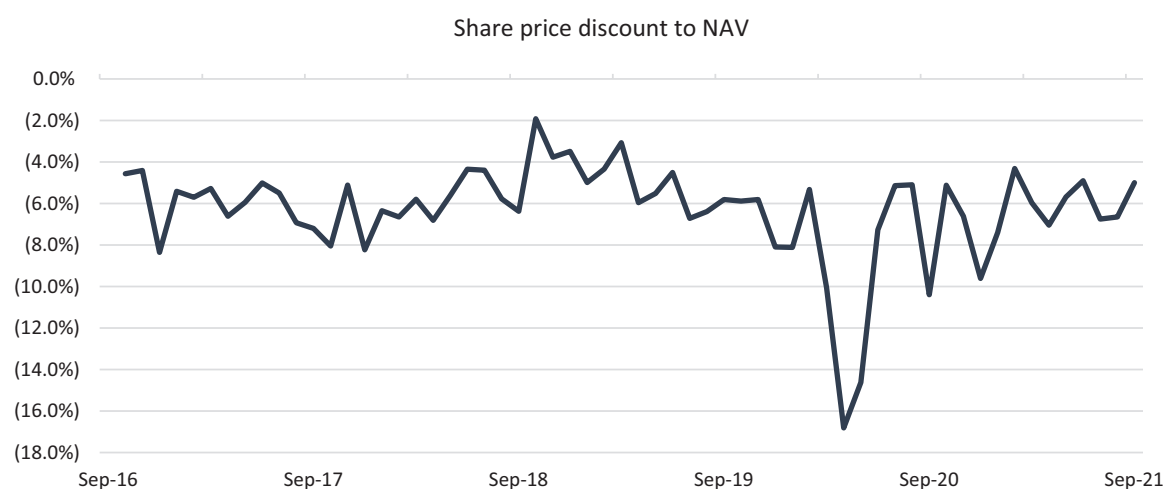
The Company enjoyed strong NAV performance over the year. The NAV total return (dividends reinvested) for the year of 43.04% was ahead of the weighted average return for the AIM VCT peer group however, over longer time periods the Company's NAV returns are below the weighted average of its AIM VCT peers. As the AIM VCT Sector consists of only a very small number of companies, the Directors also consider performance against the much broader Generalist VCT Sector. It is pleasing to note that the VCT has materially outperformed the weighted average NAV total return (dividends reinvested) for the Generalist Sector over 1, 3, 5 and 10 years. Additionally the VCT has outperformed its FTSE AIM All-Share benchmark over 1, 3 and 5 years and is very significantly ahead over 10 years. 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 went ex-dividend (2.50 pence per share) on 30 September 2021. The share price discount as 30 September 2021 was 5.00% (2020: 10.40%) when calculated with reference to the ex-dividend 30 September 2021 NAV per share. The 1 and 5 year average share price discounts are 6.25% and 6.31% 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 quarter end NAV per share is published 5 business days after the period end to allow time for the manager and board to review and agree the valuation of the private companies held within the investment portfolio.



As at 15 December 2021 the discount to NAV was 5.28% of the last published NAV per share.

## 3. Ongoing charges ratio

The ongoing charges of the Company were 2.12% (2020: 2.35%) of the average net assets of the Company during the financial year to September 2021. The decrease in the ongoing charges ratio reflects the increase in the Company's net assets over the period and a substantial reduction in due diligence costs following the addition of a legal counsel to the Investment Manager's VCT team. Material cost increases within the financial year included higher management fees from increased net assets, listing costs in relation to the dividend reinvestment scheme, directors' remuneration increases effective from 1 January 2021, increased company secretarial fees following the appointment of JTC (UK) Ltd and higher registrar and printing costs as a result of the larger shareholder base.

The Company's ongoing charges ratio remains competitive against the wider VCT industry and similar to other AIM VCTs. This ratio is calculated using the AIC's "Ongoing Charges" methodology and, although based on historical information, it provides shareholders with an indication of the likely future cost of managing the fund. Cost control and efficiency continues to be a key focus for your Board. The Board is satisfied with the result for the year which was in line with the Company's budget.

#### 4. Dividends per share

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

A total of 4.40 pence per share (2020: 5.00 pence – including the special dividend of 1.75 pence per share) of dividends was paid during the year, comprised of a final dividend of 2.65 pence in respect of the previous financial year (2019: 2.25 pence) paid on 11 February 2021 and an interim dividend of 1.75 pence (2020: 1 penny) paid on 30 July 2021. A special dividend of 2.50 pence was announced on 23 September 2021, with an ex-dividend date of 30 September 2021 and a payment date of 29 October 2021.

A final dividend of 3.15 pence per share will be proposed at the Annual General Meeting. If approved by shareholders, the payment of the interim and final dividends in respect of the financial year to 30 September 2021 would represent a distribution to shareholders of 4.9% of the 30 September 2021 NAV per share and 5.0% of the 30 September 2021 ex-dividend NAV per share. The payment of the special dividend, which was outside of the scope of the dividend policy, further increases the distribution to 7.4% of the 30 September 2021 cum-dividend NAV per share and 7.6% of the 30 September 2021 ex-dividend 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.

| Dividend 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 and the proposed final dividend of 3.15 pence. |

#### 5. Compliance with VCT regulations

A VCT must be approved by HMRC at all times, and in order to retain its status, the Company must meet a number of tests as set out by the VCT legislation, a summary of which can be found on page 21. Throughout the year ended 30 September 2021 the Company continued to meet these tests.

The investment test increased from 97.0% to 98.7% in the financial year, comfortably ahead of the 80% threshold that applied to the Company with effect from 1 October 2019 and the target of 85% as set out in the Company's investment policy. The Company invested £15.9 million into 18 Qualifying Companies, 7 of which were investments into new Qualifying Companies. The Board is pleased with the level of new Qualifying Investment, which was ahead of expectations. Along with unrealised gains in the period, the new Qualifying Investments helped to increase the fair value of the qualifying portfolio from £112.4m to £173.3m. On 1 October 2021, when shares issued in the 2019 financial year fell into the test for the first time, the investment test dropped to 88.6%.

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 24 to 27.

# Section 172 statement

This section sets out how the Company meets its obligations under Section 172 of the Companies Act and should be read with the other contents of the Strategic Report on pages 3 to 34.

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

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

As an externally managed investment company with no employees, the Board considers its key stakeholders to be the shareholders, the Investment Manager, other service providers, investee companies and the wider environment in which it operates.

## Engagement with Shareholders

Shareholder relations are given high priority by the Board. Regular updates are given to shareholders through the interim and annual report and accounts, which aim to provide shareholders with a full understanding of the Company's activities and its results, monthly factsheets and the weekly publication of the Company's NAV per share. This information combined with further background regarding the Company is available on the Company's website at: <https://www.hargreaveaimvcts.co.uk>.

Shareholders are invited to engage with the Board and the Investment Manager at the Company's AGM, to be held on 3 February 2022. 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](mailto:HHV.CoSec@jtcgroup.com) (please include 'HHV AGM' in the subject heading). Questions must be received by 5.00 p.m. on 31 January 2022. Answers will be published on the Company's website on 1 February 2022.

Shareholders can also communicate with the Chairman, any other member of the Board or the Investment Manager by writing to the Company, for the attention of the Company Secretary at the

address set out on page 90 or by email to [HHV.CoSec@jtcgroup.com](mailto:HHV.CoSec@jtcgroup.com).

The Company published a short video in February 2021 which in partnership with a number of portfolio companies explored the opportunities and challenges created by the pandemic.

On 24 November 2021, the Company held an annual review at Everyman Broadgate. The event gave shareholders the opportunity to hear directly from CEOs of some of the investee companies and meet with the Investment Manager and members of the Board. Recorded highlights will be made available to view through the Company's website.

## Engagement with the Investment Manager

The Company's most important business relationship is with its Investment Manager. The Company's Lead Fund Manager, Oliver Bedford, is a board member and he and other representatives of the Investment Manager attend all board meetings thus ensuring a constructive dialogue.

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

## Engagement with Other Service Providers

The Company seeks to have a constructive relationship with all of its service providers. It maintains a schedule of the contracts that it has in place with its service providers including those services provided by the Investment Manager. The service provided by each is reviewed by the Board through the Manager and Service Provider Engagement Committee on an annual basis, most recently in July 2021.

### Investee Companies

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

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

### Engagement with the Community and Environment

The Board and Investment Manager are committed to investing in a responsible manner and the Investment Manager embeds ESG considerations into its investment decision-making process and throughout the period of its investments. The Investment Manager developed a stewardship policy during the financial year and is in the process of becoming a signatory to the UN Principles of Responsible Investment.

The Company continues to engage with its investee companies to encourage more substantive reporting on ESG credentials and the development of sustainability goals.

### Key decisions made during the year

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

- On 2 September 2021 the Board launched an offer for subscription of shares. This provided an opportunity for existing shareholders and new investors to invest in the Company and provided liquidity to enable the Company to take advantage of new investment opportunities in furtherance of its long-term objectives.
- The Board allotted additional shares under its dividend re-investment scheme ("DRIS") allowing shareholders to elect to receive all dividends from the Company in the form of new ordinary shares.
- During the year under review the Company continued to buy back shares in line with its stated policy. This action provided liquidity for shareholders looking to sell their shares whilst modestly enhancing the NAV per share for remaining shareholders.
- As part of its Board succession and refreshment plans the Board recruited Justin Ward in November 2020 as an independent non-executive director. The Board believes that the orderly refreshment of the Board is consistent with the principles of good corporate governance and so in the best interests of shareholders.
- A total of 4.40 pence per share of dividends was paid to shareholders during the year, comprised of a final dividend of 2.65 pence in respect of the previous financial year and an interim dividend of 1.75 pence. In addition, following the sale of Oxford Genetics Ltd, a special dividend of 2.50 pence was announced on 23 September and was paid on 29 October 2021.



# Principal and emerging risks and uncertainties

The Directors acknowledge that they are responsible for the effectiveness of the Company's risk management and internal controls and periodically review the principal risks faced by the Company at board meetings. The Board may fulfil these responsibilities through delegation to Hargreave Hale Limited and Canaccord Genuity Wealth Limited as it considers appropriate. The Board also considers emerging risks of which the most significant is the growing proximity to the date of the Sunset Clause. 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 |
|--|---|---|-------------------------|
| <b>Venture Capital Trust approval risk</b> – the Company operates in a complex regulatory environment and faces a number of related risks. A breach of Section 259 of the Income Taxes Act 2007 or the Finance Act could result in the disqualification of the Company as a VCT.   | Loss of VCT approval could lead to the Company losing its exemption from corporation tax on capital gains, shareholders losing their tax reliefs and in certain circumstances being required to repay the initial tax relief on their investment. | To reduce this risk, the Board has appointed the Investment Manager, who has significant experience in venture capital trust management and reports to the Board regularly throughout the year. In addition, to provide further formal assurance, the Board has appointed Philip Hare & Associates LLP to monitor compliance with regulations and provide half yearly compliance reports to the Board.  | No change.              |
| <b>Investment risk</b> – Many of the Company's investments are held in small, high risk companies which are either listed on AIM or privately held.  | Investment in poor quality companies could reduce the capital and income return to shareholders. Investments in small companies are often illiquid and may be difficult to realise.   | The Board has appointed an investment manager with significant experience of investing in small companies. The Investment Manager maintains a broad portfolio of investments, individual Qualifying Investments rarely exceed 5% of net assets, and holds regular company meetings to monitor investments and identify potential risk. The fund's liquidity is monitored on a regular basis by the Investment Manager and reported to the Board quarterly and as necessary. | No change.              |
| <b>Compliance risk</b> – The Company is required to comply with the rules of the UK Listing Authority, the Companies Act, Accounting Standards, the General Data Protection Regulation and other legislation. The Company is also a small registered Alternative Investment Fund Manager ("AIFM") and has to comply with the requirements of the AIFM Directive. | Failure to comply with these regulations could result in a delisting of the Company's shares, financial penalties, a qualified audit report or loss of shareholder trust.   | Board members have considerable experience of operating at senior levels within quoted businesses. They have access to a range of advisors including solicitors, accountants and other professional bodies and take advice when appropriate.  | No change.              |

| Risk  | Potential consequence  | How the Board mitigates risk  | Changes During the Year  |
|---|--|---|--|
| <b>Operational risk and outsourcing</b> – Failure in the Investment Manager/ Administrator or other appointed third party systems and controls or disruption to its business.   | Failures could put the assets of the Company at risk or result in reduced or inaccurate information being passed to the Board or shareholders. Quality standards may be reduced through lack of understanding or loss of control.  | The Company has in place a risk matrix and a set of internal policies which are reviewed on a regular basis. It has written agreements in place with its third-party service providers. The Board, through the Management and Service Provider Engagement Committee, receives regular reports from the Investment Manager, Administrator and custodian to provide assurance that appropriate oversight is in place. Additionally, the Board receives a control report from the Company's registrars on an annual basis. Where tasks are outsourced to other third parties, reputable firms are used and performance is reviewed periodically by the Management and Service Provider Engagement Committee.   | Decreased.<br>Following the successful vaccination programme in the UK, providers of the core outsourced functions of the Company, including investment management and administration have resumed working within an office based environment, albeit on a more flexible basis than was typically the case prior to the pandemic. The return to work within an office based environment allows for better communication and a more robust oversight and monitoring regime. |
| <b>Key personnel risk</b> – A change in the key personnel involved in the management of the portfolio.  | Potential impact on investment performance.  | The Board discusses key personnel risk and resourcing with the Investment Manager periodically. The VCT team within the Investment Manager has increased in size over the last two and a half years, which helps to mitigate this risk.   | Decreased.<br>The VCT team within the Investment Manager has increased with the introduction of Archie Stirling, who brings new skills and experience. The VCT team has expanded substantially since 2018. New members of the team have gained sufficient experience to provide credible mitigations to key personnel risk.  |
| <b>Exogenous risks such as economic, political, financial, climate change and health</b> – 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. 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 (the "Sunset Clause"). | Instability or change arising from these risks could have an impact on stock markets and the value of the Company's investments so reducing returns to shareholders. There remains considerable uncertainty about the future path of the pandemic and the longterm impacts. New variants of the virus may emerge that could result in the introduction of new restrictions, depress economic activity and lead to falls in equity markets in the UK and elsewhere, all of which could have a material adverse impact on the future investment returns of the Company, the price of the Ordinary Shares and the ability of the Investment Manager to find and realise suitable investments. A failure to renew or replace the relevant sections of the Finance (No 2) Act 2015 with similar or equivalent legislation would make it more difficult for the Company to attract new capital whilst continuing to operate under its current investment policy. | Regular dialogue with the manager provides the Board with assurance that the manager is following the investment policy agreed by the Board and appraises the Board of the portfolio's current positioning in the light of prevailing market conditions. Communication between the Board and the Investment Manager has remained strong through the period of the Covid-19 pandemic. The Company's investment portfolio is well diversified and the Company has no gearing. When reviewing the valuations of the Company's private company investments the independent non-executive directors have taken account of the impact of Covid-19 where appropriate. The Board keeps abreast of current thinking through contact with industry associations and its advisors. | No change.   |

Additional risks and further details of the above risks and how they are managed are explained in note 15 of the financial statements. Trends affecting future developments are discussed in the Chairman's statement on pages 4 to 7 and the Investment Manager's report on pages 24 to 27.

# Long term viability statement

In accordance with provision 28 of the UK Corporate Governance Code, the Directors have carried out a robust assessment of the Company's emerging and principal risks, further details can be found in the principal and emerging risks and uncertainties section on pages 17 to 18. This assessment has been carried out over a longer period than the 12 months required by the 'Going Concern' provision. The Board conducted this review for a period of five years, which was selected because it:

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

The Board considers the viability of the Company as part of its continuing programme of monitoring risk. The Company has a detailed risk control framework, documented procedures and forecasting model in place to reduce the likelihood and impact of risk taking that exceeds the 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 taking into account the following factors in its assessment of the Company's future viability:

- the Company maintains a highly diversified portfolio of Qualifying Investments;
- the Company is well invested against the HMRC investment test and the Board believes the Investment Manager will continue to have access to sufficient numbers of investment opportunities to maintain compliance with the HMRC investment test;

- the Company held £27.0 million in cash at the year end;
- the Company has a broad portfolio of Non-Qualifying Investments, most of which are listed in the FTSE 350 and offer good levels of liquidity should the need arise;
- the financial position of the Company at 30 September 2021 was strong with no debt or gearing;
- the offer for subscription launched on 2 September 2021 has provided further liquidity for deployment in line with the company's policies or to meet future expenses;
- the ongoing charges ratio of the Company for the year end was 2.12%, which is competitive for the VCT sector; and
- the Company has sufficient procedures in place to identify, monitor and control risk and portfolio liquidity.

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

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

# Other matters

## Dividend policy

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

## Discount control and management of share liquidity policy

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

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

## Diversity

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

## Environmental Social and Governance (ESG) Considerations

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

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

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

The Investment Manager continues to strengthen its approach to ESG issues. Further detail regarding the Investment Manager's approach to ESG issues can be found on page 10.

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

## Prospects

The prospects and future development of the Company are discussed in detail in the outlook section of the Chairman's statement on page 7.

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

**David Brock**  
Chairman

16 December 2021

DocuSigned by:

*David Brock*

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

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

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



# The Investment Manager & the Administrator

Hargreave Hale Limited (now trading as Canaccord Genuity Fund Management) which was founded in 1897, 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 18 fund managers and analysts. As at 30 September 2021, the Investment Manager had more than £6.5 billion of funds under management across eight unit trusts/OEICS and the Company, including approximately £4.9 billion invested in small UK companies.

The Investment Manager's VCT team is led by Oliver Bedford with support from Lucy Bloomfield, Anna Salim, Archie Stirling and Barbara Walshe. Archie Stirling joined the fund management team on 1 September 2021. The Investment Manager's VCT team is also supported by the wider fund management team within the Investment Manager, 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 Company, 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.



**Anna Salim**

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



**Barbara Walshe**

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



**Archie Stirling**

Archie Stirling graduated from Bristol University with a BSc in Economics, joined KPMG LLP in 2013 and qualified as a chartered accountant in 2016. Archie joined Canaccord Genuity in September 2021 following 5 years working in transaction services undertaking due diligence services on a range of private equity and growth capital transactions.

Other members of the wider fund management team at the Investment Manager include David Walton, Siddarth Chand Lall, Richard Hallett, George Finlay, Guy Feld and Eustace Santa Barbara (all pictured from left to right below), supported by a further seven analysts.



**£6.5  
BILLION**

of funds under  
management

**£4.9  
BILLION**

Invested in small UK  
companies

**23 YEAR**

Track record of fund  
management

**OVER 2,000  
MEETINGS**

With companies  
(12 months to 30  
September 2021)

Source: Hargreave Hale Limited (as at 30 September 2021)

#### The Administrator

Canaccord Genuity Wealth Limited (CGWL) provide 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. CGWL ceased to provide company secretarial services on 15 January 2021. As announced on 12 January 2021, JTC (UK) Limited was appointed as company secretary, effective from 15 January 2021.

#### 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 2021, the Company's running costs were 2.12 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 (in which the Company may 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 transactional 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 charges the Company an annual aggregate fee of £195,000 (plus VAT) in relation to the provision of administration services. In addition, the Administrator receives a fee of £30,000 per annum in relation to its appointment as the Company's Custodian.

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

# Investment Manager's report

## Introduction

This report covers the 2020/21 financial year, 1 October 2020 to 30 September 2021. The Investment Manager's report contains references to movements in the NAV per share and NAV total return per share. Movements in the NAV per share do not necessarily mirror the earnings per share reported in the accounts and elsewhere, which convey the profit after tax of the Company within the reported period as a function of the weighted average number of shares in issue for the period.

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

## Investment report

The financial year started with three areas of significant concern: a contested US election result; a no deal departure from the European Union; and a winter resurgence of Covid-19. With the political risks resolved within the first quarter, much of our subsequent focus was on the pandemic, vaccination programmes and, increasingly, the challenges faced by companies as the global economy returned to growth.

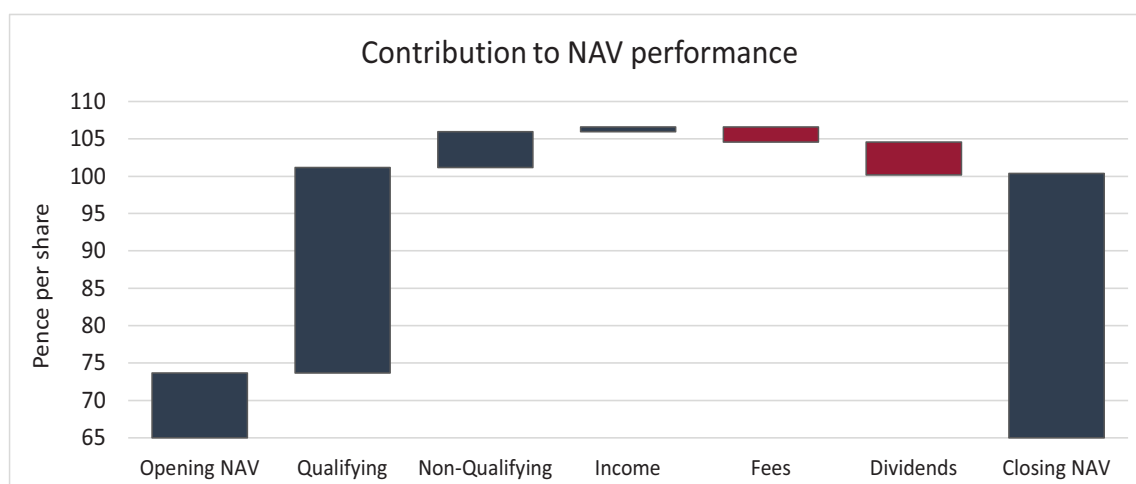
Despite setbacks, the economy has recovered more quickly than many had anticipated. Household wealth is high as a consequence of Government support and employment is strong. Companies traded well, in many cases ahead of expectations.

Although the major indices continued to record new highs, there was a sense that investors were becoming cautious about the outlook as the fourth quarter unfolded. Economic indicators are signalling that companies will need to navigate a broad range of operational risks and rising input prices next year that might weigh on financial performance. Added to this is concern that distress within the Chinese property construction sector, a very significant driver of Chinese GDP, could depress economic activity next year. The UK debate on inflation mirrored the global discussion, with central bankers starting to row back from their prior statements that the spike in inflation would prove to be transitory and short lived. There is an abundance of evidence to suggest this may not be so.

## Performance

The year to 30 September 2021 delivered an increase in the NAV per share from 73.66p to 100.39p. A final dividend of 2.65 pence in respect of the year ended 30 September 2020 was paid on 11 February 2021 and an interim dividend of 1.75 pence per share was paid on 30 July 2021, giving investors a NAV total return for the year of +31.13 pence per share or +42.26%. The NAV total return (dividends reinvested) for the year was +43.04% compared with the FTSE AIM All-Share Index total return of +30.79% and the FTSE All-Share Index total return of +27.90% (also calculated on a dividends reinvested basis).

The Qualifying Investments made a net contribution of +27.52 pence per share, whilst the non-qualifying investments made a contribution of +4.79 pence per share (including the Marlborough Special Situations Fund). The adjusting balance was the net of running costs, investment income and dividends. The contribution to NAV performance is split out in further detail below.



Note - The Closing NAV is cumulative of the special dividend paid to investors subsequent to year-end.

Gousto was the top performing Qualifying Investment (+52.7%, +2.46 pence per share), with the company delivering another year of strong performance and significant upgrades. The company raised £25m in October 2020 to support product and service enhancement, and a large investment in new capacity. In the 12 months to 31 December 2020, the company grew revenues by more than 100% and reported maiden profits with underlying EBITDA of £18m. The company has continued to report strong growth in the current financial year.

Maxcyte (+144.5%, +2.13 pence per share) completed its NASDAQ IPO in July, raising \$202m at \$13 per share. Although the company reported 25% revenue growth to \$14m in the 6 months to 30 June 2021, it marginally reduced guidance for the full financial year with the US healthcare market still disrupted by the pandemic, leading to delays in clients pre-clinical and clinical programmes. Post period end, the shares have come back alongside US peers, whilst the company also reported that the FDA had put a hold on the cell therapy programmes of one of its 14 strategic partners.

Oxford Genetics (+100.1%, +1.92 pence per share) was sold to Wuxi AppTech on 1 March 2021, realising a gain of 180% over book cost less than 2 years after the initial investment in April 2019.

Polarean (+134.1%, +1.83 pence per share) shares ran higher in anticipation of an FDA approval of its drug-device combination product, expected shortly after the period end. The FDA rejected the company's submission citing changes made to the hardware producing the hyperpolarized Xenon inhaled by a patient as part of the advanced imaging process. This surprise result led to sharp falls in the company's share price post period end, although the company is confident it can address the issues raised and resubmit another application to the FDA for registration in 2022.

Learning Technologies Group (+64.3%, +1.70 pence per share) continues to trade well and in July announced the £284m acquisition of US-based learning services provider GP Strategies, which was part funded by a £85m fundraising at 192 pence per share. Trading was strong in the 6 months to 31 December with 29% growth in reported revenues to £83m revenue and 20% growth in operating profits to £22m. The acquisition of GP strategies adds \$500m of annual revenues and \$26m of operating profits, with LTG management confident that profit margins can improve over time.

Incorporated in 2020, Paladar (-50.2%, -0.38 pence per share) is a private company that is bringing together experienced executives and chefs from the food and beverage industry to build a multi-brand restaurant company operating through cloud service kitchens with fulfilment through Deliveroo. The company's first brand Dickie's was launched in Battersea, London in April 2021. Dickie's offers American cuisine with a menu designed by Richard Turner, the original executive chef at Hawksmoor. For a variety of reasons, early trading at the first site was challenging, leading to a slow down in the rollout as the leadership team adjusted the menu design and channels to market. The company changed the name of the holding company from Paladar to The Out In Collective.

Cloudcall (-34.5%, -0.36 pence per share) experienced a good recovery through late 2020 that has continued into 2021 with the company reporting encouraging levels of new business activity. To fund this, and extend its cash runway ahead of a planned transition into profit in mid-2023, the company raised £7.5m at 82p in March 2021 and secured a £5m debt facility. Management continue to guide to meeting market expectations for the current financial year.

Following its admission to trading on AIM in March 2021, In The Style (-38.5%, -0.28 pence per share) reported good demand for its online womenswear fashion brand with revenues ahead of forecast for the 12 months to 31 March 2021. Revenues grew by 132% to £45m. Revenues have continued to grow strongly within the current financial year, with the company reporting year on year revenue growth of 45% in the 5 months to 31 August whilst profit guidance has been reduced to reflect some margin pressure due to a shift in product mix and the cost of mitigating supply chain friction.

The pandemic reduced demand outside of Europe for Yourgene's (-30.0%, -0.16 pence per share) pre-natal testing in the 12 months to 31 March 2021, and delayed the execution of two significant new contracts in the US. To compensate for the disruption to its core services, the company became a supplier of Covid-19 tests to the UK's Test for Release for International Travel scheme and was awarded a framework agreement by Public Health England to supply Covid-19 testing goods and services to public health authorities. These contracts drove a significant increase in revenues, which grew by 113% to £18m in the six months to 30 September 2021.

We have witnessed a welcome and overdue recovery in the IPO market which has provided additional opportunity for us to invest in interesting high growth

companies. We invested £15.9m into 18 Qualifying Companies including 2 investments into new portfolio companies listed on AIM, 5 into companies upon admission to AIM, one new private investment and 10 investments into existing portfolio companies.

The most significant new investments included Paladar, In The Style and Bidstack, which has developed a software platform that allows game developers to monetise their titles by inserting contextually relevant advertising into games.

High levels of new investment and strong share price performance allowed us to adjust the qualifying portfolio and reduce our investments in Blackbird, Ilika, Maxcyte, PCI-Pal, Polarean and Surface Transforms. We also made a good number of full disposals that included Big Blu, Fusionex, Location Sciences, Mirriad, Vertu and WANDisco. ClearStar, and Lidco were also sold following bids from private equity, whilst Oxford Genetics was sold to a much larger industry partner.

#### **Portfolio structure**

The VCT is comfortably through the HMRC defined investment test and ended the period at 98.7% invested as measured by the HMRC investment test. By market value, the VCT had a 75.7% weighting to Qualifying Investments at year-end.

The allocation at the year end to non-qualifying equity investments decreased from 13.3% to 11.2%. In line with the investment policy, we made investments in the Marlborough Special Situations Fund as a temporary home for proceeds from fundraising; the allocation increased from nil to 1.6% and returned +0.81 pence per share in the period. The non-qualifying direct equity investments, which are mostly held in FTSE 350 companies contributed +3.98 pence per share. Within the period, S4 Capital returned +120.6% (+0.62 pence per share), SThree returned +140.0% (+0.43 pence per share) and Watches of Switzerland returned +104.9% (+0.36 pence per share). The largest non-qualifying losses came from Seraphine (-36.6%, -0.30 pence per share) and James Fisher & Sons (-24.3%, -0.09 pence per share). The period ended with no non-qualifying fixed income investments and a slight increase in the cash weighting from 10.7% to 11.8%.

The Company invests across all available investment sectors, although VCT legislation tends to promote investment into sectors such as technology, healthcare and consumer discretionary. The weightings to these three sectors changed slightly

over the year as a consequence of additional investment and share price performance, taking their respective share of net assets to 28%, 26% and 22% at year end.

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

#### **Post period end update**

We have for some months been in a more complex risk environment. Strong levels of UK economic growth this year are forecast to continue into next year. Counteracting this are the well documented issues with labour market liquidity, supply chain disruption and rising input prices, all of which continue to feed through to higher levels of inflation. It is not difficult to imagine how companies may find their earnings outlook under pressure and indeed, in recent weeks, we have started to see several revising lower their guidance for this year and next.

The emergence of the Omicron variant has introduced a new level of uncertainty that has unsettled global equity markets which, for now at least, operate without a clear understanding of the potential implications of this new variant of concern. This comes at a bad time with equity markets already cautious in the light of high levels of infection in Europe and elsewhere. Although the winter may be difficult, we must hope that an effective campaign to distribute booster vaccinations in the UK will limit the potential impact on the UK economy. However, as an open economy, the UK is not immune to disruption elsewhere and the emergence of Omicron reminds us how important it is for wealthy nations to support global vaccination programmes. Until successfully delivered, supply chains will remain exposed to future outbreaks as the virus continues to mutate.

We are looking to allocate capital to companies with resilient business models, the ability to pass on rising prices and less reliance on tight labour markets. Whilst, as a VCT, we must continue to operate within tightly defined parameters, we are fortunate to be investing into innovative and high growth companies developing new products and services which, by



their very nature, are likely to prove more resilient, which is not to say that they will be immune to these pressures.

We are continuing to see high levels of investment opportunity. We expect the current glut of IPOs to work their way through the system over the coming months and then, we hope, activity will return to a more sustainable level. As ever, we continue to make prudent assumptions about investment activity as we make our way through the new financial year, with the investments that we have made year to date putting us in a strong position as we absorb the new capital and work our way back to full investment.

The NAV per share has decreased from 100.39 pence to 94.75 pence in the period to 10 December 2021. Adjusting for the 2.5 pence per share special dividend paid on 29 October 2021, this translates into a reduction of 3.1%.

As at 15 December 2021, the share price of 89.75 pence represented a discount of 5.28% to the last published NAV per share.

For further information please contact:

**Oliver Bedford**

Lead Fund Manager

Registered office:

Hargreave Hale AIM VCT plc

Talisman House

Boardmans Way

Blackpool

FY4 5FY

0207 523 4837

16 December 2021

# Investment portfolio summary

## As at 30 September 2021

|   | Net Assets<br>% at<br>30.09.21 | Cost<br>£000 | Cumulative<br>movement<br>in value<br>£000 | Valuation<br>£000 | Change in<br>value for<br>the year<br>£000 <sup>(1)</sup> | Market   | COI <sup>(2)</sup> |
|---|--------------------------------|--------------|--|-------------------|---|----------|--------------------|
| <b>Qualifying Investments</b>                       |                                |              |  |                   |   |          |                    |
| SCA Investments Ltd (Gousto)                        | 6.92                           | 2,484        | 13,364                                     | 15,848            | 5,471   | Unlisted | Y                  |
| Learning Technologies Group plc                     | 4.23                           | 2,238        | 7,446                                      | 9,684             | 3,789   | AIM      | Y                  |
| Ideagen plc   | 3.55                           | 1,992        | 6,140                                      | 8,132             | 3,175   | AIM      | Y                  |
| Polarean Imaging plc                                | 3.20                           | 2,081        | 5,244                                      | 7,325             | 3,799   | AIM      | N                  |
| Maxcyte Inc   | 2.92                           | 1,270        | 5,405                                      | 6,675             | 3,665   | AIM      | Y                  |
| Surface Transforms plc                              | 2.81                           | 1,744        | 4,692                                      | 6,436             | 2,024   | AIM      | Y                  |
| Zoo Digital Group plc                               | 2.36                           | 2,266        | 3,139                                      | 5,405             | 2,679   | AIM      | Y                  |
| Ilika plc   | 2.23                           | 1,636        | 3,468                                      | 5,104             | 1,514   | AIM      | Y                  |
| Eagle Eye Solutions Group plc                       | 2.08                           | 1,642        | 3,119                                      | 4,761             | 2,181   | AIM      | Y                  |
| PCI-PAL plc   | 1.96                           | 2,280        | 2,219                                      | 4,499             | 1,786   | AIM      | Y                  |
| Blackbird plc                                       | 1.83                           | 615          | 3,567                                      | 4,182             | 1,677   | AIM      | Y                  |
| Mexican Grill Ltd <sup>(3) (4)</sup>                | 1.78                           | 1,125        | 2,947                                      | 4,072             | 2,605   | Unlisted | N                  |
| Creo Medical Group plc                              | 1.73                           | 2,329        | 1,627                                      | 3,956             | 138   | AIM      | Y                  |
| Infinity Reliance Ltd (My 1st Years) <sup>(3)</sup> | 1.70                           | 2,500        | 1,394                                      | 3,894             | 282   | Unlisted | Y                  |
| Beeks Financial Cloud Group plc                     | 1.58                           | 1,038        | 2,587                                      | 3,625             | 1,926   | AIM      | Y                  |
| Aquis Exchange plc                                  | 1.45                           | 765          | 2,564                                      | 3,329             | 1,491   | AIM      | Y                  |
| Angle plc   | 1.33                           | 1,158        | 1,894                                      | 3,052             | 1,836   | AIM      | N                  |
| Zappar Limited                                      | 1.22                           | 1,600        | 1,181                                      | 2,781             | 1,181   | Unlisted | N                  |
| Cohort plc  | 1.15                           | 619          | 2,022                                      | 2,641             | (190)   | AIM      | Y                  |
| EKF Diagnostics Holdings plc                        | 1.09                           | 565          | 1,937                                      | 2,502             | 732   | AIM      | Y                  |
| Abcam plc   | 1.08                           | 55           | 2,415                                      | 2,470             | 464   | AIM      | N                  |
| C4X Discovery Holdings plc                          | 1.05                           | 1,550        | 851  | 2,401             | 1,170   | AIM      | Y                  |
| AnimalCare Group plc                                | 1.04                           | 720          | 1,665                                      | 2,385             | 1,309   | AIM      | Y                  |
| Craneware plc                                       | 1.04                           | 125          | 2,247                                      | 2,372             | 882   | AIM      | Y                  |
| Diaceutics plc                                      | 0.97                           | 1,550        | 673  | 2,223             | (41)  | AIM      | Y                  |
| Verici DX plc                                       | 0.97                           | 701          | 1,511                                      | 2,212             | 1,512   | AIM      | N                  |
| Science in Sport plc                                | 0.80                           | 1,479        | 348  | 1,827             | 962   | AIM      | N                  |
| Eden Research plc                                   | 0.79                           | 1,355        | 452  | 1,807             | 226   | AIM      | N                  |
| Bidstack Group plc                                  | 0.76                           | 2,000        | (250)                                      | 1,750             | (250)   | AIM      | N                  |
| Hardide plc   | 0.76                           | 3,566        | (1,826)                                    | 1,740             | 406   | AIM      | Y                  |
| Cloudcall Group plc                                 | 0.75                           | 3,196        | (1,480)                                    | 1,716             | (852)   | AIM      | Y                  |
| Trellus Health Plc                                  | 0.70                           | 1,074        | 537  | 1,611             | 537   | AIM      | Y                  |
| Instem plc  | 0.66                           | 297          | 1,216                                      | 1,513             | 711   | AIM      | Y                  |
| Belvoir Group plc                                   | 0.65                           | 762          | 721  | 1,483             | 605   | AIM      | Y                  |
| E-Therapeutics plc                                  | 0.64                           | 500          | 962  | 1,462             | 806   | AIM      | N                  |
| Intelligent Ultrasound Group plc                    | 0.62                           | 1,150        | 267  | 1,417             | (47)  | AIM      | N                  |
| Crossword Cybersecurity plc                         | 0.62                           | 1,289        | 118  | 1,407             | 239   | AIM      | Y                  |
| CentralNic Group plc                                | 0.61                           | 588          | 812  | 1,400             | 319   | AIM      | Y                  |
| Idox plc  | 0.55                           | 135          | 1,126                                      | 1,261             | 441   | AIM      | Y                  |
| Arecor Therapeutics Plc                             | 0.55                           | 712          | 548  | 1,260             | 548   | AIM      | N                  |
| Diurnal Group plc                                   | 0.55                           | 672          | 588  | 1,260             | (147)   | AIM      | N                  |
| Gfinity plc   | 0.51                           | 2,026        | (851)                                      | 1,175             | 159   | AIM      | Y                  |
| Tristel plc   | 0.51                           | 543          | 620  | 1,163             | 242   | AIM      | N                  |
| Kidly Limited                                       | 0.50                           | 1,150        | -  | 1,150             | (99)  | Unlisted | N                  |
| Crimson Tide Plc                                    | 0.50                           | 1,260        | (126)                                      | 1,134             | (126)   | AIM      | Y                  |
| XP Factory plc <sup>(5)</sup>                       | 0.49                           | 2,173        | (1,046)                                    | 1,127             | 741   | AIM      | Y                  |
| Quixant plc   | 0.49                           | 1,209        | (89)                                       | 1,120             | 450   | AIM      | N                  |
| OneMedia IP Group plc                               | 0.48                           | 1,141        | (33)                                       | 1,108             | 49  | AIM      | Y                  |
| BiVictriX Therapeutics plc                          | 0.47                           | 1,200        | (120)                                      | 1,080             | (120)   | AIM      | N                  |
| In the Style Group plc                              | 0.45                           | 1,667        | (642)                                      | 1,025             | (642)   | AIM      | N                  |
| Intercede Group plc                                 | 0.40                           | 305          | 618  | 923               | 154   | AIM      | Y                  |
| The Property Franchise Group plc                    | 0.40                           | 377          | 541  | 918               | 277   | AIM      | Y                  |
| Out In Collective Ltd                               | 0.38                           | 1,749        | (878)                                      | 871               | (878)   | Unlisted | N                  |
| Velocys plc   | 0.38                           | 900          | (36)                                       | 864               | (198)   | AIM      | N                  |
| Fusion Antibodies plc                               | 0.36                           | 624          | 200  | 824               | (201)   | AIM      | N                  |
| Synairgen plc                                       | 0.35                           | 192          | 617  | 809               | -   | AIM      | Y                  |
| Globaldata plc                                      | 0.35                           | 173          | 635  | 808               | (28)  | AIM      | Y                  |

|  | Net Assets<br>% at<br>30.09.21 | Cost<br>£000  | Cumulative<br>movement<br>in value<br>£000 | Valuation<br>£000 | Change in<br>value for<br>the year<br>£000 <sup>(1)</sup> | Market   | COI <sup>(2)</sup> |
|--|--------------------------------|---------------|--|-------------------|---|----------|--------------------|
| <b>Qualifying Investments (continued)</b>        |                                |               |  |                   |   |          |                    |
| Yourgene Health plc                              | 0.33                           | 521           | 233  | 754               | (323)   | AIM      | N                  |
| Faron Pharmaceuticals Oy                         | 0.32                           | 1,374         | (644)                                      | 730               | (40)  | AIM      | N                  |
| ULS Technology plc                               | 0.29                           | 770           | (108)                                      | 662               | 164   | AIM      | Y                  |
| Equals Group plc                                 | 0.28                           | 750           | (101)                                      | 649               | 411   | AIM      | N                  |
| Rosslyn Data Technologies plc                    | 0.26                           | 750           | (165)                                      | 585               | (315)   | AIM      | Y                  |
| Everyman Media Group plc                         | 0.25                           | 600           | (31)                                       | 569               | 268   | AIM      | Y                  |
| K3 Business Technology Group plc                 | 0.23                           | 270           | 258  | 528               | 258   | AIM      | Y                  |
| Renalytix plc                                    | 0.21                           | 82            | 390  | 472               | 196   | AIM      | Y                  |
| DP Poland plc                                    | 0.17                           | 1,390         | (1,013)                                    | 377               | 47  | AIM      | Y                  |
| Honest Brew Ltd <sup>(3)</sup>                   | 0.12                           | 2,800         | (2,523)                                    | 277               | (1,325)   | Unlisted | N                  |
| KRM22 plc  | 0.08                           | 619           | (446)                                      | 173               | (50)  | AIM      | Y                  |
| Trakm8 Holdings plc                              | 0.07                           | 486           | (316)                                      | 170               | 45  | AIM      | N                  |
| ReNeuron Group plc                               | 0.07                           | 606           | (442)                                      | 164               | 11  | AIM      | N                  |
| Mirriad Advertising plc                          | 0.06                           | 299           | (155)                                      | 144               | 71  | AIM      | Y                  |
| Osirium Technologies plc                         | 0.05                           | 858           | (736)                                      | 122               | 12  | AIM      | N                  |
| Vertu Motors plc                                 | 0.04                           | 120           | (19)                                       | 101               | 322   | AIM      | N                  |
| Mycelx Technologies Corporation                  | 0.04                           | 361           | (282)                                      | 79                | 19  | AIM      | Y                  |
| Flowgroup plc                                    | -                              | 26            | (26)                                       | -                 | -   | Unlisted | N                  |
| Infoserve Group Plc <sup>(6)</sup>               | -                              | -             | -  | -                 | -   | Unlisted | N                  |
| Laundrapp Limited <sup>(3)</sup>                 | -                              | 2,450         | (2,450)                                    | -                 | -   | Unlisted | N                  |
| Mporium Group plc                                | -                              | 33            | (33)                                       | -                 | -   | Unlisted | N                  |
| Paragon Entertainment Limited                    | -                              | 87            | (87)                                       | -                 | -   | Unlisted | N                  |
| Airportr Technologies Ltd <sup>(3)</sup>         | -                              | 1,888         | (1,888)                                    | -                 | -   | Unlisted | N                  |
| <b>Total equity - Qualifying Investments</b>     | <b>73.17</b>                   | <b>89,252</b> | <b>78,283</b>                              | <b>167,535</b>    | <b>51,112</b>   |          |                    |
| <b>Qualifying fixed income investments</b>       |                                |               |  |                   |   |          |                    |
| Kidly Limited (Loan Notes)                       | 1.37                           | 1,350         | 1,788                                      | 3,138             | 666   | Unlisted | N                  |
| XP Factory plc <sup>(5)</sup> (Loan Notes)       | 0.61                           | 340           | 1,046                                      | 1,386             | 929   | Unlisted | N                  |
| Osirium Technologies plc (Loan Notes)            | 0.44                           | 800           | 212  | 1,012             | 78  | Unlisted | N                  |
| Honest Brew Ltd (Loan Notes)                     | 0.13                           | 300           | -  | 300               | -   | Unlisted | N                  |
| <b>Total qualifying fixed income investments</b> | <b>2.55</b>                    | <b>2,790</b>  | <b>3,046</b>                               | <b>5,836</b>      | <b>1,673</b>  |          |                    |
| <b>Total Qualifying Investments</b>              | <b>75.72</b>                   | <b>92,042</b> | <b>81,329</b>                              | <b>173,371</b>    | <b>52,785</b>   |          |                    |
| <b>Non qualifying investments</b>                |                                |               |  |                   |   |          |                    |
| Marlborough Special Situations Fund              | 1.62                           | 2,862         | 839  | 3,701             | 839   |          | N                  |
| <b>Total unit trusts</b>                         | <b>1.62</b>                    | <b>2,862</b>  | <b>839</b>                                 | <b>3,701</b>      | <b>839</b>  |          |                    |
| SThree plc                                       | 0.84                           | 1,687         | 243  | 1,930             | 466   | Main     | Y                  |
| S4 Capital plc                                   | 0.83                           | 431           | 1,470                                      | 1,901             | 896   | Main     | Y                  |
| Watches of Switzerland Group plc                 | 0.75                           | 1,760         | (53)                                       | 1,707             | (53)  | Main     | Y                  |
| Future plc                                       | 0.65                           | 228           | 1,248                                      | 1,476             | 119   | Main     | Y                  |
| Liontrust Asset Management plc                   | 0.56                           | 703           | 572  | 1,275             | 528   | Main     | Y                  |
| Bytes Technology Group plc                       | 0.53                           | 639           | 561  | 1,200             | 561   | Main     | Y                  |
| Bodycote plc                                     | 0.52                           | 990           | 195  | 1,185             | 195   | Main     | Y                  |
| Seraphine Group plc                              | 0.51                           | 1,853         | (679)                                      | 1,174             | (678)   | Main     | Y                  |
| JD Sports Fashion plc                            | 0.50                           | 1,045         | 108  | 1,153             | (227)   | Main     | Y                  |
| NCC Group plc                                    | 0.49                           | 985           | 146  | 1,131             | 251   | Main     | Y                  |
| Howden Joinery Group plc                         | 0.48                           | 843           | 250  | 1,093             | 319   | Main     | Y                  |
| WH Smith plc                                     | 0.46                           | 948           | 114  | 1,062             | 114   | Main     | Y                  |
| Spirax-Sarco Engineering plc                     | 0.46                           | 443           | 605  | 1,048             | 274   | Main     | Y                  |
| Workspace Group plc                              | 0.41                           | 1,025         | (77)                                       | 948               | (77)  | Main     | Y                  |
| Hilton Food Group plc                            | 0.38                           | 718           | 159  | 877               | (14)  | Main     | Y                  |
| On the Beach Group plc                           | 0.38                           | 868           | (6)  | 862               | 292   | Main     | N                  |
| Halma plc  | 0.37                           | 379           | 474  | 853               | 149   | Main     | N                  |
| XP Power PLC                                     | 0.36                           | 425           | 402  | 827               | (44)  | Main     | Y                  |
| Trifast plc                                      | 0.35                           | 698           | 90   | 788               | 167   | Main     | Y                  |

|  | Net Assets<br>% at<br>30.09.21 | Cost<br>£000   | Cumulative<br>movement<br>in value<br>£000 | Valuation<br>£000 | Change in<br>value for<br>the year<br>£000 <sup>(1)</sup> | Market   | COI <sup>(2)</sup> |
|--|--------------------------------|----------------|--|-------------------|---|----------|--------------------|
| Shaftesbury plc                                  | 0.34                           | 761            | 12   | 773               | 12  | Main     | N                  |
| Rotork plc                                       | 0.32                           | 737            | (5)  | 732               | (4)   | Main     | N                  |
| James Fisher and Sons plc                        | 0.29                           | 1,190          | (520)                                      | 670               | (205)   | Main     | Y                  |
| Cohort plc                                       | 0.23                           | 333            | 195  | 528               | (38)  | AIM      | Y                  |
| Mexican Grill Ltd <sup>(3) (4)</sup>             | 0.19                           | 161            | 282  | 443               | 283   | Unlisted | N                  |
| Mycelx Technologies Corporation                  | 0.04                           | 298            | (206)                                      | 92                | 22  | AIM      | Y                  |
| Genagro Limited                                  | -                              | -              | -  | -                 | -   | Unlisted | Y                  |
| <b>Total - Equity non-qualifying investments</b> | <b>11.24</b>                   | <b>20,148</b>  | <b>5,580</b>                               | <b>25,728</b>     | <b>3,308</b>  |          |                    |
| <b>Total - Non-qualifying investments</b>        | <b>12.86</b>                   | <b>23,010</b>  | <b>6,419</b>                               | <b>29,429</b>     | <b>4,147</b>  |          |                    |
| <b>Total investments</b>                         | <b>88.58</b>                   | <b>115,052</b> | <b>87,748</b>                              | <b>202,800</b>    | <b>56,932</b>   |          |                    |
| Cash at bank                                     | 11.79                          |                |  | 27,016            |   |          |                    |
| Prepayments & accruals                           | (0.37)                         |                |  | (853)             |   |          |                    |
| Net assets                                       | 100.00                         |                |  | 228,963           |   |          |                    |

(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 £1.2 million which is the total of 24 full investment disposals in the year.

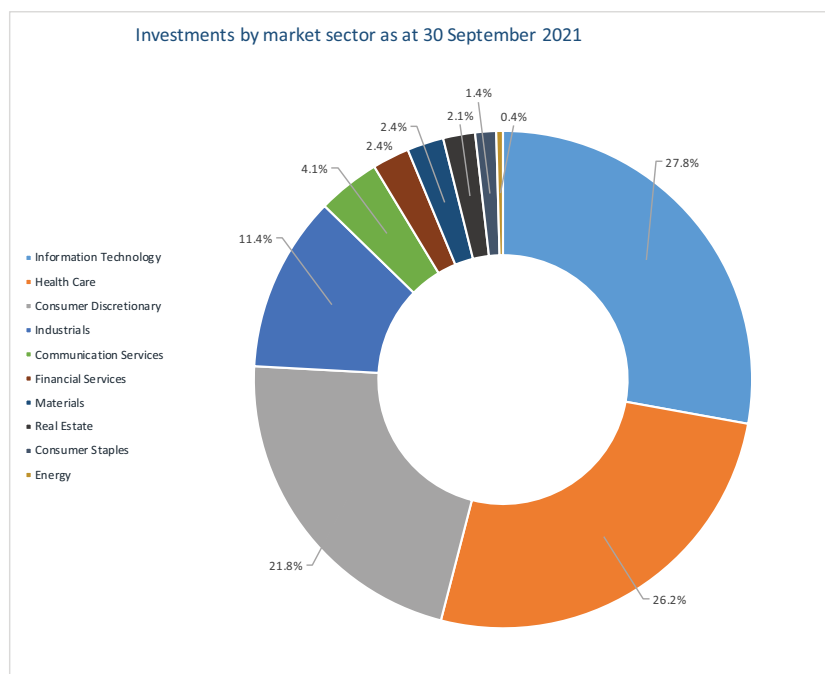
(2) COI – Co investments with other funds managed by the Investment Manager at 30 September 2021.

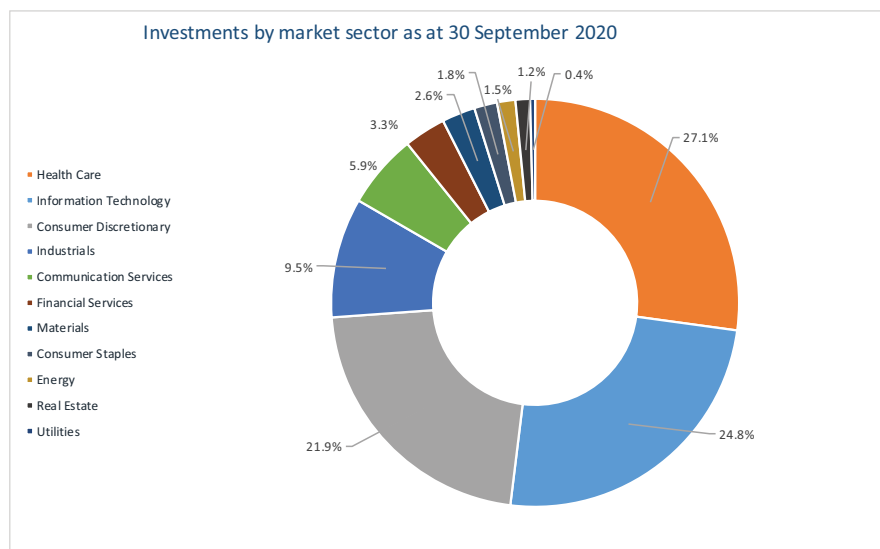
(3) Different classes of shares held in unlisted companies within the portfolio have been aggregated.

(4) Mexican Grill floated on AIM on 8 October 2021 and its name has changed to Tortilla Mexican Grill plc.

(5) Escape Hunt plc changed its name to XP Factory plc on 7 December 2021.

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





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

|  | Listed          | Headquartered | Registered     |
|--|-----------------|---------------|----------------|
| <i>Listed Investments:</i>               |                 |               |                |
| Abcam plc                                | UK/USA          | UK            | UK             |
| Bytes Technology Group plc               | UK/South Africa | UK            | UK             |
| Craneware plc                            | UK              | UK/USA        | UK             |
| Faron Pharmaceuticals Oy                 | UK/Finland      | Finland       | Finland        |
| Maxcyte Inc                              | UK              | USA           | USA            |
| Mycelx Technologies Corporation          | UK              | USA           | USA            |
| Polarean Imaging plc                     | UK              | USA           | UK             |
| Renalytix plc                            | UK/USA          | USA           | UK             |
| Trellus Health plc                       | UK              | UK/USA        | UK             |
| Verici DX plc                            | UK              | USA           | UK             |
| XP Power Ltd                             | UK              | Singapore     | Singapore      |
| <i>Unlisted private companies:</i>       |                 |               |                |
| Genagro Ltd <sup>(1)</sup>               | -               | UK            | Jersey         |
| Paragon Entertainment Ltd <sup>(1)</sup> | -               | UK            | Cayman Islands |

(1) Companies awaiting liquidation.

# Top ten investments

## As at 30 September 2021 (by market value)

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

| SCA Investments Ltd (Gousto)        |                      | Unquoted                         |               |
|-------------------------------------|----------------------|----------------------------------|---------------|
| Investment date                     | July 2017            | Results for the year to          | December 2020 |
| Equity held                         | 1.38% <sup>(1)</sup> | Turnover (£'000)                 | 188,790       |
| Av. Purchase Price                  | 3,711.0p             | Profit before tax (£'000)        | 1,075         |
| Cost (£'000)                        | 2,484                | Net cash December 2020 (£'000)   | 66,841        |
| Valuation (£'000)                   | 15,848               | Net assets December 2020 (£'000) | 115,190       |
| Income recognised in the period (£) | 0                    | Voting rights held               | 1.40%         |

(1) Fully diluted

### Company description

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

| Learning Technologies Group plc |               | Share price: 215.20p         |               |
|---------------------------------|---------------|------------------------------|---------------|
| Investment date                 | November 2014 | Forecasts for the year to    | December 2021 |
| Equity held                     | 0.61%         | Turnover (£'000)             | 246,400       |
| Av. Purchase Price              | 49.7p         | Profit before tax (£'000)    | 51,000        |
| Cost (£'000)                    | 2,238         | Net cash June 2021 (£'000)   | 24,865        |
| Valuation (£'000)               | 9,684         | Net assets June 2021 (£'000) | 271,805       |

### Company description

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

| Ideagen plc        |               | Share price: 315.00p          |            |
|--------------------|---------------|-------------------------------|------------|
| Investment date    | December 2014 | Forecasts for the year to     | April 2022 |
| Equity held        | 1.02%         | Turnover (£'000)              | 84,600     |
| Av. Purchase Price | 77.2p         | Profit before tax (£'000)     | 22,900     |
| Cost (£'000)       | 1,992         | Net (debt) April 2021 (£'000) | (11,046)   |
| Valuation (£'000)  | 8,132         | Net assets April 2021 (£'000) | 125,612    |

### Company description

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



| Polarean Imaging plc |            | Share price: 103.0p           |               |
|----------------------|------------|-------------------------------|---------------|
| Investment date      | April 2020 | Forecasts for the year to     | December 2021 |
| Equity held          | 4.35%      | Turnover (\$'000)             | 2,500         |
| Av. Purchase Price   | 29.3p      | (Loss) before tax (\$'000)    | (17,600)      |
| Cost (£'000)         | 2,081      | Net cash June 2021 (\$'000)   | 38,197        |
| Valuation (£'000)    | 7,325      | Net assets June 2021 (\$'000) | 39,432        |

#### Company description

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

| Maxcyte Inc        |            | Share price: 890.0p           |               |
|--------------------|------------|-------------------------------|---------------|
| Investment date    | March 2016 | Forecasts for the year to     | December 2021 |
| Equity held        | 0.97%      | Turnover (\$'000)             | 30,600        |
| Av. Purchase Price | 169.3p     | (Loss) before tax (\$'000)    | (20,800)      |
| Cost (£'000)       | 1,270      | Net cash June 2021 (\$'000)   | 37,423        |
| Valuation (£'000)  | 6,675      | Net assets June 2021 (\$'000) | 78,821        |

#### Company description

Through its cell-engineering platform technologies, Maxcyte helps bring the promise of next-generation cell and gene-editing therapies to life. The Company's technology is currently being deployed by leading drug developers worldwide, including all of the top ten global biopharmaceutical companies.

| Surface Transforms plc |            | Share price: 65.0p           |               |
|------------------------|------------|------------------------------|---------------|
| Investment date        | March 2016 | Forecasts for the year to    | December 2021 |
| Equity held            | 6.23%      | Turnover (£'000)             | 2,700         |
| Av. Purchase Price     | 17.6p      | (Loss) before tax (£'000)    | (4,200)       |
| Cost (£'000)           | 1,744      | Net cash June 2021 (£'000)   | 16,865        |
| Valuation (£'000)      | 6,436      | Net assets June 2021 (£'000) | 22,882        |

#### Company description

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

| Zoo Digital Group plc |            | Share price: 117.0p            |            |
|-----------------------|------------|--------------------------------|------------|
| Investment date       | April 2017 | Forecasts for the year to      | March 2022 |
| Equity held           | 6.17%      | Turnover (\$'000)              | 53,900     |
| Av. Purchase Price    | 49.1p      | (Loss) before tax (\$'000)     | (600)      |
| Cost (£'000)          | 2,266      | Net (debt) March 2021 (\$'000) | (3,842)    |
| Valuation (£'000)     | 5,405      | Net assets March 2021 (\$'000) | 2,839      |

#### Company description

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

| Ilika plc          |               | Share price: 138.0p           |            |
|--------------------|---------------|-------------------------------|------------|
| Investment date    | February 2014 | Forecasts for the year to     | April 2022 |
| Equity held        | 2.65%         | Turnover (£'000)              | 1,200      |
| Av. Purchase Price | 44.2p         | (Loss) before tax (£'000)     | (9,400)    |
| Cost (£'000)       | 1,636         | Net cash April 2021 (£'000)   | 8,997      |
| Valuation (£'000)  | 5,104         | Net assets April 2021 (£'000) | 14,187     |

#### Company description

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

| Eagle Eye Solutions Group plc |            | Share price: 550.0p          |           |
|-------------------------------|------------|------------------------------|-----------|
| Investment date               | April 2014 | Forecasts for the year to    | June 2022 |
| Equity held                   | 3.35%      | Turnover (£'000)             | 26,000    |
| Av. Purchase Price            | 189.7p     | Profit before tax (£'000)    | 900       |
| Cost (£'000)                  | 1,642      | Net cash June 2021 (£'000)   | 1,713     |
| Valuation (£'000)             | 4,761      | Net assets June 2021 (£'000) | 5,395     |

#### Company description

Eagle Eye provides enterprises with connected, real-time digital marketing, offering digital promotions, customer loyalty programmes and digital rewards.

| Mexican Grill Ltd                   |                      | Unquoted <sup>(2)</sup>         |              |
|-------------------------------------|----------------------|---------------------------------|--------------|
| Investment date                     | October 2009         | Results for the year to         | January 2021 |
| Equity held                         | 8.34% <sup>(1)</sup> | Turnover (£'000)                | 26,833       |
| Av. Purchase Price                  | 4640.6p              | (Loss) before tax (£'000)       | (768)        |
| Cost (£'000)                        | 1,286                | Net (debt) January 2021 (£'000) | (2,339)      |
| Valuation (£'000)                   | 4,515                | Net assets January 2021 (£'000) | 1,006        |
| Income recognised in the period (£) | 0                    | Voting rights held              | 8.97%        |

(1) Fully diluted

(2) Mexican Grill floated on AIM on 8 October 2021 and its name has changed to Tortilla Mexican Grill plc.

#### Company description

Tortilla is the UK's largest fast-casual Mexican restaurant brand, offering a California-style Mexican menu. Founded in October 2007, Tortilla operates a multichannel order strategy across dine in, take away, click and collect and delivery options. The current estate includes 50 Tortilla restaurants across the UK, 10 sites in Dubai and Saudi Arabia, a cloud kitchen estate and exclusive delivery partnership with Deliveroo.

For further information please contact:

#### Oliver Bedford

Lead Fund Manager

Hargreave Hale AIM VCT plc

Talisman House

Boardmans Way

Blackpool

FY4 5FY

0207 523 4837

[aimvct@canaccord.com](mailto:aimvct@canaccord.com)

# Governance



# Board of Directors



## **David Brock (Chairman)**

An experienced company chairman in both private and public companies and a former main board director of MFI Furniture Group plc, David joined the Board in September 2010. David is chairman of Draper Esprit VCT plc, Episys Group Ltd and Honest Brew Ltd and a non-executive director of Puma VCT 12 plc.



## **Oliver Bedford**

Oliver sits on the Board as part of his role as Lead Fund Manager at the Investment Manager in relation to the Company.



## **Ashton Bradbury**

Ashton Bradbury has previously held roles at Charterhouse Tilney, Hill Samuel Investment Management and HSBC Asset Management Europe and was, until 2014, a fund manager with Old Mutual Global Investors where he established its UK small and mid-cap equities team. Ashton is currently a non-executive director of Standard Life UK Smaller Companies Trust PLC and is non-executive chairman of Golf Union of Wales Limited and a director of British Golf Association Limited.



## **Angela Henderson (Management and Service Provider Engagement Committee Chair)**

Angela Henderson is a non-executive director at Credit Suisse Asset Management Limited and Macquarie Capital (Europe) Limited following an executive career in financial services. She has invested in and held non-executive board seats at small UK companies in the technology and asset management sectors and has previously served on the governing body of a London hospital foundation trust. She currently serves on the board of a healthcare charity and a school.



## **Justin Ward (Audit Committee Chair)**

Justin Ward was appointed in November 2020 and assumed the role of chairman of the Audit Committee at the AGM in February 2021. Justin is a qualified Chartered Accountant and is a non-executive director and chairman of the Audit Committee of The Income and Growth VCT PLC and Roehampton Club Members Limited. 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 2021

The Directors of the Company present their report together with the audited financial statements of the Company for the year from 1 October 2020 to 30 September 2021 (the "Annual Report"), incorporating the corporate governance statement on pages 45 to 49. The principal activity of the Company has been outlined in the strategic report on page 3. 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 (Chairman), Oliver Bedford, Sir Aubrey Brocklebank (resigned on 4 February 2021), Justin Ward (appointed on 1 November 2020), Ashton Bradbury and Angela Henderson. Brief biographical details are given on page 36.

### Directors' interests

The Directors' interests (including those of connected persons) in the issued share capital of the Company are outlined in the Directors' remuneration report on page 41. There is no minimum holding requirement that the Directors need to adhere to.

After the year ended 30 September 2021, Justin Ward and Oliver Bedford purchased additional shares in the Company. Their current shareholdings, as at the date of the Annual Report, are stated in the Directors' remuneration report on page 41.

### Directors' and officers' liability insurance

All Directors and officers benefit from qualifying third party indemnity insurance cover.

### Deeds of Indemnity

During the year the Company entered into new 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 profit for the year amounted to £67,870,686 (2020: £15,932,873). An interim ordinary dividend of 1.75 pence per share was paid on 30 July 2021 (2020: 1.00 pence per share). A special dividend of 2.5 pence per share was paid on 29 October 2021. The final dividend of 3.15 pence per share for the year ended 30 September 2021 is due to be paid on 10 February 2022 (2020: 2.65 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 91.

### Substantial holdings in the company

As at 30 September 2021, the Company had received notification of one holding of voting rights (under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules). This holding related to Hargreaves Lansdown (Nominees) Limited, who held 5.1% of the Company's ordinary share capital.

As at 16 December 2021, the Company had not been notified of any further significant interest exceeding 3% of the issued share capital.

### Share buybacks and share price discount

During the year, the Company repurchased 6,661,974 ordinary shares (nominal value £66,620) at a cost of £6,043,569. The repurchased shares represent 3.3% of ordinary shares in issue on 1 October 2020. The Company also applied for the cancellation of 4,406 forfeited shares in the year. All repurchased shares were cancelled. As at 16 December 2021, a further 401,981 ordinary shares (nominal value £4,020) have been purchased since the year end at a total cost of £365,958.

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 34,751,654 ordinary shares of 1 pence (nominal value £347,517) in the offer for subscription launched in the year ending September 2020, representing 17.4% of the opening share capital at prices ranging from 76.33p to 99.18p per share. Gross funds of £29,996,500 were received. The 3.5% premium of £1,049,878 payable to Canaccord Genuity Wealth Ltd (CGWL) under the terms of the offer was reduced by £444,245, being the discount awarded to investors in the form of additional shares resulting in fees payable to CGWL of £605,633 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 £75,000 from CGWL reducing the net fees payable to CGWL to £530,633.

On 11 February 2021, 276,440 ordinary shares were allotted at a price of 90.03 pence per share, being the last published ex-dividend NAV per share as at 22 January 2021, to shareholders who elected to receive shares under the DRIS as an alternative to the final dividend for the year ended 30 September 2020.

On 30 July 2021, 203,313 ordinary shares were allotted at a price of 99.23 pence per share, being the last published ex-dividend NAV per share as at 9 July 2021, to shareholders who elected to receive shares under the DRIS as an alternative to the interim dividend for the year ended 30 September 2021.

### Financial instruments

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

### VCT status monitoring

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

### Auditors

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

### 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 6 October 2021, a resolution to adopt amended articles of association which provided that the next continuation vote in relation to the Company will be held in 2027 rather than 2025 was passed, with 92.1% votes in favour.

### Post balance sheet events

Post balance sheet events are disclosed in note 17 to the financial statements on page 82.

### Future developments

Consideration of the Company's future development and prospects are contained in the Chairman's statement, long term Viability Statement and Investment Manager's report on pages 4 to 7, 19 and 24 to 27 respectively.

### Going concern

The Company's business activities and the factors affecting its future development are set out in the Chairman's statement on pages 4 to 7 and the Investment Manager's report on pages 24 to 27. The Company's principal and emerging risks are set out in the strategic report on pages 17 to 18.

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 a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. No material uncertainties related to events or conditions that may cast significant doubt about the ability of the Company to continue as a



going concern have been identified by the Directors. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

### **Annual General Meeting**

Shareholders are invited to attend the Company's Annual General Meeting (AGM) to be held at 10.30am on 3 February 2022 at 41 Lothbury, London EC2R 7AE. The Company's Notice of AGM is set out on pages 91 to 92 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 questions in writing to be received at least six business days before the meeting (i.e by 10.30 am on 26 January 2022), by sending an email to HHV.CoSec@jtcgroup.com. The Chairman 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 Chairman of the AGM as their proxy, as third party proxies are unlikely to be permitted to attend the AGM.

### **Resolutions being proposed at the AGM**

There are 12 resolutions being proposed at the forthcoming AGM, 10 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 with the exception of Ashton Bradbury who is not offering himself for re-election at the AGM, further information is contained in the corporate governance statement on pages 45 to 49.

#### **Resolution 10 - Power to allot shares**

Ordinary resolution number 10 will request the authority for the Directors to allot up to an aggregate nominal amount of £268,640, 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 to 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 11 and 12 are being proposed as special resolutions requiring the approval of at least 75 per cent. of the votes cast at the meeting.

#### **Resolution 11 - Disapplication of pre-emption rights**

Special resolution number 11 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 £134,320 (representing approximately 5.0 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 £134,320 (representing approximately 5.0 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 12 - Purchase of own shares**

Special resolution number 12 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 40,268,986 as at the date of this document at or between the minimum and maximum prices specified in resolution 12. 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 401,981 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 193,855 Ordinary Shares.

By order of the Board

**David Brock**  
Chairman

DocuSigned by:  
*David Brock*  
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Registered office:  
Hargreave Hale AIM VCT plc  
Talisman House  
Boardmans Way  
Blackpool  
FY4 5FY  
16 December 2021

# Directors' remuneration report

## For the year ended 30 September 2021

The Board presents this report which has been prepared in accordance with the requirements of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013. Shareholders are encouraged to vote on the remuneration report annually at the Annual General Meeting and on the remuneration policy at least every three years.

Your Company's independent auditor is required to audit certain disclosures provided in this report. Where disclosures have been audited, they are indicated in this report. The auditor's opinion is included in their report on pages 56 to 63.

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

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

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 January 2022.

Following the increases, the annual remuneration of the Chairman will be £37,000, the independent non-executive directors will receive £29,000 and Oliver Bedford, who is not considered independent, will receive £26,500. An additional fee of £1,500 will continue to be paid to the Chairman of the Management and Service Provider Engagement Committee and the Chairman of the Audit Committee will continue to receive an additional fee of £3,000.

### Remuneration responsibilities

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

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

The remuneration policy is set by the Board, which considers whether the remuneration policy is fair and in line with comparable VCTs, together with the remuneration of each of the Directors. The Board deals with all matters relating to 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 £200,000 per annum. The Directors are not eligible for bonuses, pension benefits, share options, other incentives or benefits. The Directors may be reimbursed for reasonable expenses incurred. The Directors do not receive payment on loss of office other than in lieu of notice period if applicable.

### Directors' service contracts

It is the Board's policy that none of the Directors has a service contract. Each of the Directors has entered into an agreement with the Company when appointed. David Brock on 28 September 2010, Oliver Bedford on 13 December 2016, Ashton Bradbury on 14 May 2018, Angela Henderson on 29 October 2019 and Justin Ward on 1 November 2020. The terms of appointment provide that a director shall retire and be subject to re-election at the first Annual General Meeting after appointment. The Board agreed in July 2019 that all Directors will be subject to annual re-election. Either party can terminate the agreement by giving to the other at least 3 months' notice in writing.

Sir Aubrey Brocklebank was appointed on 1 September 2004 and his resignation took effect on 4 February 2021.

Ashton Bradbury has informed the Board that he will not be offering himself for re-election at the upcoming AGM on 3 February 2022.

### 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 2022, together with a summary of the Company's strategy and how this is supported by the current remuneration policy.

| Director         | Role   | Components of pay package | Expected Fees for the year to 30 September 2022 | Performance Conditions | Company Strategy  | Remuneration Policy   |
|------------------|--|---------------------------|---|------------------------|---|---|
| David Brock      | Chairman   | Basic Salary              | £36,500   | N/A                    | To generate capital gains and income from its portfolio and make distributions from capital or income to shareholders whilst maintaining its status as a Venture Capital Trust. | The levels of remuneration are considered to be fair and reasonable in relation to the time committed and responsibilities of the Directors and in line with the remuneration paid by other VCTs and investment trusts. |
| Justin Ward      | Director and Chairman of Audit Committee                                   |                           | £31,625   |                        |   |   |
| Angela Henderson | Director and Chair of Management and Service Provider Engagement Committee |                           | £30,125   |                        |   |   |
| Ashton Bradbury  | Director   |                           | £9,635 <sup>(1)</sup>                           |                        |   |   |
| Oliver Bedford   | Director   |                           | £26,125   |                        |   |   |

(1) This fee is pro rata to 3 February 2022 as Ashton Bradbury will be stepping down as a Director at the Company's upcoming AGM expected to be held on 3 February 2022.

### Annual remuneration report

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

Under s439 of The Companies Act 2006, companies are required to ask shareholders to approve the annual remuneration paid to directors every year and to formally approve the directors' remuneration policy on an annual or on a three yearly basis. Any change to the directors' remuneration policy will require shareholder approval. As in prior years, the vote on the Directors' remuneration report is an advisory vote, whilst the vote on the Directors' remuneration policy is binding.

Accordingly, ordinary resolutions will be put to shareholders at the forthcoming Annual General Meeting to be held on 3 February 2022, to receive and adopt the Directors' remuneration report and to receive and approve the directors' remuneration policy.

At the Annual General Meeting held on 4 February 2021 the following votes were cast on the remuneration report:

|                          | Number of votes | % of votes cast <sup>(1)</sup> |
|--------------------------|-----------------|--------------------------------|
| For                      | 12,017,290      | 84.4                           |
| Against                  | 1,097,691       | 7.7                            |
| Discretionary            | 1,117,097       | 7.8                            |
| Total votes cast         | 14,232,078      | 100                            |
| Number of votes withheld | 473,890         |                                |
| Total votes              | 14,705,968      |                                |

(1) The figures do not total 100 due to rounding.

The remuneration policy was approved by shareholders at the Annual General Meeting held on 4 February 2021.

Votes were cast as follows:

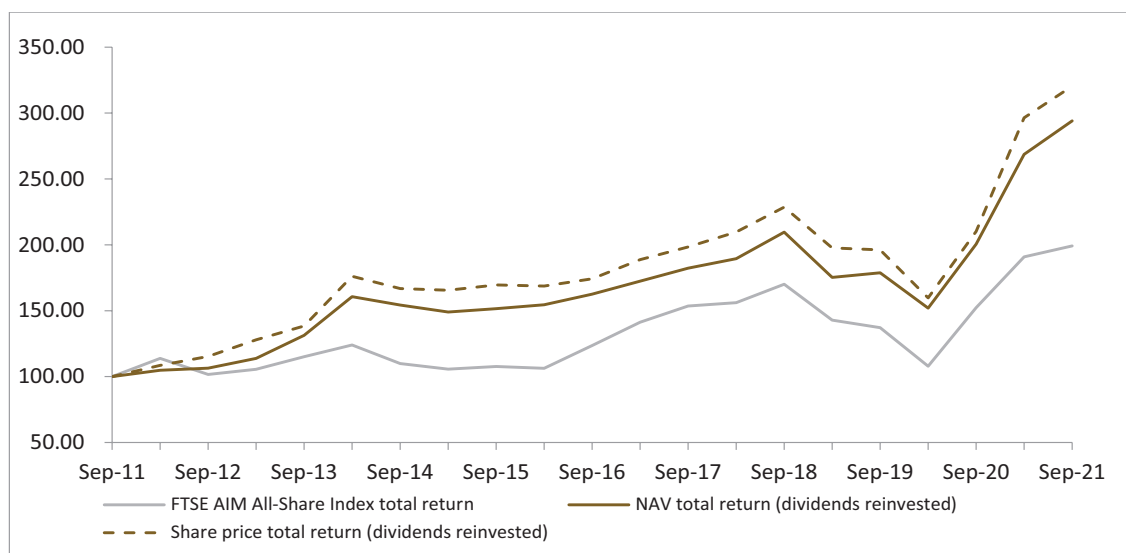
|                          | Number of votes | % of votes cast |
|--------------------------|-----------------|-----------------|
| For                      | 11,955,713      | 83.8            |
| Against                  | 1,182,882       | 8.3             |
| Discretionary            | 1,130,250       | 7.9             |
| Total votes cast         | 14,268,845      | 100             |
| Number of votes withheld | 437,123         |                 |
| Total votes              | 14,705,968      |                 |

### Your company's performance

The Company was incorporated on 16 August 2004 and commenced trading on 29 October 2004. The performance chart below plots the Company's NAV total return (dividends reinvested) (rebased to 100) and share price total return (dividends reinvested) (rebased to 100) over the last 10 years compared to the FTSE AIM All-Share Index total return over the same period (also calculated on a dividends reinvested basis). This index was chosen for comparison purposes as it represents the closest comparable equity market index. However,

HMRC derived investment restrictions, along with Qualifying Investments in private companies and fixed income securities, and Non-Qualifying Investments in main market listed companies, predominantly in the FTSE 350, mean the index is not a wholly comparable benchmark for performance.

#### Performance against the FTSE AIM All-Share Index total return



Source: Bloomberg

#### Directors' emoluments for the year (audited)

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

|                                       | 2021<br>Fees<br>£ | 2021<br>Taxable<br>Expenses<br>£ | 2021<br>Total<br>£ | 2020<br>Fees<br>£ | 2020<br>Taxable<br>Expenses<br>£ | 2020<br>Total<br>£ | Annual Fee<br>% Change |
|---------------------------------------|-------------------|----------------------------------|--------------------|-------------------|----------------------------------|--------------------|------------------------|
| David Brock (Chairman) <sup>(1)</sup> | 34,250            | –                                | 34,250             | 30,612            | –                                | 30,612             | 11.9                   |
| Oliver Bedford                        | 25,000            | –                                | 25,000             | 25,000            | –                                | 25,000             | Nil                    |
| Ashton Bradbury                       | 26,875            | –                                | 26,875             | 25,000            | 425                              | 25,425             | 7.5                    |
| Angela Henderson <sup>(2)</sup>       | 28,000            | –                                | 28,000             | 23,122            | –                                | 23,122             | 21.1                   |
| Sir Aubrey Brocklebank <sup>(3)</sup> | 9,982             | –                                | 9,982              | 29,388            | –                                | 29,388             | N/A                    |
| Justin Ward <sup>(4)</sup>            | 26,703            | –                                | 26,703             | –                 | –                                | –                  | N/A                    |
| <b>Total</b>                          | <b>150,810</b>    | <b>–</b>                         | <b>150,810</b>     | <b>133,122</b>    | <b>425</b>                       | <b>133,547</b>     | <b>12.9</b>            |

(1) David Brock was appointed Chairman of the Board effective February 2020.

(2) Angela Henderson was appointed as a Director effective 29 October 2019 and received an additional £1,500 per annum with effect from 1 January 2021 for her role as Chair of the Management and Service Provider Engagement Committee.

(3) Sir Aubrey Brocklebank resigned as a Director effective 4 February 2021.

(4) Justin Ward was appointed as a Director effective 1 November 2020 and assumed the role of Audit Committee Chair on 4 February 2021 for which he received an additional £3,000 per annum.

#### 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 2021 and the preceding financial year:

|  | Year ended<br>30 September<br>2021<br>£ | Year ended<br>30 September<br>2020<br>£ | Growth<br>% |
|--|---|---|-------------|
| Directors' remuneration <sup>(1)</sup> | 150,810                                 | 133,547                                 | 12.9        |
| Dividend paid                          | 9,737,347                               | 10,142,778                              | (4.0)       |
| Share buybacks                         | 6,043,569                               | 2,875,694                               | 110.2       |

(1) The figures above exclude employer's national insurance contributions.

The Company paid a special dividend of 1.75 pence per share on 28 November 2019 in relation to disposals made in the 12 months to 30 September 2019. Adjusting for this, the value of dividends paid to shareholders in accordance with the Company's dividend policy increased in the 12 months ending 30 September 2021. The Board believes the fee increases awarded to the Directors for the year ending 30 September 2021 are appropriate in light of the significant additional time contributed by the independent non-executive Directors during the year, and, in particular those with additional responsibilities as Chair of the Board and its sub committees.

### 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 2021 | 30 September 2020 |
| David Brock                           | 42,170            | 42,170            |
| Oliver Bedford                        | 58,335            | 42,940            |
| Ashton Bradbury                       | 43,223            | 43,223            |
| Sir Aubrey Brocklebank <sup>(1)</sup> | 4,845             | 4,845             |
| Angela Henderson                      | —                 | —                 |
| Justin Ward                           | 15,786            | —                 |

(1) Sir Aubrey Brocklebank resigned as a Director effective 4 February 2021.

Between the year-end of 30 September 2021 and the date of this report, Justin Ward and Oliver Bedford have acquired an additional 8,188 and 26,153 shares respectively. Justin Ward's shareholding now totals 23,974 shares and Oliver Bedford owns 84,488 shares.

### 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 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 41 to 44 was approved by the Board of Directors on 16 December 2021 and will be further subject to an advisory vote at the Annual General Meeting being held on the 3 February 2022 and every year thereafter.

Signed on behalf of the Board of Directors

**David Brock**  
Chairman

DocuSigned by:  
*David Brock*  
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16 December 2021



# Corporate governance

## For the year ended 30 September 2021

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.

- The need for an internal audit function
- Appointment of a senior independent director
- Establishment of a separate nomination committee
- 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 9 to 11 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 17 to 18.

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 15 to 16 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:

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

- responsibility for all corporate governance matters.

The Directors have delegated the responsibility for the day to day investment management decisions of the Company to the Investment Manager. The provision of administration and custodian services has been delegated to Canaccord Genuity Wealth Limited. JTC (UK) Limited was appointed during the year to provide company secretarial services. Agreements are in place which clearly set out the responsibilities of these service providers to the Company.

The following tables set out the number of Board meetings, 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:

|                                       | Ordinary Business        |          |
|---------------------------------------|--------------------------|----------|
|                                       | Number of Board Meetings |          |
|                                       | Held                     | Attended |
| Oliver Bedford                        | 5                        | 5        |
| David Brock (Chairman)                | 5                        | 5        |
| Sir Aubrey Brocklebank <sup>(1)</sup> | 5                        | 2        |
| Ashton Bradbury                       | 5                        | 5        |
| Angela Henderson                      | 5                        | 5        |
| Justin Ward                           | 5                        | 5        |

|                                       | Approval of private company valuations |          |
|---------------------------------------|--|----------|
|                                       | Number of Board Meetings               |          |
|                                       | Held                                   | Attended |
| Oliver Bedford                        | 4                                      | 4        |
| David Brock (Chairman)                | 4                                      | 4        |
| Sir Aubrey Brocklebank <sup>(1)</sup> | 4                                      | 2        |
| Ashton Bradbury                       | 4                                      | 4        |
| Angela Henderson                      | 4                                      | 4        |
| Justin Ward <sup>(2)</sup>            | 4                                      | 3        |

|                                       | Number of Audit Meetings |          |
|---------------------------------------|--------------------------|----------|
|                                       | Held                     | Attended |
| Sir Aubrey Brocklebank <sup>(1)</sup> | 3                        | 1        |
| Ashton Bradbury                       | 3                        | 3        |
| Angela Henderson                      | 3                        | 3        |
| Justin Ward (Chairman)                | 3                        | 3        |

|                                       | Number of Management and Service Provider Engagement Meetings |          |
|---------------------------------------|---|----------|
|                                       | Held  | Attended |
| David Brock                           | 2   | 2        |
| Sir Aubrey Brocklebank <sup>(1)</sup> | 2   | 1        |
| Ashton Bradbury                       | 2   | 2        |
| Angela Henderson (Chairman)           | 2   | 2        |
| Justin Ward                           | 2   | 2        |

(1) Sir Aubrey Brocklebank resigned as a Director effective 4 February 2021.

(2) Justin Ward was appointed as a Director effective 1 November 2020.

The Board meets more frequently when business needs require.

### 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 41.

### Audit Committee

Information regarding the composition, responsibilities and activities of the Audit Committee are detailed in the report of the Audit Committee on pages 50 to 52. During the year, no fees were paid to the Company's auditors' for non-audit services (2020: 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 53.

### Board and director independence

As at 30 September 2021, the Board consisted of five directors, all of whom are non-executive and all of whom are considered independent of the Investment Manager with the exception of Oliver Bedford, who is an employee of the Investment Manager. David Brock is chairman of and an investor in Honest Brew in which the Company has an investment and so absents himself from Board decisions relating to that investment. Justin Ward was appointed to the Board effective 1 November 2020.

Brief biographical details for the Board are shown on page 36.

The Board considers that with the exception of Oliver Bedford, all of the directors remain independent. David Brock, Chairman of the Company, has served on the Board for 11 years since his initial appointment but is still considered to be independent given the absence of connections with the Investment Manager, or any other of the Company's advisors. All new directors are required to disclose other roles prior to their appointment and the Board requires that all significant additional external appointments receive prior Board approval.

### Board induction and training

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

### Board meetings

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

The Board meets on a regular basis at least five times each year with additional meetings arranged as necessary. The Board continued to make effective use of technology to enable it to operate effectively throughout 2021. This included holding virtual meetings and the use of electronic board packs.

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

### Relationship with the Investment Manager

Both the Schedule of Matters Reserved for the Board and the investment management agreement with 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 2021. 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 78.

### Relationship with other service providers

The Company maintains a schedule of the contracts that it has in place with its service providers (administrator, company secretary, custodian, registrar etc.) and the service provided by each is monitored and reviewed by the 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 size of the Board and independent nature of the majority of its members, the Board has not established a separate nomination committee and all nomination responsibilities are therefore carried out by the Board. These responsibilities include reviewing the size, structure and skills of the Board and considering any changes necessary or new appointments. Directors are required to seek approval from the Board prior to taking on any new significant external appointments. Also reflecting the size of the Board, it has not appointed a senior independent director.

All Directors are subject to annual re-election. The Board considers that due to their individual skills, experience and commitment David Brock, Angela Henderson, Justin Ward and Oliver Bedford each merit re-election as a Director.

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

Angela Henderson 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.

### **The role of the Chairman**

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

### **Board tenure**

The Company has put in place a policy on the tenure of its Board members (the "Board Tenure Policy"). The Board Tenure Policy states that the term the Chairman and other directors serve on the Board should not be restricted to a fixed time limit. The relevance of the individual length of service of the Chairman and other directors will be determined on a case by case basis. In addition to the length of service, consideration will be given to the contribution and ongoing independence of the individuals and the overall composition of the Board, including the experience and range of skills of the Directors. By adopting a rounded approach, the Board believes it is best placed, through careful succession planning, to ensure that it has appropriate levels of experience and diversity whilst introducing new board members as needed.

David Brock, Chairman of the Company since February 2020, joined the Board in 2010. David remains independent and, as a highly experienced company chairman, is ideally suited to guide the Board at a time when it is enacting its succession plans. In recent years the Board has successfully added new directors with complimentary skills through the appointments of Angela Henderson in October 2019 and Justin Ward in November 2020. Summary biographies of all the Directors can be found on page 36.

### **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.

Following year end, Ashton Bradbury informed the Board of his intention to retire at the Company's upcoming AGM. The Board will begin the process of recruiting a new non-executive director to replace Ashton Bradbury in the New Year. In line with best practice the Board will engage an independent external recruitment agency to find appropriate candidates that would meet the Board's criteria.

### **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 Chairman.

The Board evaluation was completed during the year and on review the Board is satisfied with the results and finds that the Board, the Chairman and the Directors are suitably qualified to undertake their responsibilities and perform their duties in respect of managing the Company and that the Board culture remains strong.

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 17 to 18. 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.

The Company does not have an internal audit function. 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 it does not need its own internal audit function.

The Board considers that the control systems in place provide reasonable, but not absolute, assurance against material misstatement or loss, and 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 41 to 44.

### 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 38 to 39.

### Viability Statement

The viability statement, under which the Directors assess the prospects of the Company over a longer period, is contained on page 19.

### 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 37 to 40.

For and on behalf of the Board

**JTC (UK) Limited**  
Company Secretary  
16 December 2021

DocuSigned by:  
*Susan Fadil*  
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# Report of the Audit Committee

## Composition of the Audit Committee

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

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 is a chartered accountant and Ashton Bradbury and Angela Henderson 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 roles as Lead Fund Manager and Chair of the Board, respectively.

## 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.
- 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 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 2021 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 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 17 to 18. The Committee (or the Board as a whole) has received and reviewed periodic reports to provide it with assurance that appropriate oversight of controls is in place at its key third party providers and to highlight instances of non-compliance.



The Committee has sought and obtained assurance from the Investment Manager that policies are in place covering whistleblowing and to help prevent bribery, corruption and fraud. The Investment Manager has also confirmed that no instances of bribery, corruption and fraud have been detected that would have impacted the Company. The Committee has received a summary of the 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 existence 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 existence of investments.** The valuation of investments is undertaken in accordance with the accounting policies in note 1 to the financial statements. The Investment Manager has confirmed to the Committee that the basis of valuation for unquoted investments was in accordance with industry guidelines. The auditor confirmed to the Committee that they had reviewed the estimates and judgements made by the Investment Manager when valuing the unlisted companies and that the valuations proposed were acceptable. They further confirmed that there was no evidence of bias in the valuations of the investments based on the audit work performed. The Company's Custodian CGWL provides the

Company with quarterly reports confirming that reconciliations to check the existence of the Company's investments have been carried out. Management accounts, including a full portfolio listing, are considered at quarterly board meetings.

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

### Relationship with the external auditor

The Committee is responsible for overseeing the relationship with the 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 2021 audit and concluded that the Auditor:

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

The Committee concluded that it is satisfied with the standard of service received and that the re-appointment of the Auditor was in the best interest of the Company and its shareholders.

The Committee undertook a tender process in 2017 in line with mandatory audit tendering legislation. Rotation of the audit partner took place in 2018 in

accordance with the FRC's Ethical Standard for Auditors.

Subject to the Committee continuing to be satisfied with the performance of 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, the majority of which related to the change of Company Secretary. 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.

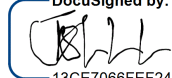
### **Compliance Control**

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.

Approved on behalf of the Board of Directors

**Justin Ward**

Chairman of the Audit Committee

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# 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 all of 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 remuneration and the notice period of the Investment Manager.
- Reviewing the performance and remuneration 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 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 2021 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 limited 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. With the exception of the Company Secretary, no changes to service providers have been made during the year.

Approved on behalf of the Board of Directors

## Angela Henderson

Chairman 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.

These Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the financial statements and have elected to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP") (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for the Company for that period.

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

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

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

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

## Website publication

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

## Directors' responsibility statement pursuant to DTR4

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

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

Chairman

16 December 2021

DocuSigned by:

*David Brock*

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# 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 2021 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 2021 which comprise the income statement, balance sheet, statement of changes in equity, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

## 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 ending 30 September 2007 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 15 years, covering the years ending 30 September 2007 to 30 September 2021. 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;
- considering the reasonableness of the inputs, judgements and assumptions underpinning the forecasts, in particular the forecast expenditure with reference to the average historical expenditure and the current cash position and cash required to meet forecast annual expenditure;
- reviewing the forecasted cash flows that support the Directors' assessment of going concern, considering the discretionary nature of many of the Company's significant cash outflows;
- calculating financial ratios to ascertain the financial health of the Company; and
- assessing the liquidity of the quoted portfolio.

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

|                          | 2021   | 2020 |
|--------------------------|--|------|
| <b>Key audit matters</b> | Valuation and ownership of quoted investments  | ✓    |
|                          | Valuation of unquoted Investments  | ✓    |
|                          | Revenue recognition  | ✓    |
| <b>Materiality</b>       | £1,990,000 (2020: £1,320,000) based on 1% of adjusted net assets (2020: 1% of gross investments) |      |

## 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. In particular, we looked at where the directors made subjective judgements, for example in respect of the valuation of investments which have a high level of estimation uncertainty involved in determining the unquoted investment valuations.

## 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  |
|---|--|
| <b>Valuation and ownership of quoted investments (Note 7 to the financial statements)</b><br><br>The Company's investments held at fair value through profit and loss total £202, 800k, of which £163,928k (81%) are quoted investments, valued using market bid price.<br><br>We considered the valuation and ownership of quoted investments to be a significant audit area as quoted investments represent the most significant balance in the financial statements and underpin the principal activity of the entity. | We responded to this matter by testing the valuation and ownership of 100% of the portfolio of quoted investments.<br><br>We performed the following procedures: <ul style="list-style-type: none"> <li>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.</li> <li>Obtained direct confirmation from the custodian regarding all investments held at the balance sheet date.</li> </ul> <b>Key observations:</b><br>Based on our procedures performed we did not identify any matters to suggest that the valuation or ownership of quoted investments was not appropriate. |

| Key audit matter   |  | How the scope of our audit addressed the key audit matter   |
|--|--|---|
| <p><b>Valuation of unquoted investments (Note 7 to the financial statements)</b></p> | <p>The company's investments held at fair value through profit and loss total £202,800k, of which £38,872k (19%) are unquoted and are valued using more subjective techniques (level 3). Investments represent the most significant balance in the financial statements and are the primary driver of returns to shareholders.</p> <p>There is a high level of estimation uncertainty involved in determining the unquoted investment valuations.</p> <p>The Investment Manager's fee is based on the value of the net assets of the fund, as shown in note 3.</p> <p>As the Investment Manager is responsible for valuing the unquoted investments for the financial statements, there is a potential risk of overstatement of investment valuations.</p> | <p>We tested 96% of the unquoted investment portfolio at year end by value of investment holdings.</p> <p>Our detailed testing for such investments comprised:</p> <ul style="list-style-type: none"> <li>• re-performing the calculation of the investment valuation</li> <li>• verifying and benchmarking key inputs in the valuation to independent information and our own research</li> <li>• obtaining the most recent audited accounts and most recent management accounts of the underlying investee company and considering the consistency of reported performance with the assumptions used in the valuations</li> <li>• where appropriate, performing sensitivity analysis on the valuation calculations where there was sufficient evidence to suggest reasonable alternative inputs might exist</li> <li>• considering the economic environment in which the investment operates to identify factors that could impact the investment valuation, including challenging key assumptions made in the valuation and ensuring that the valuation methodology applied remains applicable given the economic impact of Covid-19</li> <li>• challenging 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 to sale and profit forecasts and recalculating the value of the convertible instrument.</li> </ul> <p><b>Key observations:</b></p> <ul style="list-style-type: none"> <li>• Based on the procedures performed we were satisfied that the estimated and judgements made in the valuation of the portfolio was acceptable.</li> </ul> |

| Key audit matter  |  | How the scope of our audit addressed the key audit matter   |
|---|--|---|
| <b>Revenue Recognition<br/>(Note 2 of the financial statements)</b> | Income arises from dividends and is a key factor in demonstrating the performance of the portfolio. Judgement is required, by management, in determining the allocation of income to revenue or capital. | <p>We performed the following procedures:</p> <ul style="list-style-type: none"> <li>For dividends from quoted investments, we derived an independent expectation of income based on the investment holding and distributions from independent sources. We also cross checked the portfolio against corporate actions and special dividends and challenged if these had been appropriately accounted for as revenue or capital.</li> <li>We analysed the whole population of dividend receipts to identify any unusual items that could indicate a capital distribution, for example where a dividend represents a particularly high yield.</li> <li>We traced a sample of dividend income through from the nominal ledger to bank.</li> </ul> <p><b>Key observations:</b><br/>Based on our procedures performed we consider revenue recognition to be appropriate.</p> |

### 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                                      |                         |
|--|---|-------------------------|
|  | 2021<br>£   | 2020<br>£               |
| <b>Materiality</b>                       | £1,990,000  | £1,320,000              |
| <b>Basis for determining materiality</b> | 1% of net assets adjusted to exclude funds raised during the year | 1% of gross investments |

|  | Company Financial statements  |   |
|--|---|---|
| <b>Rationale for the benchmark applied</b>           | In setting materiality, we have had regard to the nature and disposition of the investment portfolio. The VCT'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, and as a result of the investment disposals in the current year, 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 recently raised from disposals of investments. | We considered gross investments to be the most appropriate benchmark considering the level of judgement inherent in the valuation and the range of reasonable alternative valuations. |
| <b>Performance materiality</b>                       | £1,490,000  | £990,000  |
| <b>Basis for determining performance materiality</b> | 75% (2020: 75%) of materiality<br>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**

We also determined that for those items impacting revenue return, a misstatement of less than materiality for the financial statements as a whole, could influence the economic decisions of users. As a result, we have set a lower testing threshold for those items impacting revenue return of £230,000 (2020: £160,000) which is based on 5% (2020:5%) of total gross expenditure.

#### **Reporting threshold**

We agreed with the Audit Committee that we would report to them all audit differences in excess of £39,000 (2020: £26,000), as well as 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 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.

|  |  |
|--|--|
| <b>Going concern and longer-term viability</b> | <ul style="list-style-type: none"> <li>• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified; and</li> <li>• The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate.</li> </ul>  |
| <b>Other Code provisions</b>                   | <ul style="list-style-type: none"> <li>• Directors' statement on fair, balanced and understandable;</li> <li>• Board's confirmation that it has carried out a robust assessment of the emerging and principal risks;</li> <li>• The section of the annual report that describes the review of effectiveness of risk management and internal control systems; and</li> <li>• The section describing the work of the audit committee.</li> </ul> |

#### 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.

|  |   |
|--|---|
| <b>Strategic report and Directors' report</b>                  | <p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.</li> </ul> <p>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.</p>                                   |
| <b>Directors' remuneration</b>                                 | <p>In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.</p>   |
| <b>Matters on which we are required to report by exception</b> | <p>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:</p> <ul style="list-style-type: none"> <li>• adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or</li> <li>• 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</li> <li>• certain disclosures of Directors' remuneration specified by law are not made; or</li> <li>• we have not received all the information and explanations we require for our audit.</li> </ul> |

### 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:

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. We considered the significant laws and regulations to be the 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 ("the SORP") issued in November 2014 and updated in February 2018 with consequential amendments and FRS 102.

We also assessed the susceptibility of the financial statements to material misstatement, including fraud and considered the fraud risk areas to be management override of internal controls and revenue recognition.

Our procedures included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management and those charged with governance;
- review of minutes of board meetings throughout the period;
- considering the Company's qualification as a VCT under UK tax legislation;
- the procedures performed in the Key Audit Matters section above;
- in addressing the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud; and
- obtaining an understanding of the effectiveness of control environment in monitoring compliance with laws and regulations.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members 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](http://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.

DocuSigned by:



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**Peter Smith (Senior Statutory Auditor)**

For and on behalf of BDO LLP, Statutory Auditor  
London  
United Kingdom

16 December 2021

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

# Income Statement

|   | Note | Year to 30 September 2021 |                 |               | Year to 30 September 2020 |                 |               |
|---|------|---------------------------|-----------------|---------------|---------------------------|-----------------|---------------|
|   |      | Revenue<br>£000           | Capital<br>£000 | Total<br>£000 | Revenue<br>£000           | Capital<br>£000 | Total<br>£000 |
| Net gain on investments held at fair value through profit or loss | 7    | –                         | 71,337          | 71,337        | –                         | 18,308          | 18,308        |
| Income  | 2    | 894                       | 141             | 1,035         | 731                       | 70              | 801           |
|   |      | 894                       | 71,478          | 72,372        | 731                       | 18,378          | 19,109        |
| Management fee  | 3    | (908)                     | (2,722)         | (3,630)       | (573)                     | (1,721)         | (2,294)       |
| Other expenses  | 4    | (850)                     | (21)            | (871)         | (698)                     | (184)           | (882)         |
|   |      | (1,758)                   | (2,743)         | (4,501)       | (1,271)                   | (1,905)         | (3,176)       |
| (Loss)/profit on ordinary activities before taxation              |      | (864)                     | 68,735          | 67,871        | (540)                     | 16,473          | 15,933        |
| Taxation  | 5    | –                         | –               | –             | –                         | –               | –             |
| (Loss)/profit after taxation                                      |      | (864)                     | 68,735          | 67,871        | (540)                     | 16,473          | 15,933        |
| Basic and diluted (loss)/earnings per share                       | 6    | (0.39)p                   | 30.84p          | 30.45p        | (0.26)p                   | 8.07p           | 7.81p         |

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

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

# Balance sheet

As at 30 September 2021

Company Registration Number 5206425 (In England and Wales)

|   | Note | 2021<br>£000 | 2020<br>£000 |
|---|------|--------------|--------------|
| <b>Fixed assets</b>                                   |      |              |              |
| Investments at fair value through profit or loss      | 7    | 202,800      | 131,907      |
| <b>Current assets</b>                                 |      |              |              |
| Debtors   | 9    | 330          | 173          |
| Cash at bank  |      | 27,016       | 15,695       |
|   |      | 27,346       | 15,868       |
| <b>Creditors: amounts falling due within one year</b> | 10   | (1,183)      | (818)        |
| <b>Net current assets</b>                             |      | 26,163       | 15,050       |
| <b>Total assets less current liabilities</b>          |      | 228,963      | 146,957      |
| <b>Capital and Reserves</b>                           |      |              |              |
| Called up share capital                               | 11   | 2,280        | 1,995        |
| Share premium   |      | 53,802       | 24,238       |
| Capital redemption reserve                            |      | 158          | 91           |
| Capital reserve – unrealised                          |      | 102,311      | 46,580       |
| Special reserve                                       |      | 84,004       | 99,785       |
| Capital reserve – realised                            |      | (11,433)     | (24,437)     |
| Revenue reserve                                       |      | (2,159)      | (1,295)      |
| <b>Total shareholders' funds</b>                      |      | 228,963      | 146,957      |
| Net asset value per share (basic and diluted)         | 12   | 100.39p      | 73.66p       |

These financial statements were approved and authorised for issue by the Board of Directors on 16 December 2021 and signed on its behalf by

**David Brock**  
Chairman

16 December 2021

DocuSigned by:

*David Brock*

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

# Statement of changes in equity

For the year ending 30 September 2021

|   | Note | Non-distributable reserves |                          |  |  | Distributable reserves <sup>(1)</sup> |  |                            | Total<br>£000  |
|---|------|----------------------------|--------------------------|--|--|---------------------------------------|--|----------------------------|----------------|
|   |      | Share<br>Capital<br>£000   | Share<br>Premium<br>£000 | Capital<br>Redemption<br>Reserve<br>£000 | Capital<br>Reserve<br>Unrealised<br>£000 | Special<br>Reserve<br>£000            | Capital<br>Reserve<br>Realised<br>£000 | Revenue<br>Reserve<br>£000 |                |
| <b>At 1 October 2020</b>                                  |      | <b>1,995</b>               | <b>24,238</b>            | <b>91</b>                                | <b>46,580</b>                            | <b>99,785</b>                         | <b>(24,437)</b>                        | <b>(1,295)</b>             | <b>146,957</b> |
| Profit and total comprehensive income for the year        |      |                            |                          |  |  |                                       |  |                            |                |
| Realised gains on investments                             | 7    | –                          | –                        | –  | –  | –                                     | 13,189                                 | –                          | 13,189         |
| Unrealised gains on investments                           | 7    | –                          | –                        | –  | 58,148                                   | –                                     | –                                      | –                          | 58,148         |
| Management fee charged to capital                         | 3    | –                          | –                        | –  | –  | –                                     | (2,722)                                | –                          | (2,722)        |
| Income allocated to capital                               | 2    | –                          | –                        | –  | –  | –                                     | 141                                    | –                          | 141            |
| Due diligence investments costs                           | 4    | –                          | –                        | –  | –  | –                                     | (21)                                   | –                          | (21)           |
| Revenue (loss) after taxation for the year                |      | –                          | –                        | –  | –  | –                                     | –                                      | (864)                      | (864)          |
| <b>Total profit after taxation for the year</b>           |      | <b>–</b>                   | <b>–</b>                 | <b>–</b>                                 | <b>58,148</b>                            | <b>–</b>                              | <b>10,587</b>                          | <b>(864)</b>               | <b>67,871</b>  |
| Contributions by and distributions to owners              |      |                            |                          |  |  |                                       |  |                            |                |
| Subscription share issues                                 | 11   | 347                        | 29,649                   | –  | –  | –                                     | –                                      | –                          | 29,996         |
| Issue costs   | 11   | –                          | (531)                    | –  | –  | –                                     | –                                      | –                          | (531)          |
| Share buybacks  | 11   | (67)                       | –                        | 67                                       | –  | (6,044)                               | –                                      | –                          | (6,044)        |
| DRIS share issues   | 11   | 5                          | 446                      | –  | –  | –                                     | –                                      | –                          | 451            |
| Equity dividends paid                                     | 16   | –                          | –                        | –  | –  | (9,737)                               | –                                      | –                          | (9,737)        |
| <b>Total contributions by and distributions to owners</b> |      | <b>285</b>                 | <b>29,564</b>            | <b>67</b>                                | <b>–</b>                                 | <b>(15,781)</b>                       | <b>–</b>                               | <b>–</b>                   | <b>14,135</b>  |
| Other movements   |      |                            |                          |  |  |                                       |  |                            |                |
| Diminution in value                                       |      | –                          | –                        | –  | (2,417)                                  | –                                     | 2,417                                  | –                          | –              |
| <b>Total other movements</b>                              |      | <b>–</b>                   | <b>–</b>                 | <b>–</b>                                 | <b>(2,417)</b>                           | <b>–</b>                              | <b>2,417</b>                           | <b>–</b>                   | <b>–</b>       |
| <b>At 30 September 2021</b>                               |      | <b>2,280</b>               | <b>53,802</b>            | <b>158</b>                               | <b>102,311</b>                           | <b>84,004</b>                         | <b>(11,433)</b>                        | <b>(2,159)</b>             | <b>228,963</b> |

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

# Statement of changes in equity

For the year ending 30 September 2020

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

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

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

# Statement of cash flows

|  | Note | 2021<br>£000   | 2020<br>£000    |
|--|------|----------------|-----------------|
| Total profit on ordinary activities before taxation        |      | 67,871         | 15,933          |
| Realised (gain)/loss on investments                        | 7    | (13,189)       | 230             |
| Unrealised (gain) on investments                           | 7    | (58,148)       | (18,538)        |
| (Increase)/decrease in debtors                             |      | (157)          | 293             |
| Increase/(decrease) in creditors                           |      | 365            | (191)           |
| Non-cash distributions                                     | 2    | (140)          | (66)            |
| <b>Net cash (outflow) from operating activities</b>        |      | <b>(3,398)</b> | <b>(2,339)</b>  |
| Purchase of investments                                    | 7    | (39,618)       | (27,602)        |
| Sale of investments  | 7    | 40,202         | 34,016          |
| <b>Net cash provided by investing activities</b>           |      | <b>584</b>     | <b>6,414</b>    |
| Share buybacks   | 11   | (6,044)        | (2,876)         |
| Issue of share capital                                     | 11   | 29,996         | –               |
| Issue costs  | 11   | (531)          | –               |
| Dividends paid   | 16   | (9,286)        | (10,142)        |
| <b>Net cash provided by/(used in) financing activities</b> |      | <b>14,135</b>  | <b>(13,018)</b> |
| <b>Net increase/(decrease) in cash</b>                     |      | <b>11,321</b>  | <b>(8,943)</b>  |
| Opening cash   |      | 15,695         | 24,638          |
| Closing cash   |      | 27,016         | 15,695          |

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 90 and the nature and principal business activities are set out in the strategic report.

## Basis of preparation

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

## 1. Accounting policies

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

### Financial instruments

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

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

In estimating fair value for an unquoted investment, the Investment Manager will apply one or more valuation techniques according to the nature, facts and circumstances of the investment. The Investment Manager will use reasonable current market data and inputs combined with market participant assumptions. The assessment of fair value will reflect the market conditions at the measurement date irrespective of which valuation technique is used. The IPEV guidelines describe a range of valuation techniques, including but not limited to relevant observable market multiples, independent arms-length transactions, income, discounted cash flows and net assets. The fair value

of convertible loan notes is 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 which are measured at amortised cost. There are no financial liabilities other than payables.

### Income

Equity dividends are analysed to consider if they are revenue or capital in nature on a case by case basis and are taken into account on the ex-dividend date,

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

### **Expenditure**

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

### **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**

In accordance with FRS 102 s.30, the Company is required to nominate a functional currency, being the currency in which the Company predominantly operates. The Board has determined that sterling is the Company's functional currency. Sterling is also the currency in which these accounts are presented.

### **Repurchase of shares to hold in treasury**

The cost of repurchasing shares into treasury, including the related stamp duty and transaction costs is charged to the special reserve and dealt with in the statement of changes in equity. Share repurchase transactions are accounted for on a trade date basis. Where shares held in treasury are subsequently cancelled, the nominal value of those shares is transferred out of share capital and into capital redemption reserve.

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

### **Capital structure**

#### **Share Capital**

Ordinary shares are classed as equity. The ordinary shares in issue have a nominal value of one penny and carry one vote each. Substantial holdings in the Company are disclosed in the directors' report on page 37.

#### **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.

**Key judgements and estimates**

The preparation of the financial statements requires the Board to make judgements and estimates that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Key estimation uncertainties mainly relate to the fair valuation of unquoted investments.

The assessment of fair value will reflect the market conditions at the measurement date irrespective of which valuation technique is used.

The IPEV guidelines describe a range of valuation techniques, as described in the "financial instruments" section on page 79.

The estimates are under continuous review with particular attention paid to the carrying value of the investments. The process of estimation is also affected by the determination of fair value hierarchy described in note 7 to the financial statements.

**2. Income**

|                          | 2021<br>£000       | 2020<br>£000      |
|--------------------------|--------------------|-------------------|
| Income from investments: |                    |                   |
| Revenue:                 |                    |                   |
| Dividend income          | 686                | 603               |
| Fixed income interest    | 204 <sup>(1)</sup> | 98                |
| Interest                 | 4                  | 30                |
|                          | 894                | 731               |
| Capital:                 |                    |                   |
| Return of capital        | 67 <sup>(2)</sup>  | 4 <sup>(4)</sup>  |
| In-specie dividend       | 74 <sup>(3)</sup>  | 66 <sup>(5)</sup> |
|                          | 141                | 70                |
| Total Income             | 1,035              | 801               |

(1) The Company's accrued fixed interest from a convertible loan note in Oxford Genetics (£66.4k) was converted into shares. This was triggered by the sale of the company to WuXi App Tec.

(2) Return of capital from Melrose Industries plc funded from the sale of its Nortek Air Management Division to Madison Industries LLC.

(3) Dividend in specie shares in Trellus Health plc to facilitate the spin-out of the Company's shareholding to EKF Diagnostics Holdings Plc shareholders. Trellus Health is a resilience-driven digital health solution for complex chronic conditions, into which EKF made a \$5 million investment on the 20 August 2020.

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

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

### 3. Management fees

|                 | 2021<br>Revenue<br>£000 | 2021<br>Capital<br>£000 | 2021<br>Total<br>£000 | 2020<br>Revenue<br>£000 | 2020<br>Capital<br>£000 | 2020<br>Total<br>£000 |
|-----------------|-------------------------|-------------------------|-----------------------|-------------------------|-------------------------|-----------------------|
| Management fees | 908                     | 2,722                   | 3,630                 | 573                     | 1,721                   | 2,294                 |

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 2021, £981,565 (2020: £630,674) was owed in respect of management fees. The Company receives a reduction to the annual management fee for investments in other funds managed by the Investment Manager, being its investment in the Marlborough Special Situations Fund so the Company is not charged twice for these services. This amounted to £28,403 for the year to 30 September 2021 (2020: £20,793). 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 2020 and 30 September 2021 and no fees were waived between 1 October 2019 and 30 September 2020 under the indemnity.

### 4. Other expenses

|  | 2021<br>£000       | 2020<br>£000 |
|--|--------------------|--------------|
| <b>Other revenue expenses:</b>               |                    |              |
| Administration fee                           | 195                | 195          |
| Directors' fees                              | 161 <sup>(1)</sup> | 137          |
| Legal & professional                         | 27                 | 30           |
| Registrar's fee                              | 46                 | 31           |
| Printing, postage and stationary             | 41                 | 29           |
| Auditors' remuneration – for audit services  | 33                 | 31           |
| VCT monitoring fees                          | 12                 | 11           |
| Company secretarial fees                     | 47 <sup>(2)</sup>  | 17           |
| Custody fee                                  | 30                 | 30           |
| Directors' and officers' liability insurance | 24                 | 23           |
| Broker's fee                                 | 5                  | 5            |
| VAT  | 98                 | 82           |
| Other expenses <sup>(3)</sup>                | 131                | 77           |
| Total other revenue expenses                 | 850                | 698          |
| <b>Other capital expenses:</b>               |                    |              |
| Due diligence costs                          | 18                 | 154          |
| VAT on due diligence costs                   | 3                  | 30           |
| Total other capital expenses                 | 21                 | 184          |
| Total other expenses                         | 871                | 882          |

(1) Aubrey Brocklebank retired as a director of the Company and Chairman of the Audit Committee on 4 February 2021. Justin Ward was appointed to the Board on 1 November 2020 and replaced Aubrey Brocklebank as Chairman of the Audit Committee on 4 February 2021. With effect from 1 January 2021 the annual remuneration of the Chairman increased to £35,000 and the independent non-executive directors to £27,500. An additional fee of £1,500 was introduced for the Chairman of the Management and Service Provider Engagement Committee.

(2) On 15 January 2021 Canaccord Genuity Wealth Limited stepped down as Company Secretary and JTC (UK) Limited was appointed. Fees increased from £17,000 to £53,500 per annum.

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

Only directors are classified as key management personnel. The Directors' remuneration above includes national insurance contributions. Directors' remuneration excluding employer's national insurance contributions is detailed in the directors' remuneration report on page 41.

The maximum aggregate directors' emoluments authorised by the Articles of Association are detailed in the directors' remuneration report on page 41.

## 5. Tax on ordinary activities

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

|  | 2021<br>Total<br>£000 | 2020<br>Total<br>£000 |
|--|-----------------------|-----------------------|
| Profit on ordinary activities before taxation  | 67,871                | 15,933                |
| UK Corporation Tax: 19%                        | 12,895                | 3,027                 |
| Effect of non taxable (profits) on investments | (13,554)              | (3,478)               |
| Effect of non taxable UK dividend income       | (157)                 | (128)                 |
| Effect of current year losses carried forward  | 816                   | 579                   |
| Current tax charge                             | –                     | –                     |

At the 30 September 2021 the Company had tax losses carried forward of £17,703,112 (2020: £13,409,264). It is unlikely that the Company will generate enough taxable income in the future to use these expenses to reduce future tax charges and therefore no deferred tax asset has been recognised.

There is no taxation charge in relation to capital gains or losses. No asset or liability has been recognised in relation to capital gains or losses on revaluing investments. The Company is exempt from such tax as a result of its intention to maintain its status as a Venture Capital Trust.

## 6. Earnings per share

|                                    | 2021<br>Revenue<br>£000 | 2021<br>Capital<br>£000 | 2021<br>Total<br>£000 | 2020<br>Revenue<br>£000 | 2020<br>Capital<br>£000 | 2020<br>Total<br>£000 |
|------------------------------------|-------------------------|-------------------------|-----------------------|-------------------------|-------------------------|-----------------------|
| Return                             | (864)                   | 68,735                  | 67,871                | (540)                   | 16,473                  | 15,933                |
| (Loss)/earnings per ordinary share |                         |                         |                       |                         |                         |                       |
| (basic and diluted)                | (0.39)p                 | 30.84p                  | 30.45p                | (0.26)p                 | 8.07p                   | 7.81p                 |

The earnings per share is based on 222,903,748 ordinary shares (2020: 204,111,631), being the weighted average number of shares in issue during the year.

## 7. Investments

|   | Quoted<br>investments<br>2021<br>£000 | Unquoted<br>Investments <sup>(1)</sup><br>2021<br>£000 | Total<br>investments<br>2021<br>£000 | Total<br>investments<br>2020<br>£000 |
|---|---------------------------------------|--|--------------------------------------|--------------------------------------|
| Opening Valuation                                       | 104,425                               | 27,482   | 131,907                              | 119,947                              |
| Purchases at cost                                       | 28,765                                | 10,853   | 39,618                               | 27,602                               |
| Non-cash distribution                                   | 74 <sup>(2)</sup>                     | 66 <sup>(3)</sup>                                      | 140                                  | 66                                   |
| Sale proceeds   | (25,135)                              | (15,067)   | (40,202)                             | (34,016)                             |
| Realised gains/(losses)                                 | 6,316                                 | 6,873  | 13,189 <sup>(4)</sup>                | (230)                                |
| Unrealised gains  | 49,483                                | 8,665  | 58,148 <sup>(4)</sup>                | 18,538                               |
| Closing valuation                                       | 163,928                               | 38,872   | 202,800                              | 131,907                              |
| Cost at 30 September 2021                               | 91,346                                | 23,705   | 115,051                              | 102,308                              |
| Unrealised gains at 30 September 2021                   | 80,460                                | 21,851   | 102,311                              | 46,579                               |
| Diminution in value at 30 September 2021 <sup>(5)</sup> | (7,878)                               | (6,684)  | (14,562)                             | (16,980)                             |
| Valuation at 30 September 2021                          | 163,928                               | 38,872   | 202,800                              | 131,907                              |

- (1) Includes the Marlborough Special Situations Fund – valuation £3.7m as at 30 September 2021.
- (2) Dividend in specie shares in Trellus Health plc to facilitate the spin-out of the Company's shareholding to EKF Diagnostics Holdings plc shareholders.
- (3) The Company elected to convert accrued fixed interest from a convertible loan note in Oxford Genetics into shares. This was triggered by the sale of the company to WuXi App Tec.
- (4) The net gain on investments held at fair value through profit or loss in the income statement of £71,337 is the sum of the realised and unrealised gains for the year as detailed in the table above.
- (5) Diminishments of £3,222,756 were made in the year. Once adjusted for disposals (£1,523,421) and diminishment reversals (£4,116,821), the net movement for the year is £2,417,486 and diminishments carried forward are £14,562,466.

### Transaction Costs

During the year the Company incurred transaction costs of £27,912 (2020: £50,113) and £30,183 (2020: £33,181) 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.

|             | 2021<br>Level 1<br>£'000 | 2021<br>Level 2<br>£'000 | 2021<br>Level 3<br>£'000 | 2021<br>Total<br>£'000 | 2020<br>Level 1<br>£'000 | 2020<br>Level 2<br>£'000 | 2020<br>Level 3<br>£'000 | 2020<br>Total<br>£'000 |
|-------------|--------------------------|--------------------------|--------------------------|------------------------|--------------------------|--------------------------|--------------------------|------------------------|
| Investments | 167,629                  | -                        | 35,171                   | 202,800                | 104,095                  | 330                      | 27,482                   | 131,907                |



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 2021.

| Level 3 Unquoted Investments   |   |
|--|---|
| <b>SCA Investments Ltd (Gousto)</b>  | The fair value of the investment was increased following strong trading performance in FY20 and FY21 year to date. EV/Sales peer group ratios and DCF analysis were used to support the valuation.  |
| <b>Honest Brew Ltd</b>   | The fair value of the equity investment was reduced following a period of more difficult trading which led the company to revise its revenue forecasts for FY21 and FY22. The Company expects to report an increase in revenue in FY22; however, it will require additional working capital in order to achieve this. EV/Sales peer group ratios were analysed to support the valuation. The fair value of the loan note investment made in February 2021 was held at par value at year end.  |
| <b>Kidly Ltd</b>   | The fair value of the equity investment increased following strong trading performance in FY21, which was ahead of budget. The company is forecasting further growth in FY22. EV/Sales peer group ratios were used to support the valuation. The fair value of the convertible loan note investment increased following an increase in the value of the conversion option. The conversion option is valued using the Black-Scholes option pricing model.  |
| <b>Mexican Grill Ltd</b>   | On 30 September 2021, the company announced that it had placed 15.5m shares at 181 pence per share with new and existing shareholders and confirmed that its shares would be admitted to trading on AIM on 8 October 2021. The investment was valued at a 10% discount to the IPO price and cross-referenced to EV/EBITDA peer group ratios and DCF analysis.   |
| <b>Infinity Reliance Ltd (My 1st Years)</b>                                | The company traded strongly through FY20 and the early part of FY21. The fair value assessment was initially made against the company's budget for FY20. The fair value of the investment was increased on 31 December 2020 as the company moved into FY21 to reflect the financial projections for the new financial year. As a consequence of a major fire, which destroyed the company's premises in May 2021 and the resumption of trading in September 2021, the fair value assessment was tested against the company's projections for FY22 and referenced to peer group EV/EBITDA ratios. There was no change to the assessment of fair value as at 30 September 2021. |
| <b>Out In Collective Ltd</b>   | The fair value of the investment was reduced following a change to the planned rollout of new cloud service kitchens in FY21 and FY22 that resulted in downward revisions to the company's revenue projection in FY22. The fair value assessment was referenced to peer group EV/Sales ratios.  |
| <b>Zappar Ltd</b>  | The fair value of the investment was increased following improved trading and rolling the valuation to FY22. EV/Sales peer group ratios were used to support the valuation.   |
| <b>XP Factory plc – convertible loan note (previously Escape Hunt plc)</b> | A series of positive updates drove a very significant increase in the share price of the company's ordinary shares. The increase in the share price increased the value of the option to convert the loan note into the company's ordinary shares and, as a result, the value of the convertible loan note. The value of the conversion option was calculated using the Black-Scholes option pricing model.   |
| <b>Osirium Technologies plc – convertible loan note</b>                    | A modest increase in the share price of the company's ordinary shares resulted in a small increase to the value of the option to convert the loan note into the company's ordinary shares and, as a result, the value of the convertible loan note. The value of the conversion option was calculated using the Black-Scholes option pricing model.   |

### Level 3 Unquoted Investment disposals

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

| Company                                   | Cost<br>£'000 | Total realised<br>gain | Disposal<br>proceeds<br>£'000 | Valuation as at<br>30 September<br>2020<br>£'000 | Realised gain in<br>year<br>£'000 |
|---|---------------|------------------------|-------------------------------|--|-----------------------------------|
| Fusionex International plc <sup>(1)</sup> | -             | 222                    | 222                           | 111  | 111                               |
| Oxford Genetics Ltd                       | 3,252         | 5,639                  | 8,891                         | 4,444  | 4,447                             |

(1) Fusionex International plc had been fully impaired through the profit and loss account and therefore shows a zero cost

### 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 % |
|---|-----------|--|-----------|
| Honest Brew Ltd <sup>(1)</sup>            | 37.19%    | Crossword Cybersecurity plc              | 5.87%     |
| Bivictrix Therapeutics plc <sup>(1)</sup> | 28.15%    | Kidly Limited                            | 5.21%     |
| Laundrapp Limited                         | 17.45%    | Verici DX plc                            | 5.17%     |
| Out In Collective Ltd                     | 17.10%    | Surface Transforms plc                   | 5.07%     |
| Bidstack Group plc                        | 10.74%    | Infinity Reliance Limited (My 1st years) | 4.49%     |
| PCI-PAL plc                               | 10.57%    | Rosslyn Data Technologies plc            | 4.41%     |
| Hardide plc                               | 10.38%    | XP Factory plc <sup>(3)</sup>            | 3.98%     |
| Mexican Grill Ltd <sup>(2)</sup>          | 7.72%     | Gfinity plc                              | 3.88%     |
| One Media IP Group plc                    | 7.34%     | Blackbird plc                            | 3.64%     |
| Zappar (Holding) Limited                  | 6.97%     | Intelligent Ultrasound Group plc         | 3.51%     |
| Crimson Tide plc                          | 6.39%     | C4X Discovery Holdings plc               | 3.42%     |
| Cloudcall Group plc                       | 6.27%     | Polarean Imaging plc                     | 3.40%     |
| Portr Limited                             | 6.19%     | Beeks Financial Cloud Group plc          | 3.37%     |
| Zoo Digital Group plc                     | 6.17%     | Eagle Eye Solutions Group plc            | 3.36%     |
| Eden Research plc                         | 5.94%     |  |           |

(1) In accordance with FRS 102 (section 14.4b) Honest Brew Ltd and Bivictrix Therapeutics plc are held as part of an investment portfolio and are measured at fair value with changes in value recognised in profit or loss.

(2) Mexican Grill Ltd listed on the London Stock Exchange on 8 October 2021 and changed its name to Tortilla Mexican Grill plc.

(3) Escape Hunt plc changed its name to XP Factory plc on 7 December 2021.

### 9. Debtors

|                                | 2021<br>£000 | 2020<br>£000 |
|--------------------------------|--------------|--------------|
| Prepayments and accrued income | 330          | 173          |

### 10. Creditors: amounts falling due within one year

|                              | 2021<br>£000 | 2020<br>£000 |
|------------------------------|--------------|--------------|
| Trade Creditors              | -            | 17           |
| Accruals and deferred income | 1,183        | 801          |
|                              | 1,183        | 818          |

### 11. Called up share capital

|  | 2021<br>£000 | 2020<br>£000 |
|--|--------------|--------------|
| Allotted, called-up and fully paid: 228,079,956<br>(2020: 199,514,929) ordinary shares of 1p each. | 2,280        | 1,995        |

During the year 6,661,974 (2020: 4,499,438) ordinary shares were purchased through the buyback facility at a cost of £6,043,569 (2020: £2,875,694). The repurchased shares represent 3.3% (2020: 2.2%) of ordinary shares in issue on 1 October 2020. The acquired shares have been cancelled. On 28 May 2021, the Company also applied for the cancellation of 4,406 forfeited shares.

During the year, the Company issued 34,751,654 ordinary shares of 1 pence (nominal value £347,517) in an offer for subscription, representing 17.4% of the opening share capital at prices ranging from 76.33p to 99.18p per share. Gross funds of £29,996,500 were received. The 3.5% premium of £1,049,878 payable to Canaccord

Genuity Wealth Ltd (CGWL) under the terms of the offer was reduced by £444,245, being the discount awarded to investors in the form of additional shares resulting in fees payable to CGWL of £605,633 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 £75,000 from CGWL reducing the net fees payable to CGWL to £530,633.

On 11 February 2021, 276,440 ordinary shares were allotted at a price of 90.03 pence per share, being the last published ex-dividend NAV per share as at 22 January 2021, to shareholders who elected to receive shares under the DRIS as an alternative to the final dividend for the year ended 30 September 2020.

On 30 July 2021, 203,313 ordinary shares were allotted at a price of 99.23 pence per share, being the last published ex-dividend NAV per share as at 9 July 2021, to shareholders who elected to receive shares under the DRIS as an alternative to the interim dividend for the year ended 30 September 2021.

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<br>2021 | 30 September<br>2020 |
|--------------------|----------------------|----------------------|
| Net assets (£'000) | 228,963              | 146,957              |
| Shares in issue    | 228,079,956          | 199,514,929          |
| NAV per share (p)  | 100.39               | 73.66                |

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 (2020: 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 42 and in note 4 on page 72.

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

### Transactions with the Investment Manager

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

Oliver Bedford, a non-executive director of the Company is also an employee of the Investment Manager which received fees of £25,000 for the year ended 30 September 2021 in respect of his position on the Board (2020: £25,000). Of these fees £6,250 was still owed at the year end. As announced on 14 December 2021, Oliver Bedford's non-executive directorship fees will increase to £26,500 per annum, with effect from 1 January 2022.

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

CGWL received fees for the support functions as follows:

|                            | 30 September<br>2021 | 30 September<br>2020 |
|----------------------------|----------------------|----------------------|
| Custody                    | 30,000               | 30,000               |
| Administration             | 195,000              | 195,000              |
| Company secretarial        | 4,902                | 17,000               |
| Total                      | 229,902              | 242,000              |
| Still owed at the year end | 55,745               | 60,500               |

Under an offer agreement dated 2 September 2020, CGWL were appointed by the Company to administer the Offer for Subscription and acted as receiving agent in relation to the offer. Under the terms of the agreement CGWL received a fee of 3.5 per cent. of the gross proceeds of the offer for providing these services. The Administrator agreed to discharge commissions payable to Financial Advisers in respect of accepted applications for Offer Shares submitted by them, including any trail commission.

The Administrator also agreed to discharge and/or reimburse all costs and expenses of and incidental to the Offer and the preparation of the Prospectus, including without limitation to the generality of the foregoing, FCA vetting fees in relation to the Prospectus, sponsor and legal fees and expenses of the Company and CGWL, the Company's tax adviser's fees and expenses, costs of printing, postage, advertising, publishing and circulating the Prospectus and marketing the Offer, including any introductory commission and discounts to Investors. However, the Administrator 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 34,751,654 ordinary shares (nominal value £347,517) in the offer for subscription which resulted in gross funds being received of £29,996,500. As marketing adviser and receiving agent to the Company, CGWL was entitled to 3.5% of the gross proceeds (£1,049,878), often referred to as the 'premium'. From this, CGWL paid for the allotment of additional shares to investors with a value of £444,245, resulting in net fees payable to CGWL of £605,633 to cover the costs of the offer. In accordance with the offer agreement, the Company was entitled to a rebate of £75,000 from CGWL reducing the net fees payable to CGWL to £530,633.

Under an offer agreement dated 2 September 2021, 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.

Following the final allotment under the Offer the Company and the Administrator will agree on the aggregate costs of the Offer. If the aggregate fee paid by the Company to the Administrator exceeds the costs of the Offer by more than £25,000 then CGWL will rebate any surplus to the Company, subject to a maximum rebate of £100,000. No fees were paid to CGWL in relation to this agreement during the year ended 30 September 2021.

Hargreave Hale Limited (trading as Canaccord Genuity Fund Management) is appointed as Investment Manager to the Company and receives an investment management fee of 1.7% per annum.

Investment management fees for the year are £3,629,685 (2020: £2,294,259) as detailed in note 3. Of these fees £981,565 was still owed at the year end. As the Investment Manager to the Company and the investment advisor to the Marlborough Special Situations Fund (in which the Company may invest), the Investment Manager makes an adjustment as necessary to its investment management fee to ensure the Company is not charged twice for their services.

Upon completion of an investment, the Investment Manager is permitted under the investment management agreement to charge private investee companies a fee equal to 1.5 per cent. of the investment amount. This fee is subject to a cap of £40,000 per investment and is payable directly from the investee company to the Investment Manager. The Investment Manager may recover external due diligence and transaction services costs directly from private investee companies. No fees were charged to investee companies in the year under this agreement.

Total commission of £58,095 was paid to CGWL in the year for broker services.

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

The Company also held £10,751,715 in the client account held at CGWL at 30 September 2021 (2020: £10,459,777).

## 15. Financial instruments

### Risk management policies and procedures

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

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

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

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

The structure in place to manage these risks is set out in the corporate governance report on pages 48 to 49 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 7 and 24 to 27 respectively.

### Classification of financial instruments

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

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

Other financial assets comprise cash at bank of £27,016,389 (2020: £15,695,112), accrued income and debtors of £291,328 (2020: £152,451), which is classified as 'loans and receivables measured at amortised cost'. Financial liabilities consist of trade creditors and accruals of £1,183,421 (2020: £817,739) 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                                    | Change in Fair Value of Investments   |                                      | Aggregate value 2021<br>£000 | Aggregate value 2021 <sup>(1)</sup><br>£000 |
|--|---------------------------------------|--------------------------------------|------------------------------|---|
|  | 10% increase in FTSE 100 2021<br>£000 | 10% decline in FTSE 100 2021<br>£000 |                              |   |
| AIM Qualifying Investments <sup>(2)</sup>      | +11,176                               | -11,172                              | 141,041                      | 86,455                                      |
| Unquoted Qualifying Investments <sup>(3)</sup> | +2,115                                | -2,467                               | 32,331                       | 25,932                                      |
| Quoted Non-Qualifying Investments              | +2,632                                | -2,632                               | 25,284                       | 19,360                                      |
| Unquoted Non-Qualifying Investments            | –                                     | –                                    | 443                          | 160   |
| Authorised unit trust                          | +255                                  | -255                                 | 3,701                        | –   |
| Fixed income securities                        | –                                     | –                                    | –                            | –   |
|  | +16,178                               | -16,526                              | 202,800                      | 131,907                                     |

(1) Prior year restated to reflect updated asset class categorisation.

(2) Including variances in the value of CLNs issued by XP Factory plc and Osirium plc.

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

If market prices had been 10% higher or lower while all other variables remained unchanged the return attributable to ordinary shareholders for the year ended 30 September 2021 would have increased by £16,177,864 or decreased by £16,525,685 (2020: £13,190,700).

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 10% 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 2021                                  |                    |                       |                              |                |
|--|--------------------|-----------------------|------------------------------|----------------|
|  | Fixed Rate<br>£000 | Variable Rate<br>£000 | Non-Interest Bearing<br>£000 | Total<br>£000  |
| Investments  | 5,835              | –                     | 196,965                      | 202,800        |
| Cash and cash equivalents                          | –                  | 27,016                | –                            | 27,016         |
| Other current assets and current liabilities (net) | –                  | –                     | (853)                        | (853)          |
| <b>Net assets</b>                                  | <b>5,835</b>       | <b>27,016</b>         | <b>196,112</b>               | <b>228,963</b> |

| 30 September 2020                                  |                    |                       |                              |                |
|--|--------------------|-----------------------|------------------------------|----------------|
|  | Fixed Rate<br>£000 | Variable Rate<br>£000 | Non-Interest Bearing<br>£000 | Total<br>£000  |
| Investments  | 5,334              | –                     | 126,573                      | 131,907        |
| Cash and cash equivalents                          | –                  | 15,695                | –                            | 15,695         |
| Other current assets and current liabilities (net) | –                  | –                     | (645)                        | (645)          |
| <b>Net assets</b>                                  | <b>5,334</b>       | <b>15,695</b>         | <b>125,928</b>               | <b>146,957</b> |

Interest rate risk exposure relates to fixed income securities and cash and cash equivalents (bank deposits) where interest income is primarily linked to bank base rates. Interest rate risk exposure on debt instruments is reflected in the market risk and since these securities are valued at fair value, no additional disclosure is made in this respect. Movements in interest rates on cash and cash equivalents are not considered a material risk.

#### Liquidity risk

Liquidity risk is the risk that the Company is unable to meet obligations as they fall due. As the Company has no debt or other financial liabilities other than trade creditors and accruals of £1,183,421, liquidity risk is not considered material. As at 30 September 2021 the Company held £27,016,389 on bank deposit.

#### Credit risk

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

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

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

|   | 2021<br>£000  | 2020<br>£000       |
|---|---------------|--------------------|
| Investments – (Fixed income securities) | 5,835         | 5,334              |
| Cash and cash equivalents               | 27,016        | 15,695             |
| Other assets                            | 330           | 173 <sup>(1)</sup> |
|   | <b>31,998</b> | <b>20,384</b>      |

(1) Prior year updated to remove creditors/accruals.

Bank deposits when held through Canaccord Genuity Wealth Limited (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 the 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.

**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**

|  | 2021<br>Ord<br>£000  | 2020<br>Ord<br>£000 |
|--|----------------------|---------------------|
| Paid per share:  |                      |                     |
| Final capital dividend of 2.25 pence for year ended 30 September 2019                      | –                    | 4,576               |
| Paid per share:  |                      |                     |
| Interim capital dividend of 1.00 pence for year ended 30 September 2020                    | –                    | 2,004               |
| Paid per share:  |                      |                     |
| Special capital dividend of 1.75 pence <sup>(1)</sup>                                      | –                    | 3,564               |
| Unclaimed dividends <sup>(2)</sup>   |                      | (2)                 |
| Paid per share:  |                      |                     |
| Final capital dividend of 2.65 pence for year ended 30 September 2020                      | 5,711                | –                   |
| Paid per share:  |                      |                     |
| Interim capital dividend of 1.75 pence for year ended 30 September 2021                    | 4,026                | –                   |
|  | 9,737 <sup>(3)</sup> | 10,142              |
| Paid per share:  |                      |                     |
| Special capital dividend of 2.50 pence for the year ended 30 September 2021 <sup>(4)</sup> | 5,704                | –                   |
| Proposed per share:  |                      |                     |
| Final capital dividend of 3.15 pence for the year ended 30 September 2021                  | 8,456                | –                   |
| Proposed per share:  |                      |                     |
| Final capital dividend of 2.65 pence for the year ended 30 September 2020                  | –                    | 5,713               |

(1) Special capital dividend paid on 28 November 2019

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

(3) The difference between total dividends paid for the period ending 30 September 2021 and the cash flow statement is £451,000 which reflects the amount of dividends reinvested under the DRIS.

(4) Special capital dividend paid on 29 October 2021.

**17. Post balance sheet events****Directors' remuneration**

Following a review of board remuneration and taking into account peer group analysis and inflation, the Board has decided to increase its remuneration, effective 1 January 2022. The annual remuneration of the Chairman will increase to £37,000, the independent non-executive directors to £29,000 and the non-independent non-executive director, Oliver Bedford, to £26,500. An additional fee of £1,500 will continue to be paid to the Chairman of the Management and Service Provider Engagement Committee and the Chairman of the Audit Committee will continue to receive an additional fee of £3,000.

**Share buybacks**

As at 16 December 2021, 401,981 ordinary shares have been purchased at an average price of 91.04 pence per share and a total cost of £365,958.

**Shares issued**

As at 16 December 2021, 40,633,737 ordinary shares have been issued through the offer for subscription raising gross proceeds of £39,200,400.

On 29 October 2021, a special dividend of 2.50 pence per share was paid to shareholders on the register on 1 October 2021 and 327,293 ordinary shares were allotted at a price of 94.09, to shareholders who elected to receive shares under the DRIS as an alternative to the special dividend.

### Dividend

A special dividend of 2.50 pence per share was paid on 29 October 2021 to shareholders on the register on 1 October 2021.

### New investments

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

|                                     | Amount<br>Invested<br>£000 | Investment<br>into existing<br>company |
|-------------------------------------|----------------------------|--|
| <b>Qualifying Companies</b>         |                            |  |
| Eneraqua Technologies plc           | 1,955                      | No                                     |
| Skillcast Group plc                 | 1,571                      | No                                     |
| Velocys                             | 1,320                      | Yes                                    |
| XP Factory plc                      | 1,500                      | Yes                                    |
| <b>Non-Qualifying Companies</b>     |                            |  |
| Bytes Technology Group              | 203                        | Yes                                    |
| Future plc                          | 371                        | Yes                                    |
| Hilton Food Group plc               | 545                        | Yes                                    |
| Howden Joinery Group plc            | 548                        | Yes                                    |
| JD Sports Fashion plc               | 273                        | Yes                                    |
| Marlborough Special Situations Fund | 8,334                      | Yes                                    |
| Trifast                             | 620                        | Yes                                    |
| Wickes Group plc                    | 585                        | No                                     |

# Alternative performance measures

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

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

The definition of each APM is in the glossary of terms on pages 86 to 87. Where the calculation of the APM is not detailed within the financial statements, an explanation of the methodology employed is below:

## NAV total return since inception

|   |     | 30 September 2021 | 30 September 2020 |
|---|-----|-------------------|-------------------|
| Net asset value per share                       | A   | 100.39p           | 73.66p            |
| Dividends paid per share since inception        | B   | 64.55p            | 60.15p            |
| NAV total return since inception <sup>(1)</sup> | A+B | 164.94p           | 133.81p           |

(1) Includes 100 pence initial cost

## NAV total return

|   |                   | 30 September 2021 | 30 September 2020 |
|---|-------------------|-------------------|-------------------|
| Net asset value per share 30 September 2020 | A                 | 73.66p            | 70.60p            |
| Dividends paid                              | B                 | 4.40p             | 5.00p             |
| Net asset value per share 30 September 2021 | C                 | 100.39p           | 73.66p            |
| NAV total return                            | $((B+C-A)/A)*100$ | 42.26%            | 11.42%            |

## NAV total return (dividends reinvested)

|   |  | 30 September 2021 | % Return                          |
|---|--|-------------------|-----------------------------------|
| Opening NAV per share (30 September 2020)   | A  | 73.66p            |                                   |
| Closing NAV per share (30 September 2021)   |  | 100.39p           |                                   |
|   | Final dividend for year paid February 2021 | 2.65p             |                                   |
|   | Interim dividend July 2021                 | 1.75p             |                                   |
| Total dividend payments                     |  | 4.40p             |                                   |
| Closing NAV per share plus dividends paid   |  | 104.79p           | 42.26% (11.42% 30 September 2020) |
| In year performance of reinvested dividends |  | 0.58p             |                                   |
| NAV total return (dividends reinvested)     | $((B-A)/A)*100$                            | B 105.37p         | 43.04% (12.31% 30 September 2020) |

## Share price total return

|                                     |                     | 30 September 2021     | 30 September 2020 |
|-------------------------------------|---------------------|-----------------------|-------------------|
| Share price as at 30 September 2020 | A                   | 66.00p                | 66.50p            |
| Dividends paid                      | B                   | 4.40p                 | 5.00p             |
| Special dividend (ex-dividend)      | C                   | 2.50p                 | –                 |
| Share price as at 30 September 2021 | D                   | 93.00p <sup>(1)</sup> | 66.00p            |
| Share price total return            | $((B+C+D-A)/A)*100$ | 51.36%                | 6.77%             |

(1) Ex-dividend.

**Share price total return (dividends reinvested)**

|   |   | 30 September<br>2021  | % Return  |
|---|---|-----------------------|---|
| Opening share price<br>(30 September 2020)      | A   | 66.00p                |   |
| Closing share price<br>(30 September 2021)      |   | 93.00p <sup>(1)</sup> |   |
|   | Final dividend for year<br>paid February 2021 | 2.65p                 |   |
|   | Interim dividend paid<br>July 2021            | 1.75p                 |   |
|   | Special dividend<br>(ex-dividend)             | 2.50p                 |   |
| Total dividend payments                         |   | 6.90p                 |   |
| Closing share price plus dividends paid         |   | 99.90p                | 51.36% (6.77%<br>30 September<br>2020)            |
| In year performance of reinvested dividends     |   | 0.73p                 |   |
| Share price total return (dividends reinvested) | $((B-A)/A)*100$                               | B                     | 100.63p<br>52.46% (7.11%<br>30 September<br>2020) |

(1) Ex-dividend.

**Ongoing charges ratio**

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

|                                 |             | 30 September<br>2021<br>£000 | 30 September<br>2020<br>£000 |
|---------------------------------|-------------|------------------------------|------------------------------|
| Investment management fee       |             | 3,630                        | 2,294                        |
| Other expenses <sup>(1)</sup>   |             | 805                          | 882                          |
| VCT proportion of MSSF expenses |             | 30                           | –                            |
| Ongoing charges                 | A           | 4,465                        | 3,176                        |
| Average net assets              | B           | 210,298                      | 135,416                      |
| Ongoing charges ratio           | $(A/B)*100$ | 2.12%                        | 2.35%                        |

(1) Other expenses exclude London Stock Exchange fees of £66,138 for admission of shares under the offer for subscription as the Board do not consider this cost to be an ongoing cost to the fund.

**Share price discount**

|   |                 | 30 September<br>2021 | 30 September<br>2020 |
|---|-----------------|----------------------|----------------------|
| Share price                             | A               | 93.00p               | 66.00p               |
| Net asset value per share (ex-dividend) | B               | 97.89p               | 73.66p               |
| (Discount) / premium                    | $((A/B)-1)*100$ | (5.00%)              | (10.40%)             |

The 1-year average discount of 6.25% is calculated by taking the average of the share price discount at each month end between 1 October 2020 and 30 September 2021.

The 5-year average discount of 6.31% is calculated by taking the average of the share price discount at each month end between 1 October 2016 and 30 September 2021.

# 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 Ltd (AIM), Canaccord Genuity Wealth Ltd ('CGWL'), Canaccord Genuity Financial Planning Ltd ('CGFPL'), CG Wealth Planning Ltd ('CGWPL'), Hargreave Hale Ltd (HHL) and Canaccord Genuity Wealth International Ltd.

## **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 2 September 2020.

## **Qualifying Company or Qualifying Investment**

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

## **Qualifying Trade**

A trade complying with the requirements of section 300 ITA.

## **State Aid**

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

## **VCT or Venture Capital Trust**

Venture capital trust as defined in section 259 ITA.

## **VCT Rules**

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

## **Alternative performance measures**

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



The Company uses the following alternative performance measures:

**Net asset value (NAV)**

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

**Net asset value (NAV) per share**

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

**NAV total return**

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

**NAV total return since inception**

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

**NAV total return (dividends reinvested)**

The NAV total return (dividends reinvested) shows the percentage movement in the NAV Total Return per share over time taking into account both capital returns and dividends paid assuming dividends are re-invested into new shares. To be consistent with industry standard practice, the allotment price of the new shares issued in place of the cash dividend is assumed to be the prevailing ex-dividend NAV per share on the day the shares go ex-dividend. This differs from the methodology followed by the registrar when issuing shares under the Company's dividend re-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 10 December 2021 was 94.75 pence per share. The Company publishes its unaudited NAV per share on a weekly basis.

## Dividends

Subject to approval at the Annual General Meeting on 4 February 2021, the Board has proposed the payment of a final dividend of 3.15 pence in respect of the financial year ending 30 September 2021.

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 Limited has particular expertise in the sale of VCT shares and is able to act for VCT shareholders who wish to sell their shares. However, you are free to nominate any stockbroker or share dealing service to act for you. If you would like Canaccord Genuity Wealth Limited to act for you as their client (as opposed to a shareholder in the Company) then please contact Andrew Pang for further information (0207 523 4872, [andrew.pang@canaccord.com](mailto:andrew.pang@canaccord.com)).

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

**Shareholder enquiries:**

For general shareholder enquiries, please contact Canaccord Genuity Wealth Limited on 01253 376622 or by e-mail to [aimvct@canaccord.com](mailto: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](mailto: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 90.

# Company information

## **Directors**

David Brock, Chairman  
Oliver Bedford  
Ashton Bradbury  
Angela Henderson  
Justin Ward

## **Investment Manager**

Hargreave Hale Limited (trading as Canaccord Genuity  
Fund Management)  
41 Lothbury  
London  
EC2R 7AE

## **All directors are non-executive and in all cases of:**

Talisman House  
Boardmans Way  
Blackpool  
FY4 5FY

## **Administrator and Custodian**

Canaccord Genuity Wealth Limited  
c/o Talisman House  
Boardmans Way  
Blackpool  
FY4 5FY

## **Company Secretary**

JTC (UK) Limited  
The Scalpel  
18th Floor  
52 Lime Street  
London  
EC3M 7AF

## **VCT Status Adviser**

Philip Hare & Associates  
Hamilton House  
1 Temple Avenue  
London  
EC4Y 0HA

## **Registrars**

Equiniti Limited  
Aspect House  
Spencer Road  
Lancing  
West Sussex  
BN99 6DA

## **Auditors**

BDO LLP  
55 Baker Street  
London  
W1U 7EU

## **Brokers**

Nplus1 Singer Advisory LLP  
1 Bartholomew Lane  
London  
EC2N 2AX

## **Company Registration Number**

05206425 in England and Wales

## **Solicitors**

Dickson Minto W.S.  
20 Primrose Street  
Broadgate Tower  
London  
EC2A 2EW

## **Registered office**

Talisman House  
Boardmans Way  
Blackpool  
FY4 5FY

# 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 41 Lothbury, London EC2R 7AE on 3 February 2022 at 10.30 am for the purposes of considering and if thought fit, passing the following resolutions, of which resolutions 1 to 10 will be proposed as ordinary resolutions and 11 and 12 as special resolutions:

## Ordinary Resolutions

1. To receive and if thought fit, to accept the Reports of the Directors and auditor and the audited financial statements for the year ended 30 September 2021;
2. To receive and approve the directors' remuneration report for the year ended 30 September 2021;
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 2021;
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; and
9. To approve a final dividend of 3.15 pence per ordinary share in respect of the year ended 30 September 2021.
10. THAT, in addition to all existing authorities, the directors of the Company (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 ("Shares") and to grant rights to subscribe for, or to convert any security into, Shares ("Rights"), up to an aggregate nominal value of £268,640 (being equal to approximately 10 per cent. of the Company's issued share capital (excluding treasury shares) as at 16 December 2021, being the latest practicable date prior to the date of the notice of Annual General Meeting) 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 Company's Articles of Association 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 2023 and the expiry of 15 months from the passing of this resolution (unless previously renewed, varied or revoked by the Company in 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

11. THAT, in addition to all existing authorities and subject to the passing of Resolution 10 set out in this notice of meeting, the directors of the Company (the "Directors") be and are hereby empowered, pursuant to sections 570 and 573 of the Companies Act 2006 (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 10 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 £134,320 (representing approximately 5 per cent. of the issued share capital of the Company (excluding treasury shares) as at 16 December 2021) pursuant to the dividend reinvestment scheme operated by the Company; and
  - (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 £134,320 (representing approximately 5 per cent. of the issued share capital of the Company (excluding treasury shares) as at 16 December 2021); and
  - (iii) expires on the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2023 and the expiry of 15 months from the passing of this resolution (unless previously renewed, varied or

revoked by the Company in 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.

12. 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 Companies Act 2006 (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 40,268,986 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) 5 per cent. above the average closing price on London Stock Exchange plc of an Ordinary Share over 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 London Stock Exchange plc;
  - c) the minimum price (excluding expenses) which may be paid for an Ordinary Share shall be 1p (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 2023 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.

By order of the Board of Directors.

**JTC (UK) Limited**  
**Company Secretary**

DocuSigned by:  
*Susan Fadil*  
F7828F2D418B4E3...

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

16 December 2021



A member entitled to attend and vote at this meeting may appoint a proxy or proxies to attend and vote on their behalf. A proxy need not also be a member of the Company, however shareholders who wish to appoint a proxy are recommended to appoint the Chairman of the AGM as their proxy, as third party proxies are unlikely to be permitted to attend the AGM given concerns over the spread of COVID-19. To be effective, forms of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notorally 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, subject to Government guidance in the light of the Covid-19 pandemic. 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 6.30pm on 1 February 2022 or, in the event that the meeting is adjourned, on the register of members at 6.30pm 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 6.30pm on 1 February 2022 (or in the event that the meeting is adjourned, as at 6.30pm 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](http://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](http://www.proxymity.io). Your proxy must be lodged by 10:30 am on 1 February 2021 in order to

be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proximity'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.

Subject to Government guidance in light of the Covid-19 pandemic, 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.

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 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 16 December 2021 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 268,639,005 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company are 268,639,005.



**Hargreave Hale AIM VCT plc**

(Incorporated in England and Wales  
under the companies act 1985  
with registered number 05206425)



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